



**ANNUAL REPORT AND FINANCIAL STATEMENTS OF CNOVA N.V.
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

IN ACCORDANCE WITH BOOK 2, TITLE 9 OF THE DUTCH CIVIL CODE

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INTRODUCTION

In this annual report, the terms “Cnova,” “we,” “us,” “our” and “the Company” refer to Cnova N.V. and, where appropriate, its subsidiaries. Any reference to “our brands” or “our domain names” in this annual report includes the brands “Cdiscount” and related domain names, which are either registered in the names of our Parent Companies or in the name of Cdiscount as more fully described herein. Additionally, unless the context indicates otherwise, the following definitions apply throughout this annual report:

Name	Definition
AFM	Dutch Authority for the Financial Markets
AMF	French Autorité des Marchés Financiers
Casino	Casino, Guichard-Perrachon S.A.
Casino Group	Casino, Guichard-Perrachon S.A. and its subsidiaries and, where appropriate, the controlling holding companies of Casino, including Rallye S.A. and Euris S.A.S. which are ultimately controlled by Mr. Jean-Charles Naouri
CBD or GPA	Companhia Brasileira de Distribuição and, where appropriate, its subsidiaries (together, commonly known as Grupo Pão de Açúcar)
Cdiscount	Cdiscount S.A. and, where appropriate, its subsidiaries
Cdiscount Group	Cdiscount Group S.A.S. (formerly Casino Entreprise S.A.S.) and, where appropriate, its subsidiaries
Cnova Brazil or Nova OpCo	CNova Comércio Eletrônico S.A., until October 31, 2016, a wholly owned subsidiary of Cnova owning the Brazilian non-food e-commerce businesses of CBD and Via Varejo following the completion of the 2014 Reorganization
Dutch HoldCo	Marneylectro B.V., until July 14, 2016, a wholly owned subsidiary of Lux HoldCo, organized under Dutch law
Dutch HoldCo Camberra	Camberra Participações Netherlands Holding B.V.
Dutch HoldCo CBD	Companhia Brasileira de Distribuição Netherlands Holding B.V.
Dutch HoldCo QE	QE Participações Netherlands Holding B.V.
Dutch HoldCo VV	Via Varejo Netherlands Holding B.V.
Euris	Euris S.A.S.
Éxito	Almacenes Éxito S.A. and, where appropriate, its subsidiaries
Founding Shareholders	Casino, CBD, Via Varejo, Éxito and certain former managers of Nova Pontocom.
Lux HoldCo	Marneylectro S.à r.l., a company organized under Luxembourg law and whose entire issued share capital, until July 14, 2016, was held by Nova HoldCo, CBD and Via Varejo
Lux HoldCo Camberra	Camberra Participações Luxembourg Holding S.à r.l.
Lux HoldCo CBD	Companhia Brasileira de Distribuição Luxembourg Holding S.à r.l.
Lux HoldCo QE	QE Participações Luxembourg Holding S.à r.l.
Lux HoldCo VV	Via Varejo Luxembourg Holding S.à r.l.
NASDAQ	NASDAQ Global Select Market
Nova HoldCo	Nova Pontocom Comércio Eletrônico S.A., following the completion of the 2014 Reorganization (as defined in “2.3.2 The 2014 Reorganization”)
Nova Pontocom	Nova Pontocom Comércio Eletrônico S.A. and, where appropriate, its subsidiaries, prior to completion of the 2014 Reorganization
Parent Companies	Casino, CBD, Éxito and, until the completion of the 2016 Reorganization (as defined in “2.3.4 The 2016 Reorganization”), Via Varejo, each of which is an affiliate of Cnova
Rallye	Rallye S.A. and, where appropriate, its subsidiaries
SEC	United States Securities and Exchange Commission
Via Varejo	Via Varejo S.A. and, where appropriate, its subsidiaries
Voting Depository	Stichting Cnova Special Voting Shares

We also have a number of other registered trademarks, service marks and pending applications relating to our brands. Solely for convenience, trademarks and trade names referred to in this annual report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this annual report is the property of its respective holder.

This annual report includes other statistical, market and industry data and forecasts which we obtained from publicly available information, independent industry publications and reports that we believe to be reliable sources. These publicly available industry publications and reports generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy or completeness of the information. Although we believe that these sources are reliable, we have not independently verified the information contained in such publications. Certain estimates and forecasts involve uncertainties and risks and are subject to change based on various factors, including those discussed under “4. Risk Management and Risk Factors” in this annual report.

This annual report contains forward-looking statements that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions that convey uncertainty of future events or outcomes and the negatives of those terms. These statements include, but are not limited to, statements regarding:

- our ability to compete successfully in our highly competitive market;
- our ability to maintain and grow our existing customers base;
- our ability to achieve growth in the higher-margin areas of our business, including our marketplace and home furnishings product category;
- our ability to attract and retain talented personnel;
- our ability to develop our mobile platform successfully and to monetize traffic from mobile activity;
- our ability to maintain good relations with our vendors and the ability of our vendors to maintain their commercial position;
- our ability to successfully optimize, operate and manage our fulfillment centers;
- our ability to protect our sites, networks and systems against security breaches;
- the extent to which we are able to benefit from the relationships with our Parent Companies;
- the extent to which our sites are affected by significant interruptions or delays in service;
- our ability to continue the use of our domain names and prevent third parties from acquiring and using domain names that infringe on our domain names;
- our ability to maintain and enhance our brands, as well as our customer reputation;
- our ability to comply with European, French and other laws and regulations relating to privacy and data protection;
- our ability to comply with additional or unexpected laws and regulations applying to our business, including consumer protection laws and tax laws;

- the outcome of ongoing shareholder class action lawsuit; and
- the final financial impact of the 2016 Reorganization, including the indemnification obligation of Cnova to Via Varejo, limited to \$60 million.

The forward-looking statements contained in this annual report reflect our views as of the date of this annual report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement.

Cnova operates in highly-volatile market environments, subject to rapid technological or competition-driven changes and difficult macro-environment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in “4. Risk Management and Risk Factors.”

All of the forward-looking statements included in this annual report are based on information available to us as of the date of this annual report. Unless we are required to do so under applicable laws, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

DIRECTORS' REPORT

1. OUR HISTORY

1.1 Background

Cnova N.V. is a Dutch public limited liability company (*naamloze vennootschap*) formed on May 30, 2014, under Dutch law. We are registered with the Dutch Trade Register, and our registration number is 60776676. Our registered office is located at WTC Schiphol Tower D, 7th Floor, Schiphol Boulevard 273, 1118 BH Schiphol, The Netherlands.

Our principal place of business is located at Cdiscount S.A., 120-126, Quai de Bacalan CS 11584, 33067 Bordeaux Cedex, France, for which the telephone number is +33 5 55 71 45 00. Our website address is www.cnova.com. The information contained on, or that can be accessed through, our website does not constitute a part of this annual report and is not incorporated by reference herein. We have included our website address in this annual report solely for informational purposes.

Cnova's business model was initially designed to combine French and Brazilian e-commerce capabilities (SEO, mobile sites, e-mailing, search engines, IT platforms, online instalment payment plan, marketplace development capabilities, etc.), with streamlined, efficient and low cost back-office capabilities based on strong synergies with our Parent Companies (logistics, purchasing power, pick-up points).

In 2014, we combined the French and Brazilian e-commerce assets that had very strong local market positions, forming the worldwide number 5 e-commerce player.

In 2015, this business model was then extended to other countries, most notably Colombia, Thailand and Vietnam where our Parent Companies had strong established positions, as well as certain African countries (through a partnership with Bolloré Group whose logistics and customs clearance in Africa are well advanced).

In early 2016, the Company conducted a wide-ranging strategic review primarily due to a significant macro-economic decline in Brazil. This downturn had a very strong impact on the top-line of the overall business, the competitive environment and pricing strategy of competitors. Therefore having a detrimental effect on the profitability of our operations, the level of cash-flow needs and our financial structure. The strategic review led to the decision to exit virtually all international markets and concentrate exclusively on our domestic French market. By the end of 2016, this strategic repositioning was complete. The main steps of the reorganization of Cnova during 2016 are outlined below.

1.2 2016, a year of strategic reorientation

In the first half of 2016, it was concluded that Cnova should withdraw:

- from all international markets and focus solely on its most promising market, France. This resulted in the reorganization of Cnova Brazil within Via Varejo as well as the sale or disposal of remaining international activities;
- in France, from its specialty sites to focus on its large and core Cdiscount platform. These specialty sites proved to be a significant cash-flow drain and management distraction for a limited commercial opportunity.

Sale or closing of Cdiscount International operations

In conjunction with its strategic decision to refocus its activities on Cdiscount in France, Cnova sold or disposed of the following international operations during 2016:

- in the 1st quarter, Cnova sold Cdiscount Thailand and Cdiscount Vietnam,
- in the 2nd quarter, Cnova closed the operations of Cdiscount Cameroon and Cdiscount Senegal,
- in the 3rd quarter, Cnova closed the operations and subsequently sold Cdiscount Colombia via a reduction of share capital at the end of the year, and
- in the 4th quarter, Cnova closed the operations of Cdiscount Ivory Coast.

The comprehensive impact in 2016 of the termination of the Cdiscount International operations (including the closing of the operations in Ecuador, Panama and Uruguay in 2015) generated a gain of €9 million, excluding €7.2 million of related restructuring costs in France.

Sale or closing of Cdiscount specialty sites

Prior to 2014, Cdiscount had a network of 3 specialty websites: Le Comptoir Santé (*Health and beauty, opened in 2010*), MonCornerDeco (*opened in January 2013*) and MonShowroom (*February 2013*). During the end of 2014 and early part of 2015, Cdiscount opened additional specialty sites (for example MonCornerBrico, MonCornerBaby, MonCornerJardin, etc.).

As these specialty sites proved to be a significant cash flow drain and management distraction for a limited commercial activity, they were progressively merged into the Cdiscount.com site between the 3rd quarter of 2015 and the 3rd quarter of 2016, except for MonShowroom which was sold to Monoprix for €19 million in 2015 (with a possible earn-out in 2018). These specialty website activities were not reported as a separate segment but included in the information of Cdiscount in France.

2016 Reorganization: Reorganization of Cnova Brazil within Via Varejo

On October 31, 2016, the reorganization of Cnova Brazil within Via Varejo S.A. was completed.. As a result, Cnova Brazil became a wholly owned subsidiary of Via Varejo, and Via Varejo no longer held any interest in Cnova.

The strategic rationale of this transaction was to refocus our business on Cdiscount, one of the leading e-commerce companies in France, as well as to improve our cash flow profile. Furthermore, combining Cnova Brazil with Via Varejo has a strong operational rationale that should lead to significant commercial, marketing and logistics synergies for both entities in Brazil.

On October 31, 2016, the 2016 Reorganization was completed. At which time:

- Cnova Brazil became wholly owned by Via Varejo,
- Via Varejo no longer had any continuing equity or other direct or indirect ownership in Cnova, and
- Cnova had no continuing equity or other ownership interests in Cnova Brazil.

As consideration for the transaction, Cnova received:

- (i) all of the Cnova ordinary shares (approximately 97 million shares) held by Dutch HoldCo VV (approximately 21.9% of all of Cnova's ordinary shares),
- (ii) a total cash consideration of R\$43.3 million from Via Varejo,
- (iii) the repayment of R\$527 million in consideration for all outstanding amounts related to loan obligations owed by Cnova Brazil to Cnova, and
- (iv) the special voting depository receipts that were previously held by Via Varejo.

This transaction generated a gain on disposal of €34 million.

Casino tender offers

In connection with the 2016 Reorganization, which significantly changed Cnova's business profile, Cnova's parent company, Casino, decided to launch tender offers to all Cnova minority shareholders in order to provide them with a cash exit in the event they would prefer to no longer remain shareholders of the newly configured Cnova. CBD, one of Cnova main shareholders, had previously decided and agreed not to participate in the tender offers or otherwise transfer shares indirectly held by it prior to the completion of the tender offers.

As a result, after the completion of the 2016 Reorganization described above, Casino launched two simultaneous tender offers (the Offers), one in the USA and one in France, to purchase any and all issued and outstanding Cnova ordinary shares (nominal value €0.05 per share) listed on the NASDAQ and Euronext Paris at a price of \$5.50 per share (or the equivalent in euros). The Offers both commenced on December 27, 2016 and were completed as of January 25, 2017.

After completion of the Offers, as of end of January 2017, Casino owned 98.88% of the Cnova's issued and outstanding ordinary share capital. As a result, Casino has the right to initiate at its discretion a buy-out

procedure as per Dutch law in order to acquire the remaining 1.12% of Cnova outstanding ordinary shares that it does not hold. Similarly, subject to the terms and conditions included in Dutch law, each minority shareholder has the right to institute reverse buy-out proceedings as per Dutch law to require Casino to purchase its shares against a fair price to be determined by the competent Dutch court.

Complete details of the terms and conditions of the tender offers can be found on Cnova's website (www.cnova.com) as well as on that of Casino (www.groupe-casino.fr/en/).

The NASDAQ delisting

On March 3, 2017, Cnova voluntarily delisted its ordinary shares from the NASDAQ. On the same date, Cnova filed a Form 15 with the SEC to suspend its U.S. public reporting obligations under the Exchange Act. Cnova's ordinary shares continue to be listed on Euronext Paris.

1.3 Refocus on French operations and strategic vision

Following the completion of these moves, the new strengthened Cnova refocused on France, with a clear strategic vision, and implemented an offensive growth action plan in the second half of 2016 focused on logistic efficiency, diversifying its customer offer and service enhancements.

Today, Cnova's business plan is to:

- **Expand our customer loyalty program, *Cdiscount à Volonté (CDAV)***, by targeting double-digit growth of our subscriber base, expanding the number of exclusive promotions and introducing new value added services,
- **Expand significantly product assortment** including on the higher margin home furnishings category,
- **Focus on marketplace improvements** via the recruitment of new sellers, pushing quality improvements and delivery tracking, developing fulfillment services to improve delivery times and increase the take rate by offering additional seller services,
- **Reinforce the development and the launch of new innovative financial services**,
- **Improvement of customers' satisfaction and service levels on Cdiscount's site and app** by developing a new mobile application, adding more functionalities and improved performance, identifying and implementing potential enhancements to improve customers' shopping experience (mobile and desktop, customer & delivery services), and
- **Strengthen Cdiscount's purchasing power** by capitalizing on the Casino Group and Groupe Conforama centralized purchasing platform, "MaNo."

2. BUSINESS OVERVIEW AND BUSINESS MODEL

2.1 Business Overview

	For the years ended December 31,				
	2012	2013	2014	2015	2016
Key Operating data Cdiscount France					
GMV(1) (millions)	€ 1,624.1	€ 1,900.1	€ 2,277.9	€ 2,709.3	€ 2,994.3
<i>GMV growth year-on-year</i>		17.0%	19.9%	18.9%	10.5%
Marketplace share(2)	6%	12%	19%	28%	31%
Net sales (millions)	€ 1,284.4	€ 1,412.7	€ 1,576.6	€ 1,737.2	€ 1,855.7
<i>Net sales growth year-on-year</i>		10.0%	11.6%	10.2%	6.8%
Active customers(3) millions	4.8	5.5	6.3	7.3	8.2
Orders(4) millions	9.9	11.8	15.2	20.4	24.7
Traffic (visits in millions)	404.5	482.3	582.2	759.8	841.8
Mobile share in traffic	6%	22%	37%	48%	53%

- (1) Gross merchandise volume (GMV) is defined as products sales + other revenues + marketplace business volumes + taxes and is calculated based on approved and sent orders.
- (2) Marketplace share of GMV of Cdiscount.com in France, calculated on total GMV less businesses not eligible to marketplace (B2B, supplier contribution, etc.).
- (3) Active customers at the end of December having purchased at least once through Cdiscount.com during the previous 12 months.
- (4) Total number of placed orders before cancellation due to fraud detection and/or customer non-payment.

We are one of the leading e-commerce companies in France. In 2016, our gross merchandise volume (GMV) amounted to €3.0 billion, a 13.6% increase on a like-for-like basis (i.e. excluding a discretionary pullback of business to business (B2B) activity and the sale or closure of specialty sites). This growth was supported by the rapid expansion of our marketplace which accounted for 31.4% of our GMV (+332 bp vs 2015), dynamic traffic and a continuous growth in orders, items sold and customers. Our traffic rose by 10.8% to 842 million visits at end 2016, driven by a 22% increase in mobile visits, while orders and items sold increased by 23% and 22%, respectively.

We strive to provide our customers with an attractive value proposition through low pricing, an extensive product assortment and highly differentiated delivery and payment solutions. As of December 31, 2016, we offered our 8.2 million active customers access to a wide and growing assortment of more than 20 million items through a combination of our direct sales and marketplace. The product assortment of the latter increasing by 48% compared to 2015. Our most significant product offerings categories in terms of GMV are home furnishings, home appliances, consumer electronics and computers.

We also strive to constantly improve our delivery services in order to offer maximum flexibility and service level to our customers. For example, during 2016, delivery hours were extended, same-day delivery available from Monday through Saturday for large items (>30 kg) was introduced and delivery for small items (<30 kg) became available 7 days a week.

We enjoy very strong tech capabilities, including in SEO as evidenced by various third-party market analyses, and we continue to strengthen our position. As an example, in a study published in French magazine LSA, Yooda ranked Cdiscount the number one e-commerce site in 2016 in terms of SEO progression (SEO increase measured between January 6, 2016 and November 24, 2016).

We also benefit from our relationship with our parent company, Casino, which is part of the Casino Group, a leading global diversified retail group with €36.0 billion sales for the year ended December 31, 2016 including €20.8 billion in France. This enables us, among other things, to offer low pricing and popular customer services relative to our competitors, including our Click-and-Collect delivery option whereby our customers can select a nearby location to pick-up their purchased products, generally at a lower cost and in a quicker manner. Our approximately 18,800 pick-up locations afford us with a significant advantage over our competitors, especially for heavy products, for which we benefit from approximately 500 pick-up points at the end of 2016.

In addition, we strive to constantly offer new services and improve customer satisfaction and service levels. In 2016, we launched Cstream (a streaming service for video, music, books and magazines), Cmobile (a low-cost mobile bundle) and Cdiscount Cloud for CDAV members (offers unlimited photo storage and 20 Go of document storage at no charge) and moved into the market lead with our one and half-hour Cdiscount Express delivery service for the Paris area. We also enhanced our customer loyalty program CDAV with daily private sale offers. CDAV subscribers increased by 102% over the year.

2.2 Our Business Model

Our branded site Cdiscount is among the most recognized in e-commerce in France. In 2016, Cnova generated €1,855.7 million in net sales, a 10.7% increase on a like-for-like basis.

The French e-commerce market is constantly evolving with the rapid expansion of marketplaces and mobile share in traffic, the launch of express delivery, the strong competitor marketing and customer-experience driven pressure and the continuous emergence of new players. In this context, we believe that Cdiscount's wide range of products through direct sales and third-party vendors (via the marketplace) at a low price, quick and easy delivery options and convenient payment methods give us competitive advantages.

The combination of our direct sales and our marketplace business allows us to offer our 20 million-plus assortment of items, which drives traffic to the site. Our direct sales business provides a strong foundation for our marketplace business, which represents a key driver of growth for our company. We are also focused on developing our offer through CDAV and innovative services such as Cmobile, Cstream, Cdiscount Cloud and Cdiscount Express.

Our ability to offer low pricing is facilitated in part by our proprietary software which can monitor the prices of products sold by our competitors multiple times per day and adjust our prices automatically according to an algorithm. Furthermore, because we have many suppliers in common with our parent company, Casino, and purchase jointly with them from most of those suppliers, we benefit from a joint purchasing power and vendor relationships in procuring part of our inventory (See "2.1.4 Suppliers").

We make our product offerings and services available on various sites designed for PCs and mobile devices, as well as through several apps. By the end of 2016, mobile devices accounted for 55% of our traffic in France, compared to 49% at the end of 2015, while mobile visits rose by 22% over the year. We are focused on the continuous development of our mobile platforms, as we expect sales from mobile devices to continue to grow. In August 2016, Cdiscount revamped its mobile app with very strong results, as mobile conversion rate improved by more than 30 bps on a year-to-year basis.

In addition, our technology platforms allow us to gather customer data which enables us to customize our customers' browsing experience, reduce the average number of days we hold inventory and, in real time, manage our product pricing and monitor our net sales and margins. We are also focused on monetizing the customer data we gather through our advertising sales agency, 3W Régie, which sells targeted advertising space to third parties on our site and the sites of their third-party clients.

An important part of our business model is to provide quick and reliable fulfillment as well as fast and convenient delivery options to our customers. When a customer purchases a product directly from us, we handle the processing, fulfillment and delivery of the order. In France, our more than 18 years of experience in logistics and the relationships we have built with third parties, together with our ability to make use of the Casino Group's retail network, allow us to offer popular customer service options, such as Click-and-Collect, in both our direct sales business and our marketplace businesses (via fulfillment services). See "2.1.3 Logistics" and Note 6 to our consolidated financial statements found elsewhere in this annual report for information relating to product sales from our direct sales business.

In terms of customer payment options, we offer a variety of methods, including installment payments, credit and debit cards, PayPal and similar services, bank check, wire transfer, our brand-name credit card and gift cards.

We also provide our customers with an attractive consumer financing option that allows them to pay for purchases on Cdiscount site, including the marketplace, in four monthly installments, with the first one due on the date of purchase and the subsequent three payments due 30, 60 and 90 days after the initial payment. This installment payment service plan gives us a tremendous competitive advantage as we are, to our knowledge, the

only player in France who can offer on such a large scale an online approval to use such a plan. In 2016, this payment option was utilized for approximately 40% of our GMV.

Marketplace

Our marketplace enables customers to purchase products from a multitude of third-party sellers through a seamless purchase experience on our site. Our marketplace business has experienced rapid growth in France since its inception in 2011: it generated €891 million (based on approved and sent orders and including taxes) for the year ended December 31, 2016, and represented 31.4% of our GMV, a 332 basis point increase compared to 2015. During that same period, the number of our marketplace product offerings increased from approximately 14 million to approximately 20 million, while the number of marketplace sellers increased by 20% to approximately 8,800.

The wide assortment of products we are able to feature on our site in this manner drives traffic to our site, benefitting our direct sales offerings. At the same time, the strength of our brand and the size of our site provide traffic and visibility to our marketplace sellers. Because of these factors and the commission revenue we receive on marketplace sales, we see our marketplace business as an important driver of profitable growth for our company.

On average, we received commissions of 14% (ratio of total commissions including taxes and fees to total marketplace GMV including taxes, based on approved and sent orders) on sales made through our marketplace for the year ended December 31, 2016. See Note 6 to our consolidated financial statements found elsewhere in this annual report for information relating to net sales (commissions) from our marketplace business. Thanks to a fine-tuned pricing policy in addition to a favorable change in the mix of categories, marketplace commissions on the Cdiscount site increased by 38% in 2016 vs 2015 and represented €124 million, up €34 million compared to 2015. In addition to the commissions we receive on sales, we charge marketplace sellers a monthly subscription fee.

We attract sellers to our marketplace in part through a team of employees who actively recruit new sellers to join our marketplace. We offer them a number of attractive features, including traffic and installment payment options. Our marketplace sellers are also able to benefit from sales analysis, which includes data on their price positioning compared to other sellers in the marketplace as well as customer reviews about the seller that are submitted through our Cdiscount site.

Since 2014, we have offered fulfillment services to our third-party sellers in France to promote the competitiveness and growth of the Cdiscount marketplace as well as to shorten marketplace delivery times. For a fee, we offer to handle storage, preparation, shipping and customer service on behalf of marketplace sellers, which enables such sellers to benefit from the competitive pricing we receive on shipping costs and our extensive network of pick-up locations in France. The share of marketplace GMV fulfilled by Cdiscount keeps increasing, from 3% in December 2015 to 9% in December 2016. We see the development of fulfillment services to marketplace vendors as a strong growth lever in the acceleration of marketplace profitability as well as a key lever to increase the number of SKUs available for CDAV customers.

We endeavor to provide a positive shopping experience both to customers who purchase directly from us as well as through our marketplace. On our marketplace, we monitor the performance of our marketplace sellers to verify they abide by the terms and conditions of being a marketplace participant, provide quality customer support, ship orders on time, and respond to customer queries in a timely fashion. Customers who purchase products on our marketplace can submit a review of their marketplace experience and their satisfaction with the particular marketplace seller. If marketplace sellers do not comply with the terms and conditions of the agreement they entered into when joining our marketplace, including our customer services standards, we have the ability to remove their products from our site.

As such, we have excluded from our marketplace a significant number of vendors in Q4 2016. We aim to continue to push for improvements of quality of vendors and information transparency to clients via the monitoring of customers reviews and scoring and the rapid expansion of delivery tracking.

Other Business

In addition to direct sales to our customers and our marketplace business, our advertising sales agency 3W Régie uses customer data we gather to sell advertising space on our site to third parties. 3W Régie focuses on advertising sales across various channels of digital advertising, including display, direct marketing and mobile. Our advertising sales agency also works with its own portfolio of external clients to collect customer data and sell targeted advertising space on the sites of those external clients to third parties. We earn a commission on advertising that is sold through 3W Régie.

Our Product Categories

As of December 31, 2016, we offer more than 20 million items on our site through our direct sales and marketplace businesses across a variety of categories as described in the table below.

Category	Products	% GMV for the Year Ended December 31,					
		2014		2015		2016	
Consumer Electronics . . .	Televisions, mobile phones, tablet computers, DVD/CD players, MP3 players, cameras and stereo systems. <i>Major suppliers include Samsung, Panasonic, LG, Apple and Asus.</i> <i>We also sell under our private label, Continental Edison.</i>	22	%	21	%	21	%
Home Appliances	Ovens, refrigerators, washer/dryers, dishwashers and small appliances. <i>Major suppliers include Samsung, SEB, Philips, Whirlpool, Electrolux, Bosch and Haier.</i>	23	%	22	%	22	%
Home Furnishings	Furniture and accessories, home interiors, gardening equipment and tools. <i>In addition to third-party products, we also sell under our Finlandek private label.</i>	20	%	22	%	24	%
Computers . . .	Desktop computers, laptop computers, computer screens, printers, scanners, copiers and computer components. <i>Major suppliers include Samsung, Apple, Acer, Asus, Hewlett-Packard and Lenovo.</i>	17	%	15	%	14	%
Personal Goods	Apparel, shoes, childcare products, sporting goods, bags and luggage, watches and jewelry.	8	%	9	%	9	%
Leisure	Toys, games, video games, video game systems, books and DVDs.	9	%	9	%	9	%
Other	Non-perishable grocery items, wines, automotive products and personal care products.	0	%	2	%	0	%

2.2.1 Sales and Marketing

Our marketing efforts are tailored to the French market in which we operate and are designed to retain our approximately 8.2 million active customers (as of December 31, 2016), attract new customers, increase traffic to our site, maximize our conversion rate and leverage our brand name. Approximately 90% of our GMV is generated through traffic from unpaid channels, including direct traffic, SEO, sending promotional emails and social media services. Cdiscount led the French e-commerce sector in terms of SEO progression in 2016 according to Yooda (SEO increase measured between January 6, 2016 and November 24, 2016).

In addition, as part of our business model, we aim to retain existing customers and attract new customers by offering low pricing on our large selection of available products. Our ability to deliver low pricing is aided in part by our purchasing power as well as our Click-and-Collect network of pick-up points and proprietary software, which can monitor the prices of products sold by our competitors multiple times per day and adjust our prices automatically according to an algorithm.

We complement our marketing efforts that focus on unpaid sources of traffic in France and leverage the strength of our brands and our price positioning with paid advertising, such as purchasing preferential placement and advertising space on popular search engines, including Google.

In addition to promoting our site through unpaid and paid advertising channels, we focus on several other initiatives that are intended to retain existing customers, attract new customers and increase purchasing frequency. For example, to promote customer loyalty, we offer free shipping for a low annual fee. Our CDAV program allows our customers to receive free home shipping for orders greater or equal to €25.00 of products that weigh less than 20 kilograms and are less than 170 centimeters in size (length, height and width) for an annual fee of €19.00, as compared to an average fee of approximately €4.21 per express home delivery of such small and light products. CDAV members also benefit from daily private sale offers, exclusive deals and reductions on Cdiscount services such as Cdiscount Express (free of charge on appointment). The number of CDAV subscribers, who purchase at a higher frequency than non-CDAV customers, increased by 102% between December 2015 and December 2016. We believe that the strength of our brand translates into increasing and higher customer loyalty as evidenced by 90% of our traffic being generated organically for the year ended December 31, 2016.

We also use proprietary algorithms and software that customize our customers' browsing experience on our site. For example, a customer believed to be the parent of a newborn will be shown offers for strollers and diapers when visiting our site, while a person believed to be a gamer will be shown offers for the latest games.

As a result of the above factors, our marketing spending is below the industry average. For the years ended December 31, 2014, 2015, and 2016 we spent €22.7 million, €23.9 million and €33.2 million, respectively, of our revenues on marketing (including staff costs of the marketing team), representing, respectively, 1.4%, 1.4% and 1.8% of our total revenues for the applicable year.

2.2.2 Logistics

Providing efficient and reliable fulfillment services and fast and convenient delivery options are key parts of our business model. We offer our customers a wide range of shipping and delivery options, including our Click-and-Collect option whereby customers can select a convenient location to pick-up products they purchase on our sites. Because we are part of the Casino Group, we have access to a large network of retail outlets to serve as exclusive pick-up locations, giving us a distinct competitive advantage. We are also focused on providing reliable and efficient fulfillment services, for which we use multiple warehouses. We have in place tracking systems that provide our customers with updates on the status of their order at different steps in the fulfillment process. In addition, we invest in cost-saving automation and custom design of some of our warehouse space to more efficiently process orders.

Fulfillment Centers

To serve our customers' needs, we utilize seven fulfillment centers in France with a total of approximately 300,000 square meters (sqm). In particular, we have one large distribution center for small products, located in the Bordeaux area (Cestas, 110 000 sqm), and three for large products, one in the Paris area (St Mard, 88 000 sqm, operated by ID Logistics) for the northern half of France and two near St-Etienne (83 000 sqm, both operated by Easydis, a Casino subsidiary) for the southern half of France. During the fourth quarter of each calendar year, we typically lease additional temporary warehouse space to handle the increased order volume we experience during the holiday season. For the year ended December 31, 2016, the average amount of time that inventory stayed at our warehouses was 1.7 months. For this same year, we shipped, on average, approximately 62,500 packages per day from our warehouses.

To efficiently process the large number of orders we receive, we have automated and custom-designed our warehouse space. We use various packaging machines - including a 3D machine which allows for the creation of a customized packaging for each order, and assembly-chain methods, which have generated significant cost savings. We have also implemented electronic tracking systems, which provide customers with automatic status updates at different stages of the fulfillment process. In addition, we perform quality control tests on products and have IT control systems in place to monitor the warehouses we operate.

Shipping and Delivery

We offer customers multiple delivery options, including our marketplace:

- *Home Shipping.* For average shipping fees of €3.26 for small and light orders (weight below 30 kgs), and €31.05 for orders of heavy or large products (weight above 30 kgs), customers can select home delivery. In addition to standard home delivery, we also offer express home delivery, which allows customers to receive small and light orders within one day for an average fee of approximately €4.21. Our CDAV customers can choose to pay an annual fee of €19.00 for which they receive unlimited, free one-day home delivery for small and light products when the order amount exceeds €25.00. We ship everywhere in France.

Cdiscount constantly improves its home delivery services in order to offer maximum flexibility and service level to its clients. During the year 2016, delivery hours for large items have been extended (from 6 am to 10 pm in main French cities) and same-day delivery is now available from Monday through Saturday (through Sunday mornings for Paris area). Regarding small items, Cdiscount launched “Chrono rendez-vous” in 2016 in Paris area and the next 13 largest French cities: this service allows a customer to arrange delivery by appointment with a 2-hour window.

Cdiscount also launched “Cdiscount Express” in 2016, our one-and-a-half hour delivery service for customers who reside in and around Paris. CDAV subscribers receive a preferential tariff schedule.

- *Click-and-Collect.* We have a network of approximately 18,800 Click-and-Collect locations in France for small and lightweight products. Within the network, we have approximately 500 Click-and-Collect locations for heavy or large products, 250 of which are part of the Casino Group for which we have exclusive access. This network allows our customers to choose a convenient pick-up location for delivery of their purchased products. Approximately 65% of orders are picked up at our Click-and-Collect locations for large products and heavy products: as many orders do not fit through a mailbox, being able to make use of our pick-up network allows customers to avoid having to wait at home for a delivery and instead pick-up products at their convenience. In addition, customers do not pay shipping charges for orders over €15.00 when they use our standard Click-and-Collect pick-up option. At approximately 8,800 Click-and-Collect locations, we also offer an express pick-up option for small and light products where the customer’s products are ready to be picked up the next day for a fee. Since 2014, we have offered an express delivery pick-up option for heavy or large packages within our existing Click-and-Collect network.

We pay stores that are part of our Click-and-Collect network a fee for each product that is picked up at their location. The fee is similar for stores that are part of the Casino Group as for non-affiliated stores. In addition to the benefits Click-and-Collect offers our customers, it also reduces delivery costs with 2016 Click-and-Collect delivery costs on average by 37% less than home delivery costs. For the year ended December 31, 2016, approximately 60% of our revenues in France involved Click-and-Collect.

On average, packages are delivered within one to four days. For larger products, which are delivered by appointment, the delivery time may be longer.

2.2.3 Suppliers

As of December 31, 2016, we had more than 1,400 suppliers in France, some of whom were also suppliers to our parent company, Casino. Among those common suppliers, we procured products together with Casino under equivalent purchasing terms and conditions. Purchasing together with Casino allows us to leverage our joint purchasing power, and we are therefore able to obtain more favorable purchase terms from our suppliers and reduce our cost of goods sold. We and the purchasing subsidiary of Casino have been negotiating and entering into sales agreements together with joint suppliers for several years. In September 2016, Casino Group announced the creation of a centralized purchasing platform, MaNo, with Groupe Conforama. MaNo, designed to centralize purchases of leading international brands of household appliances as well as AV and IT equipment, should strengthen Cdiscount’s competitive position in France.

We are also able to access some of the same manufacturers that our parent company Casino uses in its business through an agreement with Casino, which provides attractive terms for producing some of our private label furniture. Further, as we have grown in size, we have significantly moved away from purchasing products through wholesalers and, instead, purchase the majority of our inventory directly from suppliers, which has reduced our cost of goods sold.

Our business does not depend on any single supplier. For the year ended December 31, 2016, Samsung was our largest supplier and accounted for approximately 9% of our net sales.

2.2.4 Payment Options and Cash Pooling

Payment Options

We offer a variety of payment methods to our customers, including installment payments, credit and debit cards, PayPal and similar services, bank check, wire transfer, our brand-name credit card and gift cards.

We believe we are one of the largest e-commerce retailers in France to offer an installment payment option to a significant portion of its customer base. Our attractive consumer finance option allows our customers them to pay for purchases on Cdiscount site, including the marketplace, in four monthly installments, with the first one due on the date of purchase and the subsequent three payments due 30, 60 and 90 days after the initial payment. This installment payment service plan provides us with a tremendous competitive advantage as we are, to our knowledge, the only player in France who can offer large scale online credit approval to use such a plan. In 2016, this payment option was utilized for approximately 40% of our GMV.

Furthermore, the in-house management of this consumer finance option allows us to:

- further monetize our traffic through the generation of set-up fee revenue, and
- manage and eventually reduce finance charges associated with factoring the receivables.

In terms of financial and risk management of this payment option, Cdiscount transfers the associated credit receivables to Banque Casino in return for the full purchase price. Banque Casino generally assumes substantially all of the credit risk for all installments and earns an interest rate fee representing the cost and the credit risk.

Cash pooling

Cnova has a current account agreement with Casino Finance International (CFI), a member of the Casino Group and the centralizing entity of a cash pool implemented among certain members of the Casino Group. Cdiscount and certain of Cnova's other European subsidiaries have also acceded to the current account agreement with CFI. The purpose of the current account agreements is to improve the management of the parties' working capital through (i) obtaining cash advances from CFI to Cnova and its European subsidiaries and (ii) making Cnova and its European subsidiaries' cash surplus available to CFI.

The current accounts are designed to record the cash flows between the parties on a daily basis, with all recorded claims netted off on a continuous basis, resulting in a single account balance. As of December 31, 2016, €65 million was drawn for Cdiscount when Cnova NV has deposits with Casino of €246 million, resulting in a net cash deposit of €181 million. The maximum size of the cash pool with Cnova is €250 million. There is no cap on the size of any given drawing from the cash pool. Taking into account Cnova and its European subsidiaries that have acceded to the current account agreement, the maximum size of the cash pool is €440 million.

Simple interest accrues on a daily basis and is calculated on a monthly basis at a rate equal to the monthly average of the Euro Over Night Index Average ("EONIA") per annum plus a margin of 0.50% if the cash balance is in favor of Casino Finance International and a margin of 0.25% if the cash balance is in favor of Cnova and its European subsidiaries. Accrued interest is due and payable on the last day of each calendar month.

The term of the agreements is indefinite. Each party is entitled to terminate the relevant agreement at any time subject to ten-days prior written notice. Each agreement immediately terminates if Casino no longer

controls, directly or indirectly, CFI or Cnova or its European subsidiaries, as the case may be, or in case of bankruptcy of a party.

2.2.5 Information Technology

Continuous innovation through investment in information technology (IT) is critical to our business. We use our IT platforms to improve the experience of our customers, vendors and marketplace sellers, increase our customers' purchase frequency and average order size, bring free traffic to our site and optimize the efficiency of our business operations. Our IT platforms use custom-built proprietary and third-party solutions to support our specific customer, vendor and marketplace seller requirements, including handling heavy traffic on our site and providing quick and efficient fulfillment services to meet customer expectations. We believe we can quickly scale our IT infrastructure to accommodate changes in and the expansion of our business.

IT Solutions

Our comprehensive set of custom-built IT solutions includes the following:

- *E-commerce Platforms.* We currently operate integrated platforms with specific features for computers, tablets and smartphones. We use an internally developed "responsive design" platform that enables our website to automatically adapt to the screen size of a computer, tablet or mobile phone, which increases operational efficiency and streamlines customers' experiences across devices. Our customer-facing platforms are easily modifiable by our sales and marketing staff, providing them the ability to quickly change promotion items without the need to involve IT staff, create new pages for new products or react to real-time customer data.
- *Mobile Platforms and Applications.* Customers' activity on mobile devices is constantly growing (by the end of 2016, mobile devices accounted for 55% of our traffic, compared to 49% at the end of 2015, while mobile visits rose by 22% year-on-year). We invest significantly in mobile technology to increase sales to customers using mobile devices, and regularly launch updated versions of several of our apps for Apple, Android and Windows Phone devices. Our mobile platforms aim to create a positive shopping experience for our customers (for example by making the purchase process more efficient for them by storing their profile and payment information for future purchases), and to provide helpful tools to marketplace vendors.
- *Fulfillment Management Systems.* Our fulfillment management systems combine custom-built and third-party softwares to satisfy our unique needs in a flexible and efficient manner. They allow us to efficiently manage inventory, track and fulfill orders and quickly deliver products to our customers. Our fulfillment management systems are integrated with our customer messaging systems in order to provide real time information on order status and expected delivery date.

In addition to these custom-built solutions, email and other messaging services form a key component of our IT platforms. We provide daily promotional emails to millions of consumers in our customer database using third-party service providers. Our third-party email providers manage standard e-commerce customer communications, such as order and shipment confirmations, on a routine basis. In addition to email communications with our direct sales customers, our email platform also supports marketplace sellers, as emails from their customers are passed through our systems to allow us to liaise between marketplace sellers and their customers and monitor service levels.

We currently utilize two data center hosting facilities: one located in Paris and one in Bordeaux, France. The data centers are duplicates of each other that simultaneously handle a majority of our data.

Data Collection

We collect data from our customers to effectively promote our site and products, which we accomplish through high-volume batch processing and multi-variable and multi-dimensional real-time analytics. We utilize our data mining and transaction, payment and behavioral data capabilities on our site. We also use data collected from our marketplace to help sellers and vendors promote their products. In addition, our advertising sales agency, 3W Régie, which operates screened off from the rest of our business to protect the confidentiality of

their clients, uses the customer data we and their other clients gather to sell targeted advertising space to third parties on our site and the sites of their third-party clients.

Security

We are committed to operating a secure e-commerce business. We use various security methods in an effort to ensure the integrity of our networks and to protect confidential data collected and stored on our servers. For example, we use hierarchical levels of firewall technology to protect access to our networks and to our servers and databases on which we store confidential data. We have developed and use internal policies and procedures to protect our customers' personal information. We test for unauthorized external access to the network daily, using automated services and conduct periodic audits performed by third-party IT security consultants. In addition, we use third-party providers to detect fraudulent payments.

Development Activities

Development activities are an important component of the investments we make in our technology and our business. Our primary development activities have been focused on our marketplace, the expansion of our IT infrastructure, including the creation of both customer-facing and back office features for our site, and other development projects, part of them in logistics. In the years ended December 31, 2014, 2015 and 2016, we spent €20.2 million, €24.7 million, and €25.2 million, respectively, on our development activities.

2.2.6 Intellectual Property

Our intellectual property includes the content of our sites, our registered domain names as well as our registered and unregistered trademarks. We believe that the Cdiscount and other domain names we use in our business, as well as our Finlandek, Continental Edison and Oceanic private labels, are valuable assets and essential to our business identity. We further believe that our IT infrastructure is an important business asset.

We rely on a combination of trademark, copyright and trade secret laws in France, as well as contractual provisions, to protect our proprietary technology, domain names and brands. We also rely on certain domain names for Continental Edison pursuant to licensing agreements. We currently also have trademarks, including trademarks licensed to us, registered or pending in France for the Cdiscount and certain other brand names we use in our business. We further rely on copyright laws to protect software relating to our sites and our proprietary technologies, although we have not registered for copyright protection to date. We also enter into confidentiality agreements with our employees, vendors and marketplace sellers and seek to control access to and distribution of our proprietary information in a commercially prudent manner. In addition, we license third-party technologies that are incorporated into some elements of our technology.

2.2.7 Seasonality

Our operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer spending as well as promotional shopping activities we conduct. We experience higher sales volumes in November and December in anticipation of holiday shopping. As a result, most of our profit is generated during the fourth quarter. Additionally, we historically experience higher sales volume during January and July, the two seasonal sales periods in France. We expect these trends to continue in future years.

2.2.8 Competition

The e-commerce business is highly competitive. We compete with both e-commerce businesses, including direct sales e-commerce platforms and marketplaces as well as traditional retailers, including with their storefronts and e-commerce platforms. In France, competition is fierce and future M&A transactions could strengthen some of our key competitors. Our main competitors currently are Amazon, Fnac Darty, Boulanger, Conforama, La Redoute, LDLC, MGD and RDC.

We believe that the main competitive factors in the e-commerce business include price, products selection, shipping speed and cost, convenience of delivery and payment options, convenience of the shopping experience, brand strength, website design and responsiveness, customer call center efficiency and reliable fulfillment. We offer competitive pricing and financing facilities and believe our network of Click-and-Collect

pick-up locations as well as our extended delivery hours and same-day delivery offer provide us with a unique advantage over our competitors, in particular in the market for larger products. We believe we compete favorably across the other factors as well and have launched initiatives to improve customer experience on our site and after the purchase.

2.2.9 Government Legislation and Regulation

Our business is subject to laws and regulations related to the Internet, e-commerce, m-commerce, consumer protection, data privacy, data protection and IT. However, laws and regulations in this area are not fully settled and are currently undergoing rapid development. While this makes it difficult at present to fully ascertain to what extent new developments in the law will affect our business, there has been a trend toward increased consumer and data privacy protection. In addition, it is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce, may be interpreted and applied in a manner that may place restrictions on the conduct of our business.

As an e-commerce business, our French operations must comply with various French and European laws and regulations, particularly those relating to consumer protection, consumer credit regulation, online communication and website hosting services, Internet advertising and data privacy and protection.

Consumer protection

- Protection of consumers in respect of distance contracts and off-premises contract, upon making a contractual offer (Articles L. 221-1 et seq. of the *Code de la consommation*, the French Consumer Code, implementing in France European Union Directive 97/7/CE of May 20, 1997):

Service providers and remote sellers must provide, among other things, consumers with information relating to the seller, delivery charges, terms of payment, delivery or performance, the existence of a return right, the offer's price, as well as the timeframe within which the seller agrees to deliver the goods.

- Consumer rights (French Consumer Code law n° 2014-344 - also known as the Hamon Act - which also includes provisions of European Union Directive 2011/83/EU):

All distance contracts and off-premises contracts must include mandatory specifications, in particular concerning the essential characteristics of the goods or service and the conditions for consumers to exercise their return rights, providing a standard return form. In addition, the Hamon Act extended the return period from 7 to 14 days and provided a strengthened duty of information to the benefit of consumers. Furthermore, when the right to return is exercised, the seller shall reimburse all payments received from the consumer within 14 days from the day on which the seller is informed that the consumer withdrew from the contract. Lastly, in the absence of any timeline set forth in the contract, a professional seller must deliver the goods or supply the service within 30 days following the conclusion of the contract.

- Alternative dispute resolution for consumer disputes (Ordonnance n° 2015-1033 implements EU Regulation n° 524/2013 of May 21, 2013 and EU Directive n° 2013/11/EU of May 21, 2013):

Consumers in France have the right to resort freely to a mediator within one year after having sent a written complaint to the professional supplier of goods or services. Any provision that would force the consumer to mediate a consumer dispute before initiating legal proceedings in court is expressly prohibited. Professional suppliers of goods or services may create their own mediation department, or resort to external private or public mediation services and, in such case, must communicate the contact details of the mediator it chooses to appoint to consumers (under a €15,000 penalty).

- False/misleading advertising (Articles L. 121-2 et seq. of the French Consumer Code):

Consumers are also protected against all advertising comprising, in any form whatsoever, representations, information or presentations that are false or likely to mislead, in the case where such advertising covers, among other things, the quantity, mode and date of manufacture, properties, price and terms of sale of goods or services that are the subject of such advertising.

Online communication and website hosting service providers

French Law No. 2004-575 of June 21, 2004 on Trust in the Digital Economy (*Loi pour la confiance dans l'économie numérique* or the "LCEN") implementing in France the EU Directive 2000/31/EC of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market, provides that:

- If certain obligations under an agreement between a seller and a consumer were to be performed by a third-party, the seller remains directly and fully liable to the consumer for any such services.
- The "double click" procedure: prior to confirming an order, consumers must be able to check the order's details, including the total price, and have an opportunity to correct any errors.
- Sellers have to send order confirmations to consumers.
- Unauthorized payment transaction (The French Monetary and Financial Code, as amended by Law No. 2009-866 of July 15, 2009): in the case of an unauthorized payment transaction notified by a consumer, such consumer's payment service provider shall immediately refund to such consumer the amount of the unauthorized transaction and, where applicable, shall restore the debited payment account to the state in which it would have been had the unauthorized payment transaction not taken place. In the case of an unauthorized payment transaction following the loss or theft of a payment instrument, the consumer's payment service provider can seek from the seller the losses associated with the use of the lost or stolen instrument.

The LCEN also sets out the rules for the liability of internet service providers, website editors, e-merchants and website hosting companies, notably dealing with how e-commerce and data encryption are managed:

- Direct or indirect identification is compulsory for publishers of online communications services and distinguishes between editors of online communication services and website hosting service providers.
- Editors of online communications services are required to provide certain identification information. All editors of online communication services are subject to a general obligation to monitor the information made publicly available through their websites. Editors may be held liable in tort for the content of such information, or in certain cases, for example, slander, may be subject to criminal sanctions.
- Website hosting service providers:
 - have neither a general obligation to monitor the information that they transmit or store, nor a general obligation to actively seek facts or circumstances indicating illegal activities,
 - cannot be held civilly liable for illicit content stored, absent actual knowledge of the illicit nature of such content or of facts or circumstances evidencing illegality, and
 - are required to obtain and retain for one year information identifying authors of content, including but not limited to user and connection data, and may be required by judicial order to provide such information to the authorities.

Internet advertising

- Transparency and disclosure obligations (the French Transparency Law - Law n° 93-122 of January 29, 1993):

Purchasers of advertising space, their intermediaries and vendors of advertising space must ensure that pricing conditions, including rebates, are clearly mentioned on purchase invoices, which must be sent directly to the advertiser, even if payment is to be made by an intermediary.

Law n°2019-990 of August 6, 2015 known as the "Macron Act" modified article 20 of the law n° 93-122 of January 29, 1993 and expressly requires a written agreement between the intermediary which sells advertising space and the Internet advertiser to increase financial transparency. The French

Competition Authority announced on May 23, 2016 that it will carry out, at its own initiative, an investigation on the conditions for the exploitation of data in the sector of online advertising.

Data privacy and protection

In France, we are subject to specific laws and regulations with respect to the processing of personal data, including user, customer, vendor and employee data, which implement the European Union Directive 95/46/EC of October 24, 1995, or Data Protection Directive, and the e-Privacy Directive, as amended by European Union Directive 2009/136/EC dated November 25, 2009, transposed into French law by Ordonnance n° 2011-1012 dated August 24, 2011. In particular, the French Data Protection Act, Law n°78-17 of January 6, 1978, amended notably by Law n°2004-801 of August 6, 2004 and Law n° 2016-1321 of October 7, 2016 for a Digital Republic, reinforces individuals' rights over their personal information and gives the CNIL, which is France's data protection authority, the power to intervene on their behalf.

Consumer consent: pursuant to the requirements of the e-Privacy Directive, companies must, among other things, obtain consent to store information or access information already stored, on a user's terminal equipment (such as a computer or mobile device). These requirements predominantly regulate the use by companies of cookies and similar technologies. Prior to providing such consent, users must receive clear and comprehensive information in accordance with the Data Protection Directive about the access and storage of information. Certain exemptions to these requirements, such as (i) storage and access strictly necessary to provide a service explicitly requested by the user or (ii) the legitimate interests of the data controller or recipient (provided the interests and fundamental rights and liberties of the data subjects are preserved), are available.

The right to be forgotten: the Court of Justice of the European Union (CJEU), in its decision Google Spain SL, Google Inc. v. Agencia Española de Protección de Datos, Mario Costeja González, dated May 13, 2014, ruled that the operator of a search engine may have to remove from the list of results displayed following a search made on the basis of a person's name links to web pages published by third parties and containing information relating to that person.

Cookies: companies like ours together with advertisers and publishers are required to present users with an information notice and obtain their consent prior to placing cookies or other tracking technologies (European Union Directive 2009/136/EC of November 25, 2009). Directive 2009/136/EC and country-specific laws may reduce the amount of data we can collect or process. As a result of these regulatory changes in Europe and related public attention, some leading browser providers have developed or are further developing browsers which reject third-party cookies as the default setting or at least make it easier for consumers to reject cookies or other similar tracking technologies. Furthermore, French law requires through law and guidance that the user's explicit consent must be obtained prior to the placement of cookies for targeted advertising purposes.

Pursuant to guidance from the French CNIL (see below) on cookies and other tracers, users must be shown on the entry page of the website a notice indicating that proceeding onto the website and continuing their navigation will be deemed consent by the user to the setting of cookies. This notice, which cannot disappear until the user has continued their navigation, must indicate the purpose of the services proposed to be provided through the cookies and give access to options to object to such cookies. Consent remains valid for a maximum period of 13 months, after which consent from the users must again be sought. This is an implied consent regime through information and control. Liability for the compliance with this recommendation is shared between advertisers, publishers and networks, including 3W Régie.

General Data Protection Regulation: regulates the protection of individuals with regard to the processing of personal data and on the free movement of such data. It also imposes the obligation to conduct a data protection impact assessment for risky processing operations, and includes stronger requirements for consent, data breach notification and restrictions on the collection and use of "sensitive" personal data. Its stringent requirements on privacy user notifications and data handling may present challenges to our ability to collect customer data and promote our sites, product offerings and services through electronic communications, and also impact the operations of our online advertising sales agency, 3W Régie

Commission Nationale de l'Informatique et des Libertés (CNIL): France's data protection authority which overlooks and enforces specific laws and regulations with respect to the processing of personal data, including user, customer, vendor and employee data. The CNIL has, in cases involving infringement of individual rights and freedoms, a wide range of powers to intervene, including the right to request court orders

to curtail the use of the information or a request for a temporary suspension, blocking of information or withdrawal of authorization. The CNIL can:

- issue monetary fines up to €3,000,000,
- order the sanctioned persons, at their own costs, to inform each person concerned of such sanction,
- make public warnings and may order notices of the warnings issued to be inserted in any publication, newspaper or media it indicates, with the costs paid by the persons penalized.

Failure to comply with French data protection requirements may, in addition, trigger criminal sanctions of up to five years imprisonment and up to a €1.5 million fine.

The investigative powers of the CNIL were expanded by the Hamon Act by enabling its members and authorized agents to carry out online investigations. Transmission of unsolicited e-mails of a commercial nature, known as “spamming,” to individuals is prohibited, unless the recipient has given a prior consent, known as “opt-in,” to such communication. French law provides an exception for unsolicited e-mails sent to a recipient with whom the sender has an existing relationship, meaning a relationship of the same nature, with the same person, and for “analogous products or services.” Such communication is exempt from the requirement of obtaining the recipient’s consent, provided that each commercial e-mail offers the possibility for the person solicited to object to receiving similar messages in the future, such as an “unsubscribe” link.

The CNIL has, in cases involving infringement of individual rights and freedoms, a wide range of powers to intervene, including the right to request court orders to curtail the use of the information or a request for a temporary suspension, blocking of information or withdrawal of authorization. The powers of the CNIL have been significantly strengthened by the “Digital Republic Law”. The CNIL can issue monetary fines up to € 3,000,000. It may also order the sanctioned persons, at their own costs, to inform each person concerned of such sanction. It may also make public warnings and may order notices of the warnings issued to be inserted in any publication, newspaper or media it indicates, with the costs paid by the persons penalized. Failure to comply with French data protection requirements may, in addition, trigger criminal sanctions of up to five years imprisonment and up to a €1.5 million fine. The Hamon Act also expanded the investigative powers of the CNIL by enabling its members and authorized agents to carry out online investigations. Transmission of unsolicited e-mails of a commercial nature, known as “spamming,” to individuals is prohibited, unless the recipient has given a prior consent, known as “opt-in,” to such communication. French law provides an exception for unsolicited e-mails sent to a recipient with whom the sender has an existing relationship, meaning a relationship of the same nature, with the same person, and for “analogous products or services.” Such communication is exempt from the requirement of obtaining the recipient’s consent, provided that each commercial e-mail offers the possibility for the person solicited to object to receiving similar messages in the future, such as an “unsubscribe” link.

2.2.10 Legal proceedings

From time to time, we may be party to litigation or subject to claims arising from the ordinary course of business. These lawsuits may divert our management’s attention from our ordinary business operations, and we may incur significant expenses associated with them (including, without limitation, substantial attorneys’ fees and other professional advisor fees and obligations to indemnify certain current and former officers or directors).

The outcome of litigation and other legal matters is always uncertain. However, the Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with IFRS, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party and record a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition. To date, none

of these types of litigation matters has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or consolidated results of operations.

Cnova

- We, certain of our current and former officers and directors, and the underwriters of our initial public offering have been named as defendants in a securities class action asserting claims arising out of the subject matter of an internal review at Cnova Brazil, including issues related to inventory management. The action consolidates three separate class actions that were brought on January 15, 2016, January 20, 2016, and January 22, 2016, respectively. On April 15, 2016, those cases were consolidated in the United States District Court for the Southern District of New York, and captioned as *In re Cnova N.V. Securities Litigation*, Case No. 16-CV-444. On June 13, 2016, an amended consolidated complaint was filed in that consolidated case on behalf of a putative class alleging a violation of Section 11 of the Securities Act by us and the underwriters of our initial public offering and alleging a violation of Section 15 of the Securities Act by certain of our officers and directors. On August 16, 2016, a supplemental amended complaint was filed in the same case asserting the same legal claims, with some additional factual allegations.

Factually, the lawsuit alleges a number of material misstatements and omissions in our registration statement on Form F-1 filed with the SEC in 2014 in connection with our initial public offering, concerning, among other issues, our net sales and other financial information. The Company answered the supplemental amended consolidated complaint on September 15, 2016, denying the claims asserted. Discovery in the action is currently stayed pending the outcome of a motion to dismiss for lack of personal jurisdiction filed on behalf of certain of our officers and directors and former officers and directors on September 15, 2016.

We are unable at this time to determine the extent of our potential liability in these matters, if any, even if our insurances policies for such claims have been activated.

- In a separate potential action the SEC might take, sanctions might be imposed as a result of the facts at issue in the internal review conducted by the Company and its advisors retained by our board of directors.

Accordingly, the ultimate resolution of these matters could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, there is the potential for additional shareholder litigation and/or governmental investigations, and we could be similarly materially and adversely affected by such matters. Any existing or future shareholder lawsuits and/or governmental investigations and/or any future governmental enforcement actions could also adversely impact our reputation and our relationship with our customers, which may in turn have a material adverse effect on our business, results of operations, cash flows, financial condition or the price of our ordinary shares.

Cdiscount

- On March 18, 2015, a French competitor brought an action against Cdiscount before French courts alleging, in substance, that certain “flash sales” organized by Cdiscount as well as certain promotional offers based on “crossed out prices” of Cdiscount constituted unfair commercial practices under French law. The claimant requested the court to rule that such practices constituted unfair commercial practices and to order Cdiscount to cease the alleged unfair commercial practices. As of the time of this filing, this lawsuit is ongoing. While the outcome of litigation is inherently uncertain, the Company believes it has reasonable arguments to succeed in the litigation and plans to vigorously defend itself against this action.

Furthermore, a case was pending before the Supreme Court of France related to Cdiscount’s compliance with applicable law regarding methods of determining price reductions. Cdiscount believed it complied with the relevant European Union law on price reductions and argued in the lower courts that French regulations in this area are more restrictive than allowed by European Union law. The Supreme Court rendered its decision on March 8, 2016, and Cdiscount achieved a satisfactory outcome in this case.

- In March 2015, the French Government changed the applicable regulation to be compliant with the relevant European Union law on price reductions. Based on this new regulation, the French administration has initiated a control on the way Cdiscount determines price reductions. Cdiscount believes it complies

with new French regulation and with European Union law. In July 2016, the French Administration concluded that Cdiscount complies with current French regulation and case law.

- In February 2016, the CNIL initiated an action regarding Cdiscount's compliance with French privacy regulation. In its action, the CNIL identified non-compliance by Cdiscount and rendered two decisions. Firstly, the CNIL rendered a sanction consisting in a public warning limited to (i) Cdiscount's failure to implement security measures for certain consumer data and (ii) the absence of a defined duration for retention by Cdiscount of certain consumer data. Cdiscount has taken steps to remedy such issues.

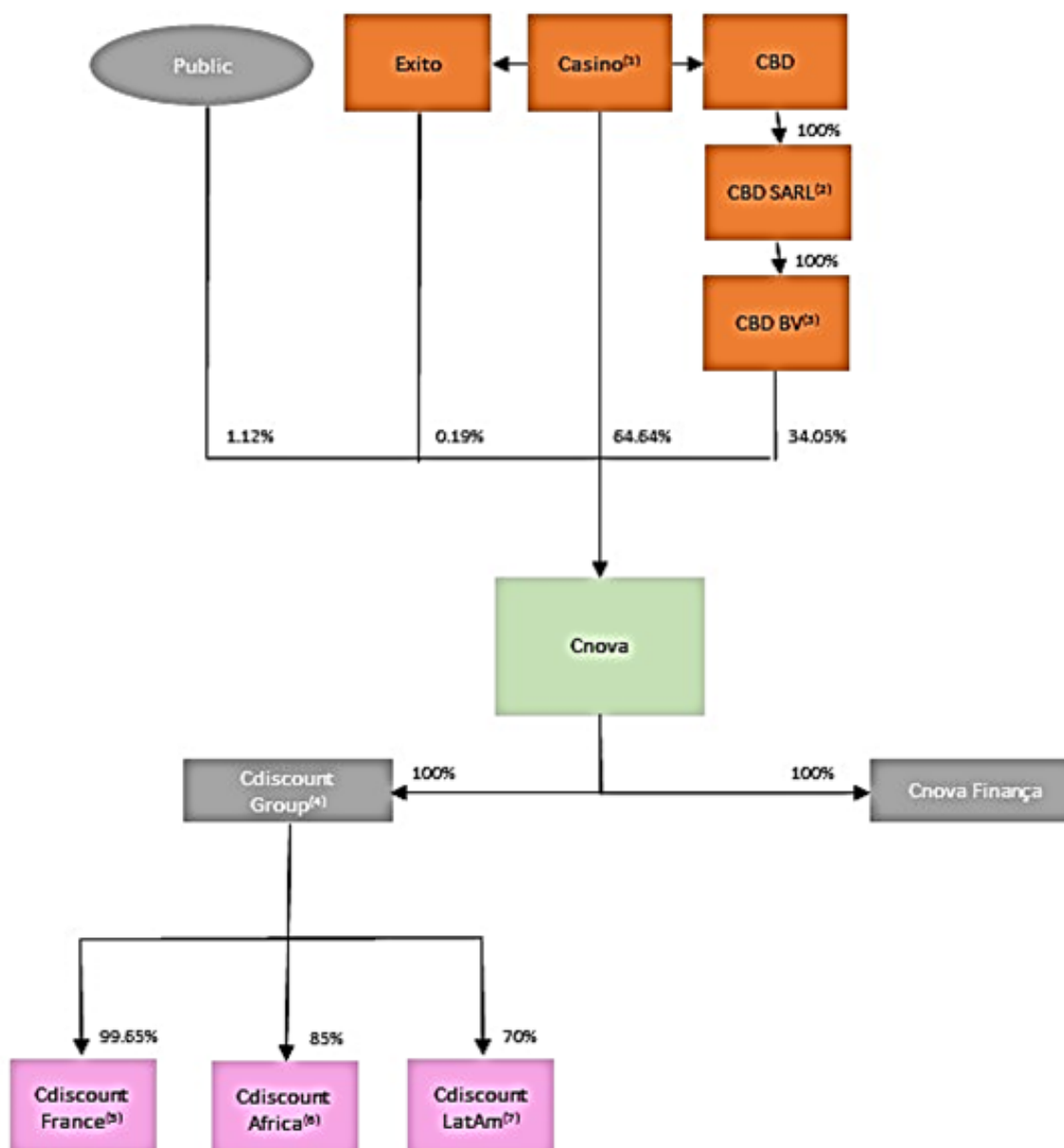
Secondly, the CNIL gave Cdiscount a public notice to remedy ten issues (such as improving legal information on Cdiscount.com, requiring the clients to choose a more complex password for signing up...). These issues must have been fixed on April, 18, 2017 at the latest. As of the time of this filing, most of them are already resolved. Cdiscount is confident that it will be able to correct every noticed non-conformity by April, 18, 2017.

2.3 Organizational Structure

2.3.1 Current Corporate Structure

The legal name of our company is Cnova N.V., and we are organized under the laws of the Netherlands. We were formed on May 30, 2014. Following the 2016 Reorganization completed on October 31, 2016 (see section 2.3.4 below) and the Offers (refer to section 2.3.5 below), our corporate structure consists of our Parent Companies and several subsidiaries. Our shareholders include (i) Casino, Guichard Perrachon S.A., which is organized under the laws of France and directly holds 64.64% of our issued and outstanding ordinary shares (beneficially owning, in the aggregate, directly or indirectly, 98.88% of our issued and outstanding ordinary shares); (ii) Almacenes Éxito S.A., which is organized under the laws of Colombia and directly holds 0.19% of our issued and outstanding ordinary shares and (iii) Companhia Brasileira de Distribuição, which is formed under Brazilian law and directly holds 34.05% of our issued and outstanding ordinary shares.

Our subsidiaries are (i) Cnova Finança B.V., a wholly-owned Dutch company; (ii) the wholly-owned French company Cdiscount Group, which holds (iii) 99.65% of French company Cdiscount S.A., (iv) 85% of CD Africa SAS, formed under French law, ("Cdiscount Africa"), and (v) 70% of CLatAm S.A., formed under Uruguayan law ("Cdiscount LatAm"), which is in liquidation process. Cdiscount Group holds its interests in Cdiscount LatAm through a wholly-owned intermediate entity, Cdiscount International B.V., formed under Dutch law. Cdiscount Group holds its interest in Cdiscount Africa through a wholly-owned intermediate entity, French company Cdiscount Afrique S.A.S.



(1) Casino is ultimately controlled by Jean-Charles Naouri, via Euris S.A.S. and other intermediate entities.

(2) Named Companhia Brasileira de Distribuição Luxembourg Holding S.à r.l.

(3) Named Companhia Brasileira de Distribuição Netherlands Holding B.V.

(4) Cdiscount Group holds its interests in Cdiscount LatAm through a wholly-owned intermediate entity, Cdiscount International B.V. Cdiscount Group holds its interest in Cdiscount Africa through a wholly-owned intermediate entity, Cdiscount Afrique S.A.S.

(5) Named Cdiscount S.A. The remaining 0.35% of the share capital is indirectly held by Casino.

(6) The 15% minority interest in Cdiscount Africa is held by Bolloré Africa Logistics.

(7) The 30% minority interest in Cdiscount LatAm is held by Éxito.

2.3.2 The 2014 Reorganization

On July 11, 2014, Casino, Companhia Brasileira de Distribuição, Via Varejo, Nova Pontocom and Nova OpCo entered into the Framework and IPO Agreement, to which Cnova became a party on July 24, 2014. The agreement provides for the reorganization of the e-commerce businesses of Casino and its affiliated entities in France, Latin America and Asia under the common ownership and/or control of Cnova for the purpose of our initial public offering. The 2014 Reorganization was effected in accordance with the Framework and IPO Agreement, through the steps described below. Following the completion of the 2014 Reorganization, Cnova owns, directly or indirectly, or has the right to use substantially all of the assets that were used, or held for use, in the e-commerce businesses of Casino and its affiliated entities in France, Latin America (including Brazil) and Asia.

We refer to the transactions described in clauses (i) through (vi) below as the “2014 Reorganization,” and the transaction described in clause (ii) below as the “Nova Pontocom Reorganization.” On or shortly prior to July 24, 2014, (except for clause (v) below, which was completed on November 17, 2014):

- (i) Casino effected a contribution in kind of all issued and outstanding shares it held in Cdiscount Group, the holding company through which Casino conducts its e-commerce business in France, Colombia and Asia to Cnova, as a result of which Cnova owns the majority (approximately 99.8%) of the shares of Cdiscount Group and as a result controls the Cdiscount business in France and abroad;
- (ii) Nova Pontocom effected a contribution in kind of substantially all of its assets and liabilities to our wholly owned Brazilian subsidiary, Nova OpCo, as a result of which Nova OpCo owns the Brazilian e-commerce businesses of CBD and Via Varejo;
- (iii) Nova Pontocom reorganized the ownership structure of Nova OpCo, such that, prior to the completion of step (iv), 100% of the share capital of Nova OpCo was held by Dutch HoldCo, which is in turn a wholly owned subsidiary of Lux HoldCo, 100% of the share capital of which was held by Nova HoldCo;
- (iv) Following the completion of the preceding steps, Dutch HoldCo contributed all of the issued and outstanding shares in Nova OpCo to us, as a result of which we own the Brazilian e-commerce businesses of CBD and Via Varejo;
- (v) Casino transferred 30% of its indirect interest in C-Distribution Asia Pte. Ltd, which controlled Casino’s e-commerce subsidiaries operating in Thailand and Vietnam to a subsidiary of Cdiscount Group, resulting in Cnova obtaining indirect 60% control over C-Asia; and
- (vi) Cnova obtained control over the e-commerce business of Casino in Colombia, operated through Cdiscount Colombia. In connection with this step, Almacenes Éxito S.A. contributed a 21% stake in Cdiscount Colombia to us in consideration for newly issued ordinary shares of our Company representing 0.15% of our share capital.

On December 30, 2014, Nova HoldCo transferred 5,838,233 shares in the capital of Lux HoldCo to CBD and 4,902,270 shares in the capital of Lux HoldCo to Via Varejo in connection with a restructuring of an intercompany debt owed by Nova HoldCo. As a result of those transfers, CBD, Via Varejo and Nova HoldCo directly held approximately 2.65%, 2.22% and 95.13%, respectively, of the issued and outstanding shares in the capital of Lux HoldCo and CBD, Via Varejo and certain management and minority shareholders indirectly held approximately 26.1%, 21.9% and 1.80%, respectively, of the issued and outstanding ordinary shares in the capital of Cnova. These shareholdings subsequently changed after the restructurings described below.

2.3.3 2016 Changes to the Organizational Structure

In March 2016, pursuant to the decision of Casino Group to sell its subsidiaries in Thailand and Vietnam, Cnova decided to sell its interests in its own e-commerce subsidiaries in Thailand and Vietnam. Cnova completed the sale of its economic interests in the Thai company, C Distribution (Thailand) Ltd., to one of the subsidiaries of the TCC group, the BJC group, for a total cash equivalent consideration of €28 million (including repayment of shareholder loans). Cnova sold Cdiscount Vietnam to Big C Vietnam in relation with the sale

by Casino of Big C Vietnam. These transactions resulted in a net profit of €24.4 million. Furthermore, in the 2nd half of 2016, we sold Cdiscount Colombia to Exito for a cash consideration of €2.7 million representing our share of its net assets.

On July 14, 2016, Dutch HoldCo entered into a demerger under Dutch law, pursuant to which:

- (i) Dutch HoldCo was renamed QE Participações Netherlands Holding B.V. (“Dutch HoldCo QE”) and retained 6,002,981 of our ordinary shares and an equal number of special voting depository receipts issued for our special voting shares
- (ii) Dutch HoldCo transferred 117,303,664 of our ordinary shares and an equal number of special voting depository receipts issued for our special voting shares to Dutch HoldCo CBD;
- (iii) Dutch HoldCo transferred 96,790,798 of our ordinary shares and an equal number of special voting depository receipts issued for our special voting shares to Dutch HoldCo VV;
- (iv) Dutch HoldCo transferred 384,057 of our ordinary shares and an equal number of special voting depository receipts issued for our special voting shares to Dutch HoldCo Camberra;
- (v) Lux HoldCo acquired the entire issued share capital of each of Dutch HoldCo CBD, Dutch HoldCo VV and Dutch HoldCo Camberra (and retained the issued share capital of Dutch HoldCo QE).

Also on July 14, 2016, but following the demerger of Dutch HoldCo described above, Lux HoldCo entered into a demerger under Luxembourg law, pursuant to which:

- (i) Lux HoldCo ceased to exist and all of its assets and liabilities were transferred to Lux HoldCo CBD, Lux HoldCo VV, Lux HoldCo CamberraLux HoldCo QE;
- (ii) CBD acquired the entire issued share capital of Lux HoldCo CBD, which in turn acquired the entire issued share capital of Dutch HoldCo CBD;
- (iii) VV acquired the entire issued share capital of Lux HoldCo VV, which in turn acquired the entire issued share capital of Dutch HoldCo VV;
- (iv) Camberra Participações Ltda. (“Brazil HoldCo Camberra”) acquired the entire issued share capital of Lux HoldCo Camberra, which in turn acquired the entire issued share capital of Dutch HoldCo Camberra; and
- (v) QE Participações Ltda. acquired the entire issued share capital of Lux HoldCo QE, which in turn acquired the entire issued share capital of Dutch HoldCo QE.

With effect from the demerger of Lux HoldCo as described above, the management board of the Voting Depository cancelled the 384,057 special voting depository receipts issued for our special voting shares held by Dutch HoldCo Camberra, due to the fact that - following the completion of the demerger of Lux HoldCo, Dutch HoldCo Camberra no longer qualified as a Permitted Transferee (as described in “Other Information– 4 Special Voting Shares”) and was no longer allowed to hold such special voting depository receipts. With effect from the cancellation of such special voting depository receipts, the Voting Depository transferred 384,057 of our special voting shares to the Company for no consideration.

Also on July 14, 2016, but following the demerger of Lux HoldCo as described above, Dutch HoldCo Camberra distributed and transferred 384,057 of our ordinary shares to Lux HoldCo Camberra and Lux HoldCo Camberra distributed and transferred those shares to Brazil HoldCo Camberra in connection with their respective liquidations,

On July 15, 2016, Brazil HoldCo Camberra transferred 384,057 of our ordinary shares to Camberra Participações II Ltda., which in turn transferred those shares to various minority shareholders on that same date.

2.3.4 The 2016 Reorganization: Timeline Leading to the Reorganization of Cnova Brazil within Via Varejo

On May 12, 2016, the Company announced that it entered into a non-binding memorandum of understanding with Via Varejo regarding a possible reorganization of Cnova Brazil within Via Varejo (the “2016 Reorganization”).

On August 8, 2016, the Company announced that it has entered into a binding Reorganization Agreement (the “Reorganization Agreement”).

On September 12, 2016, Cnova convened an extraordinary general meeting of shareholders, among other things, to approve the 2016 Reorganization and take certain resolutions related to the 2016 Reorganization (the “Reorganization EGM”).

On October 27, 2016, the Shareholders approved the 2016 Reorganization at the Reorganization EGM and adopted all other resolutions put forward on the agenda of the Reorganization EGM.

On October 31, 2016, the 2016 Reorganization was completed.

This transaction generated a gain on disposal of €34 million.

3. FINANCIAL OVERVIEW

3.1 Selected Financial Data

The following tables set forth our selected consolidated financial data. The consolidated income statement data for the years ended December 31, 2014, 2015 and 2016 as well as the consolidated balance sheet data as of December 31, 2015 and 2016 are derived from our audited consolidated financial statements included in "Consolidated Financial Statements" section of this annual report.

The selected consolidated historical financial information should be read in conjunction with "3.2 Operating and Financial Review and Prospects," our financial statements and the accompanying notes included elsewhere in this annual report. Our financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and also as approved by the European Union ("EU") and have been audited by Ernst & Young Audit, an independent registered public accounting firm.

We did not operate as a standalone entity before November 2014, and, accordingly, the following discussion is not necessarily indicative of our future performance and does not reflect what our financial performance would have been had we operated as a standalone company prior to November 2014. Furthermore, our results of operations in any period may not necessarily be indicative of the results that may be expected in future periods. See "4Risk Management and Risk Factors" of this annual report.

(in €thousands, except per-share amounts)	For the years ended December 31,		
	2014	2015	2016
Consolidated Income Statement			
Net sales	1,576,634	1,737,177	1,855,715
Cost of sales	(1,385,398)	(1,507,822)	(1,600,414)
Operating expenses:			
Fulfillment	(109,697)	(136,210)	(125,738)
Marketing	(22,691)	(23,891)	(33,183)
Technology and content	(51,309)	(47,630)	(55,817)
General and administrative	(22,797)	(44,566)	(43,383)
Operating profit/(loss) before Restructuring, Litigation, Initial public offering expenses, Gain/(loss) from disposal of non-current assets and impairment of assets	(15,258)	(22,943)	(2,820)
Restructuring	(8,933)	(11,695)	(10,995)
Litigation	(3,135)	(3,124)	(1,432)
Initial public offering expenses	(5,064)	(3,599)	—
Gain/(loss) from disposal of non-current assets	—	(61)	—
Impairment of assets	(1,360)	(14,074)	(6,045)
Operating profit/(loss)	(33,750)	(55,496)	(21,292)
Financial income	1,256	3,374	12,967
Financial expense	(1,782)	(19,588)	(43,984)
Profit/(loss) before tax	(34,276)	(71,709)	(52,309)
Income tax gain/(expense)	7,692	(16,017)	(12,884)
Share of profits/(losses) of associates	—	—	—
Net profit/(loss) from continuing activities	(26,584)	(87,726)	(65,193)
Net profit/(loss) from discontinuing activities ¹	(88,571)	(171,322)	132,185
Net profit/(loss) for the year	(115,155)	(259,048)	66,992
Attributable to Cnova equity owners	(112,495)	(244,223)	73,091
Attributable to non-controlling interests	(2,660)	(14,825)	(6,099)
Earnings/(loss) per share (in €respectively)	(0.27)	(0.55)	0.17
Diluted earnings per share (in €).....	(0.27)	(0.55)	0.17

¹ Compared to the income statement disclosed in our press release dated February 23, 2017, the result from discontinued operations has been reduced by €18.2 million, due mainly to the reduction of the net gain on sale of Cnova Brazil to €533.9 million.

€thousands	December 31,		
	2014	2015	2016
Consolidated Balance Sheet data:			
Cash and cash equivalents	573,321	400,793	15,264
Trade receivables, net	117,656	129,651	91,060
Inventories, net	400,111	414,956	224,834
Total assets	2,140,044	1,718,651	827,068
Trade payables	1,311,234	1,216,022	575,034
Financial debt	104,603	146,967	93,620
Total equity	521,542	98,071	(21,245)

The share capital of Cnova is composed of 441,297,846 ordinary shares as of December 31, 2016, however as 96,790,798 shares were received on October 31, 2016, as part of the 2016 Reorganization (see section 2.3.4) to be cancelled which was decided by the EGM on October 27, 2016 and was completed on January 13, 2016, it is considered that the share capital was reduced to 344,507,048 shares as of December 31, 2016.

€thousands	For the Year ended December 31,		
	2014	2015	2016
Other Financial Data:			
Gross profit ⁽¹⁾	191,236	229,355	255,301
Adjusted EBITDA ⁽²⁾	8,745	(1,991)	17,781
Free cash flow - continuing activities ⁽³⁾	36,092	(28,281)	(22,931)
Net cash/(Net financial debt) ⁽⁴⁾	533,878	253,839	178,148

- (1) **Gross profit** is a non-GAAP financial measure that we calculate as net sales minus cost of sales. Please see "Non-GAAP Financial Measures -Gross Profit and Gross Margin" for more information and for the computation of gross profit.
- (2) **Adjusted EBITDA** is a non-GAAP financial measure that we calculate as operating profit/(loss) before restructuring, litigation, initial public offering expenses, gain/(loss) from disposal of non-current assets and impairment of assets and before depreciation and amortization expense and share-based payments. Please see "Non-GAAP Financial Measures - Adjusted EBITDA" for more information and for a reconciliation of adjusted EBITDA to operating profit/(loss) before restructuring, litigation, initial public offering expenses, gain/(loss) from disposal of non-current assets and impairment of assets, the most directly comparable financial measure calculated and presented in accordance with GAAP.
- (3) **Free cash flow** is a non-GAAP financial measure that we calculate as net cash from/(used in) operating activities as presented in our cash flow statement less capital expenditures (purchase of property and equipment and intangible assets). Please see "Non-GAAP Financial Measures - Free Cash Flow " for more information and for a reconciliation of free cash flow to net cash from/(used in) operating activities, the most directly comparable financial measure calculated and presented in accordance with GAAP.
- (4) **Net cash/(net financial debt)** is a non-GAAP financial measure that we calculate as the sum of cash and cash equivalents and cash pool balances held in arrangements with Casino Group and presented in other current assets, less current and non-current financial debt. Please see "Non-GAAP Financial Measures – Net cash/(net financial debt)" for more information and for a reconciliation of net cash/(net financial debt) to non-current financial debt, the most directly comparable financial measure calculated and presented in accordance with GAAP.

€thousands (except Adjusted EPS)	For the Year ended December 31,		
	2014	2015	2016
New Other Financial Data:			
Adjusted net profit/(loss) attributable to equity holders of Cnova ⁽¹⁾	(8,179)	(55,298)	(46,770)
Adjusted EPS ⁽²⁾	(0.02)	(0.12)	(0.11)

- (1) **Adjusted net profit/(loss) attributable to equity holders of Cnova** is a non-GAAP financial measure that we calculate as net profit/(loss) attributable to equity holders of Cnova before restructuring, litigation, initial public offering expenses, gain/(loss) from disposal of non-current assets and impairment of assets and the related tax impacts. Please see "-Non-GAAP Financial Measures- Adjusted Net Profit/(loss) attributable to equity holders of Cnova / Adjusted EPS" for more information and for a reconciliation of adjusted net profit/(loss) attributable to equity holders of Cnova to net profit/(loss) attributable to equity holders of Cnova, the most directly comparable financial measure calculated and presented in accordance with GAAP.

- (2) **Adjusted EPS** is a non-GAAP financial measure that we calculate as adjusted net profit/(loss) attributable to equity holders of Cnova divided by the weighted average number of outstanding ordinary shares of Cnova during the applicable period. Please see "Non-GAAP Financial Measures-Adjusted Net Profit/(Loss) Attributable to Equity Holders of Cnova and Adjusted EPS" for more information and for a reconciliation of adjusted net profit/(loss) attributable to equity holders of Cnova to net profit/(loss) attributable to equity holders of Cnova, the most directly comparable financial measure calculated and presented in accordance with GAAP, and the related adjusted EPS.

The following tables set forth selected operating data that Cnova uses as measures of its operating performance.

	For the Year ended December 31,		
	2014	2015	2016
Operating Data: ⁽¹⁾			
GMV (millions) ⁽²⁾	€ 2,277.9	€ 2,709.3	€ 2,994.3
Marketplace share ⁽³⁾	19.0%	28.1%	31.4%
Active customers (millions) ⁽⁴⁾	6.3	7.3	8.2
Orders (millions) ⁽⁵⁾	15.2	20.4	24.7
Number of items in placed orders	32.6	41.5	49.4
Traffic (visits in millions) ⁽⁶⁾	582.2	759.8	841.8

- (1) Operating data, other than GMV and Marketplace share are given for Cnova on a consolidated basis. Operating data, other than GMV do not include our business-to-business ("B2B") sales.
- (2) Gross Merchandise Volume (GMV) is defined as the sum of product sales, other revenues, marketplace business volumes (calculated based on approved and sent orders) and taxes.
- (3) Marketplace share of GMV includes marketplace share of Cdiscount.com in France, calculated on total GMV less businesses not eligible to marketplace (B2B, supplier contribution, etc.).
- (4) Active customers at the end of December having purchased at least once through Cdiscount.com during the previous 12 months.
- (5) Total number of placed orders before cancellation due to fraud detection and/or customer non-payment.
- (6) Number of visits to our websites in millions.

	For the three months ended,											
	Mar. 31, 2014	June 30, 2014	Sep. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016
€ thousands												
GMV (i)	488,780	460,299	552,421	776,376	619,390	566,460	640,063	883,461	732,433	637,970	680,673	943,249
Net sales (i)	353,757	323,022	377,033	522,823	403,515	359,888	402,509	571,265	465,263	392,488	413,883	584,081
Adjusted EBITDA	(3,722)	1,537	(1,360)	12,290	(6,538)	(2,096)	3,566	3,077	3,986	3,033	4,204	6,558
Cdiscount	(3,722)	1,537	(710)	13,580	(2,878)	1,028	6,319	12,159	7,121	1,611	6,679	9,640
Holdings			(650)	(1,290)	(3,660)	(3,124)	(2,753)	(9,082)	(3,135)	1,422	(2,475)	(3,082)
Operating profit/(loss) before Restructurings, Litigation, Initial public offering expenses, Gain/(loss) from disposal of non-current assets and impairment of assets	(10,051)	(4,021)	(5,129)	3,943	(11,836)	(7,182)	(1,715)	(2,209)	(1,207)	(2,004)	(877)	1,268
Cdiscount	(10,006)	(3,978)	(4,567)	6,338	(8,109)	(3,928)	1,062	6,871	1,915	(3,362)	1,677	4,356
Holdings	(45)	(43)	(562)	(2,395)	(3,727)	(3,254)	(2,777)	(9,080)	(3,122)	1,358	(2,554)	(3,088)
Net financial income (expense)	(284)	(698)	(452)	908	(359)	(1,293)	(3,574)	(10,988)	(10,697)	(8,629)	(7,325)	(4,366)
Cdiscount	(284)	(698)	(452)	(267)	(660)	(1,040)	(3,458)	(10,738)	(10,334)	(8,392)	(7,145)	(10,885)
Holdings				1,175	301	(253)	(116)	(250)	(363)	(237)	(180)	6,519

(i) GMV and Net sales for the Cnova group equal those of Cdiscount as Holdings do not generate revenue

In addition, over the 2014-2016 period, Cnova - excluding Cnova Brazil - had half-year and end-of-year net cash/(net financial debt) positions as follows:

- €(134) million as of June 30, 2014,
- €185 million as of December 31, 2014,
- €(7) million as of June 30, 2015,
- €121 million as of December 31, 2015,
- €(1) million as of June 30, 2016,
- €178 million as of December 31, 2016.

3.2 Operating and Financial Review and Prospects

3.2.1 Company Overview

We are one of the leading e-commerce companies in France. In 2016, our gross merchandise volume (GMV) amounted to €3.0 billion, a 13.6% increase on a like-for-like basis (i.e. excluding a discretionary pullback of business to business (B2B) activity and the sale or closure of specialty sites). This growth was supported by the rapid expansion of our marketplace with a GMV share of 31.4% in 2016 (+332 bp vs 2015), dynamic traffic and a continuous growth in orders, items sold and customers. Our traffic rose by 10.8% to 842 million visits at end 2016, driven by a 22% increase in mobile visits, while orders and items sold increased by 23% and 22%, respectively.

Our net sales increased by €18.5 million or 6.8%, between the year ended December 31, 2015, and the year ended December 31, 2016, and increased by €160.5 million, or 10.2%, between the year ended December 31, 2014, and the year ended December 31, 2015. The increase between 2015 and 2016 was primarily driven by a growing number of visits, growth of marketplace commissions and the good performance of Cdiscount France.

We strive to provide our customers with a high value proposition through attractive pricing, extensive product assortment and highly differentiated delivery and payment solutions. We achieve this through our scalable and proprietary technology platforms. We also benefit from our parent company, Casino, which is part of the Casino Group, a leading global diversified retail group with €36.0 billion sales for the year ended December 31, 2016 including €20.8 billion in France.

As of December 31, 2016, we offered our 8.2 million active customers access to a wide and growing assortment of more than 20 million product offerings through a combination of our direct sales and sales by third-party vendors on our marketplace.

Our 24.7 million placed orders for the year ended December 31, 2016, represented a 21.0% year-over-year increase of placed orders, while our active customers increased by 11.1% over the same period, on a reported basis. Our most significant product categories in terms of GMV are home appliances, home furnishings, consumer electronics and computers. Our branded site is among the most recognized in the market in which we operate.

Our net sales grew from €1,737.2 million in 2015 to €1,855.7 million in 2016, an increase of 6.8%. Including the adjustments related to i) the sale or closure in 2016 of the specialty sites Comptoir des Parfums, Comptoir Santé and MonCornerDéco and the impact of the 2015 closures of specialty sites, and ii) the voluntary pullback of B2B sales initiated in the 3rd quarter of 2016, our net sales increased by 10.7%. The change in net sales is also impacted favorably by €25.1 million from the drastic change of the CB4X (as defined two paragraphs below) installment payment policy of Cdiscount implemented in 2015 (which has also increased 2016 financial expenses by €34.6 million). In addition the specific marketing services (described two paragraphs below) had also a positive impact on 2016 net sales of €70.4 million.

3.2.2 Components of Statements of Income

Net sales

Net sales consist primarily of revenue generated from product sales and related services from our business to consumer direct sales and our business to business transactions, across the variety of our product categories. Our product categories include home appliances, consumer electronics, computers, home furnishings, leisure and personal goods. Net sales also include revenues generated from commissions from our marketplaces on sales by third-party vendors selling products on our sites. We launched our first marketplace in France in 2011. To date, our marketplace revenues represent a relatively small portion of our total net sales, however, our goal is to expand our marketplace business significantly in coming years, including the expansion of our program to provide fulfillment services to marketplace sellers for a fee, which will contribute to our net sales. In addition, we generate revenue from shipping, extended warranties, advertising sales, data monetization,

e-commerce services provided to third parties through our B2B sites and fees collected from customers using our customer service call centers

Beginning August 2015, Cdiscount modified drastically its installment payment policy for direct sales products in France (the “CB4X installment payment service”), allowing customers to pay for purchases in four monthly installments with one upfront payment and three subsequent interest bearing payments 30, 60 and 90 days after the initial payment) and started providing directly this installment service to its clients for marketplace products as well since January 2016. In addition, starting in June 2015 we increased the volume of specific marketing services to our suppliers in France which are now recorded in net sales. Starting January 1, 2016, we also began to recognize in net sales the specific marketing services agreed with our suppliers as included in the budget of the annual trade contract when such services are rendered. Such services are recognized in net sales when they are specific, effective marketing operations negotiated with the suppliers and not only annually budgeted programs. When they do not meet the revenue recognition requirement such programs are recorded in cost of sales, as they were before December 31, 2015. The amount of these specific marketing services recognized in net sales amounted to €70.4 million in 2016 vs €5.3 million in 2015. We exclude revenue from items that are returned and orders that are cancelled.

Net sales are primarily driven by growth in our active customers, the frequency with which customers purchase products from our sites and average order value. Net sales are also impacted by incentive and discount offers we include on products sold from our direct sales sites. These include percentage discounts off a current purchase, inducement offers for future discounts subject to a minimum current purchase and other similar offers. Revenue from product sales is recognized when the significant risks and rewards of ownership have passed to the customer, regardless of when the payment is being made. Revenue from services is recognized once the service is rendered. We measure revenue at the fair value of the sale or commission price received or receivable, accounting for the terms of payment and excluding taxes or duty.

Cost of sales

Cost of sales relate primarily to our direct sales business, including purchase price of consumer products sold to customers in our direct sales business, inbound shipping charges to our fulfillment centers and outbound shipping charges from our fulfillment centers to pick-up locations or directly to end customers, fees payable to pick-up locations, packaging supplies, gains related to discounts we obtain from our suppliers and costs associated with lost, stolen or damaged goods we receive. Shipping charges to receive products from our suppliers were included in our inventory and recognized as cost of sales upon sale of products to our customers.

Cost of sales are primarily driven by growth in orders placed by customers, the mix of the products available for sale on our direct sales sites and transportation costs related to delivering orders to our customers at the point of delivery they choose, including pick-up locations or a postal address. As our business grows in size, we expect a corresponding increase in our cost of sales.

Operating expenses

Our operating expenses are classified into four categories: fulfillment, marketing, technology and content and general and administrative costs.

Fulfillment costs

Fulfillment costs are incurred in operating and staffing our fulfillment and customer service centers, after sales costs and extended warranties. The costs related to operating our fulfillment centers include warehousing and preparation costs, which include picking, packaging and preparing customer order as well as payroll and related expenses. After sales costs consist primarily of preparing and resending products that are returned to suppliers or third parties to be repaired. Extended warranty costs include costs to third parties who repair or replace products for which we have sold an extended warranty.

Fulfillment costs include payment processing costs paid to a related party supplier (Banque Casino) to administer our installment payment program. As of August 2015, this program is administered internally by Cdiscount for its direct sales products and since January 2016 for marketplace products. As a result, these third-party costs no longer apply starting January 2016 and therefore are no longer included in fulfillment costs.

Fulfillment costs are primarily driven by the size of our operations. As our business grows in size and we invest in our fulfillment capabilities, we expect a corresponding increase in fulfillment costs in absolute

terms and potentially a temporary increase as a percentage of our net sales. We also expect an increase in fulfillment costs corresponding to the growth of our home furnishings products category offering, where the sizes of products and preparation costs tend to be larger than other products. As we grow the size of our marketplaces where we provide fulfillment services for marketplace sellers for a fee, we expect an increase in fulfillment costs related to payment processing, credit card fees, related transaction costs and warehousing costs. We also expect an increase in fulfillment costs as the headcount of our customer service centers grows to handle additional customer contacts corresponding to the growth of our business.

Marketing costs

Marketing costs consist primarily of online advertising and offline advertising, such as display advertising and search engine marketing, fees paid for third-party marketing services, costs related to the launch of new business activities and payroll and related expenses for personnel engaged in marketing. Marketing costs are primarily driven by the level of traffic we experience on our sites and the determination we make as to whether we need to attract traffic via paid marketing channels in order to grow and retain our customer base. As we continue to attract customers through our low pricing strategy, we expect to maintain marketing costs for existing sites at a similar level as a percentage of net sales and expect additional marketing costs in order to launch new sites, which we expect should decrease over time as a percentage of GMV. In the long term, we expect marketing costs will decrease as a percentage of our net sales as we rely more on non-paid methods (SEO and mails) to attract traffic to our sites, including by expanding our direct sales and marketplace product offerings and expanding our customer loyalty programs.

Information Technology and content costs

Information technology (IT) and content expenses consist primarily of IT infrastructure expenses and payroll and related expenses for employees involved in application, product, and platform development, category expansion, editorial content, purchasing (including expenses and payroll related to our overall purchasing activity), merchandising selection, systems support and digital initiatives. We expense IT and content costs as they are incurred and amortize development costs over time, including software used to upgrade and enhance our websites and applications supporting our business. We expect an increase in IT and content expenses as we continue the development of our platforms, expand our product categories and launch new sites.

General and administrative costs

General and administrative expenses consist primarily of payroll and related expenses for management, including employees involved in general corporate functions (accounting, finance, tax, legal, and human resources), including our management equity incentive plans, as well as costs associated with use by these functions of facilities and equipment, such as depreciation expense and rent, and general labor costs. General and administrative costs also include management fees paid to our Parent Companies for shared services, such as accounting, finance, legal and human resources. We also include professional fees and litigation costs and other general corporate costs as general and administrative costs. General and administrative costs took into account costs related to our status as a U.S. public company, such as higher legal, corporate insurance, investor relations and accounting expenses, and the additional costs of maintaining compliance with the Sarbanes-Oxley Act and related regulations. Due to the reclassification of Cnova Brazil as discontinued activity, the consolidated general and administrative costs of 2015 include a €5.2 million provision to cover inventory count and lawyers costs in relation to the investigation of Cnova Brazil while the general and administrative costs of 2016 include the positive impact of the reversal of this €5.2 million provision (in fact those costs were borne by Cnova Brazil and are reported in “result from discontinued activities”).

Financial income (expense), net

Financial income and expenses, net consist primarily of revenue from cash and cash equivalents held by us, our interest expense on our borrowings and costs we incur related to the sales of receivables. Approximately 40% of Cdiscount sales and GMV are paid for through four installment payments (“the CB4X installment payment service”), with one upfront payment and three subsequent interest bearing payments 30, 60 and 90 days after the initial payment. Under the agreement implemented in August 2015 between Cdiscount and Banque Casino, Cdiscount fully transfers the credit risk of the installments related to the installment payment program in France to Banque Casino. This new agreement with Banque Casino resulted in an impact on financial expenses of €34.6 million in 2016, €12.9 million in 2015 and €0 million in 2014.

3.2.3 Application of Critical Accounting Policies and Estimates

Our significant accounting policies are set forth in the notes to our audited consolidated financial statements for the years ended December 31, 2014, 2015, and 2016 included elsewhere in this annual report. The preparation of our consolidated financial statements in accordance with IFRS requires our management to make judgments, estimates and assumptions that affect the amount reported in consolidated financial statements. Estimates and assumptions are periodically re-evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from those estimates and assumptions. We have identified the accounting policies described above as the most critical to an understanding of our financial position and results of operations because the application of these policies requires significant and complex management estimates, assumptions and judgment, and the reporting of materially different amounts could result if different estimates or assumptions were used or different judgments were made.

3.2.4 Liquidity and Capital Resources

Our principal sources of liquidity have traditionally consisted of cash flows from operating activities, loans or cash received from our Parent Companies and, to a lesser extent, capital increases and proceeds obtained from short- and long-term loans and financings from third-party financial institutions. Notes 21 and 23 to our consolidated financial statements, included elsewhere in this annual report, provide additional financial information regarding our liquidity and capital resources.

Net Cash / (Net Financial Debt)

The following table presents a computation of net cash/(net financial debt) for each of the periods indicated:

	December 31,		
(€thousands)	2014	2015	2016
Net cash / (Net Financial Debt)			
Cash and cash equivalents	573,321	400,793	15,264
Plus cash pool balances with Casino presented in other current assets . .	65,160	-	246,735
Less net current financial debt	(102,557)	(132,198)	(83,852)
Less net non-current financial debt .	(2,046)	(14,769)	-
Net cash/(Net financial debt). . . .	533,878	253,839	178,148

Cash Flows and Working Capital

The following table presents the major components of net cash flows for the periods presented:

	Year ended December 31,		
	2014	2015	2016
(€thousands)	(€thousands)	(€thousands)	(€thousands)
Cash Flows:			
Net cash from/(used in) continuing operating activities(1)	70,274	13,819	21,114
Net cash from/(used in) discontinued operating activities	183,495	(2,368)	(585,469)
Net cash from/(used in) continuing investing activities	(2,574)	33,219	78,892
Net cash from/(used in) discontinued investing activities	(53,674)	(18,724)	25,106
Net cash from/(used in) continuing financing activities	128,518	(40,322)	(324,258)
Net cash from/(used in) discontinued financing activities	19,962	(33,586)	137,470
Effect of continuing changes in foreign currency translation adjustments . .	(3,112)	0	0
Effect of discontinuing changes in foreign currency translation adjustments	(2,388)	(133,355)	259,551
Change in cash and cash equivalents continuing, net, at end of period	193,106	6,716	(224,253)
Change in cash and cash equivalents discontinuing, net, at end of period . .	147,395	(188,032)	(163,342)

(1) Includes €75,023, €36,903 and €21,598 of changes in working capital for the years ended December 31, 2014, 2015 and 2016, respectively.

Historically, we have worked to optimize our working capital, and we generated cash flow through, among other things, a one-time sale of a receivables portfolio, the factoring of receivables and a gradual increase in days of trade payables to suppliers. In the future, our intention is that an increase in net sales and profitability, rather than working capital optimization, will be the primary drivers of cash flow generation.

Our cash flows and working capital fluctuate throughout the year, primarily driven by the seasonality of our business. At the end of December of each year, we experience high trade payables relative to the rest of the year following the peak sales volumes achieved in November and December associated with the holiday shopping period in France (Black Friday plus Christmas). In the first three quarters of each year, trade payables decrease due to seasonality leading to a cash balance reduction compared to the end of the prior year.

Although the levels of trade receivables and inventory typically are stable relative to our net sales throughout the year, the level of our payables with suppliers may vary from period to period.

We had cash and cash equivalents of €4.2 and €391.8 million as of December 31, 2016, and December 31, 2015, respectively. The decrease in our net cash and cash equivalents by €387.6 million represents our net cash flow during the period. We believe that our existing cash and cash equivalents together with cash generated from operations, and our existing financial resources and credit lines suffice to meet our working capital expenditure requirements for the next 12 months, assuming we have continuous access to banks and credit card operators. However, we may need additional cash resources in the future if we identify opportunities for investment, strategic cooperation or other similar actions, which may include investing in technology, including data analytics and our fulfillment capabilities. If we determine that our cash requirements exceed our amounts of cash on hand, we may seek to issue debt or equity securities or obtain credit facilities or other sources of funding.

Our trade payables include accounts payable to suppliers associated with our direct sales business. Our trade payables amounted to €575.0 million and €1,216.0 million as of December 31, 2016, and December 31, 2015, respectively. There is generally a higher level of day's payable in the last two months of the year relative to the rest of the year due to higher volumes of purchasing from November and December in anticipation of holiday shopping. The purchasing is paid for in the first two months of the following year.

Our net inventories of products amounted to €224.8 million and €415.0 million as of December 31, 2016 and December 31, 2015, respectively. Our inventory balances will fluctuate over time due to a number of factors, including our sales performance, expansion in our product selection and changes in our product mix.

Cash From/(Used in) Operating Activities

Cash from operating activities in the year ended December 31, 2016, was €21.1 million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €37.3 million decrease in trade payables, a €35.2 million decrease in trade receivable and a €19.3 million decrease in inventories of products either in our fulfillment centers awaiting shipment to customers or in transit to customers. This decrease in trade payables relates to the accelerated payment to our suppliers compared to prior years.

Cash from operating activities in the year ended December 31, 2015, was €13.8 million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €32.9 million increase in trade payables, which relate to the growth of our business and amounts owed to suppliers for products sold on our sites, and a €1.9 million decrease in trade receivables, which were partially offset by a €35.3 million increase in inventories of products which were either in our fulfillment centers awaiting shipment to customers or in-transit to customers.

Cash from operating activities in the year ended December 31, 2014, was €70.3 million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €194.4 million increase in trade payables, which relate to the growth of our business and amounts owed to suppliers for products sold on our sites, which was partially offset by an increase of €29.4 million of trade receivables and an increase of €55.9 million of inventories of products, which were either in our fulfillment centers or in-transit to customers.

Cash From/(Used in) Investing Activities

Cash from investing activities was €78.9 million in the year ended December 31, 2016, and was primarily attributable to €106.5 million in changes in loans granted (including the loan reimbursement from Cnova Brazil), €11.6 million of cash balancing payment related to the transfer of Cnova Brazil to Via Varejo (see Major Events 2016 Reorganization) and €9.3 million of cash settlement related to the disposal of MonShowroom, offset by €44.0 million in acquisitions of property, equipment and intangible assets. This

included capital expenditures mainly related to IT investments (mostly marketplace and mobile enhancement, accounting software) as well as infrastructure strengthening to increase supply chain efficiency.

Cash from investing activities was €33.2 million in the year ended December 31, 2015, and was primarily attributable to €65.9 million in changes in loans granted partially offset by €42.0 million in acquisitions of property, equipment and intangible assets. This included capital expenditures related to improved investment in our supply chain infrastructure. Generally, this cash use also related to investments in our e-commerce platforms and investments concentrated in back-end IT solutions (namely, the implementation of ERP) or front-end IT solution aimed at developing the user experience and increasing the value our clients may reap from our services.

Cash used in investing activities was €(2.6) million in the year ended December 31, 2014, and was primarily attributable to €34.2 million in acquisitions of property, equipment and intangible assets, including capital expenditures related to investments in our e-commerce platforms, new specialty sites and mobile platforms and back office technology systems, improved investment in our supply chain infrastructure, offset by €24.2 million in changes in loans granted.

Cash From/(Used in) Financing Activities

Cash used in financing activities was €(324.3) million in the year ended December 31, 2016, and was primarily attributable to €75.0 million of loan received from Casino, to €31.7 million of net interest paid primarily related to the discounting of receivables and to the €12.4 million capital decrease of the company.

Cash used in financing activities was €(40.3) million in the year ended December 31, 2015, and was primarily attributable to €18.6 million of transactions with owners of minority interest, €5.1 million of net interest payments primarily related to the discounting of receivables and €8 million related to repayment of financial debt.

Cash from financing activities was €128.5 million in the year ended December 31, 2014, and was primarily attributable to €137.4 million of net IPO proceeds, which was partially offset by €10.6 million of net repayment of financial debt.

3.2.5 Research and Development

Our research and development strategy is centered on building and enhancing our e-commerce platforms, mobile platforms and applications, and fulfillment management systems, as well as other aspects of our IT infrastructure, such as customer facing and back office features for our sites. We focus on application, product, and platform development, category expansion, editorial content, purchasing, merchandising selection, systems support and digital initiatives.

We incurred approximately €25.2 million, €24.7 million, and €20.2 million of research and development expenses in 2016, 2015 and 2014, respectively. For a description of our research and development activities, see “2.2.5 Information Technology”

4. RISK MANAGEMENT AND RISK FACTORS

4.1 Approach to risk management and business control

The Board is responsible for reviewing the Company's risk assessments and risk management policies, including financial risks, internal controls, its Code of Business Conduct and Ethics as well as related policies. The Board has in turn charged the Audit Committee with the periodic oversight of the Company's risk management program with reports being provided to the Board. The Audit Committee assists the Board in monitoring (i) the Company's systems of disclosure controls and procedures and internal controls over financial reporting; (ii) policies relating to risk assessment and risk management; (iii) compliance with recommendations and observations of internal and external auditors; (iv) the role and functioning of the internal audit function; (v) relations with the independent auditor, including, in particular, the appointment and retention of the auditor and the auditor's independence, qualifications, remuneration and any non-audit services provided to the Company; and (vi) the Company's compliance with legal and regulatory requirements and ethical standards adopted by the Company.

Cnova N.V.'s management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on our assessment, we have concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective based on those criteria.

In addition, the Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports is recorded, processed, summarized and reported within the specified time periods. Cnova N.V.'s management evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2016. Based on this evaluation, the Company concluded that our disclosure controls and procedures were effective as of December 31, 2016. We are also able to conclude that the consolidated financial statements included in this report fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and as approved by the European Union ("EU").

4.2 Risk Factors

4.2.1 Risks Related to our Internal Control over Financial Reporting, the Internal Review and Related Restatement of our Financial Statements

Matters arising out of or related to the restatement of our previously issued financial statements and from material weaknesses in our internal control over financial reporting, including adverse publicity, regulatory inquiries and litigation, could have a material adverse effect on our business, results of operations, financial condition or the price of our ordinary shares.

As previously disclosed, in December 2015, our board of directors engaged external legal advisors to perform an internal review of possible employee misconduct related to inventory management. The review was later expanded to include additional conduct relating to accounting issues (the "Internal Review"). Our legal advisors engaged local counsel in Brazil and forensic accountants to assist with the Internal Review.

Also in December 2015, we, through our external legal counsel, self-reported these matters to the staff of the Division of Enforcement of the SEC (the "Staff") and updated the Staff as the Internal Review progressed. Our cooperation with the Staff is ongoing. We also reported the matter to the AMF and the AFM.

The Internal Review ended in June 2016. In light of the findings of the Internal Review, we made the determination to restate previously reported (i) consolidated financial statements as of and for the fiscal years ended December 31, 2013 and 2014 and (ii) selected financial information as of and for the fiscal year ended December 31, 2012. Additionally, we announced that our previously filed financial statements could no longer be relied upon. This annual report includes restated consolidated financial statements and certain restated financial data as of and for the fiscal year ended December 31, 2014. The accompanying restated consolidated financial statements as of and for the fiscal year ended December 31, 2014, have also been revised to reflect in

the proper periods the previously recorded out-of-period adjustments described above. The circumstances and findings of the internal review and the restatement are more fully described in Note 3 (“Restatement of previously issued financial statements”) to our audited consolidated financial statements included in our annual report for the year ended December 31, 2015.

We have incurred significant legal, accounting and other professional fees and other costs in connection with the Internal Review, the preparation of restated consolidated financial statements, remediation efforts and related matters. While we believe we have made appropriate judgments in identifying the errors made in our previously reported consolidated financial statements and recording the correct adjustments in preparing our restated consolidated financial statements, there is a risk that we may have to further restate our historical consolidated financial statements or take other actions not currently contemplated, including as a result of SEC review of our filings. Further, if the SEC were to conclude that enforcement action is appropriate, we could incur civil penalties and fines. The SEC also could impose other sanctions against us or certain of our current and former directors and officers. Any of these events could have a material adverse effect on our results of operations, cash flows, financial condition or the price of our ordinary shares.

We are subject to a shareholder securities class action lawsuit, and this lawsuit and any future lawsuits or investigations and their possible adverse outcomes could adversely affect our business, financial condition, results of operations and cash flows.

We, certain of our current and former officers and directors, and the underwriters of our initial public offering, or our IPO, have been named as defendants in a securities class action lawsuit in the United States federal District Court for the Southern District of New York asserting claims related to the macro-economic situation in Brazil and strengthened by the subject matter of the internal review, which are described in “2.1 Business Overview - Legal proceedings.” This lawsuit may divert our management’s attention from our ordinary business operations, and we may incur significant expenses associated with it (including, without limitation, substantial attorneys’ fees and other professional advisor fees and obligations to indemnify certain current and former officers or directors and the underwriters of our initial public offering who are or may become parties to or involved in such matters). We are unable at this time to finalize the extent of our potential liability in these matters, if any, even if our insurances policies for such claims have been activated.

In a separate potential action the SEC might take, sanctions might be imposed as a result of the facts at issue in the internal review conducted by the Company and its advisors retained by our board of directors.

Accordingly, the ultimate resolution of these matters could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, there is the potential for additional shareholder litigation and/or governmental investigations, and we could be similarly materially and adversely affected by such matters. Any existing or future shareholder lawsuits and/or governmental investigations and/or any future governmental enforcement actions could also adversely impact our reputation and our relationship with our customers, which may in turn have a material adverse effect on our business, results of operations, cash flows, financial condition or the price of our ordinary shares.

4.2.2 Risks Related to Our Business and Industry

Below is an overview of what we believe to be the principal risks to the Company:

- Our business is highly competitive. Competition presents an ongoing threat to the success of our business.
- If we fail to retain existing customers or acquire new customers, our business may not grow.
- Our success depends in large part on our ability to attract and retain high quality management and operating personnel, and if we are unable to attract, retain and motivate well qualified employees, our business could be harmed.
- Many of our products are sold at a low margin. Failure to achieve growth in the higher-margin areas of our business, including our marketplaces and home furnishings products category, may have a material adverse effect on our business, financial condition and operating results.

- Our business depends in part on our Parent Companies and if we are no longer able to take advantage of our relationships with them, our business, financial condition and results of operations could be materially and adversely affected.
- Macro-economic conditions in France and their impact on consumer spending patterns, particularly in the home appliances, consumer electronics, computers and home furnishings product categories, could adversely impact our operating results.
- Customer growth and activity on mobile devices depends upon our ability to deliver compelling mobile shopping experiences to our customers and on the interoperability of our sites with mobile operating systems, networks and standards that we do not control. Our inability to increase and monetize mobile traffic could have a material effect on our business, financial condition and operating results.
- If we do not operate our fulfillment centers effectively and efficiently, our business, financial condition and operating results could be harmed.
- Our vendor relationships subject us to a number of risks, including vendor bankruptcy, failure to maintain good relationships or attract new suppliers and absence of long term arrangements with most vendors.
- We face inventory risk in our direct sales business as a result of seasonality, new product launches, rapid changes in product cycles, technology and pricing, defective merchandise, changes in consumer demand and consumer spending patterns as well as other factors.
- We have experienced rapid growth in recent periods and plan to expand our operations by promoting new or complementary products, sales formats or services, each of which may increase our costs and may not be successful.
- Our online marketplaces are subject to risks associated with third-party sellers.
- Our failure or the failure of third-party service providers to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information and that of our customers, could damage our reputation and brands and substantially harm our business and operating results.
- Our business depends on our technology infrastructure as well as the communications infrastructure in the markets in which we operate. Any significant interruptions or delays in service on our sites or any undetected errors or design faults could result in limited capacity, reduced demand, processing delays and loss of customers or vendors.
- Our business depends in part on email and other messaging services, as well as on third-party search engines, and any restrictions on the sending of emails or messages or an inability to timely deliver such communications, or changes in the processes of search engines, could adversely affect our net sales and business.
- We rely on IT to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends would harm our business.
- We may be unable to continue the use of our domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks.
- Our business depends on strong brands. We may not be able to maintain and enhance our brands, or we may receive unfavorable customer complaints or negative publicity, which could adversely affect our brands.
- Failure to comply with European, French and other laws and regulations relating to privacy and data protection could adversely affect our business, financial condition and operating results.
- We may become subject to additional and unexpected laws and regulations, or changes to existing ones, which could materially and adversely affect our business, financial condition and results of operations.

- Operating outside of our current markets would require management attention and resources, involve additional risks, and may be unsuccessful, which could harm our future business development and existing operations.
- The requirements of being a public company may strain our resources and divert management's attention.
- If we fail to comply with regulatory obligations in France and the Netherlands, we may face prosecution, negative publicity or sanctions or investigations by regulatory authorities such as, but not limited to, the AMF or AFM, the CNIL or the French Direction Générale de la concurrence, de la consommation et de la répression des fraudes (The General Directorate of Competition, Consumption & Repression of Frauds) - DGCCRF.
- Employment laws in France are relatively stringent.
- We may be subject to work stoppages at our fulfillment centers or our vendors may be subjected to work stoppages, which may cause our business, financial condition and operating results to be materially and adversely affected.
- We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.
- Some of our software and systems contain open source software, which may pose particular risks to our proprietary software and solutions.
- We are subject to foreign exchange fluctuations.
- We use third-party couriers and postal services to deliver many orders, and our marketplace sellers may use similar delivery methods to deliver orders. If these third-party providers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.
- We may be subject to product liability claims if people or property are harmed by the products we sell.
- We are subject to payment-related risks, including fraud and unpaid receivables.
- A substantial portion of our sales is paid for in installment payments under arrangements with joint venture partners and third parties and a change to the terms of these arrangements may lead to a decline in sales.
- We may be unable to prevent sellers from selling goods in an unlawful manner on our marketplaces. In addition, we could be liable for fraudulent or unlawful activities of the sellers on our marketplaces.
- We may from time to time pursue acquisitions, which could have an adverse impact on our business, as could the integration of the businesses following acquisition.
- Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

4.3 Risks Related to the 2016 Reorganization and the Offers

- The 2016 Reorganization could negatively influence our business and results of operations, due to potential dissynergies.
- Certain historical consolidated financial information and pro forma financial information presented in this annual report may not be representative of results we would have achieved had we been an independent, publicly traded company or of our future results.
- The Reorganization Agreement contains several contractual clauses which may result in potential future financial obligations to Cnova. For risks related thereto, we refer to Schedule 13E-3 as filed, and amended from time to time, with the SEC and available on our website.

- The Company is exposed to a 6-year indemnification obligation to Via Varejo as part of the Reorganization Agreement, which indemnification is, subject to all terms and conditions of the Reorganization Agreement, limited to \$60 million.

4.4 Risks Related to Taxation

- Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.
- We may experience fluctuations in our tax obligations and effective tax rate, which could materially and adversely affect our operating results.
- The tax treatment of our corporate structure and inter-company arrangements depends on the application of the tax laws of various jurisdictions and how we operate our business.

4.5 Risks Related to Our Ordinary Shares

- The price of our ordinary shares may be volatile, and you may lose all or part of your investment.
- If equity research analysts stop to publish research reports about our business or if they issue unfavorable commentary or downgrade our ordinary shares, the price of our ordinary shares could decline.
- We are principally owned by some of our Founding Shareholders, and their interests may conflict with or differ from your interests as a shareholder.
- We have delisted our ordinary shares from NASDAQ and have filed Form 15 with the SEC to suspend our reporting obligations pursuant to Section 15(d) under the Exchange Act and, accordingly, there will be less access to information about us because our obligations to file periodic reports with the SEC have been suspended and this may negatively affect the liquidity and trading price of our ordinary shares.
- Certain of our directors may have actual or potential conflicts of interest because of their positions with our Parent Companies.
- We are currently party to, and may in the future be party to, related party transactions, including with our Parent Companies. Such transactions could involve potential conflicts of interest.
- Future sales of our ordinary shares by our shareholders, or the perception that such sales could occur, may cause the market price of our ordinary shares to decline.
- We have no present plan to pay any dividends on our ordinary shares and cannot provide assurances regarding the amount or timing of dividend payments, if any, in the future.
- As a result of the shares that Casino and its group companies acquired in the Offers, Casino and its group companies have the right under Dutch law, but not the obligation, to initiate a buy-out procedure in order to acquire the remaining shares not tendered in the tender offers and not held by Casino and its group companies. If Casino would opt to do so, the buy-out price will be determined by the competent Dutch court and may be, or not, equal to the offer price.

4.6 Risks Related to Our Incorporation in the Netherlands

- We do not comply with all the provisions of the DCGC. This may affect your rights as a shareholder.
- We are a Dutch public company with limited liability. The rights of our shareholders may be different from the rights of shareholders governed by the laws of other jurisdictions.
- Any shareholder acquiring 30% or more of our voting rights may be required to make a mandatory takeover bid.

4.7 Quantitative and Qualitative Disclosure about Market Risk

We are exposed to a variety of risks in the ordinary course of our business, including equity risk, liquidity risk, changes in interest rates and inflation and to a lesser extent foreign currency exchange fluctuations, counterparty (credit) risk. We regularly assess each of these risks to minimize any adverse effects on our business as a result of those factors. For sensitivity analysis of our exposure to these risks, see Note 23 to our consolidated financial statements as of and for the year ended December 31, 2016.

Foreign Currency Risk

We are exposed to foreign currency risk in transactions not denominated in euro. Cnova does not hedge this “translation exposure”.

During the years ended December 31, 2015 and as of December 31, 2014, we had one foreign exchange hedging transaction for €2.2 million put in place by our subsidiary C-Asia. This hedge is no longer in place following the spinoff of C-Asia completed in the first half of 2016. In addition, until the disposal or closing of our international subsidiaries, including Cnova Brazil, part of our net sales and our operating expenses were denominated in the currencies of the countries in which our operations were located and were subject to fluctuations, when translated into euro, due to changes in foreign currency exchange rates. Fluctuations in foreign currency exchange rates have caused us to recognize translation gains and losses in our income statements.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Other Market Risks

Interest rate risk

As described in notes 21 and 23 to our financial statements included elsewhere in this annual report, our financial debt is mainly related to loans or current accounts with its Parent Companies. We consider interest rate risk to be limited, although a variation in interest rates can impact revenues from cash and cash equivalents as well as the cost of selling credit card receivables.

Equity risk

We do not hold any significant interests other than our entities.

Liquidity and credit risk

We manage liquidity risk through the daily monitoring of cash flows, control of financial assets and liabilities maturities and a close relationship with financial institutions. Cnova held €4.2 million and €391.8 million as cash and cash equivalents as of December 31, 2016 and December 31, 2015, respectively. Cnova’s liquidity is also dependent on financing from its Parent Companies (Casino and CBD) and on the sale of credit card receivables (see Notes 11 and 23 to our financial statements included elsewhere in this annual report).

5. CORPORATE GOVERNANCE - THE DUTCH CORPORATE GOVERNANCE CODE

As a Dutch company that lists its ordinary shares on a government-recognized stock exchange, we are subject to the Dutch Corporate Governance Code (“DCGC”). The DCGC, as amended, became effective on January 1, 2009, and applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including NASDAQ and Euronext Paris.

The code is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their annual report filed in the Netherlands whether or not they are complying with the various rules of the DCGC that are addressed to the board of directors and, if they do not apply those provisions, to give the reasons for such non-application. The DCGC contains both principles and best practice provisions for the board of directors, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The principles and best practice provisions apply to our board of directors, in relation to its role and composition, conflicts of interest and independence requirements, board of directors committees and remuneration; shareholders and the general meeting of shareholders, for example, regarding anti-takeover protection and obligations of the company to provide information to our shareholders; and financial reporting, including external auditor and internal audit requirements.

We acknowledge the importance of good corporate governance. As such we complied with the corporate rules of NASDAQ and U.S. Securities laws that applied to us until March 3, 2017, the date the delisting from NASDAQ became effective. In addition, we complied in 2016 with the provisions of the DCGC, insofar these provisions are not inconsistent with the aforementioned NASDAQ rules and U.S. Securities laws or reflect best practices of global companies listed on both NASDAQ and Euronext Paris or the governance practices at our predecessor companies.

The provisions from the DCGC we do not apply include the following:

Remuneration (Principle II.2, III.7 and associated best practice provisions)

Our Remuneration Policy, adopted by our general meeting of shareholders before we were a publicly listed company, sets forth a remuneration structure designed to attract, retain and motivate Directors with the leadership qualities, skills and experience needed to support the management and growth of our business. The Remuneration Policy aims to drive strong business performance, promote accountability, incentivize Directors to achieve short- and long-term performance goals with the objective of substantially increasing our equity value, and assure that Directors’ interests are closely aligned to those of our shareholders and other stakeholders in accordance with international and US practice. Consequently, our Remuneration Policy, and the remuneration granted based on that policy, does not comply with the remuneration related provisions from the DCGC in all respects.

For a detailed discussion of the implementation of our Remuneration Policy, see “11 Remuneration Policy of Directors” and “12 Remuneration of Executive Officers and Directors”.

Conflicts of interests and related party transactions (Principles II.3, III.6 and certain associated best practice provisions)

We deviate from Principle II.3, the best practice provisions II.3.2, II.3.4, Principle III.6 and best practice provisions III.6.1, III.6.3 III.6.4. In accordance with our Board Rules, a Director shall not participate in the deliberations and decision-making of the Board of Directors on a matter in relation to which he or she has a conflict of interests within the meaning of the Dutch Civil Code. A Director is not automatically barred from participating in any discussion or decision-making involving a matter in relation to which he or she may have an apparent conflict of interest. Pursuant to our Board Rules, a Director is required to report a potential conflict of interest to the Chairman of the Board of Directors and the Board of Directors (excluding the Director concerned) shall resolve whether the reported potential conflict of interests qualifies as an actual conflict of interests.

In addition, in view of our shareholder structure, we have a comprehensive policy on related party transactions that provides for a detailed arrangement for the approval of related party transactions and safeguards a diligent and careful decision-making process. Material related party transactions entered into by us are described under “0 Related Party Transactions.”

Contents of the Board Rules (best practice provision III.1.1)

Our Board Rules do not contain specific provisions dealing with the Board's relations with the general meeting of shareholders. The Board will respect the rights of the general meeting of shareholders in accordance with our Articles of Association and the Dutch Civil Code.

Board Committees (Principle III.5)

Our Board of Directors has not established a separate remuneration committee and selection and appointment committee. Instead, our Nomination and Remuneration Committee fulfils the role and responsibilities of a remuneration committee and selection and appointment committee as set forth in the DCGC.

Internal audit function (Principle V.3 and associated best practice provisions)

As a company that is in the process of a reorganization, internal audit support has been provided by the internal audit function of Casino.

6. BOARD OF DIRECTORS

In the Company's Annual General Meeting of Shareholders, held on June 29, 2016, the shareholders (re)appointed several directors, and in the Extraordinary General Meeting of Shareholders held on January 13, 2017, Christophe José Hidalgo was appointed director of the Company, replacing Didier Lévêque, who resigned from his position as director and Vice-Chairman of the board. As from October 31, 2016, as a consequence of the resignation of Mr. Peter Paul Estermann, our board of directors consists of nine directors. The individuals listed below are our current directors.

Name	Date of appointment	Current term	Nationality	Year of birth
<i>Non-executive directors</i>				
Antoine Giscard d'Estaing, Chairman (*)	May 20, 2015	2015-2018	French	1961
Yves Desjacques (**)	June 29, 2016	2016-2019	French	1967
Silvio J. Genesini (1)(2)	December 8, 2014	2015-2018	Brazilian	1952
Eleazar de Carvalho Filho	October 31, 2014	2016-2019	Brazilian	1957
Ronaldo Iabrudi dos Santos Pereira (2)	July 24, 2014	2014-2017	Brazilian	1955
Bernard Oppetit (1)	November 19, 2014	2016-2016	French	1956
Arnaud Strasser (2)	May 30, 2014	2014-2017	French	1966
Christophe José Hidalgo	January 13, 2017	2017-2020	French	1967
<i>Executive director</i>				
Emmanuel Grenier-CEO (***)	June 29, 2016	2016-2019	French	1971

(1) Member of our Audit Committee.

(2) Member of our Nomination and Remuneration Committee.

(*) Mr. Giscard d'Estaing was appointed Chairman of the Board of Directors on November 16, 2016, following the resignation of Mr. Peter Estermann from his position as non-executive director and Chairman on October 31, 2016.

(**) Mr. Desjacques was appointed as replacement Non-Executive director on August 28, 2015 and subsequently appointed as Non-Executive director at our annual meeting of shareholders on June 29, 2016.

(***) Mr. Grenier was appointed as replacement Executive director on January 21, 2016 and subsequently appointed as Executive director at our annual meeting of shareholders on June 29, 2016.

The following paragraphs set forth biographical information regarding our directors:

Antoine Giscard d'Estaing was appointed as one of our directors in May of 2015, and was elected Chairman in November 2016. Mr. Giscard d'Estaing is a graduate of the HEC School of Management and the École Nationale d'Administration. After serving four years in the auditing department of the French Treasury, he joined Suez-Lyonnaise des Eaux in 1990 and eventually became that company's Chief Financial Officer. He then joined Schneider Electric in 2000 as Executive Vice-President of Finance, Auditing and Legal Affairs, before moving to Danone in 2005 as Executive Vice-President of Finance, Strategy and Information Systems. He was appointed Danone's Corporate Secretary in 2007. In 2008, he was a partner with Bain & Company Paris. In April 2009, Mr. Giscard d'Estaing became Casino Group's Chief Financial Officer; he retains that position today and is also a member of the Executive Committee.

Yves Desjacques was appointed as replacement non-executive director on August 28, 2015, and was subsequently appointed as non-executive director at our annual general meeting of shareholders held on June 29, 2016. Mr. Desjacques also served as one of our directors from November 19, 2014 until December 8, 2014. He has served as head of human resources of Casino Group and as a member of the board of directors of Éxito since 2007 and 2009, respectively. Mr. Desjacques has been a member of the board of directors of Via Varejo from February 2014 to April 2015 and is also chairman of the human resources committee of Via Varejo. He is also a member of the board of directors and the human resources and compensation committee of CBD. Mr. Desjacques also serves on the good governance code assessment, follow-up and compensation committee of Éxito. Prior to joining Casino Group, Mr. Desjacques was director of human resources and a member of the general committee of Vedior France from 2001 to 2007. Mr. Desjacques holds a master's degree in public law

from Université Paris II Panthéon-Assas where he specialized in labor law, corporate relations and human resources.

Silvio J. Genesini was appointed to serve as a replacement director for Yves Desjacques effective December 8, 2014 and was subsequently appointed non-executive director in May, 2015. Mr. Genesini acts as one of our independent directors. He currently serves as a member of the board of directors of Algar, (Brazilian conglomerate with telecom, IT and agribusiness operations), CVC (Brazilian public tourism operator) and Elemedia (out of home media company). He is also the president of LIDE Tecnologia and a member of the advisory council of Anjos do Brasil (a NGO that promotes angel investments). Mr. Genesini previously served as Chief Executive Officer of Grupo Estado from 2009 to 2012, a Brazilian media group, and as the managing director of Brazilian operations for Oracle Corporation from 2004 to 2009, and as a partner at Accenture and Andersen Consulting. Mr. Genesini holds a degree in industrial engineering from Universidade de São Paulo

Eleazar de Carvalho Filho has served as one of our directors since October 31, 2014. He was formerly the President and Managing Director of the Brazilian National Development Bank and has served as Chief Executive Officer of Unibanco Investment Bank and Managing Director of Bank UBS Brazil. He is a founding partner of Virtus BR Partners, an independent advisory company, and of Sinfonia Capital. From 2006 to 2011, Mr. Carvalho Filho served as the non-executive Chairman of BHP Billiton Brazil. He also has served as a member of the board of directors of Petróleo Brasileiro S.A., Centrais Elétricas Brasileiras S.A., Alparagatas S.A., Vale S.A., among others. He currently serves as director of TechnipFMC plc, Brookfield Renewable Partners and GPA, where he is also chairman of the financial committee. He serves on the audit committees of these three listed companies. Mr. de Carvalho Filho also is President of the Board of Trustees of the Brazilian Symphony Orchestra. Born in São Paulo, Mr. de Carvalho Filho holds a bachelor's degree in economics from New York University and a master's degree in international relations from the Johns Hopkins University.

Ronaldo Iabrudi dos Santos Pereira has served as one of our directors since July 24, 2014. Mr. Iabrudi has served as Chief Executive Officer of CBD, as chairman of the board of directors of Via Varejo and as a member of the executive committee of Casino since 2014, and as a member of the board of directors of GPA, since 2013. Mr. Iabrudi is also a partner of Viaw, a telecommunications cost reduction services company. Previously, Mr. Iabrudi was chairman of the board of directors of Lupatech S.A., a member of the board of directors of Estácio Participações S.A., a member of the board of directors of Cemar, chief executive officer of Magnesita S.A. from 2007 to 2011, chief executive officer of Telemar Group from 1999 to 2006, chairman of the board of directors of Telemar Operadora and a member of the board of directors of other subsidiaries of the Telemar Group, chief executive officer of Ferrovia Centro-Atlântica from 1996 to 1999 and chairman of the board of directors of Porto de Angra and an executive officer and financial officer of Gerdau Group from 1984 to 1996. Mr. Iabrudi holds a bachelor's degree from Pontifícia Universidade Católica de Minas Gerais, a master's degree in organizational development from Université Paris I Panthéon-Sorbonne and a master's degree in management of changes from Université Paris IX Dauphine.

Bernard Oppetit has served as one of our directors since November 19, 2014, and is one of our independent directors. He currently serves as the Chairman of Centaurus Capital Ltd, an asset management firm he created in 2000. Prior to founding Centaurus Capital, Mr. Oppetit held various positions at Paribas (now BNP Paribas). He started at Paribas in 1979, in Information Technology, worked in M&A from 1981 to 1987, joined the Risk Arbitrage Department in 1987, and was appointed global head of Equity Derivatives at Paribas in 1995 and served in this capacity until he resigned in 2000. He has been an independent director and Chairman of the audit committee of Natixis since 2009 and 2010, respectively. Mr. Oppetit is also a director of Centaurus Capital Holdings Limited, Centaurus Global Holding Limited and Centaurus Management Company Limited. Mr. Oppetit also serves as trustee of the Academy of St Martin-in-the-Fields. Mr. Oppetit graduated from École Polytechnique in Paris in 1978.

Arnaud Strasser has served as one of our directors since May 30, 2014. Mr. Strasser has served as Director, Corporate Development and Holdings of Casino and a member of the Casino Management Board since 2010. He has also served as a member of the board of directors of Éxito since 2010 (member of the Good Governance Code Assessment, Follow-up and Compensation Committee), member of the board of directors of CBD since 2010 and Vice Chairman since 2012 (member of the Human Resources and Compensation Committee), and a member of the board of directors and Vice Chairman of Via Varejo since 2012 and 2013, respectively (member of the Human Resources and Compensation Committee). Mr. Strasser also served as a

member of the board of directors of Big C Supercenter until 2014. Mr. Strasser joined Casino in 2007 and served until 2009 as Advisor to the Chairman for International Development of Casino. Mr. Strasser is a graduate from the École Nationale d'Administration (ENA), he also holds a master's degree from the Hautes Études Commerciales (HEC), and a master's degree from the Institut d'Études Politiques de Paris.

Christophe José Hidalgo has served as one of our directors since January 13, 2017. Mr. Hidalgo is the chief financial officer and corporate services officer at GPA since 2012. He joined the Casino Group in 2000, where he has held several positions in finance and controllership, including chief financial officer of Éxito from 2010 to 2012. From 1996 to 2000, Mr. Hidalgo was the chief financial officer of Castorama. Mr. Hidalgo holds a bachelor's degree in law and a master's degree in finance and accounting from the Université de Bordeaux.

Emmanuel Grenier was appointed as our Co-CEO in June 2014 and subsequently appointed CEO on January 21, 2016. Mr. Grenier was also appointed as replacement executive director on January 21, 2016 and was subsequently appointed as executive director at our annual general meeting of shareholders held on June 29, 2016. Mr. Grenier has served as Managing Director and Chief Executive Officer of Cdiscount since 2008. Since joining Casino Group in 1996, Mr. Grenier has served in a variety of roles in supply chain and IT, including as President of Cdiscount Group and CD Africa S.A.S., director and President of E-Trend S.A.S., director of two former Cdiscount subsidiaries, C-Asia and C Distribution (Thailand) Ltd. Mr. Grenier holds a master's degree from ESC Chambéry in France.

7. EXECUTIVE OFFICERS

The individuals listed below are our current executive officers:

Name	Age	Title
Emmanuel Grenier	45	Chief Executive Officer
Stéphane Brunel	42	Chief Financial Officer of Cnova N.V.; Chief Financial Officer of Cdiscount
Pascal Rivet	56	Chief Compliance Officer
Steven Geers	35	General Counsel

The following paragraphs set forth biographical information regarding our Non-Board executive officers. For biographical information regarding Emmanuel Grenier, please see “—Directors” above.

Stéphane Brunel was appointed as Chief Financial Officer on June 10, 2016 and Chairman of Banque du Groupe Casino on March 15, 2017. He has served as CFO of Cdiscount Group since February 2015 and as our deputy CFO since April 2015. Since joining Casino Group in 2008, Mr. Brunel has served in a variety of roles, including as Chief Financial Officer of Franprix-Leader Price between April 2011 and February 2015. Prior to that, Mr. Brunel worked at Rallye from 2006 to 2008 and previously at Morgan Stanley’s investment banking division. Mr. Brunel holds a master’s degree from EM Lyon in France.

Pascal Rivet was appointed as Chief Compliance Officer on March 17, 2016. Previously, Mr. Rivet served as our Interim General Counsel since March 2015. Since joining Casino Group in 1995, Mr. Rivet has served in several different roles in legal affairs and tax compliance, most recently as International Legal Affairs Officer, and prior to that as General Counsel, Legal and Tax Officer and Group Tax Manager. Mr. Rivet holds a Master of Laws degree from the Faculté de Droit et Science Politique of the Université de Toulouse 1 Capitole and a degree from the French National Tax School.

Steven Geers was appointed as our General Counsel on March 17, 2016, after having worked as our Assistant General Counsel since March 1, 2015. Prior to joining the Company, Mr. Geers worked as a senior lawyer at General Electric (GE) from 2011 to 2015. Additionally, he practiced corporate law at Greenberg Traurig in Amsterdam and at Bird & Bird in The Hague, the Netherlands, from 2007 to 2011 and at Greenberg Traurig in New York, United States, in 2007. Mr. Geers holds a master’s degree in Corporate Law from the University of Groningen, the Netherlands.

8. BOARD STRUCTURE

Our Company has a single-tier board of directors. Our board of directors consists of nine directors, including eight non-executive directors and one executive director. The terms of our directors will expire at the annual general meeting of shareholders in 2017 (for Arnaud Strasser and Ronaldo Iabrudi dos Santos Pereira), 2018 (for Silvio Genesini and Antoine Giscard d'Estaing), 2019 (for Yves Desjacques, Bernard Oppetit, Eleazar de Carvalho Filho and Emmanuel Grenier) and 2020 (for Christophe Hidalgo). Non-executive Directors are expected to serve three-year terms, although the internal rules for our board of directors and its committees (the “Board Rules”) allow for other terms if proposed by the board of directors and approved by a resolution of our general meeting of shareholders. A director may be re-elected to serve for an unlimited number of terms.

According to the terms of the Commitment Letter entered into between Casino and GPA, dated August 8, 2016 (the “CGP-GPA Commitment Letter”), Casino has granted GPA the right to designate one or more directors to the Company’s board of director to ensure that the ratio of (a) non-independent members of the Company’s board of directors appointed by GPA divided by (b) the total number of non-independent members of the Company’s board of directors shall be at least equal to the economic interest of CBD in the ordinary shares of the Company, for as long as CGP continues to control Cnova. The current GPA’s designated directors are Ronaldo Iabrudi dos Santos Pereira, Eleazar de Carvalho and Christophe Hidalgo.

In accordance with Dutch law, our Articles of Association provide that our directors will be appointed by our general meeting of shareholders. A director may be removed or suspended, with or without cause, by a resolution of our general meeting of shareholders passed by a simple majority of the votes cast. In addition, our executive director may be suspended by our board of directors.

Our executive director, currently Emmanuel Grenier, is the sole CEO. In addition, under our Articles of Association our board of directors may appoint other persons who are not a member of our board of directors as Co-CEOs (each a “Non-Board Co-CEO”). A Non-Board Co-CEO attends and participates in meetings of the board of directors as an observer, but may not vote. The duties, responsibilities and powers of a Non-Board Co-CEO are subject to certain limitations under Dutch law. Our board of directors may at any time determine that the specific circumstances require the board of directors to perform its duties through deliberation and decision-making among the directors only, without the Non-Board Co-CEOs being present. Currently no Non-Board Co-CEO is appointed.

The primary responsibility of our non-executive directors is to supervise the management, including the CEO, to oversee the functioning of the board of directors, and provide advice to our CEO and senior management, including supervising the execution of our Company’s strategy by our CEO and senior management and monitoring the general affairs of our Company and the business connected with it. The primary responsibility of our CEO is to manage, subject to the limitations of Dutch law and without prejudice to the board of director’s collective responsibility, our Company’s day-to-day operations, the general affairs of the Company and of the Company’s group.

Decisions of the board of directors require the affirmative vote of a majority of the directors present or represented at any meeting of our board of directors where at least a majority of the full board is present or represented. The chairman of the board of directors casts the deciding vote in the event that any vote of the board of directors results in a tie. The board of directors may also act by written consent, evidenced by a resolution of the board of directors signed by at least a majority of the full board.

Our board has adopted internal rules concerning the organization, decision-making and other internal matters of the board of directors and the board committees. Our board of directors as a whole or the CEO individually is authorized to represent us in dealings with third parties. Our board may elect to adopt additional lists of decisions by the CEO requiring prior approval by the board as a whole, the Chairman or certain committees.

9. DIRECTOR INDEPENDENCE

The Dutch Corporate Governance Code applies to Cnova. For director independence requirements under the DCGC, see “5 Corporate Governance - The Dutch Corporate Governance Code”.

10. BOARD EVALUATION

Pursuant to the Board Rules, the non-executive directors shall discuss at least once a year, without the CEO being present, their own functioning, the functioning of the board committees and the individual non-executive directors, and the conclusions that must be drawn on the basis thereof. Moreover, the non-executive directors shall discuss at least once a year without the CEO being present both the functioning of the board of directors as a corporate body of the Company and the performance by the CEO of his duties, and the conclusions that must be drawn on the basis thereof. In accordance with the Board Rules, our Chairman shall see to it that the performance of the Directors and the CEO is assessed at least once a year.

The last meeting of the board of directors without the CEO being present to discuss the functioning of the board of directors as a whole and the individual directors took place on February 22, 2017.

Discussions by the non-executive directors on strategy, risks and risk management

As mandated by the Board Rules, our non-executive directors meet from time to time to discuss the corporate strategy and the main risks of the business, the results of the assessment by the board of directors of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

11. REMUNERATION POLICY OF DIRECTORS

Under our Articles of Association, we must adopt a remuneration policy for our directors. Such remuneration policy was adopted by our general meeting of shareholders on October 30, 2014 and is available on our website.

The remuneration policy sets forth a remuneration structure designed to attract, retain and motivate directors with the leadership qualities, skills and experience needed to support the management and growth of the Company's business. Our remuneration policy aims to drive strong business performance, promote accountability, incentivize directors to achieve short- and long-term performance goals with the objective of substantially increasing the Company's equity value, and assure that directors' interests are closely aligned to those of the Company's shareholders and other stakeholders.

Our remuneration Policy is intended to ensure the overall market competitiveness of the directors' remuneration packages, while providing our board of directors with enough flexibility to tailor its remuneration practices on a case by case basis. In determining the remuneration of directors, the board of directors (and the nomination and remuneration committee), in its discretion, shall consider what, if any, actions shall be taken with a view to preventing conflicts of interest. In its discretion, our board of directors (or the nomination and remuneration committee) may obtain independent advice from compensation consultants or counsel on the appropriate levels of compensation. The nomination and remuneration committee shall annually review and, if deemed appropriate, recommend to the board of directors changes to the individual directors' remuneration packages from time to time in a manner consistent with our remuneration policy

Our board of directors determines the remuneration of our directors in accordance with the remuneration policy. Our CEO may not participate in the deliberations or, if applicable, the determination of his remuneration.

12. REMUNERATION OF EXECUTIVE OFFICERS AND DIRECTORS

12.1 Compensation of Executive Officers

The aggregate compensation expensed by us and our subsidiaries to our current executive officers for the year ended December 31, 2016 was approximately €2.1 million. This amount includes the compensation paid to Mr. Faga de Almeida until his resignation on June 10, 2016, and excludes: (a) compensation paid to Mr. Quiroga, who resigned on January 21, 2016 as the Company's Co CEO and executive director; and (b) compensation paid to Mr. Rivet, the Company's Chief Compliance Officer. Mr. Rivet's compensation is paid as part of the management support and strategic advisory agreement between Cnova, Casino, Guichard-Perrachon and Euris.

12.2 Compensation of Directors

The below tables show the compensation paid by us and our subsidiaries to our executive and non-executive directors in the 2016 fiscal year. We do not have any written agreements with any director providing for benefits upon the termination of such director's relationship with our company or our subsidiaries. Amounts are in euros unless otherwise stated.

<u>Name and title</u>	<u>Director fees in USD</u>	<u>Committee membership fees in USD</u>	<u>Attendance fees in USD</u>
<i>Non-executive directors</i>			
Antoine Giscard d'Estaing, Chairman	10,000		
Yves Desjacques.	10,000		
Didier Lévêque, Vice Chairman ¹	10,000		
Eleazar de Carvalho Filho	40,000		
Ronaldo Iabrudi dos Santos Pereira, Vice Chairman.	10,000	5,000	9,000
Arnaud Strasser	10,000		
<i>Independent non-executive directors</i>			
Bernard Oppetit	40,000	40,000	48,000
Silvio Genesini	40,000	40,000	57,000

Remuneration for Executive director

During his tenure as executive director in the 2016 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation) amounted to 695,800 €

Compensation of non-executive directors

For our eligible non-executive directors who do not serve within the Casino Group in any capacity other than as a director, namely Messrs. Oppetit, Genesini and de Carvalho Filho, the remuneration structure is based on a cash portion and a one-time equity portion supplemented by fees for service as committee chairperson and/or committee-membership as described below. This compensation structure was based on that used for independent directors of U.S. listed companies. The fixed compensation in cash amounts to \$40,000 annually.

The compensation in equity consists of Cnova restricted stock awards (see "12.3 Equity Incentive Plans—Restricted Stock Awards" below for a description of the restricted stock awards).

On November 19, 2014, Mr. Oppetit was granted 8,571 restricted stock awards representing a value of \$60,000 (based on the IPO share price of \$7.00 per ordinary share). On December 8, 2014, Messrs. de Carvalho Filho and Genesini were each granted 8,498 restricted stock awards with a corresponding value of \$60,000 (based on the NASDAQ closing price of our ordinary shares on the grant date of \$7.06 per share). The vesting schedule of the restricted stock awards is as follows:

¹ Mr. Lévêque resigned as Non-Executive Director and Vice-Chairman on January 13, 2017.

Name	Number of RSAs	Grant Date	Vesting Schedule					
			Shares (#)	Date	Shares (#)	Date	Shares (#)	Date
Bernard Oppetit .	8,571	11/19/2014	2,857	11/19/2015	2,857	11/19/2016	2,857	11/19/2017
Silvio Genesini. .	8,498	12/8/2014	2,832	12/8/2015	2,833	12/8/2016	2,833	12/8/2017
Eleazar de Carvalho Filho . . .	8,498	12/8/2014	2,832	12/8/2015	2,833	12/8/2016	2,833	12/8/2017

As shown in the above table, on November 19, 2016 and December 8, 2016, respectively, the second one-third of restricted stock awards vested for each of the listed non-executive directors.

For all our other non-executive directors, namely Messrs. Giscard d'Estaing, Desjacques, Lévêque, Iabrudi and Strasser, a fixed annual retainer of \$10,000 supplemented with fees related to committee memberships is awarded.

Members of our audit committee receive a fixed annual retainer of \$10,000 and the chairman of the audit committee receives a fixed annual retainer of \$20,000. Members of our nomination and remuneration committee receive a fixed annual retainer of \$5,000, and the chairman of the nomination and remuneration committee receives a fixed annual retainer of \$10,000. In addition, members of the audit committee receive an attendance fee of \$2,000 per meeting and members of the nomination and remuneration committee receive an attendance fee of \$1,500 per meeting. In addition to the audit committee and nomination and remuneration committee, a transaction committee was created on March 3, 2016, the non-executive directors that were a member of the transaction committee received a fixed annual retainer of \$20,000 and an attendance fee of \$2,000 per meeting.

Personal loans, advances and guarantees

The Company's current policy is not to grant any personal loans and guarantees to directors, and where the Company has appointed one, the Non-Board Co-CEO, except for travel advances, cash advances and use of a Company-sponsored credit card in the ordinary course of business and on terms applicable to the personnel as a whole. In addition, we have entered into indemnification agreements with our directors and certain of our executive officers.

12.3 Equity Incentive Plans

Existing Cdiscount Management Incentive Plan

Prior to the 2014 Reorganization, our subsidiary Cdiscount Group issued performance shares to certain managers and employees of Cdiscount. As a result, on March 5, 2014, such beneficiaries received, at the end of the vesting period, a total of 315,022 shares in Cdiscount Group, representing approximately 0.2% of Cdiscount Group's share capital and voting rights. No additional shares in Cdiscount Group are to be issued pursuant to this plan. These shares were subject to a lock-up period as required by French law for a period of two years from the date of issuance, which ended on March 5, 2016.

Because Cdiscount Group's shares are not listed and are therefore illiquid, Casino and each beneficiary entered into reciprocal put and call arrangements that allowed Casino to acquire from the beneficiaries, and allowed each beneficiary to sell to Casino, after the expiration of the lock-up period, the Cdiscount Group shares issued pursuant to such incentive plan at a price determined according to a formula based on the performance of Cdiscount. These arrangements were assigned to Cnova, enabling us to acquire eventually 100% of the outstanding share capital of Cdiscount Group.

2014 Omnibus Incentive Plan

On October 30, 2014, our general meeting of shareholders adopted the 2014 Omnibus Incentive Plan to give Cnova a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants, and to provide incentives for future performance of services directly linked to shareholder value. The 2014 Omnibus Incentive Plan provides our board of directors with the authority to grant stock options, SARs, restricted stock awards, restricted stock units, performance units, deferred stock unit awards or other awards that may be settled in or based upon the value of our ordinary shares. Subject to adjustment for changes in capitalization and corporate transactions, up to 16,500,000 of our ordinary shares may be issued pursuant to awards granted under the 2014 Omnibus Incentive Plan. On November 19, 2015, the Company registered

16,474,433 ordinary shares by means under the 2014 Omnibus Incentive Plan on a registration statement on Form S-8 filed with the SEC. As of December 31, 2016, 1,272,156 ordinary shares were subject to outstanding awards and 15,227,844 remained available for new grants under the 2014 Omnibus Incentive Plan. Pursuant to the 2016 Reorganization, certain share based long term incentive awards granted to a number of (former) employees were absorbed into Via Varejo's long term incentive plan. In total this affected 73,410 of the shares originally subject to outstanding awards under the Omnibus Incentive Plan.

Deferred Stock Unit Awards

Pursuant to the 2014 Omnibus Incentive Plan, on November 19, 2014, we granted to certain executives and employees of Cnova and its subsidiaries awards of deferred stock units with respect to 1,319,999 of our ordinary shares in the aggregate. Pursuant to the 2016 Reorganization, the deferred stock units granted to a number of (former) employees were absorbed into Via Varejo's long term incentive plan. In total this affected 73,410 of the deferred stock units originally granted.

Each deferred stock unit award is non-forfeitable and is to be settled, for no consideration (except for Dutch resident recipients for which the deferred stock units will be settled for €1.00 per share), on the fourth anniversary of the completion of our initial public offering, by issuing or transferring ordinary shares to the recipient of the award. Prior to settlement, the recipient of a deferred stock unit award will not hold the ordinary shares subject to the award and, accordingly, will not have any rights as a shareholder in respect of the ordinary shares subject to the award, including voting rights. In addition, deferred stock unit awards may not be transferred except in case of the recipient's death.

Stock Appreciation Right Awards

On November 19, 2014, Casino granted certain executives of Cnova an award of cash-settled SARs with respect to 4,746,907 of our ordinary shares in the aggregate. Pursuant to the 2016 Reorganization, the SARs granted to a number of (former) employees were absorbed into Via Varejo's long term incentive plan. In total this affected 370,024 of the SARs originally granted.

Each SAR award will vest in full on the fourth anniversary of the completion of our initial public offering, subject to the recipient's continued service through such date. As soon as practicable following the vesting date, each SAR subject to the award will be settled by Casino for a gross amount in cash equal to the excess (if any) of (i) the lesser of the closing price of an ordinary share on NASDAQ on the vesting date and 220% of the initial public offering price per ordinary share over (ii) 120% of the initial public offering price per ordinary share. The initial public offering price per ordinary share was \$7.00.

Under certain conditions of termination of service by the recipient prior to the vesting date of the SARs, including in the event of termination without cause, an award recipient may be entitled to retain some portion of the SARs to which he or she otherwise would have been entitled.

As the SARs are fully cash-settled and do not give any right to receive ordinary shares of Cnova, the recipient of a SAR award has no rights as a shareholder in respect of the award, including voting rights. In addition, the SAR award may not be transferred except in case of the recipient's death.

Restricted Stock Awards

Pursuant to the 2014 Omnibus Incentive Plan, in November and December 2014, we granted to certain of our directors awards of restricted stock with respect to 25,567 of our ordinary shares in the aggregate. Each award was determined by dividing \$60,000 by the NASDAQ closing price per ordinary share on the date of grant. Such restricted stock awards vested on the first anniversary of the applicable grant date and will continue to vest in equal installments on the second and third anniversaries of the grant date, subject to the recipient's continued service through such date. Any unvested portion of a restricted stock award will be forfeited for no consideration upon the recipient's termination of service as a director, unless otherwise determined by the committee administering the 2014 Omnibus Incentive Plan. Prior to vesting, the recipient will have the rights of a shareholder in respect of the ordinary shares subject to the award, including voting rights, provided that any dividends or other distributions paid in respect of such ordinary shares will not become due until the ordinary shares that correspond to the dividends vest. In addition, restricted stock awards may not be transferred. Additional grants of restricted stock may be made pursuant to the 2014 Omnibus Incentive Plan upon the

appointment of any future independent directors and directors that have no affiliation with Casino Group other than service as a director of a group company.

13. DIRECTORS' SERVICE CONTRACTS

There are no arrangements or understandings between us, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their service as directors of our company.

14. BOARD AND OTHER MANAGEMENT COMMITTEES

We have two board committees, an audit committee and a nomination and remuneration committee. These committees are governed by our Board Rules. On March 3, 2016, Cnova's Board of Directors also created a Transaction Committee in connection with the 2016 Reorganization (for more information about the Cnova Transaction Committee, please refer to "16 Conflict of Interest").

14.1 Audit Committee

Our audit committee consists of two independent directors, Mr. Bernard Oppetit and Mr. Silvio Genesini. Mr. Oppetit serves as the chair of the audit committee.

Our audit committee oversees our accounting and financial reporting processes and the audits of our consolidated financial statements. The role of the audit committee is described in the audit committee charter, which is available on our website at www.cnova.com under "Investor Relations".

14.2 Nomination and Remuneration Committee

Our nomination and remuneration committee consists of three directors, Mr. Ronaldo Iabrudi dos Santos Pereira, Mr. Arnaud Strasser and Mr. Silvio Genesini. Mr. Genesini serves as the chair of the nomination and remuneration committee. The role of our nomination and remuneration committee is to assist our board of directors in selecting individuals qualified to become our directors, determining the composition of our board of directors and its committees and reviewing and recommending our compensation structure, including compensation relating to our directors and senior management. Our CEO may not be present at any committee meeting in which his compensation is to be discussed. Our nomination and remuneration committee charter, which is available on our website at www.cnova.com under "Investor Relations", further describes the functions of our nomination and remuneration committee.

15. DIVERSITY POLICY

We endorse that the Board of Directors should aim for a diverse composition in terms of factors such as gender and age. However, the Board of Directors is of the opinion that gender is only one element of diversity, and that experience, (cultural) background, knowledge, skills and insight are equally important and relevant criteria in selecting new directors. We believe that the current composition of the Board of Directors, taking into account the knowledge and experience of the current directors, is in the best interest of Cnova and its businesses. In the future, however, we will continue to pursue a diverse composition for the Board of Directors, subject to the availability of suitable candidates at the time of Board appointments.

16. CONFLICT OF INTEREST

In accordance with our Board Rules, a Director shall not participate in the deliberations and decision-making of the Board of Directors on a matter in relation to which he or she has a conflict of interests within the meaning of the Dutch Civil Code. In addition, a director may recuse him- or herself in case he or she believes to have a potential conflict of interest within the meaning of the Dutch Corporate Governance Code. A Director is not automatically barred from participating in any discussion or decision-making involving a matter in relation to which he or she may have an apparent conflict of interest. Pursuant to our Board Rules, a Director is required to report a potential conflict of interest to the Chairman of the Board of Directors and the Board of Directors (excluding the Director concerned) shall resolve whether the reported potential conflict of interests qualifies as an actual conflict of interests.

The Cnova Board of Directors determined that, in view of the relationships between Cnova, CBD, Via Varejo and their controlling shareholder, Casino, each of the following members of the Cnova Board of Directors was considered to have a conflict of interest in connection with the 2016 Reorganization and the Offers: Peter Estermann (who resigned with effect from the completion of the 2016 Reorganization), Didier Lévêque (who resigned on January 13, 2017), Ronaldo Iabrudi dos Santos Pereira, Eleazar de Carvalho Filho, Yves Desjacques, Antoine Giscard d'Estaing and Arnaud Strasser. The Cnova Board of Directors then approved the formation of a transaction committee for purposes of evaluating, negotiating and entering into agreements in connection with the 2016 Reorganization related transactions (the "Cnova Transaction Committee"), consisting of Silvio J. Genesini, Bernard Oppetit and Cnova's chief executive officer, Emmanuel Grenier. The other members of the Cnova Board of Directors recused themselves from participating in any further deliberations and decision-making in connection with the 2016 Reorganization.

17. RELATED PARTY TRANSACTIONS

The relationships we have with our Parent Companies, across areas such as purchasing, logistics and fulfillment, other operational areas and financing are an important part of our strategy and provide a significant competitive advantage.

Our Related Party Transaction Policy (the “RPT Policy”), in effect since the completion of our IPO, requires that all related party transactions be entered into on arm’s-length terms and provides for the management of situations of potential conflicts of interest. The RPT Policy defines related party transactions as transactions between (i) Cnova (or any subsidiary of Cnova), on the one hand, and (ii) either (x) a direct or indirect holder (or deemed holder) of 10% or more of our issued ordinary share capital and/or voting rights in respect thereof or any subsidiary thereof (or any of their respective directors or officers or their immediate family members), or (y) a director or officer of Cnova, or any of their immediate family members, on the other hand.

Following the completion of our IPO, in order to enhance compliance with the RPT Policy on a going forward basis, we retained the services of Grant Thornton France to review the terms of our related party transactions or arrangements then in effect, including those in effect prior to our IPO but excluding the Framework and IPO Agreement and related agreements, and agreements relating to our shares identified below. Grant Thornton reviewed all material terms that it believed should be considered in determining whether a transaction is entered on arm’s-length terms, including pricing, duration and termination provisions. Grant Thornton’s review was performed under International Standard on Assurance Engagements 3000 and concluded that no material element existed that would preclude the determination that (i) Cnova’s framework is appropriate for establishing related party transactions on arm’s-length terms and reviewing and approving such transactions, (ii) the framework has been properly applied to the related party transactions reviewed by Grant Thornton and (iii) each such related party transactions was entered into on arm’s-length terms, taking into account all material aspects of each transaction.

After this first review, Grant Thornton France tested the operating effectiveness of certain of Cdiscount’s related party transactions for the fiscal year ended December 31, 2015, which were deemed significant based on amounts incurred during that year or their strategic business stakes. In total, 20 related party transactions from Cdiscount were identified and Grant Thornton tested material elements linked to each of these related party transactions’ invoicing process, in particular pricing, invoicing frequency and payment deadline. This review was also performed under International Standard on Assurance Engagements 3000, and led to the conclusion that the related party transactions reviewed are operated at arm’s-length terms, taking into account all material aspects of the tested transactions. During 2016, Grant Thornton France reviewed all new related party transactions and concluded that they were entered into at arm’s-length terms. Further, in the beginning of 2017, Grant Thornton France started a new round of operating effectiveness testing based on a sample of certain Cdiscount’s related party transactions for the fiscal year ended December 31, 2016, which were selected based on the same criteria compared to the previous review performed (amounts involved and strategic business stakes). The testing focused on adherence to contractual clauses through the testing of the pricing aspects of these related party transactions. Grant Thornton France concluded on the absence of discrepancy between the contractual terms and the performance of the agreements.

In addition, starting in the fiscal year ended December 31, 2015 and continuing to date, Grant Thornton has reviewed proposed new transactions or amendments to existing transactions to ensure that such related party transactions are designed and will be entered into on arm’s-length terms, taking into account all material aspects of each transaction and issues a report attesting that no material element existed which would preclude such related party transactions to be entered at arm’s-length terms.

Based on several factors, including our experience in the business sectors in which we operate, the terms of our transactions with unaffiliated third parties and other market data, as well as the reviews conducted by Grant Thornton, we believe that all of the transactions described below meet the standards set forth in the RPT Policy.

The following is a description of material related party transactions, or series of material related party transactions to which we are currently a party and in which the other parties included, include or are proposed to

include our directors, executive officers, major shareholders or any member of the immediate family of any of the foregoing persons.

17.1 2014 Reorganization Related Agreements

Framework and IPO Agreement

As part of the 2014 Reorganization e-commerce, Casino, CBD, Via Varejo S.A., Nova Pontocom and Nova OpCo entered into the Framework and IPO Agreement, to which Cnova became a party on July 11, 2014. Subsequently, Éxito, Cdiscount Group, Germán Quiroga and another founder of Nova Pontocom became parties to the agreement. The Framework and IPO Agreement set forth the various steps undertaken in the initial reorganization of Cnova, our governing documents, the structure of our board of directors and its committees and certain other matters related to our initial public offering. In addition to the Framework and IPO Agreement, we entered into other agreements with certain members of the Casino Group, including an agreement related to the contribution of shares of certain e-commerce companies to us, shareholders' agreements with Éxito with respect to Cdiscount Colombia and Cdiscount LatAm and put and call arrangements related to the acquisition of Cdiscount Colombia and Cdiscount LatAm.

17.2 2016 Reorganization Related Agreements

Reorganization Agreement

On May 12, 2016, we entered into a non-binding memorandum of understanding with Via Varejo regarding a possible reorganization of Cnova Brazil within Via Varejo and, on August 8, 2016, Cnova, Cnova Brazil and Via Varejo entered into the Reorganization Agreement, which provides for, among other things, the terms of the 2016 Reorganization (see section "2.3.4 The 2016 Reorganization"). Pursuant to the Reorganization Agreement, Cnova Brazil was reorganized within Via Varejo. As a result, Cnova Brazil became wholly owned by Via Varejo. Cnova received (i) all of the Cnova ordinary shares (approximately 97 million shares) held by Via Varejo Holding S.à.r.l. (approximately 21.9% of Cnova's ordinary shares) (ii) the cash balancing payment of approximately R\$16.5 million, which, pursuant to the terms of the Reorganization Agreement, was subsequently adjusted to R\$20.4 million at closing (an increase of approximately R\$3.9 million) in connection with the completion of the 2016 Reorganization to reflect the working capital and financial net indebtedness levels of Cnova Brazil as of such time, and was further adjusted after the closing to R\$43.3 million (an increase of approximately R\$22.9 million from the initial adjusted amount at closing), and (iii) the special voting shares underlying the special voting depository receipts that were previously held by a wholly owned subsidiary of Via Varejo. In addition, on November 7, 2016, Via Varejo caused Cnova Brazil to repay to R\$527.0 million in consideration of the outstanding loan obligations owed by Cnova Brazil to Cnova and one of its wholly owned affiliates, Cnova Finança, together with all interest and other accrued amounts as of the time of repayment.

Casino-Cnova Undertakings Letter

In connection with the 2016 Reorganization, Casino executed a letter addressed to the Cnova transaction committee, the Casino-Cnova Undertakings Letter, in which it was agreed to launch the Offers to acquire any and all outstanding ordinary shares of Cnova for USD 5.50 per share in cash, without interest, upon completion of the 2016 Reorganization. Pursuant to the Casino-Cnova Undertakings Letter, it was decided that two separate Offers would be made:

- the U.S. Offer: an offer to holders of Cnova ordinary shares who are located in the United States; and
- the French Offer: an offer open to holders of Cnova ordinary shares who are located in France and to holders of ordinary shares located anywhere outside the United States and France.

The Offers were made for all the issued and outstanding Cnova ordinary shares, it being understood that the shares held, directly or indirectly, by Casino or CBD were not tendered for purchase in the Offers. This was confirmed in the CBD Support Letter, as well as in the CBD Commitment Letter, which - in short - stated that CBD (i) shall cause its voting rights to be exercised at any shareholders meeting of Cnova in favor of the 2016 Reorganization, and (ii) will not tender any of its Cnova shares, held directly or indirectly, in the Offers, nor dispose or transfer, directly or indirectly, shares in any other manner or through any other instrument, in particular any derivative instruments, until the end of the Offers.

17.3 Agreements Relating to our Shares

Special Voting Agreement

On November 24, 2014, we, the Voting Depository, Casino, CBD, Via Varejo, Éxito, Mr. Germán Quiroga, and Mr. Eduardo Chalita, with acknowledgment by Nova HoldCo, Lux HoldCo and Dutch HoldCo entered into Special Voting Agreement. This agreement includes the contractual terms of the Double Voting Right Structure as discussed in “Other Information - 4 Special Voting Shares”).

Pursuant to the Special Voting Agreement, the Special Voting Shares were automatically issued when our initial public offering was completed in November 2014. The Special Voting Agreement also provides for the non-transferability of special voting depository receipts except to a Permitted Transferee as described in “Other Information - 4 Special Voting Shares”), and authorizes the Voting Depository to unilaterally cancel special voting depository receipts (for no compensation) in specified circumstances. The Special Voting Agreement also includes an acknowledgement of the terms and conditions (*administratievoorwaarden*, or the “Terms and Conditions”) of the Double Voting Right Structure by each initial holder of special voting depository receipts. The Special Voting Agreement further includes an irrevocable power of attorney from each initial holder of special voting depository receipts to the Voting Depository and Cnova for acts required under the Terms and Conditions or the Special Voting Agreement.

Pursuant to the Special Voting Agreement, the Voting Depository is to be granted a call option (the “Call Option”) to acquire newly issued special voting shares in the event of a capital increase of Cnova in which one or more Founding Shareholders (or their Permitted Transferees, as the case may be) participate(s). The Call Option will be an irrevocable right to subscribe for additional special voting shares, exercisable only by the Voting Depository. The Call Option will include circumstances in which the Voting Depository must exercise the Call Option. An issuance of special voting shares pursuant to the Call Option will not require prior authorization by our general meeting of shareholders. The Call Option will be non-transferable and cannot be encumbered in any way. The Call Option will be perpetual in nature, exercisable on more than one occasion and cannot be cancelled unless and until the Double Voting Right Structure is abolished. The Call Option will give no right to subscribe for special voting shares to the extent that our authorized share capital would be exceeded, as set forth in our Articles of Association from time to time. The Special Voting Agreement includes an undertaking by us to ensure that our board of directors will propose an amendment to our Articles of Association in order to increase the number of special voting shares comprised in our authorized share capital if it appears that the Voting Depository will likely need to hold special voting shares in excess of the number of special voting shares issuable under our authorized share capital.

The Special Voting Agreement also provides that the Voting Depository may not, directly or indirectly, sell, dispose of, transfer or encumber any special voting share or otherwise grant any right or interest therein (other than a transfer to Cnova or a statutory right of pledge in favor of the holders of the corresponding special voting depository receipts).

In the Special Voting Agreement, the Voting Depository waives all of its (*de minimis*) economic rights in connection with the special voting shares, although Cnova is required to reimburse the Voting Depository for reasonable costs incurred by it in connection with the administration and operation of the Double Voting Right Structure.

The Special Voting Agreement also provides that in case of dissolution of the Voting Depository, the special voting shares will be transferred back to Cnova for no consideration and, if so desired, the parties to the Special Voting Agreement will seek to implement an appropriate alternative to the Double Voting Right Structure.

The Special Voting Agreement may be amended by the holders of special voting depository receipts by two-thirds majority vote, with our consent. The holders of the special voting depository receipts may also terminate the Double Voting Right Structure by a two-thirds majority vote.

We have not been made aware of any changes in this agreement to date, however, with effect from July 14, 2016, the management board of the Voting Depository cancelled 384,057 special voting depository receipts previously held by Dutch HoldCo Camberra due to the fact that such entity was no longer qualified to hold such

special voting depository receipts under the terms and conditions established by the Voting Depository. With effect from such cancellation, the Voting Depository transferred to the Company for no consideration 384,057 Special Voting Shares.

On a related procedure, with effect from October 31, 2016, the Voting Depository cancelled 96,790,798 special voting depository receipts held by Dutch HoldCo VV since it no longer met the requirements for holding such special voting depository receipts.

The Voting Depository then transferred to the Company for no consideration the 96,790,798 Special Voting Shares, to which the special voting depository receipts of Dutch HoldCo VV were stapled prior to the cancellation thereof. The General Meeting held on October 27, 2016, authorized the reduction of the Company's issued share capital by means of cancellation of the total of 97,790,798 Special Voting Shares held then by the Company in treasury, with effect from January 13, 2017. In addition, in January of 2017, the Voting Depository cancelled 6,002,981 special voting depository receipts and 1 special voting depository receipt previously held, respectively, by Dutch HoldCo QE and Casino due to the fact that such entities no longer qualified to hold such special voting depository receipts under the terms and conditions established by the Voting Depository after having placed the same number of their respective ordinary shares with the Depository Trust and Clearing Corporation in connection with the Offers.

Registration Rights Agreement

On November 25, 2014, the Founding Shareholders and certain other members of our management entered into a registration rights agreement with us. The registration rights agreement provides Casino and Dutch HoldCo with demand registration rights that can be exercised once per twelve-month period and provides all shareholders party to the agreement with piggyback registration rights, which, in either case, if exercised, would impose on us an obligation to register for public resale with the SEC our ordinary shares that are held by such shareholders. The demand registration rights can be exercised at any time, and include requests to register ordinary shares on a shelf registration statement once we become eligible to file a registration statement on Form F-3 or any successor or similar form and requests to effect takedowns from such shelf registration. The piggyback registration rights may be exercised when we propose to register any of our ordinary shares under the Securities Act by a preliminary prospectus, prospectus supplement or shelf registration statement (other than the registration statement we filed for our initial public offering, a registration on Form S-8 or F-4, or any successor or similar form relating to the ordinary shares issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan or in connection with a direct or indirect acquisition by us of another entity). In each registration pursuant to the registration rights agreement, we are required to pay the registration expenses of the selling shareholders, other than underwriting discounts and commissions and applicable transfer taxes. In addition, we have agreed to indemnify the selling shareholders in any registration pursuant to the registration rights agreement against losses suffered by them in connection with any untrue or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, final prospectus or summary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading, except insofar as the same may be caused by or contained in any information furnished in writing to us by such selling shareholder for use therein.

17.4 Logistics and Fulfillment Agreements

Cdiscount Easydis Agreement

On January 24, 2013, Cdiscount entered into a logistics service agreement with Easydis S.A.S. ("Easydis"), which is an affiliate of Casino. Under the terms of the agreement, Easydis manages and operates the fulfillment center located in Andrézieux, France. Easydis handles receipt of inventory at the center, inspection of products from Cdiscount's suppliers, storage of products, preparation of customer orders, management and conservation of inventory and shipping. The parties subsequently amended the agreement on May 16, 2014 to extend the scope of the services and on March 27, 2015, to provide for reviews of the pricing terms based on prevailing market rates.

The term of the agreement is six years, from June 1, 2014, until June 1, 2020. It is automatically renewable for successive six-year periods.

Cdiscount Pick-Up Point Agreements

Cdiscount has entered into a number of agreements, which have been amended from time to time, with members of the Casino Group relating to pick-up point and related services provided to us by such related parties.

The agreements terminate on June 1, 2024, and will be automatically renewed for successive 10-year periods unless terminated by either party with written notice sent two years prior to the expiration of the relevant period.

Cdiscount CCV Agreement

On July 16, 2013, Cdiscount entered into a logistics service agreement with CCV S.N.C. (“CCV”), a member of the Casino Group, as amended by two agreements dated May 16, 2014. Under the terms of the agreement, CCV provides logistics services to Cdiscount, including delivery in metropolitan France (excluding Corsica and related islands) to our customers of products purchased on our sites. CCV also provides CCV stores as Click-and-Collect locations for customers purchasing heavy or large products on our sites.

The agreement terminates on January 1, 2023, and is automatically renewable for successive 10-year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

The parties are not entitled to transfer the agreement without the prior consent of the other party. Each party may also be entitled to terminate the agreement in case of change in the allocation of the share capital of the other party, or a transfer or merger of the other party.

17.5 Operational and Synergy Agreements

Management Support and Strategic Advisory Agreement

On June 4, 2014, we entered into a management support and strategic advisory agreement with certain companies of the Casino Group pursuant to which the relevant Casino Group companies agree to provide certain management support services, including general management, planning, financial and treasury planning and control, human resources, institutional promotion, legal and tax and public relations, as well as strategic advisory services. In consideration for these support and advisory services, we agreed to pay fees on a pro-rata basis from the date of the 2014 Reorganization through the end of the year. The fees are assessed on a cost plus basis, to be invoiced biannually. The estimated fees under the agreement are to be revised annually. To the extent that the relevant Casino Group companies incur costs or expenses either below or in excess of the estimated fee paid during the year, the relevant Casino Group companies will issue to us an additional invoice or a credit note. The management support and strategic advisory agreement is entered into for an indefinite term and may be terminated upon mutual consent, or by any party with 90 days’ prior written notice. Additionally, in the event of a material breach, the non-breaching party may terminate the agreement with 15-day prior written notice to the breaching party (unless the breach is cured during this period). The agreement may also immediately terminate in the case of liquidation or bankruptcy of any of the parties.

Cdiscount EMC Commercial Partnership Agreement

On May 14, 2014, EMC Distribution S.A.S. (“EMC”), the central purchasing entity for the Casino Group, and Cdiscount entered into a commercial partnership agreement, which was subsequently amended on March 27, 2015. Under this agreement, both parties undertake to implement buying synergies to increase the volume of everyday consumer goods ordered from certain suppliers. Each party also agrees to act on behalf of the other to negotiate the terms and conditions of certain frameworks agreements with suppliers. This agreement is effective until June 1, 2024, and is automatically renewable for another five-year period unless terminated with an 18-month prior notice.

DCF Commercial Partnership Agreements

On May 19, 2014, Cdiscount and Distribution Casino France (“DCF”) entered into two supply agreements, whereby DCF sells to Cdiscount Casino Group private label products and products from other suppliers and Cdiscount sells to DCF Cdiscount private label products and products from other suppliers. Pursuant to verbal binding agreements memorialized in draft agreements, the supply agreements were subsequently amended in 2015, to modify financial conditions. The agreements were subsequently amended on

June 28, 2016 to detail and clarify financial conditions. Neither party has a purchase volume obligation under the agreements. Each party shall pay for the products “at cost” plus a decreasing margin (1.5% to 0%) depending on the portion represented by the purchasing entity purchase volume into the global non-food purchase volume made by the purchasing entity and the supplying entity. The agreements terminate on June 1, 2024, and are automatically renewable for successive 10-year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

DCF Purchasing Synergies

On June 30, 2015, Cdiscount and DCF entered into a Purchase Synergy Agreement, whereby DCF, due to lower volumes compared to Cdiscount volumes, remunerates Cdiscount for the purchase conditions obtained through such grouped purchases for non-food products. DCF pays commission to Cdiscount at a rate based on the respective volumes purchased by DCF and Cdiscount compared to the total volume with common suppliers. In particular, (i) when DCF share in total volume is less than 20%, then the rate is at 1.5% of the total volume; (ii) when DCF share in total volume is between 20% and 35%, the rate is at 0.7%. If DCF share in total volume is higher than 35%, no remuneration is due. The agreement terminates on January 1, 2025, and is automatically renewable for successive five-year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

Cross Canal Agreement with Distribution Leader Price

On June 20, 2015, Cdiscount and Distribution Leader Price, duly represented by Franprix Leader Price Holding S.A.S. (“Franprix Holding”), entered into an agreement pursuant to which Cdiscount agrees to sell products to Leader Price and to render related services to Leader Price. These products are sold by Leader Price in Leader Price’s stores. The fees to be paid for the services rendered are based on market prices. The agreement was subsequently amended on May 21, 2016, to include changes relating to the products’ price and payment terms under the original agreement.

Tab Agreements with LPE and DCF and Alimentaire Express Agreement with Distribution Franprix

On June 30, 2015, Cdiscount entered into two agreements, one with DCF and one with Leader Price Exploitation, pursuant to which Cdiscount designed, created and maintained a tab on its website dedicated to the DCF e-commerce site “Casinodrive” and the Leader Price e-commerce site “Leaderdrive,” respectively. In 2015, Cdiscount earned a total €2.6 million upfront payment that was accounted in Cdiscount’s first-half 2015 net sales and 10% of the sales generated on the drive sites accessed through the Cdiscount tabs. Both agreements were terminated in December 2015 due to Cdiscount’s decision to concentrate its food offer in a single channel, by entering into the Alimentaire Express Agreement with Distribution Franprix S.A.S. (“Distribution Franprix”).

Under the Alimentaire Express Agreement, a verbal arrangement entered into by Cdiscount and Distribution Franprix and duly memorialized on July 28, 2016, Cdiscount maintains features on its website to allow customers to order food products and Distribution Franprix sells and delivers the products to the customers’ homes on an express basis via its network of stores. The delivery time is an hour and a half or such longer time period agreed with the purchaser. The initial territory covered by the express food delivery service is Paris and Neuilly sur Seine. Cdiscount and Distribution Franprix may agree to extend the initial territory. Under the agreement, Distribution Franprix guarantees that its stores registered pursuant to the agreement comply with the required quality standards of products sold to consumers and the timely delivery service.

The agreement is effective as of December 1, 2015, and is valid for an indefinite period. Financial conditions are based on Cdiscount’s marketplace commissions system. The parties agreed on a six-month free commission period followed by decreasing commissions depending on the number of products offered.

Later on, the parties decided to cease the Alimentaire Express project at the end of 2017.

17.6 Financing Agreements

Cdiscount Banque Casino Cooperation Agreement

On December 30, 2011, Cdiscount and Banque Casino, a French credit institution of which Casino and Cr dit Mutuel S.A. each owns 50.0% of the share capital, entered into a cooperation agreement. The agreement provided for the development, distribution and promotion in French metropolitan areas, exclusively for Cdiscount’s customers, via Cdiscount’s sites or other channels of marketing and distribution used by Cdiscount,

certain financial products and services offered by Banque Casino. The parties then amended the agreement on December 20, 2012, and June 28, 2013, to entrust Banque Casino with the distribution and the management of financial services relating to the payment-in-installments option offered on Cdiscount's sites, whereby customers are subject to the general terms and conditions of Banque Casino, and on December 15, 2015, and December 16, 2015, to reallocate the financial services provided by Banque Casino to Cdiscount (in-house).

In December of 2016, the parties entered into a new general framework agreement concerning the rendering, distribution and management of banking and insurance services, and agreed to develop specific agreements in connection with the various financial services under this framework agreement, including CUP card and CB4X payment to the benefit of Cdiscount's customers. Previous agreements regarding these services, including the previously disclosed Cartes et Crédits Joint Venture Agreement, were terminated and replaced by these new agreements, except for the joint venture agreement between the parties.

The framework agreement has a term of 6 years and is automatically renewable for successive 3-year periods. The termination of the framework agreement shall cause the termination of the other related specific contracts as well as the dissolution of the existing joint venture (SEP Cdiscount) with Banque Casino within 2 years. Termination clauses can be triggered for various reasons (early termination after 3 years following unsuccessful renegotiation of the terms of the framework agreement, in case of breach of some contractual provisions, such as confidentiality, and in case of a force majeure event).

CB4X Payment Agreement to Cdiscount's customers

The CB4X Payment Agreement is one of the specific agreements between Cdiscount and Banque Casino linked to the above framework agreement and is subject to its general terms and conditions. The agreement was entered into in December of 2016 and further details the 4-installment payment plan offered to Cdiscount's customers for payments made with credit card.

Under this agreement, the parties offer credit to Cdiscount's customers who opt for a payment plan in 4 installments. Cdiscount will receive the first installment directly from the customer at the time of the purchase and assign the remaining receivables (of the other 3 last installments) to Banque Casino. Banque Casino, in turn, pays the remaining purchase price to Cdiscount and assumes substantially all of the credit risk for the payment of the remaining 3 installments against the payment by Cdiscount of (i) a portion of the receivables at 3.75% discount rate on the assigned amount (3.60% discount base rate with the addition of a provision for exceptional risk of 0.15%, which is refundable after 12 months, and including cost of equity remuneration), which is subject to potential updates and (ii) a fee for insurance reserve at 10% of the estimated rate of losses based on assigned purchased amount - the rate of losses is 2.80% as of January 1, 2017 and is revised every 4 months. A possible cashback will occur if amount of losses is less than expected for the month.

Banque Casino will issue a monthly invoice with the amount due by Cdiscount in connection with discounts related to monthly activity and associated insurance reserve fee (calculated based on the total amount of the assignments).

Term and termination clauses are similar to the ones of the framework agreement, except that the termination of this agreement shall not cause the termination of framework agreement.

CUP Credit Card Agreement to Cdiscount's customers

The CUP Credit Card Agreement is one of the specific agreements between Cdiscount and Banque Casino linked to the above framework agreement and is subject to its general terms and conditions. The agreement was entered into in December of 2016. The agreement further details the rendering and management of banking services linked to the commercialization of the CUP credit card by Banque Casino to Cdiscount's customers.

The remuneration will consist of (i) a fixed fee per new card issued set at €8.40/card up to 70,000 cards issued on a yearly basis and €15.60/card that will be issued above 70,000 cards per year; and (ii) a fixed fee per activated card set at €0.29/card payable each month.

Term and termination clauses are similar to the ones of the framework agreement, except that the termination of this agreement shall not cause the termination of framework agreement. One specific provision

gives Cdiscount the option to acquire the contract's portfolio in case the agreement is terminated and the associated joint venture (SEP Cdiscount) is dissolved.

CB4X Payment Agreement to third-party's customers

The CB4X Payment Agreement to third-party's customers is an independent agreement not subject to the framework agreement's general terms and conditions. This agreement between Cdiscount and Banque Casino is in effect since January of 2017 and sets out the rules for the promotion, rendering, development and management of financial services in connection with the offer of the 4-installment payment plan option (CB4X) to third parties' sellers (in France mainland and Corsica) for the benefit of their own final customers. Operations will be managed through a joint venture newly created by Cdiscount and Banque Casino.

Rights on the joint venture assets are 60% for Cdiscount and 40% for Banque Casino and the joint venture's results will be split according to the respective ownership of the parties (50.1% for Banque Casino and 49.9% for Cdiscount,) after privileged allocation (préciputs).

This agreement has an initial 6-year term and is automatically renewable for successive 3-year periods. Banque Casino granted exclusivity to Cdiscount for the entire duration of the agreement. Termination clauses can be triggered for various reasons (early termination after 3 years following unsuccessful renegotiation of the terms of the agreement, in case of breach of some contractual provisions, such as exclusivity, and in case of a force majeure event).

Cash Pooling Agreements

On July 1, 2014, Cnova entered into a Current Account Agreement with Casino Finance International (previously named Polca Holding S.A.), a member of the Casino Group and the centralizing entity of a cash pool implemented among certain members of the Casino Group. Certain of Cnova's European subsidiaries, including Cdiscount, Cdiscount Group and Cdiscount International, also acceded to the Current Account Agreement, respectively on August 1, 2014, October 17, 2014 and August 1, 2014. The purpose of the current account agreement is to improve the management of the parties' working capital through: (i) obtaining cash advances from Casino Finance International to Cnova and its European subsidiaries and (ii) making Cnova and its European subsidiaries' cash surplus available to Casino Finance International. The parties have acknowledged that the cash flows under the agreement is driven by a common economic, social or financial interest in accordance with the global policy developed for the whole Casino Group and will take into account the interest of each party. The current accounts are designed to record the cash flows between the parties on a daily basis, with all recorded claims netted off on a continuous basis, resulting in a single account balance. In connection with the increase of our net sales from the year ended December 31, 2013 to the year ended December 31, 2014, and working capital needs associated with our growth, the current account agreement between Cnova and Casino Finance International was amended on March 11, 2015 to increase the maximum size of the cash pool from €70 million to €250 million. There is no cap on the size of any given drawing from the cash pool. Taking into account Cnova and its European subsidiaries that have acceded to the current account agreement, the maximum size of the cash pool increased from €260 million to €440 million.

Interest accrues on a daily basis (but does not compound). Interest is calculated on a monthly basis at a rate equal to the monthly average of the EONIA per annum plus a margin of 0.50% if the cash balance is in favor of Casino Finance International and a margin of 0.25% if the cash balance is in favor of Cnova and its European subsidiaries. Accrued interest is due and payable on the last date of each calendar month.

The term of the agreement is indefinite. Each party is entitled to terminate the agreement at any time subject to ten days' prior written notice. Each agreement immediately terminates if Casino no longer controls, directly or indirectly, Casino Finance International or Cnova or its European subsidiaries, as the case may be, or in case of bankruptcy of a party.

Casino Finance International, and the Casino Group entities participating in the cash pool including Cnova and certain of its European subsidiaries, are parties to a service agreement dated November 25, 2013, as amended from time to time, with Société Générale S.A. in order to implement the cash pool and ensure automatic cross-border cash centralization between each participating company and Casino Finance International as the pool leader. The agreement has been entered into for an indefinite period of time. Société

Générale S.A. or Casino Finance International may terminate the agreement at any time subject to a 30-day notice period.

17.7 Licensing Agreements

Cdiscount Finlandek Trademark License Agreement

Pursuant to a licensing agreement dated May 16, 2014, Casino has granted a non-exclusive license to Cdiscount for the use of the Finlandek trademark in order to manufacture, distribute, trade, promote and sell certain products in France. Under the terms of the agreement, the license was granted for free until March 1, 2016. For periods thereafter, the parties have agreed to negotiate in good faith the amount of royalties to be paid by Cdiscount to Casino.

The agreement terminates on February 29, 2024, and is automatically renewable for successive ten-year periods unless terminated by either party with written notice sent two years prior to expiration of the initial period.

The agreement will automatically terminate if Cdiscount is no longer part of the Casino Group. In case of termination, other than resulting from the fault of Cdiscount, Cdiscount will be entitled to distribute its remaining Finlandek inventory for 12 months.

17.8 Other Corporate Agreements

Cdiscount Go Sport Agreement

On November 19, 2012, Cdiscount entered into a development and management agreement for an online sales platform and fulfillment services related to this platform with Go Sport France S.A. (“Go Sport”), a French listed company that manufactures and distributes sports products and is controlled by Rallye, the controlling shareholder of Casino. Under the agreement, Cdiscount provided the following services to Go Sport: (i) development, maintenance and continuing operation of the e-commerce platform designed and developed by Cdiscount for the needs of Go Sport, (ii) logistics services, including reception and storage of products supplied by Go Sport or its vendors, shipment and delivery of the products, and processing of customer orders, (iii) customer support services, such as management of client requests and returns and (iv) reporting on the services rendered under the agreement. This agreement was terminated on May 12, 2015, with effect from November 19, 2015. The parties have entered into a new verbal agreement regarding the terms and conditions for the implementation of a new platform.

Cdiscount’s compensation under the agreement was based on the annual turnover of the platform and varies based on Go Sport’s annual revenues from the platform, with a minimum annual amount. In addition to the variable compensation paid by Go Sport to Cdiscount, the agreement provided for payments to be made to Cdiscount on account of maintenance services, specific third-party services and logistics and transport services.

The parties further agreed to end the relationship around July of 2017.

Cdiscount Casino International Agency Agreement

Cdiscount and Casino International S.A.S. (“Casino International”), entered into an agency agreement that became effective on January 10, 2008. Under the terms of the agreement, Casino International, on an exclusive basis, (i) negotiates and sells on behalf of Cdiscount, but through International Retail and Trade Services (“IRTS”), a Swiss subsidiary of Casino acting itself as agent of Casino International, to international suppliers and small and medium sized companies, services offered by Cdiscount such as marketing studies and the sale of data; (ii) advises Cdiscount notably on international synergies and (iii) collects the sums paid by international suppliers and small and medium-sized companies for services sold by Casino International on behalf of Cdiscount.

Under the terms of the agreement, Cdiscount reimburses Casino International each fiscal year for a portion of the expenses set forth in the financial statements of Casino International for the previous fiscal year.

Casino International undertakes to pay Cdiscount all the sums it collects on behalf of Cdiscount from international suppliers and small and medium sized companies for the services rendered by Cdiscount (after having retained its own remuneration). Subject to Casino International’s and IRTS’ prior consent, Cdiscount may directly invoice the international suppliers or small and medium sized companies and collect the applicable payments.

The agreement is automatically renewable each year for successive one-year periods unless terminated by either party with three months' notice. Each party may terminate the agreement (i) in case of insolvency of a party or dissolution of IRTS, (ii) with 30 days' notice in case of uncured breach and (iii) with three-months' notice in the following cases: change in the shareholding structure of Cdiscount leading to a decrease of the direct or indirect participation of Casino in Cdiscount, or the sale of the share capital or the business of Cdiscount to a third-party outside of the Casino Group.

Pursuant to a verbal arrangement entered into on March 27, 2015, effective as of January 1, 2015, this agreement has been extended to benefit certain additional Cnova subsidiaries, certain of which were disposed of since that date.

EMC Distribution Supply Agreement

On May 19, 2014, Cdiscount and EMC entered into a supply agreement, whereby EMC sells to Cdiscount imported Casino Group private label products and imported products from other suppliers. Cdiscount has no purchase volume obligation under the agreement.

Neither party is entitled to assign its rights and advantages under the agreement without the prior written consent of the other party. The agreement terminates on June 1, 2024, and is automatically renewable for successive 10-year periods unless terminated by either party with written notice sent 18 months prior to expiration of the initial period.

On October 1, 2016, EMC and Cdiscount entered into an agreement related to after-sale services in connection with the EMC Distribution Supply Agreement. The after-sale services includes indemnification and the provision of spares parts by EMC to Cdiscount. The indemnification shall be calculated according to the formula: effective after-sale-costs / annual EMC's revenue generated with Cdiscount's private label products. Cdiscount will issue an invoice to EMC of an amount equivalent to 3% of the net sale price paid under the EMC Distribution Supply Agreement for private label products purchasing. At year end, Cdiscount will calculate the cost incurred with private label products after-sales activities during the respective year and either issue a credit note - if the amount already invoiced exceeds the cost actually incurred - or issue an invoice - if the amount invoiced is less than the cost actually incurred by Cdiscount - to EMC.

Cdiscount—Saint Mard 1 Warehouse

Pursuant to certain verbal arrangements, Distribution Franprix entered into a sublease agreement with Cdiscount for the sublease of approximately 50,000 square meters of a warehouse in Saint Mard, France. This sublease commenced on December 15, 2014 and provided for a fixed monthly rent per square meter to be readjusted annually. The agreement with Distribution Franprix terminated on February 29, 2016, and Cdiscount entered into a lease agreement for the same space directly with a lessor, Goodman Saint Mard 1 Logistics (France) ("Goodman Saint Mard"). Goodman Saint Mard is not a related party of us. The current lease with Goodman Saint Mard, which took effect on March 1, 2016, has a term of 11 years and eight months, and may be terminated on its ninth anniversary subject to a termination payment by Cdiscount as lessee. The annual rent is approximately €2.6 million (excluding taxes and charges), subject to indexation, which may be reduced by approximately €7.0 million spread over the duration of the lease.

Sale of Logistic Equipment

In December of 2016, Cdiscount entered into an agreement with Distribution Franprix whereby the latter sold logistic equipment located in the Saint-Mard warehouse to Cdiscount. The sale was executed at net accounting value, calculated at approximately 1.400 K€ after amortization at the time of the execution of the agreement. Cdiscount made a one-time cash payment to Distribution Franprix on December 30, 2016, date of the transfer of the ownership of the equipment.

17.9 Agreements with Directors and Officers

We have entered into indemnification and insurance agreements with our directors and certain of our executive officers. We and our subsidiaries have also granted various forms of equity-based compensation to certain executives and directors of our company and/or our subsidiaries. For further discussion, see "12.3 Equity Incentive Plans."

17.10 Family Relationships

We are not aware of any other familial relationships between our directors, officers, and employees.

18. SHARE CAPITAL

18.1 Authorized Share Capital

Pursuant to our Articles of Association, our authorized share capital is €100,000,000 divided into 1,200,000,000 ordinary shares and 800,000,000 special voting shares, each with a nominal value of €0.05. Under Dutch law, our authorized share capital is the maximum capital that we may issue without amending our Articles of Association and may be as high as five times the issued share capital.

18.2 Issued Share Capital

As of January 31, 2017, the Company had an issued share capital consisting of 344,507,048 ordinary shares, par value €0.05 per share and 314,940,097 special voting shares, par value €0.05 per share, of which 344,507,048 ordinary shares and 308,937,115 special voting shares are outstanding.

18.3 Issuance of Shares and Preemptive Rights

Under Dutch law, shares are issued and rights to subscribe for shares are granted pursuant to a resolution of the general meeting of shareholders. The general meeting of shareholders may authorize our board of directors (or another body) to issue new shares or grant rights to subscribe for shares. Such authorization can be granted and extended, in each case for a period not exceeding five years.

The most recent resolution adopted by our general meeting of shareholders in this respect was adopted in the annual general meeting of shareholders held on June 29, 2016, pursuant to which our board of directors is authorized to resolve on the issuance of ordinary shares and special voting shares up to the maximum number allowed to be issued under the Company's authorized share capital as stipulated in the articles of association of the Company from time to time, and to grant rights to subscribe for such ordinary shares and special voting shares up to such maximum number, for a period of five (5) years with effect from said annual general meeting of shareholders, which delegation includes the authority to determine the price and further terms and conditions of any such share issuance or grant.

Under Dutch law, in the event of an issuance of ordinary shares or granting of rights to subscribe for ordinary shares, each holder of ordinary shares will have a pro rata preemptive right in proportion to the aggregate nominal value of the ordinary shares held by such holder. A holder of ordinary shares does not have a preemptive right with respect to the issuance of, or granting of rights to subscribe for, (i) special voting shares, (ii) ordinary shares for consideration other than cash or (iii) ordinary shares to our employees or the employees of our group of companies.

The preemptive rights in respect of newly issued ordinary shares may be restricted or excluded by a resolution of the general meeting of shareholders. The general meeting of shareholders may authorize our board of directors (or another body) to restrict or exclude the preemptive rights in respect of newly issued ordinary shares. Such authorization can be granted and extended, in each case for a period not exceeding five years. A resolution of the general meeting of shareholders to restrict or exclude the preemptive rights or to designate the board of directors as the authorized body to do so requires a two-thirds majority of the votes cast, if less than one-half of our issued share capital is represented at the meeting.

Special voting shares do not carry preemptive rights in respect of newly issued ordinary shares or special voting shares, nor do holders of ordinary shares have preemptive rights in respect of newly issued special voting shares. Pursuant to the Special Voting Agreement, the Voting Depository will be granted a call option to acquire newly issued special voting shares in case of a capital increase of the Company in which one or more Founding Shareholders (or Permitted Transferees) participate. The Call Option is to be construed as an irrevocable right to subscribe for additional special voting shares. Pursuant to a resolution of the general meeting of shareholders on October 30, 2014, the Call Option was granted to the Voting Depository upon the completion of our initial public offering.

The most recent resolution adopted by our general meeting of shareholders in this respect was adopted in the annual general meeting of shareholders held on June 29, 2016, pursuant to which our board of directors is irrevocably authorized to limit or exclude the preemptive rights of holders of ordinary shares for a period five years with effect from said annual general meeting of shareholders.

18.4 Form of Shares

Pursuant to our Articles of Association, our ordinary shares and special voting shares are registered shares. If the board of directors resolves that one or more ordinary shares are bearer shares, share certificates will be issued for such bearer shares in such form as the board of directors may determine.

18.5 Repurchase by the Company of its Shares

Under Dutch law, we may not subscribe for newly issued shares in our own capital. We may acquire our shares, subject to applicable provisions and restrictions of Dutch law and our Articles of Association, to the extent that:

- such shares are fully paid up;
- such shares are acquired for no valuable consideration or such repurchase would not cause our shareholders' equity to fall below an amount equal to the sum of the paid-up and called-up part of the issued share capital and the reserves we are required to maintain pursuant to Dutch law or our Articles of Association; and
- after the acquisition of shares, we and our subsidiaries would not hold, or would not hold as pledgees, shares having an aggregate nominal value that exceeds 50% of our issued share capital.

Other than shares acquired for no valuable consideration or by universal succession, our board of directors may acquire shares only if our general meeting of shareholders has authorized the board of directors to do so. An authorization by the general meeting of shareholders for the acquisition of shares can be granted for a maximum period of 18 months. Such authorization must specify the number of shares that may be acquired, the manner in which these shares may be acquired and the price range within which the shares may be acquired. No authorization of the general meeting of shareholders is required if listed ordinary shares are acquired by us with the intention of transferring such ordinary shares to our employees or employees of a group company pursuant to an arrangement applicable to them.

The most recent resolution adopted by our general meeting of shareholders in this respect was adopted in the annual general meeting of shareholders held on June 29, 2016, pursuant to which our board of directors is authorized to acquire (i) up to 10% of our issued share capital at June 29, 2016 plus, in case of a material reorganization of the capital structure of the Company, (ii) an additional 10% of the issued share capital of the Company at June 29, 2016, by any means for an 18-month period from June 29, 2016 for a price per share not exceeding 110% of the market price of the ordinary shares (with the market price deemed to be the average of the Euronext Paris closing price on each of the ten consecutive days of trading preceding the second day prior to the date the acquisition is agreed upon by the Company), and otherwise in accordance with the terms specified at the time of the authorization.

18.6 Capital Reductions; Cancellation

At a general meeting, our shareholders may resolve to reduce our issued share capital by (i) cancelling shares or (ii) reducing the nominal value of the shares by virtue of an amendment to our Articles of Association. In either case, this reduction would be subject to applicable statutory provisions. A resolution to cancel shares may only relate to shares held by the Company itself or in respect of which the Company holds the depository receipts. In order to be approved, a resolution to reduce the capital requires approval of a simple majority of the votes cast at a general meeting of shareholders if at least half the issued capital is represented at the meeting or at least two-thirds of the votes cast at the general meeting of shareholders if less than half of the issued capital is represented at the general meeting of shareholders.

A reduction in the number of shares without repayment and without release from the obligation to pay up the shares must be effectuated proportionally on shares of the same class (unless all shareholders concerned agree to a disproportional reduction). A resolution that would result in a reduction of capital requires approval of the meeting of each group of holders of shares of the same class whose rights are prejudiced by the reduction. In addition, a reduction of capital involves a two-month waiting period during which creditors have the right to object to a reduction of capital under specified circumstances.

19. GENERAL MEETINGS OF SHAREHOLDERS

General meetings of shareholders are held in Amsterdam, Rotterdam, The Hague or in the municipality of Haarlemmermeer (Schiphol Airport), the Netherlands. All shareholders and others entitled to attend general meetings of shareholders are authorized to attend the general meeting of shareholders, to address the meeting and, in so far as they have such right, to vote, either in person or by proxy.

We must hold at least one general meeting of shareholders each year, to be held within six months after the end of our fiscal year. A general meeting of shareholders shall also be held within three months after our board of directors has considered it to be likely that the Company's equity has decreased to an amount equal to or lower than half of its paid up and called up capital and whenever the board of directors so decides. If the board of directors has failed to ensure that such general meetings of shareholders as referred to in the preceding sentences is held in a timely fashion, each shareholder and other person entitled to attend general meetings of shareholders may be authorized by the Dutch court to convene the general meeting of shareholders.

Our board of directors may convene additional extraordinary general meetings of shareholders whenever our board of directors so decides. Pursuant to our Articles of Association, one or more shareholders and/or others entitled to attend general meetings of shareholders, alone or jointly representing at least (i) ten percent of our issued share capital or (ii) ten percent of the ordinary shares in our issued share capital, may on their application, be authorized by the Dutch court to convene a general meeting of shareholders. The Dutch court will disallow the application if it does not appear that the applicants have previously requested that the board of directors convenes a shareholders' meeting and the board of directors has not taken the necessary steps so that the shareholders' meeting could be held within eight weeks after the request.

General meetings of shareholders are convened by a notice which includes an agenda stating the items to be discussed. For the annual general meeting of shareholders the agenda is to include, among other things, the adoption of our annual accounts, the appropriation of our profits and proposals relating to the composition and filling of any vacancies of the board of directors and disclosure of remuneration. In addition, the agenda for a general meeting of shareholders includes such items as have been included therein by the board of directors. Pursuant to our Articles of Association, one or more shareholders and/or others entitled to attend general meetings of shareholders, alone or jointly representing at least (i) three percent of the issued share capital or (ii) three percent of the ordinary shares of our issued share capital (or, in each case, such lower percentage as the articles of association may provide), have the right to request the inclusion of additional items on the agenda of shareholders' meetings. Such requests must be made in writing, substantiated and received by us no later than on the 60th day before the day the relevant shareholder meeting is held. No resolutions are to be adopted on items other than those which have been included in the agenda.

We will give notice of each general meeting of shareholders by publication on our website, and in any other manner that we may be required to follow in order to comply with Dutch law, and applicable stock exchange and SEC requirements. The holders of registered shares may be convened for a shareholders' meeting by means of letters sent to the addresses of those shareholders as registered in our shareholders' register, or, subject to certain statutory requirements and restrictions, by electronic means. We will observe the statutory minimum convening notice period for a general meeting of shareholders, which is currently forty-two days, and we will publish the following information on our website, and leave such information available on our website for a period of at least one year: (i) the notice convening the general meeting of shareholders, including the place and time of the meeting, the agenda for the meeting and the right to attend the meeting, (ii) any documents to be submitted to the general meeting of shareholders, (iii) any proposals with respect to resolutions to be adopted by the general meeting of shareholders or, if no proposal will be submitted to the general meeting of shareholders, an explanation by the board of directors with respect to the items on the agenda, (iv) to the extent applicable, any draft resolutions with respect to items on the agenda proposed by a shareholder as well as particulars provided to us concerning the shares and short positions that are, or are deemed to be, at the disposal of such shareholder, (v) to the extent applicable, a format proxy statement and a form to exercise voting rights in writing and (vi) the total number of outstanding shares and voting rights in our capital on the date of the notice convening the general meeting of shareholders.

A record date (*registratiedatum*) of 28 calendar days prior to a general meeting of shareholders applies, with the purpose to establish which shareholders and others with meeting rights are entitled to attend and, if applicable, vote in the general meeting of shareholders. The record date and the manner in which shareholders

can register and exercise their rights will be set out in the convocation notice of the general meeting. Our Articles of Association provide that a shareholder must notify the Company in writing of his identity and his intention to attend (or be represented at) the general meeting of shareholders, such notice to be sent after the 28th day prior to the general meeting and to be received by us ultimately on the third trading day prior to the general meeting. If this requirement is not complied with or if upon direction of the Company to that effect no proper identification is provided by any person wishing to enter the general meeting of shareholders, the chairman of the general meeting of shareholders may, in his sole discretion, refuse entry to the shareholder or his proxy holder.

Pursuant to our Articles of Association, the general meeting of shareholders is chaired by the chairman of our board of directors. If the chairman of our board of directors is absent, the directors present at the meeting shall appoint one of them to be chairman of the general meeting of shareholders. If none of the directors is present at the general meeting of shareholders, the general meeting of shareholders shall appoint its own chairman. Directors may attend a general meeting of shareholders and shall, in that capacity, have an advisory vote at these meetings. The chairman of the meeting may decide at his discretion to admit other persons to the meeting. The chairman of the meeting shall appoint another person present at the shareholders' meeting to act as secretary and to minute the proceedings at the meeting. Each director may instruct a civil law notary to draw up a notarial report of the proceedings at the Company's expense, in which case no minutes need to be taken. The chairman of the general meeting is authorized to eject any person from the general meeting of shareholders if the chairman considers that person to disrupt the orderly proceedings. The general meeting of shareholders shall be conducted in the English language.

20. VOTING RIGHTS

In accordance with Dutch law and our Articles of Association, each issued ordinary share and each issued special voting share confers the right on the holder thereof to cast one vote at the general meeting of shareholders. The voting rights attached to any shares held by us or our direct or indirect subsidiaries are suspended as long as they are held in treasury. Dutch law does not permit cumulative voting for the election of directors.

Voting rights may be exercised by shareholders or by a duly appointed proxy holder (the written proxy being acceptable to the chairman of the shareholders' meeting) of a shareholder, which proxy holder need not be a shareholder. In accordance with the DCGC, we should give our shareholders the possibility to grant a proxy to an independent party prior to the general meeting of shareholders. Our Articles of Association do not limit the number of shares that may be voted by a single shareholder. If a usufruct or pledge over shares was granted prior to the time such shares were acquired by us, the holders of such rights shall have the voting rights attached to such shares if certain requirements are met.

In accordance with Dutch law and generally accepted business practices, our Articles of Association do not provide quorum requirements generally applicable to general meetings of shareholders.

Resolutions of the general meeting of shareholders are adopted by a simple majority of votes cast without quorum requirement, except where Dutch law or our articles of association provides for a special majority and/or quorum in relation to specified resolutions.

The chairman of the general meeting of shareholders decides on the method of voting and may determine the voting procedure. The determination made by the chairman of the general meeting of shareholders with regard to the results of a vote is decisive. However, where the accuracy of the chairman's determination is contested immediately after it has been made, a new vote shall take place if the majority of the general meeting of shareholders so requires or, where the original vote did not take place by response to a roll call or in writing, if any party with voting rights present at the meeting so requires.

Our board of directors keeps a record of the resolutions passed at each general meeting of shareholders. The record is available at our office for inspection by any person entitled to attend general meetings of shareholders and upon request a copy of or extract from the record will be provided to such person at no more than the cost price.

Our Articles of Association and Dutch law provide that resolutions of our board of directors concerning a material change in the identity or character of the Company or our business are subject to the approval of the general meeting of shareholders. Such changes include in any event:

- transferring the business or materially all of the business to a third-party;
- entering into or terminating a long-lasting alliance of the Company or of a subsidiary either with another entity or company, or as a fully liable partner of a limited partnership or partnership, if this alliance or termination is of significant importance for the Company; and
- acquiring or disposing of an interest in the capital of a company by the Company or by a subsidiary with a value of at least one-third of the value of the assets, according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in the Company's most recently adopted annual accounts.

The absence of such approval of the general meeting of shareholders does not affect the powers of representation of our board of directors or of the CEO.

None of the shares in the capital of the Company has special control rights. There are no restrictions on voting rights.

21. AGREEMENTS BETWEEN SHAREHOLDERS KNOWN TO US AND WHICH MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SECURITIES AND/OR VOTING RIGHTS

In connection with the 2016 Reorganization, Casino and CBD made certain undertakings to each other pursuant to a letter agreement from CBD to Casino, dated August 8, 2016 (the "CBD Support Letter") and a letter addressed to the CBD independent committee and executed by Casino and CBD, dated August 8, 2016 (the "CBD Commitment Letter"). Pursuant to the CBD Support Letter, CBD committed (i) to cause its voting rights to be exercised at any Cnova shareholders meeting in favor of the 2016 Reorganization, (ii) not to tender its Cnova ordinary shares directly or indirectly into the Offers, nor otherwise dispose of or transfer the shares in any other manner or through any other instrument, including any derivative instruments, until completion of the Offers.

Pursuant to the CBD Support Letter, CBD agreed (i) not to tender the subject shares directly or indirectly into the Offers and (ii) not to sell the subject shares on the market or transfer the subject shares in any other manner, and represented that it has not performed any of the actions described in clause (ii) since May 12, 2016. Additionally, CBD agreed in the CBD Commitment Letter that in the event that CBD decides to sell any of the subject shares to a third-party, it agreed (i) to first offer the subject shares to Casino at the price offered by the third-party and (ii) if Casino does not wish to acquire the subject shares or Casino and CBD do not agree on a purchase price for the subject shares, to require the proposed transferee to acquire up to the same portion of Casino's in Cnova at approximately the same time and on the same conditions.

Casino agreed in the CBD Commitment Letter, that as long as Casino controls Cnova:

(i) Casino will ensure that CBD has the right to designate at least one member of the Cnova board of directors so that the ratio of (a) non-independent members of the Cnova board of directors appointed by CBD divided by (b) the total number of nonindependent directors is at least equal to CBD's economic interest in Cnova's outstanding ordinary shares (such director or directors the "CBD Directors");

(ii) Casino will ensure that CBD and/or the CBD Directors have access to the following information with respect to Cnova: (a) audited statutory and consolidated accounts, (b) annual budget and forecast, (c) half-year and quarterly accounts, (d) annual report, (e) details of any material change in business, financial position or affairs and (f) any other information that may be required for CBD to comply with Brazilian capital markets regulations. Casino also agreed to cause Cnova to make members of Cnova's senior management reasonably available to CBD or the CBD Directors;

(iii) If, as a result of the Offers, Cnova ordinary shares are no longer listed on the NASDAQ or Euronext Paris, Casino has agreed to consider in good faith the opportunity to launch, in due time and depending on Cnova's then-current strategic and financial objectives and then-prevailing market conditions, an initial public offering of Cnova or, as the case may be, any subsidiary thereof ("IPO");

(iv) If, following the Offers, Cnova ordinary shares continue to be listed on the NASDAQ or Euronext Paris, Casino agreed to consider in good faith the opportunity to launch a fully marketed offering ("FMO"), through the sale of a significant portion of Cnova's shares, aimed at increasing the free float and liquidity of Cnova ordinary shares;

(v) CBD may require Casino to engage a first-tier advising bank selected by Casino to assess in good faith the opportunity of an IPO or an FMO and in both cases the opportunity and feasibility of a secondary placement (*i.e.*, through the sale of existing shares of Cnova). CBD may not exercise such right more than once in any two year period;

(vi) If Casino or Cnova decides to initiate an IPO or FMO (including any secondary offering), CBD has the right to sell all of its shares as part of such offering, with priority over Casino with respect to up to 90% of the total shares to be offered in such secondary offering, subject to certain exceptions;

(vii) Casino has agreed that, if it intends to transfer any or all of its Cnova ordinary shares to any third-party (except for sales among members of the Casino Group or the controlling affiliates of Casino), which transfer will constitute a change-in-control of Cnova, CBD will be entitled to require the transferee to acquire all of its shares in Cnova at approximately the same time and on the same conditions;

(viii) Casino agreed that if it intends to transfer any or all of its Cnova ordinary shares to any third-party (except for sales among members of the Casino Group or the controlling affiliates of Casino), which transfer will not constitute a change-in-control of Cnova, CBD will be entitled to require the transferee to acquire up to the same portion of the subject shares at approximately the same time and on the same conditions; and

(ix) Casino agreed that if it intends to transfer any or all of its Cnova ordinary shares to any third-party (except for sales among members of the Casino Group or the controlling affiliates of Casino), which transfer will not constitute a change-in-control of Cnova, CBD will be entitled to require the transferee to acquire up to the same portion of the subject shares at approximately the same time and on the same conditions; and

The undertakings of Casino and CBD in the CBD Commitment Letter survive until the earliest of (i) the day when Casino no longer controls, directly or indirectly, Cnova, (ii) the day when CBD is no longer a shareholder of Cnova and (iii) August 8, 2041.

Except for the abovementioned CBD Support Letter, the CBD Commitment Letter and the Special Voting Agreement (as described in "17 Agreements Relating to our Shares - *Special Voting Agreement*"), there are – as far as the Company is aware – no agreements involving a shareholder of Cnova that could lead to a restriction of the transferability of share or of voting rights on shares.

22. MATERIAL AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND WHICH ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY

Except for the Special Voting Agreement (as described in "17 Agreements Relating to our Shares - *Special Voting Agreement*"), the CBD Support Letter and the CBD Commitment Letter, there are no material agreements to which we are a party that alter or terminate upon a change of control over the Company.

23. ANTI-TAKEOVER PROVISIONS

Under Dutch law, various protective measures against takeovers are possible and permissible, within the boundaries set by Dutch statutory law and Dutch case law. Our Articles of Association do not include or provide for any such protective measures, although the Double Voting Right Structure (as described in “Other Information – 4 Special Voting Shares”) may have an anti-takeover effect.

24. AMENDMENT OF ARTICLES OF ASSOCIATION

The general meeting of shareholders may resolve to amend our Articles of Association. A resolution taken by the general meeting of shareholders to amend our Articles of Association requires a simple majority of the votes cast.

25. DIVIDENDS AND OTHER DISTRIBUTIONS

We have never declared or paid cash dividends to our shareholders. We have no present plan to pay dividends on our ordinary shares for the foreseeable future and currently intend to reinvest all future earnings, if any, to finance the operation of our business and to expand our business. Under Dutch law, we may only pay dividends to the extent our shareholders' equity exceeds the sum of our paid-up and called-up share capital plus the reserves required to be maintained by Dutch law or our Articles of Association. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and other factors our board of directors may deem relevant from time to time.

26. RESPONSIBILITY STATEMENT AND IN CONTROL STATEMENT

In accordance with the EU Transparency Directive, as incorporated in chapter 5.1A of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), the Board declares that, to the best of its knowledge:

- The Consolidated Financial Statements, together with the stand-alone Company Financial Statements, give a true and fair view of the assets, liabilities, financial position and results of Cnova N.V. at December 31, 2016;
- The Annual Report gives a true and fair view of the position as per the balance sheet date, the state of affairs during the 2016 financial year of Cnova N.V. and its affiliated companies included in the consolidated financial statements and
- The Annual Report describes the principal risks and uncertainties that Cnova N.V. faces.

For the purpose of complying with provision II.1.5 DCGC on the risks relating to financial reporting, the Board believes that, to the best of its knowledge, the internal risk management and control system, as described in 0 “Risk Management and Risk Factors” provides reasonable assurance that its financial reporting does not contain any error of material importance.

It should be noted that the foregoing does not imply that this system and these procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Antoine Giscard d’Estaing, Chairman

Ronaldo Iabrudi dos Santos Pereira, Vice Chairman

Yves Desjacques

Silvio J. Genesini

Eleazar de Carvalho Filho

Bernard Oppetit

Arnaud Strasser

Christophe Hidalgo

Emmanuel Grenier, CEO

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CNOVA N.V.

Consolidated income statements

for the years ended December 31, 2014, 2015 and 2016

€ thousands	Notes	December 31, 2014 (1)	December 31, 2015 (1)	December 31, 2016
Net sales	6	1,576,634	1,737,177	1,855,715
Cost of sales	6	(1,385,398)	(1,507,822)	(1,600,414)
Operating expenses				
Fulfillment	6	(109,697)	(136,210)	(125,738)
Marketing	6	(22,691)	(23,891)	(33,183)
Technology and content	6	(51,309)	(47,630)	(55,817)
General and administrative	6	(22,797)	(44,566)	(43,383)
Operating profit/(loss) before Restructuring, Litigation, Initial public offering expenses, Gain/(loss) from disposal of non-current assets and impairment of assets		(15,258)	(22,943)	(2,820)
Restructuring	7	(8,933)	(11,695)	(10,995)
Litigation	7	(3,135)	(3,124)	(1,432)
Initial public offering expenses	7	(5,064)	(3,599)	—
Gain/(loss) from disposal of non-current assets	7	—	(61)	—
Impairment of assets	7	(1,360)	(14,074)	(6,045)
Operating profit/(loss)		(33,750)	(55,496)	(21,292)
Financial income	8	1,256	3,374	12,967
Financial expense	8	(1,782)	(19,588)	(43,984)
Profit/(loss) before tax		(34,276)	(71,709)	(52,309)
Income tax gain/(expense)	9	7,692	(16,017)	(12,884)
Net profit (loss) from continuing activities		(26,584)	(87,726)	(65,193)
Net profit (loss) from discontinuing activities (2)	4	(88,571)	(171,322)	132,185
Net profit/(loss) for the period		(115,155)	(259,048)	66,992
Attributable to Cnova equity owners		(112,495)	(244,223)	73,091
Attributable to non-controlling interests		(2,660)	(14,825)	(6,099)
 Attributable to the owners continuing		(26,454)	(87,067)	(65,374)
Attributable to non-controlling interests continuing		(130)	(661)	181
Attributable to the owners discontinuing		(86,041)	(157,156)	138,466
Attributable to non-controlling interests discontinuing		(2,530)	(14,164)	(6,281)

Earnings (losses) per share (refer to Note 2)

In €	2014 (1)	2015 (1)	2016
Basic earnings per share	(0.27)	(0.55)	0.17
Diluted earnings per share	(0.27)	(0.55)	0.17

(1) Refer to Note 4

(2) Compared to the income statement disclosed in our press release dated February 23, 2017, result from discontinued operations has been reduced by €18.2 million, due mainly to the reduction of the net gain on sale of Cnova Brazil to €53.9 million.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income
for the years ended December 31, 2014, 2015 and 2016

€thousands	2014 (1)	2015 (1)	2016
Net income/(loss) for the year	<u>(115,155)</u>	<u>(259,048)</u>	<u>66,992</u>
Items that may subsequently be recycled to profit or loss			
<i>Foreign currency translation</i>	3,916	(147,634)	269,903
<i>Available-for-sale financial assets</i>	145	(133)	—
Items that may not be recycled to profit or loss			
<i>Actuarial gains and losses</i>	<u>(473)</u>	<u>59</u>	<u>(581)</u>
Non-controlling interests			
Other comprehensive income/(loss) for the year, net of tax	<u>3,588</u>	<u>(147,708)</u>	<u>269,322</u>
Total comprehensive income/(loss) for the year, net of tax	<u>(111,567)</u>	<u>(406,756)</u>	<u>336,314</u>
<i>Attributable to Cnova equity owners</i>	(108,748)	(392,520)	342,552
<i>Attributable to non-controlling interests</i>	(2,819)	(14,236)	(6,238)

(1) Refer to Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheets
as of December 31, 2014, 2015 and 2016

<i>(€ thousands)</i>	Notes	December 31, 2014	December 31, 2015	December 31, 2016 (1)
ASSETS				
Cash and cash equivalents	10	573,321	400,793	15,264
Trade receivables, net	11	117,656	129,651	91,060
Inventories, net	12	400,111	414,956	224,834
Current income tax assets		1,466	798	1,336
Other current assets, net	11	202,368	195,423	346,220
Total current assets		1,294,921	1,141,621	678,714
Other non-current assets, net	11	95,070	23,608	4,590
Deferred tax assets	9	46,463	11,637	—
Property and equipment, net	13	43,989	33,475	15,329
Intangible assets, net	14	132,439	116,921	71,887
Goodwill	15	527,160	391,389	56,548
Total non-current assets		845,122	577,031	148,354
TOTAL ASSETS		2,140,043	1,718,651	827,068
EQUITY AND LIABILITIES				
Current provisions	19	4,733	7,480	6,817
Trade payables		1,311,234	1,216,022	576,601
Current financial debt	21	102,557	132,198	93,620
Current tax liabilities		37,943	51,223	46,396
Other current liabilities	21	144,065	178,489	110,667
Total current liabilities		1,600,532	1,585,414	834,102
Non-current provisions	19	4,608	11,828	12,132
Non-current financial debt	21	2,046	14,769	—
Other non-current liabilities	21	4,023	8,569	2,080
Deferred tax liabilities	9	7,293	—	—
Total non-current liabilities		17,970	35,166	14,212
Share capital		22,065	22,065	17,225
Reserves, retained earnings and additional paid-in capital		493,536	83,436	(37,249)
Equity attributable to equity holders of Cnova		515,601	105,501	(20,024)
Non-controlling interests		5,941	(7,430)	(1,221)
Total equity	17	521,542	98,071	(21,245)
TOTAL EQUITY AND LIABILITIES		2,140,043	1,718,651	827,068

(1) Compared to the consolidated balance sheets disclosed in our press release dated February 23, 2017, other current liabilities have been increased by an amount of €1.6 million impacting negatively equity by the same amount.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows
for the years ended December 31, 2014, 2015 and 2016

€thousands	2014 (1)	2015 (1)	2016 (2)
Net profit (loss) attributable to equity holders of the Parent	(26,454)	(87,067)	(65,374)
Net profit (loss) attributable to non-controlling interests	(130)	(661)	181
Net profit (loss) continuing for the year	(26,584)	(87,728)	(65,193)
Depreciation and amortization expense	21,178	20,674	20,565
Expenses on share-based payment plans	2,825	332	69
(Gains) losses on disposal of non-current assets and impairment of assets	1,360	13,430	6,076
Other non-cash items	4,306	856	498
Financial expense, net	505	16,214	31,016
Current and deferred tax (gains) expenses	(7,692)	16,017	12,884
Income tax paid	(647)	(2,879)	(2,144)
Change in operating working capital	75,023	36,903	17,342
<i>Inventories of products</i>	<i>(55,913)</i>	<i>(35,305)</i>	<i>19,269</i>
<i>Trade payables</i>	<i>194,415</i>	<i>32,884</i>	<i>(41,507)</i>
<i>Trade receivables</i>	<i>(29,357)</i>	<i>1,927</i>	<i>35,164</i>
<i>Other</i>	<i>(34,122)</i>	<i>37,397</i>	<i>4,416</i>
Net cash from/(used in) continuing operating activities	70,274	13,819	21,114
Net cash from/(used in) discontinued operating activities	183,495	(2,368)	(585,469)
Purchase of property, equipment & intangible assets	(34,182)	(42,100)	(44,045)
Purchase of non-current financial assets	(1,949)	(931)	(2,049)
Proceeds from disposal of prop., equip., intangible assets & non-current financial assets	2,743	4,676	616
Movement of perimeter, net of cash acquired (Notes 3 and 4)	109	5,628	20,951
Investments in entities	6,497	—	(3,043)
Changes in loans granted (including to related parties—refer to Note 26)	24,208	65,946	106,462
Net cash from/(used in) continuing investing activities	(2,574)	33,219	78,892
Net cash from/(used in) discontinued investing activities	(53,674)	(18,724)	25,106
Increase (decrease) of capital of the holding company	—	—	—
Transaction with owners of non-controlling interests	2,355	(18,627)	—
Proceeds from IPO, net of costs	137,420	19	—
Changes in loans received	—	(7,958)	(274,950)
Additions to financial debt	68,790	1,317	(7,398)
Repayments of financial debt	(79,349)	(5)	(10,162)
Interest paid, net	(698)	(15,068)	(31,748)
Net cash from/(used in) continuing financing activities	128,518	(40,322)	(324,258)
Net cash from/(used in) discontinued financing activities	19,962	(33,586)	137,470
Effect of changes in foreign currency translation adjustments	(3,112)	—	—
Effect of discontinued changes in foreign currency translation adjustments	(2,388)	(133,355)	259,551
Change in cash and cash equivalents from continuing activities	193,106	6,716	(224,253)
Change in cash and cash equivalents from discontinued activities	147,395	(188,032)	(163,342)
Cash and cash equivalents, net, at beginning of period	232,651	573,152	391,836
Cash and cash equivalents, net, at end of period (Note 10)	573,152	389,992	4,242
Cash and cash equivalents, net, at end of period, discontinuing		1,844	

(1) Refer to Note 4

(2) Compared to the consolidated statement of cash flows disclosed in our press release dated February 23, 2017, net loss for equity holders has been reduced by €4.2 million increasing change in operating capital from trade payables by the same amount.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity
for the years ended December 31, 2014, 2015 and 2016

€ thousands	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation	Actuarial gains and losses	Available-for-sale financial assets	Equity holders of the Parent	Non-controlling interests	Total consolidated equity
As of January 1, 2014	411,455,569	20,573	717,222	(173,785)	(110,586)	(359)	(12)	453,054	16,383	469,436
Other comprehensive income (loss) for the year					4,075	(473)	145	3,747	(159)	3,588
Net profit (loss) for the year				(112,495)				(112,495)	(2,660)	(115,155)
Consolidated comprehensive income for the year	—	—	—	(112,495)	4,075	(473)	145	(108,748)	(2,819)	(111,567)
Share-based payments			7,501					7,501		7,501
Initial public offering(ii)	29,182,894	1,459	127,166					128,625		128,625
Acquisition of Cdiscount Colombia (Note 3)	659,383	33	1,568	(969)				632	2,530	3,162
MonShowroom Put option (Note 3)			4,353					4,353	8	4,361
Nova Pontocom Reorganization(iv)			47,608	(1,338)	(15,392)			30,878	(15,794)	15,084
Acquisition of C-Asia (Note 3)				(13,651)				(13,651)	1,940	(11,711)
Other transaction between Group and NCI(i)			(570)					(570)	3,601	3,031
Other movements(iii)			13,529	(2)				13,527	92	13,619
As of December 31, 2014	441,297,846	22,065	918,377	(302,240)	(121,903)	(832)	133	515,601	5,941	521,541
Other comprehensive income (loss) for the year					(148,223)	59	(133)	(148,297)	589	(147,708)
Net profit (loss) for the year				(244,223)				(244,223)	(14,825)	(259,048)
Consolidated comprehensive income for the year	—	—	—	(244,223)	(148,223)	59	(133)	(392,520)	(14,236)	(406,756)
Share-based payments			689					689		689
Initial public offering expenses (Note 7)			(182)					(182)		(182)
Put on non controlling interests at CD Colombia (Note 21)				(7,360)				(7,360)	860	(6,500)
DTA Reversal (Note 9)				(10,726)				(10,726)		(10,726)
Other movements				(1)				(1)	5	5
As of December 31, 2015	441,297,846	22,065	918,884	(564,550)	(270,126)	(773)	—	105,501	(7,430)	98,071
Other comprehensive income (loss) for the year					270,042	(581)		269,461	(139)	269,322
Net profit (loss) for the year				73,091				73,091	(6,099)	66,992
Consolidated comprehensive income for the year	—	—	—	73,091	270,042	(581)	—	342,552	(6,238)	336,314
Share-based payments			69					69		69
Decrease of share capital and shares exchange (Note 4 & 17)	(96,790,798)	(4,840)	(469,304)					(474,144)		(474,144)
Initial public offering expenses (Note 7)			(1,000)					(1,000)		(1,000)
Put on non-controlling interests at CD Colombia (Note 21)				7,360				7,360		7,360
Disposal of CD Colombia									3,563	3,563
Disposal of Asian subsidiaries									8,528	8,528
Closing of African subsidiaries				(83)				(83)	83	—
Purchase of minorities interest in CD Group				(272)				(272)	272	—
Other movements				(7)				(7)	1	(6)
As of December 31, 2016	344,507,048	17,225	448,649	(484,461)	(84)	(1,354)	—	(20,024)	(1,221)	(21,245)

(i) Refer to Note 3 “Business combinations and equity transactions.”

(ii) Increase in capital related to Cnova’s initial public offering on US market, net of €34,554 thousands of IPO expenses net of tax (refer to Note 9)

(iii) “Other movements” are mainly related to general and administrative expenses, mainly consisting of headquarters and management costs that benefit the eCommerce entities, assumed by Casino on behalf of Cnova (December 2014: €2,314 thousands before tax) (refer to Note 1.2 “use of judgment, estimates and assumptions”). As of December 2014, the reported amount also includes the equity impact of the reimbursement by Casino of bonuses paid to Cdiscount managers in April 2014 (refer to Note 7)

(iv) Refer to the note “Description of reporting entity”.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Description of reporting entity

Cnova N.V. (hereafter “Cnova”) is a public limited liability company incorporated and domiciled in Netherlands. It is listed on Nasdaq and Euronext Paris.

On June 4, 2014, the boards of directors of Casino Guichard-Perrachon S.A. (“Casino”), a public company in France, Companhia Brasileira de Distribuição (“CBD” or “GPA”), a controlled subsidiary of Casino and a public company in Brazil and in the United States, Via Varejo S.A. (“Via Varejo”), a controlled subsidiary of GPA and a public company in Brazil, Almacenes Éxito S.A. (“Éxito”), a controlled subsidiary of Casino and a public company in Colombia have agreed the financial and legal conditions of the transfer of their respective eCommerce business, mainly operated by Cdiscount S.A. (“Cdiscount”) in France, by Nova Pontocom Comércio Eletrônico S.A. (“Nova Pontocom”) in Brazil under a newly incorporated Dutch holding company, Cnova N.V. (“Cnova”), and to list Cnova in the United States stock market, while retaining control of Cnova, which was completed on November 19, 2014. Subsequently, Cnova was listed on Euronext Paris on January 23, 2015.

As a preliminary step to this reorganization under common control (the “Cnova reorganization”), GPA and Via Varejo, as controlling shareholders of Nova Pontocom, effected a contribution in kind of substantially all of Nova Pontocom’s assets and liabilities related to its Brazilian eCommerce businesses to Cnova Comércio Eletrônico S.A., a new wholly owned Brazilian subsidiary (following such contribution, “Cnova Brazil”) while retaining certain assets and liabilities in Nova Pontocom then renamed Nova Pontocom holding company. The Nova Pontocom reorganization was completed on July 21, 2014.

In the first half of 2016, it was concluded that Cnova should withdraw:

- from all international markets and focus solely on its most promising market, France. This resulted in the reorganization of Cnova Brazil within Via Varejo as well as the sale or disposal of remaining international activities;
- in France, from its specialty sites to focus on its large and core Cdiscount platform. These specialty sites proved to be a significant cash-flow drain and management distraction for a limited commercial opportunity.

In conjunction with its strategic decision to refocus its activities on Cdiscount in France, Cnova sold or disposed of the following international operations during 2016:

- in the 1st quarter, Cnova sold Cdiscount Thailand and Cdiscount Vietnam,
- in the 2nd quarter, Cnova closed the operations of Cdiscount Cameroon and Cdiscount Senegal,
- in the 3rd quarter, Cnova closed the operations and subsequently sold Cdiscount Colombia via a reduction of share capital at the end of the year, and
- in the 4th quarter, Cnova closed the operations of Cdiscount Ivory Coast.

The comprehensive impact in 2016 of the termination of the Cdiscount International operations (including the closing of the operations in Ecuador, Panama and Uruguay in 2015) generated a gain of €9 million, excluding €7.2 million of related restructuring costs in France (see Note 4).

As Cdiscount specialty sites proved to be a significant cash flow drain and management distraction for a limited commercial activity, they were progressively merged into the Cdiscount.com site between the 3rd quarter of 2015 and the 3rd quarter of 2016, except for MonShowroom which was sold to Monoprix for €19 million in 2015 (with a possible earn-out in 2018). These specialty website activities were not reported as a separate segment but included in the information on Cdiscount in France.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On October 31, 2016, the Company executed a reorganization agreement (the “Reorganization Agreement”) with Via Varejo regarding the transfer of Cnova Brazil, to Via Varejo. As a result of the reorganization, Cnova received approximately 97 million of its own shares held by Via Varejo (21.9% of its share capital) as well as a cash consideration of approximately €12 million. In addition, Via Varejo has reimbursed a debt owed by Cnova Brazil to Cnova equivalent to approximately €146 million (the “2016 Reorganization”). This transaction generated a gain on disposal of €534 million (see Note 4)

With the 2016 Reorganization completion, Cnova is now entirely focused on Cdiscount, while Via Varejo has become the sole shareholder of Cnova Brazil and is no longer a shareholder of Cnova.

Separately, Casino launched on December 27, 2016, an offer to purchase the outstanding ordinary shares of Cnova from its public shareholders at a price of \$5.50 per share. This offer was completed on January 25, 2017. Please refer to Note 27.

The Group consolidated financial statements of Cnova and its subsidiaries (collectively, the Group) for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the directors on March 23, 2017.

The Group now consists of leading eCommerce operations in France with headquarters in the Netherlands.

Note 1 Significant accounting policies, judgments, estimates and assumptions

1.1 Basis of preparation of Cnova consolidated financial statements

Cnova has prepared these consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (UE). The financial statements also comply with IFRS as issued by the International Accounting Standards Board (“IASB”). Indeed, IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB; however, the differences have no impact on the group’s consolidated financial statements for the years presented. These financial statements are also prepared on a going-concern basis despite the negative equity of €21 million at December 31, 2016. This basis is supported by net cash at December 31, 2016 and credit lines available.

In accordance with IFRS 5, the consolidated income statements, the consolidated statements of comprehensive income and the consolidated cash flow statements for the years ended December 31, 2014 and 2015 have been adjusted to reflect the reclassification of Cnova Brazil and Cdiscount International as discontinued activities (please refer to Note 4). MonShowroom activities were already classified as discontinued in 2015.

During the first half of 2016, the Company identified several misstatements related to Cnova Brazil leading to a restatement recorded in the 2015 annual report (please refer to Note 3 of 2015 audited consolidated financial statements).

Cnova’s entities all have a December 31 year-end.

Standards and interpretations published with effect from January 1, 2016

New standards and amendments

Several new standards and amendments apply for the first time in 2016. The nature and the impact of each new standard or amendment that have an impact on the Group’s financial position, performance and/or disclosures are described below. New standards and amendments applying for the first time in 2016 but having no impact on the annual consolidated financial statements of Cnova are not described.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- *Annual improvements to IFRSs 2012-2014 cycle*

Issued in September 2014, these amendments are the following:

- IFRS 5 – non-current assets held for sale and discontinued operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.
- IFRS 7 – Financial instruments: disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments. Cnova has earlier applied the amendment IFRS 7 related to the assessment of continuing involvement in servicing contracts (since 2014).
- IAS 19 – employee benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

- *Amendment to IAS 1 – Disclosure initiative*

The published amendment specifies the provisions related to two points:

- Application of the materiality concept, specifying that it applies to financial statements, including the notes to those financial statements, and that the inclusion of immaterial information may make them less understandable,
- Application of professional judgement, by marginally altering certain language considered prescriptive and thus leaving no room for judgement.

Cnova is currently analyzing the potential impacts of the other standards, interpretations or amendments that have been issued but are not yet effective, and has not early adopted any of them except for the amendment of IFRS 7 related to the assessment of continuing involvement in servicing contracts that Cnova has earlier applied.

Standards and interpretations published but not yet mandatory

The following pronouncements from the IASB applicable to Cnova will become effective for future reporting periods and have not yet been adopted by the group:

- *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. This standard is subject to retrospective application. It proposes a single, logical approach to the classification and measurement of financial assets which reflects the business model for managing them, as well as their contractual cash flows; a single, forward-looking impairment model based on “expected losses”; and a substantially reformed approach to hedge accounting. The information in the notes to the financial statements is also strengthened. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

- *IFRS 15 Revenue from Contracts with Customers*

Issued in May 2014, the standard establishes the principles for revenue recognition from contracts with customers (except for those covered by specific standards: leases, insurance contracts and financial instruments). The core principle is to recognize revenue so as to describe the transfer of control of goods or services to a customer for an amount that reflects the payment that the entity expects to receive in consideration of these goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IFRS 15 is subject to retrospective application and is effective for annual periods beginning on or after January 1, 2018. The new standard will supersede all current revenue recognition requirements of IAS 18, IAS 11 and the corresponding interpretations IFRS 13, IFRIC 15.

- *IFRS 16 Leases*

Issued in January 2016, the standard lays down the principles of recognition, measurement, presentation and disclosure of leases for lessors and lessees. It replaces the current standard IAS 17 along with interpretations of this standard. IFRS 16 is subject to retrospective application and is effective for annual periods beginning on or after January 1, 2019.

An initial analysis of the main impact of the application of IFRS 15, IFRS 9 and IFRS 16 on the Group's consolidated financial statements has been launched in 2016.

The others amendments are not expected to have any impact on the Group.

1.2 Accounting convention and use of estimates

Accounting convention

The consolidated financial statements have been prepared using the historical cost convention on the basis described above in the "Description of reporting entity" and the "Basis of preparation of Cnova consolidated financial statements".

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

Classification of assets and liabilities as current and non-current

Assets that are expected to be realized in, or are intended for sale or consumption in Cnova's normal operating cycle or within twelve months after the balance sheet date are classified as current assets, together with assets that are held primarily for the purpose of being traded and cash and cash equivalents. Liabilities that are expected to be settled in the entity's normal operating cycle or within twelve months after the balance sheet date are classified as current. Cnova's normal operating cycle is twelve months.

All other assets or liabilities are classified as 'non-current'. All deferred tax assets and liabilities are classified as non-current assets or liabilities.

Use of judgments, estimates and assumptions

The preparation of Cnova's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying Cnova's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Specific accounting conventions used in preparing consolidated financial statements

For the financial statements for the year ended December 31, 2014, Cnova retained certain general and administrative expenses of Casino mainly consisting of headquarters and management costs that benefitted its eCommerce entities. They are reflected as operating expenses against equity in the consolidated financial statements of Cnova for €2.3 million in 2014 (up to the effective date of the management support and strategic advisory agreement signed on June 4, 2014 – from this effective date to December 31, 2014 the expense related to this agreement was €1.8 million). In 2015 and 2016, Cnova does not need to apply this accounting convention and recorded its own actual costs.

- Revenue recognition from marketplace transactions

Sales include transactions with customers through marketplaces. Cnova has analyzed facts and circumstances surrounding its revenue arrangements to determine if it was acting as a principal or an agent in those transactions. The indicators that Cnova considered include its primary responsibility in providing the goods to the customer, its latitude in establishing prices and its exposure to inventory and credit risks. Cnova concluded that in all those arrangements it is acting as an agent.

- Operating lease commitments—Cnova as lessee

Cnova has entered into commercial property leases on its warehouses. Cnova has determined, based on an assessment of the terms and conditions of the arrangements, that the lease term does not constitute a substantial portion of the economic life of the commercial property. Therefore, Cnova does not retain all the significant risks and rewards of ownership of these properties.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Cnova based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of Cnova. Such changes are reflected in the assumptions when they occur.

- Impairment of goodwill, tangible and intangible assets

Impairment exists when the carrying value of an individual asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The method used by Cnova to perform its impairment tests is described in Note 16.

The key assumptions used to determine the recoverable amount for the different Cash Generating Units (“CGUs”), including a sensitivity analysis, are disclosed and further explained in Note 16. As of December 31, 2016, goodwill amounts to €6.5 million (2014: €27.2 million, 2015: €91.4 million). No impairment expenses was recorded on goodwill, the change between 2015 and 2016 is related to the disposal of Cnova Brazil.

- Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The deferred tax assets related to tax losses recognized in the consolidated financial statements are the following (see Note 9):

€thousands	2014	2015	2016
Cdiscount	23,100	10,846	—
Cnova Brazil	649	4,467	—
Cnova NV	13,029	—	—
Deferred tax assets related to tax losses	36,778	15,313	—

Cnova has estimated the value of those assets based on future taxable profits and available tax planning opportunities that support the recognition of these losses as deferred tax assets. Other tax losses carried forward, not supported by the tax planning opportunities, are not recognized as deferred tax assets. Further details on taxes are disclosed in Note 9.

Note 2 Earnings per share

Following the completion of the Cnova reorganization, the earnings per share disclosed in the consolidated financial statements are computed based on the number of the Cnova shares resulting from the retrospective accounting of the Cnova reorganization. Earnings per share for the year ended December 31, 2016 is €0.17, which splits in €(0.15) for continuing operations and €0.32 for discontinued activities (including the gain on sale of Cnova Brazil).

€thousands	2014	2015	2016
Losses (gains) attributable to ordinary equity holders of the parent for basic earnings and adjusted for the effect of dilution(1)	(112,495)	(244,223)	73,091

	2014	2015	2016
Weighted average number of ordinary shares for basic EPS including DSU (1) (refer to Note 18)	415,265,587	442,617,845	426,486,045
Dilutive instruments	—	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	415,265,587	442,617,845	426,486,045

(1) On November 19, 2014, Cnova granted to certain executives of Cnova deferred stock units (DSU). The DSU are non-forfeitable (refer to Note 18). As they are non-forfeitable, the expense related to the fair value of services rendered has been recorded in 2014.

The total number of shares after the cancellation of shares received as part of the 2016 reorganization is 344,507,048.

Note 3 Business combinations and equity transactions

1. Accounting policies

The consolidated financial statements include the accounts of all entities in which Cnova has a controlling financial interest.

Consolidated Entities

Control is achieved when Cnova is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Cnova controls an investee if and only if Cnova has:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When Cnova has less than a majority of the voting or similar rights of an investee, Cnova considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- Cnova's voting rights and potential voting rights.

Cnova re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an entity begins when Cnova obtains control over the entity and ceases when Cnova loses control of the entity.

Associates

Associates are companies in which Cnova exercises significant influence over financial and operational policies without having control. They are accounted for by using the equity method. Goodwill related to these entities is included in the carrying amount of the investment in the associate.

Business combination

The consideration transferred in a business combination is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Acquisition-related costs are accounted for as expenses in the periods in which they are incurred.

Any excess of the aggregate of consideration transferred and the amount of non-controlling interests in the transaction over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. For each business combination, Cnova may elect whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The provisional amounts recognized on the acquisition date may be adjusted retrospectively, if information about facts and circumstances that existed as of the acquisition date is still needed to finalize the measurement of the business combination. However, the measurement period shall not exceed one year from the acquisition date. The subsequent acquisition of non-controlling interests does not give rise to the recognition of additional goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Transactions in 2016

During 2016, Cnova sold Cnova Brazil, Cdiscount Thailand, Vietnam and Colombia and abandoned the African subsidiaries of Cdiscount International. All transactions are further described in Note 4.

In October 2016, as part of the 2016 Reorganization of Cnova Brazil, Cnova purchased from Cnova Brazil for a price of €1,870 exclusively with a view to their subsequent disposal the shares of Cnova Finança B.V., which role, now irrelevant, was to facilitate the financing of Cnova Brazil by Cnova. Accordingly Cnova Finança B.V. will be liquidated in 2017 and is reported as a discontinued activity. Cnova Finança has net assets, composed almost exclusively of cash, of €23.1 million.

In accordance with the Cdiscount Group stock-option plan, some employees of Cdiscount S.A. holding shares of Cdiscount Group, a wholly-own subsidiary, exercised their put options in September 2016. In October and November 2016, Cnova exercised its call options on the rest of those shares held by employees. Pursuant to these transactions, Cnova holds all the shares of Cdiscount Group.

3. Transactions in 2015

Disposal of MonShowroom

On September 30, 2015, Cnova signed a share disposal agreement with Monoprix for a total value of the shares of MonShowroom of €19.0 million, with 51% those shares sold to Monoprix in September 2015 and 49% of the capital paid by Monoprix in September 2016. In addition Cnova may receive in 2018 an earn-out depending on the level of marketplace sales of Monshowroom in 2017. Consequently MonShowroom has been reported as a discontinued activity in 2015.

4. Transactions in previous years

Acquisition of MonShowroom

Between 2012 and 2013, Cnova acquired 60.61% of MonShowroom in a step acquisition for €17.5 million and granted a put option to minority shareholders recognized as financial debt for €10 million.

During the year 2014, Cnova finalized the purchase accounting of MonShowroom by acquiring the residual interest in MonShowroom for €6.0 million payment. The put option previously recorded in financial debt as of December 31, 2013 was reversed against the payment to the minority shareholders. The related €4.7 million impact was recorded in equity.

Cdiscount Colombia

On July 24, 2014, Cnova took control of Cdiscount Colombia as a result of the additional 21% ownership transferred by Exito in exchange for a 0.16% ownership in Cnova increasing Cnova total ownership in Cdiscount Colombia to 51%.

As this transfer occurred between entities under the common control of Casino, Cnova applied the pooling of interest method. Accordingly, the share capital increase of Cnova was measured at the carrying value of the transferred ownership in Cdiscount Colombia in Casino consolidated financial statements, no gain was recognized on the previously held 30% ownership and the difference between the share capital increase of Cnova and the book value of the 21% transferred was recorded through equity together with the related non-controlling interests for amounts, respectively, of €(1.0) million and €2.5 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C-Asia

On November 17, 2014, Casino transferred 30% of its indirect interest in C-Distribution Asia Pte. Ltd (“C-Asia”), which controls Casino’s eCommerce subsidiaries operating in Thailand and Vietnam to Cdiscount Group, for an amount of €16.7 million. This transaction resulted in Cnova N.V. obtaining indirect 60% control over C-Asia.

As this transfer occurred between entities under the common control of Casino, Cnova applied the pooling of interest method. Accordingly, no gain was recognized on the previously held 30% ownership and the difference between the consideration paid and the book value of the 30% transferred was recorded through equity together with the related non-controlling interests for amounts, respectively, of €(13.7) million and €1.9 million. Cash and cash equivalents amounted to €5.6 million as of the date of acquisition.

Other equity transactions

In 2014, Cnova increased its ownership in Cdiscount by 0.22% resulting in €0.8 million cash out and a €0.2 million negative impact on Group equity. As a consequence of the delivery of free shares granted to certain employees in 2012, Cnova decreased its ownership in Cdiscount Group by 0.19% resulting in a €0.3 million respectively negative and positive impact on Group equity and non-controlling interests.

As a consequence of the Cnova reorganization which consisted in a contribution of Nova Pontocom in Cnova Brazil, the following equity transactions were recorded:

- Nova Pontocom retained certain assets and liabilities of Nova Pontocom based on their carrying values in the financial statements of Nova Pontocom as of July 21, 2014, for €(15.1) million. This transaction was reflected as an equity transaction as of July 21, 2014, for the above amount of net assets, i.e. a contribution received, between Nova Pontocom and Cnova Brazil on the date such reorganization was legally completed.
- As part of the transaction, 4% ownership interests, held in Nova Pontocom/Cnova Brazil by certain of its managers that were recorded as non-controlling interests, were reclassified from non-controlling interests to additional paid in capital on July 24, 2014, for €17.1 million as 100% of Cnova Brazil shares have been contributed to Cnova NV and such minority shareholders have retained their non-controlling interest in the previous holding company of Cnova Brazil.

Without changes in ownership, several increases of share of capital in subsidiaries (essentially Cdiscount Colombia and Cdiscount LATAM) occurred during the period resulting in a €3.6 million cash-in and positive impact in non-controlling interests.

Note 4 Assets held for sale and discontinued activities

Accounting principle

A non-current asset (or disposal group) shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The asset (or disposal group) shall be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and shall be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the income statement.

A discontinued operation is a disposal group to be abandoned that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. The results and cash flows of such disposal group shall be presented as discontinued operations at the date on which it ceases to be used. This presentation shall apply for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

Breakdown

Transactions in 2016

Cnova classified as discontinued all the activities of its Cdiscount International reporting segment as the operations were sold or abandoned: Cdiscount Panama and Ecuador (abandoned 3rd quarter 2015), Cdiscount Thailand and Cdiscount Vietnam (sold 1st quarter 2016), Cdiscount Cameroon and Cdiscount Senegal (abandoned 2nd quarter 2016), Cdiscount Colombia (abandoned 3rd quarter 2016 and on November 30, 2016, Cnova disposed the entity through a share capital reduction, with Exito remaining the sole shareholder) and Cdiscount Ivory Cost (abandoned 4th quarter 2016).

Disposal of the operation in Vietnam

Cnova effectively sold its 80% share in Cdiscount Vietnam (representing a 47.91% interest) on March 1, 2016, for HK\$80 corresponding to the initial investment in capital to Cavi Ltd, a Casino Group subsidiary, with a view to resale together with Casino's investment in Vietnam. The agreement with Casino Group included the payment of an earn-out based on the price value of the sale of activities in Vietnam as part of the global sale agreement of Vietnam activities that should be signed. The final sale to a third party was completed on April 29, 2016, and, considering the final value of the website in the final sale agreement, no earn-out is due to Cnova.

Disposal of the operation in Thailand

In March 2016, pursuant the decision of Casino group to sell its subsidiaries in Thailand, Cnova also engaged the decision to sell its share in CD Thailand (representing a 41.92% interest in the operating subsidiary). On March 21, 2016, Big C Thailand was sold to the Thai conglomerate TCC Group. CD Thailand was included in that transaction for a total cash equivalent consideration of €28 million (including repayment of shareholder loans). This disposal resulted in a net profit for Cnova of €24.4 million.

Disposal of the operation in Colombia

In July 2016, Cdiscount Colombia ceased its activity and was subsequently sold to its minority shareholder Exito through a share capital reduction which took place on November 30, 2016. Cnova received €2.7 million from this transaction.

2016 Reorganization of Cnova Brazil within Via Varejo.

On October 31, 2016, Cnova transferred all its shares in Cnova Brazil to Via Varejo. As consideration for the 2016 Reorganization, Via Varejo has: (i) transferred to Cnova the 96,790,798 Cnova ordinary shares held by Via Varejo, which Cnova has then cancelled; (ii) caused Cnova Brazil to repay its loan from Cnova in the amount of approximately R\$526.9 million (€146.0 million) and (iii) made a cash payment to Cnova, net of taxes, of R\$43.4 million (€11.6 million).

In addition Cnova purchased from Cnova Brazil for a price of €81,870 exclusively with a view to their subsequent disposal the shares of Cnova Finança B.V., which role, now irrelevant, was to facilitate the financing of Cnova Brazil by Cnova. Accordingly Cnova Finança B.V. will be liquidated in 2017 and is classified as a discontinued activity.

As a result of these operations, the activity of Cnova is now exclusively focused on Cdiscount. Cnova reports as a consequence one operating segment, Cdiscount in France and one non-operating segment, Holdings.

The following tables show the impact of discontinued activities on the income statements for the years ended December 31, 2014 and 2015 in comparison with the income statements for those years included in the 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

annual report on Form 20-F filed with the SEC on July 21, 2016 (which already included Cdiscount Vietnam and MonShowroom as discontinued activities).

<i>€ thousands</i>	December 31, 2014 From 2015 Annual Report	IFRS5 related to Cnova Brazil	IFRS5 related to Cdiscount International	December 31, 2014 Revised
Net sales	3,416,368	(1,830,586)	(9,148)	1,576,634
Cost of sales	(2,989,946)	1,594,572	9,976	(1,385,398)
Operating expenses :				
Fulfillment	(248,218)	136,920	1,601	(109,697)
Marketing	(70,009)	45,796	1,522	(22,691)
Technology and content	(85,691)	34,548	(166)	(51,309)
General and administrative	(49,037)	26,226	14	(22,797)
Operating profit before restructuring, litigation, initial public offering expenses, gain / (loss) from disposal of non-current assets and impairment of assets	(26,533)	7,476	3,799	(15,258)
Restructuring	(8,413)	(520)		(8,933)
Litigation	(3,135)	-		(3,135)
Initial public offering expenses	(15,985)	10,921		(5,064)
Gain / (loss) from disposal of non-current assets	14	(14)		-
Impairment of assets	(2,588)	1,228		(1,360)
Operating profit (loss)	(56,640)	19,091	3,799	(33,750)
Financial income	8,091	(5,963)	(872)	1,256
Financial expense	(75,487)	72,840	865	(1,782)
Profit (loss) before tax	(124,036)	85,968	3,792	(34,276)
Income tax gain (expense)	13,113	(5,421)		7,692
Share of profits/(losses) from associates	(2,369)		2,369	-
Net profit (loss) from continuing activities	(113,291)	80,547	6,160	(26,584)
Net profit (loss) from discontinuing activities	(1,864)	(80,547)	(6,160)	(88,571)
Net profit (loss) for the year	(115,155)	-		(115,155)
Attributable to the owners	(112,495)	-		(112,495)
Attributable to non-controlling interests	(2,660)	-		(2,660)
Attributable to the owners continuing	(110,697)	80,547	3,696	(26,454)
Attributable to non-controlling interests continuing	(2,594)		2,464	(130)
Attributable to the owners discontinuing	(1,798)	(80,547)	(3,696)	(86,041)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Attributable to non-controlling interests discontinuing	(66)		(2,464)	(2,530)
	December 31, 2015		IFRS5 related to Cdiscount International	December 31, 2015 Revised
€ thousands	From 2015 Annual Report	IFRS5 related to Cnova Brazil		
Net sales	3,448,511	(1,683,719)	(27,615)	1,737,177
Cost of sales	(3,036,834)	1,499,002	30,010	(1,507,822)
Operating expenses :				
Fulfillment	(275,737)	134,965	4,562	(136,210)
Marketing	(77,882)	50,331	3,660	(23,891)
Technology and content	(98,700)	46,343	4,727	(47,630)
General and administrative	(76,739)	25,807	6,366	(44,566)
Operating profit before restructuring, litigation, initial public offering expenses, gain / (loss) from disposal of non-current assets and impairment of assets	(117,381)	72,729	21,710	(22,943)
Restructuring	(17,133)	3,118	2,320	(11,695)
Litigation	(3,124)	-		(3,124)
Initial public offering expenses	(3,702)	103		(3,599)
Gain / (loss) from disposal of non-current assets	(6,108)	6,047		(61)
Impairment of assets	(14,614)	540		(14,074)
Operating profit (loss)	(162,062)	82,537	24,029	(55,496)
Financial income	34,602	(15,626)	(15,602)	3,374
Financial expense	(94,615)	83,230	(8,203)	(19,588)
Profit (loss) before tax	(222,075)	150,141	225	(71,709)
Income tax gain (expense)	(20,308)	3,841	450	(16,017)
Net profit (loss) from continuing activities	(242,383)	153,982	675	(87,726)
Net profit (loss) from discontinuing activities	(16,665)	(153,982)	(675)	(171,322)
Net profit (loss) for the year	(259,048)	-		(259,048)
Attributable to the owners	(244,223)	-		(244,223)
Attributable to non-controlling interests	(14,825)	-		(14,825)
Attributable to the owners continuing	(232,189)	153,982	(8,860)	(87,067)
Attributable to non-controlling interests continuing	(10,194)		9,533	(661)
Attributable to the owners discontinuing	(12,034)	(153,982)	8,860	(157,156)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Attributable to non-controlling interests discontinuing (4,631) (9,533) (14,164)

2016 result from discontinued activities, including mostly Cnova Brazil but also Cdiscount International (both disposed and abandoned activities) is the following:

<i>€ thousands</i>	International segment sold	Internation al segment abandoned	Cnova Brazil	Total
Net sales	6,835	1,123	906,478	914,436
Cost of sales	(6,957)	(1,505)	(789,417)	(797,879)
Operating expenses	(5,651)	(2,093)	(211,634)	(219,378)
Operating loss before other costs	(5,773)	(2,475)	(94,573)	(102,821)
Other operating costs	(12,008)	(2,409)	(58,790)	(73,207)
Operating loss	(17,781)	(4,884)	(147,540)	(170,205)
Financial net expense	(16)	(63)	(70,376)	(70,455)
Loss before tax	(17,797)	(4,947)	(217,916)	(240,660)
Income tax gain/(expense)	(64)	(17)	(1,594)	(1,675)
Net profit (loss) for the year (i)	(17, 861)	(4,964)	(225,333)	(248,158)
Net cash proceeds	24,239	-	11,641	35,880
Shares received	-	-	473,962	473,962
Disposal costs	-	-	(13,444)	(13,444)
Net assets disposed	223	-	61,713	61,936
Gain (loss) on disposals	24,462	-	533,872	558,334
Recycling of foreign currency reserves	130	-	(178,121)	(177,991)
Net profit/(loss) from discontinuing activities	6,731	(4,964)	130,418	132,185

(i) Represent the activity of the operations up to the day they ceased operations (abandoned activities) or were sold (Cdiscount Thailand, Cdiscount Vietnam, Cdiscount Colombia and Cnova Brazil)

The following provides a breakdown by entity of the Net profit (loss) from discontinued activities:

<i>€ thousands</i>	% Interest	Net profit (loss) in 2016	Gain (loss) on disposal	Recycling of foreign exchanges differences	Net profit (loss) from discontinued activities
C-Distribution Asia	59.89	91	-		91
C-Distribution Thailand	41.92	(1,010)	24,419		23,409
E-Cavi Ltd	47.91	(3,412)	-		(3,412)
Cdiscount Vietnam	47.91	(397)	-		(397)
Cdiscount Colombia	50.94	(5,899)	43	130	(5,726)
Cdiscount France international costs	100.00	(7,234)	-	-	(7,234)
International segment sold		(17,861)	24,462	130	6,731
Cdiscount Afrique	100.00	(27)	-	-	(27)
CD Africa	85.00	(201)	-	-	(201)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cdiscount Cameroun	85.00	(1,139)	-	-	(1,139)
Cdiscount Cote d'Ivoire	85.00	(2,249)	-	-	(2,249)
Cdiscount Senegal	85.00	(1,178)	-	-	(1,178)
Cdiscount Latam	70.00	(163)	-	-	(163)
Cdiscount Uruguay	70.00	(7)	-	-	(7)
Cdiscount Equateur	69.99	-	-	-	-
Cdiscount Panama	70.00	-	-	-	-
International segment abandoned		(4,964)	-	-	(4,964)
Cnova Brazil	100.00	(219,510)	533,872	(178,121)	136,241
Total		(242,335)	558,334	(177,991)	138,008

The detail of net assets disposed as of December 31, 2016 are the following:

<i>€ thousands</i>	International segment sold	International segment abandoned	Cnova Brazil	Total
Cash and cash equivalents	8,345		5,809	14,154
Other current assets	4,358		316,519	320,877
Total current assets	12,703		322,328	335,031
Other non-current assets	529		4,158	4,687
Intangible assets and fixed assets	2,242		74,989	77,231
Goodwill	-		368,970	368,970
Total non-current assets	2,771		448,117	450,888
Total assets	15,474		770,445	785,919
Other current liabilities	699		80,171	80,870
Current financial debt	14,333		351,467	365,800
Trade payables	3,748		361,935	365,683
Total current liabilities	18,780		793,571	812,353
Other non-current liabilities	31		29,923	29,954
Non-current financial debt	-		8,662	8,662
Total non-current liabilities	31		38,585	38,616
Non-controlling interests	(3,114)		-	(3,114)
Total liabilities	15,697		832,158	847,855
Net assets disposed	(223)		(61,713)	(61,936)

Impacts on cash flow as of December 31, 2016 from discontinued activities are the following:

<i>€ thousands</i>	International segment sold	International segment abandoned	Cnova Brazil	Total
Net cash from/(used) operating activities	(15,757)	(1,536)	(568,176)	(585,469)
Net cash from/(used) by investing activities	(4,583)	724	28,965	25,106
Net cash from/(used) by financing activities	7,360	198	129,912	137,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transactions in previous years

On September 30, 2015, Cnova signed a share disposal agreement with Monoprix for a total value of the shares of MonShowroom of €19.0 million, with 51% those shares sold to Monoprix in September 2015 and 49% of the capital paid by Monoprix in September 2016. In addition Cnova may receive in 2018 an earn-out depending on the level of marketplace sales of MonShowroom in 2017. MonShowroom is a fashion site which was not considered as part of Cdiscount core business due to very limited synergies with Cdiscount operations. MonShowroom was already reported as discontinued activity in the 2015 Annual Report.

Note 5 Operating segments

Segments are reported in a manner consistent with how the business is operated and reviewed by the chief operating decision maker (the CEO).

The segment information is divided into one reportable operating segment, Cdiscount France, which consists of amounts earned from retail sales of consumer products through Cdiscount.com in France; and a non-operating segment, Holding, which mostly consists of headquarters costs of the holding company Cnova NV. Accordingly there is no relevant segment information.

Note 6 Components of operating profit before restructuring, litigation, initial public offering expenses, gain/(loss) from disposal of non-current assets and impairment of assets

Accounting policies

Revenue recognition

Net sales include revenue from product sales (either business to consumer direct sales or business to business transactions), marketplaces sales (commissions) and other revenues. Those revenues are recognized to the extent that it is probable that the economic benefits will flow to Cnova and the revenue can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognized.

Product sales (Business to consumer direct sales and business to business transactions)

Business to business transactions consist of sales to retailers. Revenues from product sales and related shipping fees, net of promotional discounts, rebates, and return allowances, are recognized when the significant risks and rewards of ownership of the products have passed to the buyer, usually on delivery of the products. Return allowances, which reduce revenue, are estimated using historical experience.

Consolidated entities periodically provide incentive offers to customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases by customers, inducement offers, such as offers for future discounts subject to a minimum current purchase, and other similar offers. Current discount offers, when accepted by customers, are treated as a reduction to the sale price of the related transaction, while inducement offers, when accepted by customers, are treated as a reduction to sale price based on estimated future redemption rates. Redemption rates are estimated using Cnova's historical experience for similar inducement offers. Current discount offers and inducement offers are presented as a net amount in product sales.

Marketplace sales (commissions)

As part of transactions through marketplaces, it is assessed whether it is appropriate to record the gross amount of the product sold and its related costs or the net amount as a commission based on the analysis of the obligation in the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The recognition of revenue as a gross or net amount requires judgment taking into consideration facts and circumstances based on a list of indicators proposed by IAS 18 “Revenue”. In performing this analysis, Cnova reviews the following indicators whether or not the entity:

- has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- has inventory risk before or after the customer order, during shipping or on return;
- has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- bears the customer’s credit risk for the amount receivable from the customer.

As of December 31, 2016, Cnova considers that it is acting as agent for all existing arrangements.

Other revenues

Other revenues mainly consist of certain services rendered to third parties (mainly advertising sales). Those services are recognized once the service is rendered.

Beginning August 2015, Cdiscount modified drastically its installment payment policy “CB4X” in France (allowing customers to pay for purchases in four monthly installments with one upfront payment and three subsequent interest bearing payments 30, 60 and 90 days after the initial payment) and started providing directly this service to its clients for its direct sales products and for marketplace products as well since January 2016. Cnova thus generates service fee revenue and manages directly the finance fees associated with offering the payment plan.

€millions	2014	2015	2016
Net sales	-	8.3	25.1
Fulfillment costs	(8.5)	(10.8)	-
Financial expense	-	(12.9)	(34.6)
Total	(8.5)	(15.4)	(9.3)

In addition, starting in June 2015, the company increased the volume of specific marketing services to our suppliers in France. Starting January 1, 2016, we recognize in net sales the specific marketing services agreed with our suppliers as included in the budget of the annual trade contract when such services are rendered. Such services are recognized in net sales when they are specific, effective marketing operations negotiated with the suppliers and not only annual budgeted programs. When they don’t meet the revenue recognition requirement such programs should be recorded in cost of sales.

€millions	2014	2015	2016
Net sales	-	5.3	70.4

We exclude revenues from items that are returned and orders that are cancelled.

Cost of sales

Cost of sales consist of costs related to direct sales business, including purchase price of consumer products sold to customers from direct sales, inbound shipping charges to fulfillment centers and outbound shipping charges from fulfillment centers to pick-up locations or directly to end customers, fees payable to pick-up locations, packaging supplies, gains related to discounts obtained from suppliers and costs for lost, stolen or damaged goods received. Shipping charges to receive products from suppliers are included in inventory and recognized as cost of sales upon sale of products to customers. In addition, with effect from January 1, 2013, warehouse reception and storage costs are no longer incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as fulfillment costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Supplier rebates and contributions to common marketing campaign are measured based on contracts signed with suppliers. They are billed in installments over the year. At each year-end, an accrual is recorded for the amount receivable or payable, corresponding to the difference between the value of the services actually rendered to the supplier and the sum of the installments billed during the year. They are considered as a reduction of the prices paid for the products and, therefore, recorded as a reduction of the inventory cost.

Fulfillment expenses

Fulfillment costs consist of costs incurred in operating and staffing our fulfillment centers and customer service centers, payment processing, after sales costs and extended warranties. The costs related to operating fulfillment centers include warehousing costs and preparation costs, which include picking, packaging and preparing customer orders, and payroll and related expenses. In addition, with effect from January 1, 2013, warehouse reception and storage costs are no longer incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as fulfillment costs. Payment processing costs include credit card fees and fees paid to Banque Casino in relation to our payment-in-installments program in France on direct sales products. As of August 2015, this program is administered internally by Cdiscount for its direct sales products and since January 2016 for marketplace products, which represent a decrease in fulfillment cost of €10.8 million in 2016. After sales costs consist primarily of preparing and resending products that are returned to suppliers to be repaired. Extended warranties costs include costs to third parties who repair or replace products for which an extended warranty was sold.

Marketing expenses

Marketing costs consist of online and offline advertising, such as display advertising and search engine optimization, fees paid to third party marketing services and payroll and related expenses for personnel engaged in marketing.

Technology and content expenses

Technology and content expenses consist of technology infrastructure expenses, payroll and related expenses for employees involved in application, product, and platform development, category expansion, editorial content, purchasing (including expenses and payroll related to the overall purchasing activity of the consolidated entities), merchandising selection, systems support and digital initiatives.

Technology and content costs are expenses as incurred. Capitalized development costs are amortized over time, including software used to upgrade and enhance Cnova's websites and applications supporting the business.

General and administrative expenses

General and administrative expenses consist of payroll and related expenses for management, including management equity incentive plans, management fees paid to Cnova's Parent Companies for shared services, employees involved in general corporate functions, including accounting, finance, tax, legal, and human resources, costs associated with use by these functions of facilities and equipment, such as depreciation expense and rent, and general labor costs. Professional fees and other general corporate costs are also included as general and administrative costs.

Leases

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. They are recognized in the consolidated balance sheet at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Leased assets are recognized as assets (according to their nature) with a corresponding amount recognized in financial liabilities. Finance lease obligations are discounted and recognized in the balance sheet as a financial liability. Lease payments are apportioned between finance charges and reduction of the lease liability so as to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

achieve a constant rate of interest on the remaining balance of the liability.

Leased assets are depreciated over their expected useful life in the same way as other assets in the same category, or over the lease term if shorter, unless the lease contains a purchase option and it is reasonably certain that the option will be exercised.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Breakdown

Net Sales

€thousands	2014	2015	2016
Product sales	1,454,615	1,572,746	1,586,542
Marketplace sales (commissions)	40,436	74,496	103,064
Other revenues	81,583	89,935	166,109
Net sales	1,576,634	1,737,177	1,855,715

The revised CB4X contract generated net sales of €25.1 million in 2016 and €8.3 million in 2015 (from its inception in August 2015 to December 31, 2015).

The company increased the volume of specific marketing services to suppliers in France which are now recorded in net sales. Starting January 1, 2016, we also started to recognize in net sales the specific marketing services agreed with our suppliers as included in the budget of the annual trade contract when such services are rendered. The amount of these specific marketing services recognized in net sales amounted to €70.4 million in 2016, €5.3 million in 2015 and €nil in 2014.

Among other revenue generated from services, Cdiscount entered into 2 agreements pursuant to which Cdiscount (i) designed and created two tabs on its website both dedicated to the drive services of two related parties retail companies and (ii) provided marketing and continuing maintenance services. Under these agreements Cdiscount received a total €2.6 million upfront payment, that was accounted in Cdiscount's first-half 2015 net sales and 10% of the sales generated on the drive sites accessed through the Cdiscount tabs.

Cost of Sales

€thousands	2014	2015	2016
Purchases and shipping costs	(1,440,825)	(1,542,706)	(1,583,560)
Change in inventories	55,427	34,884	(16,854)
Cost of sales	(1,385,398)	(1,507,822)	(1,600,414)

Expenses by nature and function

€thousands	Fulfillment	Marketing	Technology and content	General and administrative	2014
Employee benefits expense	(32,317)	(4,783)	(25,094)	(6,904)	(69,098)
Other expenses	(74,850)	(16,348)	(9,312)	(15,708)	(116,218)
Depreciation and amortization expense	(2,530)	(1,560)	(16,903)	(185)	(21,178)
Total as of December 31, 2014	(109,697)	(22,691)	(51,309)	(22,797)	(206,494)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

€thousands	Fulfillment	Marketing	Technology and content	General and administrative	2015
Employee benefits expense.....	(34,018)	(5,822)	(23,400)	(15,116)	(78,355)
Other expenses.....	(99,220)	(17,028)	(7,637)	(29,382)	(153,268)
Depreciation and amortization expense.....	(2,972)	(1,041)	(16,593)	(68)	(20,674)
Total as of December 31, 2015.....	(136,210)	(23,891)	(47,630)	(44,566)	(252,297)

€thousands	Fulfillment	Marketing	Technology and content	General and administrative	2016
Employee benefits expense.....	(33,360)	(6,770)	(25,345)	(18,957)	(84,431)
Other expenses.....	(89,783)	(26,004)	(13,470)	(23,868)	(153,125)
Depreciation and amortization expense.....	(2,595)	(409)	(17,003)	(558)	(20,565)
Total as of December 31, 2016.....	(125,738)	(33,183)	(55,817)	(43,383)	(258,121)

The following table presents the breakdown of other fulfillment costs, other marketing costs and other tech and content costs.

€thousands	2014	2015	2016
Operation of fulfillment centers.....	(40,590)	(42,371)	(45,152)
Payment processing.....	(21,864)	(32,372)	(20,037)
Customer service centers.....	(9,875)	(19,047)	(22,844)
Other fulfillment costs.....	(2,522)	(5,430)	(1,750)
Fulfillment costs.....	(74,850)	(99,220)	(89,783)
Online and offline marketing costs.....	(15,729)	(16,861)	(22,241)
Other marketing costs.....	(619)	(167)	(3,763)
Marketing costs.....	(16,348)	(17,028)	(26,004)
Technology infrastructure.....	(7,902)	(7,562)	(12,669)
Other technology and content costs.....	(1,410)	(75)	(801)
Technology and content costs.....	(9,312)	(7,637)	(13,470)

As of August 2015, the CB4X program is administered internally by Cdiscount for its direct sales products and since January 2016 for marketplace products. Total costs for 2015 amounted to €1 million, including the €5 million related to direct sales products for the period from January 2015 to August 2015

Operating lease expense

Operating lease expenses amounted to €31,748 thousands at December 31, 2014, €27,286 thousands at December 31, 2015 and €15,223 thousands at December 31, 2016.

Note 7 Restructuring, gain/(loss) from disposal of non-current assets, impairment of assets, litigation and initial offering expenses

1. Restructuring

As of December 31, 2014, restructuring expenses consisted of costs related to Cdiscount change of executive offices (€1.2 million), costs related to bonuses for an amount of €4.8 million with respect to Cdiscount employees and €2.6 million with respect to Casino employees including social charges. These bonuses were granted to certain Cdiscount managers when Casino repurchased in April 2014 for €10.2 million the equity warrants owned by these Cdiscount managers. Casino reimbursed the bonuses paid by Cdiscount (€4.8 million) and this reimbursement by Casino was recorded as a contribution in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 2015, restructuring expenses amounted to €11.7 million and mainly consisted of costs related to the closing of specialty websites at Cdiscount (€1.5 million), restructuring logistics at Cdiscount France (€2.4 million) and restructuring at the head office of Cdiscount France (€2.9 million) and Cnova NV (€4.0 million).

In 2016, restructuring expenses amounted to €11.0 million and mainly included costs relating to the restructuring at the head office of Cdiscount France (€3.7 million), costs related to the closing of specialty websites and subsidiaries (€4.2 million) and a specific inventory depreciation (€1.0 million).

2. Gain/(loss) from disposal of non-current assets

In 2015, the expense was related to a disposal of fixed assets.

3. Impairment of assets

As an e-commerce company, we launch several IT projects to improve our platforms or reach new markets. When unsuccessful we impair those projects as indicated in Note 16. Impairment of assets amounted to €1.4 million at December 31, 2014, €4.1 million at December 31, 2015 and €6.0 million at December 31, 2016.

4. Litigation

In 2014, the €3.1 million expense is related to a tax litigation at Cdiscount level. In 2015, the €3.1 million expense is related to 5 claims from suppliers. In 2016, the €1.5 million expense includes mainly a provision for a VAT tax audit (€1.2 million) and several claims at Cdiscount (€0.2 million).

5. Initial public offering expenses

The incremental expenses directly attributable to the offering of new shares of Cnova in the IPO of Cnova on the NASDAQ in 2014 were recorded through equity for an amount of €46 million before tax (€34.6 million after tax) at the end of 2014. They consist mainly of legal, financial, accounting and printing fees associated with drafting and filing the registration statement of Cnova.

The other incremental costs incurred in the 2014 IPO were expensed for an amount of €16 million before tax as they relate mainly to the reorganization, governance and management of Cnova. They include notably the expense related to the deferred stock units (DSU – refer to Note 23) for a total amount of €9.5 million.

In 2015, costs incurred in connection with our initial public offering of November 2014 and subsequent listing on Euronext Paris in 2015 and recorded through income amounted to €3.7 million, related primarily to the Reorganization and the restructuring in the governance and management of Cnova, and were expensed in the income statement. These costs include notably fees and legal expenses for €2.5 million and specific bonuses for €1.2 million.

Due to the classification of Cnova Brazil as discontinued activity, the expenses related to Cnova Brazil (mostly reorganization, bonuses) have been included in discontinued activities, thus the expense presented in continuing activities is €5.1 million for 2014, €3.6 million for 2015 and €nil for 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Financial income and expense

Accounting policy

Finance income and expenses correspond to:

- All interest expenses for financial liabilities during the period;
- Gains and losses on sales of short term investments classified in cash equivalents;
- Dividends from non-consolidated companies;
- Gains and losses arising from remeasurement at fair value of financial assets other than cash and cash equivalents;
- Gains and losses on disposal of financial assets other than cash and cash equivalents;
- Discounting adjustments (including to provisions for pensions and other post-employment benefit obligations);
- Exchange gains and losses on items other than components of net debt; and
- Costs related to the sale of receivables, including the fees related to the installment program CB4X at Cdiscount, administered internally since August 2015.

Cash discounts are recognized in financial income for the portion corresponding to the normal market interest rate and as a deduction from cost of goods sold for the balance.

€thousands	2014	2015	2016
Revenue from cash and cash equivalents	542	2	-
Foreign exchange gain	344	534	11,545
Proceeds from sale of investments	-	2,157	-
Other financial income	370	681	1,422
Total finance income	1,256	3,374	12,967
Interest expense on borrowings	-	(653)	(889)
Foreign exchange loss	(38)	(161)	(5,571)
Costs related to sales of receivables	-	(12,916)	(34,615)
Book value of investments	-	(2,576)	-
Other financial expense	(1,744)	(3,282)	(2,909)
Total finance expense	(1,782)	(19,588)	(43,984)

Note 9 Taxes

Accounting policy

Current income tax expense

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where Cnova operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred tax expense

Deferred taxes are recognized using the provisions of IAS 12 “Income Taxes.” Balances of deferred taxes recognized in prior periods are adjusted for the effect of any enacted changes in the income tax rate. Deferred tax assets correspond to future tax benefits arising from deductible temporary differences, tax loss carryforwards and certain consolidation adjustments that are expected to be recoverable.

Deferred tax liabilities are recognized in full for:

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

Breakdown

Income tax expenses

Analysis of income tax expense:

€thousands	2014	2015	2016
Current taxes	-	(234)	(356)
Other taxes on income (i)	(1,323)	(1,200)	(1,688)
Deferred taxes	9,015	(14,583)	(10,840)
Total income tax profit (loss) recognized in the income statement	7,692	(16,017)	(12,884)
Tax on other income recognized in “Other comprehensive income”	—	—	—
Tax on other income recognized in “Total comprehensive income”	7,692	(16,017)	(12,884)

- (i) CVAE is a French tax which is based on the value added reported in French entities. CVAE is considered to meet the definition of a tax on income as defined in IAS 12 and is therefore reported as income tax.

Reconciliation of theoretical and actual tax expense

€thousands	2014	2015	2016
Profit (loss) before tax and share of profits of associates	(34,276)	(71,709)	(52,309)
Income tax rate (i)	25.00%	25.00%	25.00%
Income tax benefit (expense)	8,569	17,927	13,077
Effect of tax rates in foreign entities	2,805	4,713	4,666
Unrecognized deferred taxed assets arising from tax loss of the period	—	(24,725)	(20,174)
Non-deductible expenses	(209)	(112)	(25)
CVAE net of income tax	(1,323)	(1,200)	(1,688)
Non-taxation of CICE (ii)	363	1,715	1,772
Share based payments	(1,044)	—	—
Deferred tax reversal	—	(12,200)	(10,840)
Other	(1,469)	(2,136)	327
Actual income tax credit / (expense)	7,692	(16,017)	(12,884)

- (i) The tax rate corresponds to the rate applicable to Cnova NV.
- (ii) France’s third amended Finance Act for 2012 introduced a competitiveness and employment tax credit (CICE), a tax credit (repayable from the end of the third year) of 4% for salaries below or equal to 2.5 times the minimum wage as of January 1, 2013 and 6% from January 1, 2014. Cnova recognized this income by reducing employee expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred taxes

Change in deferred tax assets

€thousands	2014	2015	2016
As of January 1	31,195	46,462	11,636
Benefit (expense) for the period on continuing operations	27,635	1,064	245
Business combination or loss of control	—	25	(1,118)
Nova Pontocom reorganization (i)	(25,612)	—	—
Tax credited directly to equity (ii)	11,398	—	—
Deferred tax reversal (iii)	—	(34,445)	(10,840)
Translation differences and reclassifications (iv)	3,087	(1,470)	77
Counterparty of tax effect of General and administrative expenses of Casino allocated to Cnova (refer to Note 1.2)	(1,241)	—	—
As of December 31	46,462	11,636	—

(i) Refer to paragraph "Description of reporting entity"

(ii) Refer to Note 7

(iii) In 2015 the reversal is related to the then proposed potential 2016 Reorganization. Includes also the €0.7 million write-off of 2014 losses originated from IPO costs that were recognized through equity. In 2016 all net deferred tax assets have been reversed

(iv) In 2014, it includes the reclassification of €2.5 million previously classified as a reduction of tax liabilities

Change in deferred tax liabilities

€thousands	2014	2015	2016
As of January 1	8,665	7,293	—
Expense (benefit) for the period	(1,474)	—	—
Business combination or loss of control	—	(1,530)	—
Impact of changes in exchange rates and reclassifications	102	(5,763)	—
As of December 31	7,293	—	—

Breakdown of deferred tax assets and liabilities by source

€thousands	2014	2015	2016
Intangible assets	(6,349)	(3,691)	—
Property and equipment	—	—	—
Inventories	550	—	—
Financial instruments	—	—	—
Other assets	2,507	14	—
Other liabilities	5,684	—	—
Tax loss carryforwards	36,778	15,313	—
Net deferred tax assets (liabilities)	39,170	11,636	—
Deferred tax assets recognized in the balance sheet	46,463	11,636	—
Deferred tax liabilities recognized in the balance sheet	(7,293)	—	—
Net	39,170	11,636	—

Recognized and unrecognized deferred tax assets

The tax loss carryforwards have no expiry date but their use is limited in France by law to €1 million plus 50% of the taxable income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The deferred tax assets related to tax losses recognized in the consolidated financial statements are the following:

€thousands	2014	2015	2016
Cdiscount	23,100	10,846	—
Cnova Brazil	649	4,467	—
Cnova NV	13,029	—	—
Deferred tax assets related to tax losses	36,778	15,313	—

As of December 31, 2016, Cnova had €239 million of unused unrecognized tax loss carryforwards (€82 million of unrecognized deferred tax assets) compared with €185 and €61 million respectively in 2015 and €2 and €1 million respectively in 2014.

Note 10 Net cash and cash equivalents

Accounting policy

Cash and cash equivalents consist of cash on hand and short-term investments.

To be classified as a cash equivalent, investment securities must be short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Breakdown

€thousands	2014	2015	2016
Cash equivalents	372,638	353,004	50
Cash	200,683	47,789	15,214
Cash and cash equivalents	573,321	400,793	15,264
Bank overdrafts	(169)	(10,801)	(11,022)
Net cash and cash equivalents	573,152	389,992	4,242

Other current assets (see Note 11.3) for 2016 include €246.7 million (2015: €0.9 million and 2014: €65.2 million) of cashpooling accounts with Casino which can be considered as cash equivalents and are included in the net cash position of Cnova.

Cash equivalents are mainly composed of financial investments referred to as highly liquid Bank Certificate of Deposits. Bank overdrafts arise from settlement of promissory notes that are due to suppliers and are repayable on demand to banks when such promissory notes are presented by suppliers for settlement.

Breakdown of cash and cash equivalents by currency

€thousands	2014	%	2015	%	2016	%
Euro	172,299	30.1 %	12,094	3.0 %	13,715	89.9 %
US dollar	5,151	0.9 %	4,304	1.1 %	1,063	7.0 %
Brazilian real	375,898	65.6 %	372,216	92.9 %	—	—
Other	19,973	3.5 %	12,179	3.0 %	486	3.1 %
Cash and cash equivalents	573,321		400,793		15,264	

Derecognition of financial assets

Cnova has set up receivables discounting programs with its banks. These programs meet the conditions for derecognition of financial assets under IAS 39. Cnova considers that there is no risk of discounted receivables being cancelled by credit notes or being set off against liabilities. The other risks and rewards associated with

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the receivables have been transferred to the banks. Consequently, as substantially all the risks and rewards have been transferred at the balance sheet date, the receivables are derecognized.

Under the agreement which started in August 2015 between Cdiscount and Banque Casino, Cdiscount fully transfers the credit risk of the installments related to the installment payment program in France to Banque Casino. Continued involvement is limited to €1.2 million at December 31, 2016 (2015: €16.7 million) corresponding to the receivables not sold and to the insurance reserve contracted.

Note 11 Financial assets

1. Accounting policies

Financial assets are classified into four categories:

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

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

Recognition and measurement of financial assets

With the exception of financial assets at fair value through profit or loss, all financial assets are initially recognized at cost, corresponding to the fair value of the consideration paid plus transaction costs.

Held-to-maturity investments

Cnova had no held-to-maturity investments during all periods presented.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading, i.e. assets that are acquired principally for the purpose of selling them in the near term. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognized in the income statement. Some assets may be designated at inception as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets issued or acquired by Cnova in exchange for cash, goods or services that are paid, delivered or rendered to a debtor. They are measured at amortized cost using the effective interest method. Long-term loans and receivables that are not interest-bearing or that bear interest at a below-market rate are discounted when the amounts involved are material. Any impairment losses are recognized in the income statement.

Trade receivables are recognized and measured at the fair value of the consideration received or receivable.

Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at cost, and subsequently measured at fair value. Gains

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and losses arising from remeasurement at fair value are accounted for in other comprehensive income (OCI) until the asset is derecognized. In these cases, gains and losses that were previously recognized in OCI are transferred to income statement.

When the available-for-sale asset is an equity instrument, the impairment is permanent. Impairment losses on equity instruments are irreversible and any subsequent increases in fair value are recognized directly in OCI.

Impairment losses on debt instruments are reversed through the income statement in the event of a subsequent increase in fair value, provided that the amount reversed does not exceed the impairment losses previously recognized in the income statement.

This category mainly comprises investments in non-consolidated companies. Available-for-sale financial assets are classified under non-current financial assets.

Derecognition

Financial assets are derecognized in the following two cases:

- the contractual rights to the cash flows from the financial asset expire; or
- the contractual rights are transferred and the transfer qualifies for derecognition, and when substantially all the risks and rewards of ownership of the financial asset are:
 - transferred, the asset is derecognized in full;
 - retained by Cnova, the financial asset continues to be recognized in the balance sheet for its total amount.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated financial liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. Breakdown of trade receivables

€thousands	2014	2015	2016
Trade receivables	152,236	161,424	101,696
Accumulated impairment losses on trade receivables . .	(34,580)	(31,773)	(10,636)
Trade receivables	117,656	129,651	91,060

Cnova carries out non-recourse receivables discounting without continuing involvement.

Accumulated impairment losses on trade receivables

€thousands	2014	2015	2016
Accumulated impairment losses on trade receivables			
As of January 1	(33,352)	(34,580)	(31,772)
Charge	(12,208)	(22,078)	(33,974)
Reversal	11,218	22,530	45,289
Business combination or loss of control	(86)	(402)	(87)
Translation differences	(152)	2,757	(1,037)
As of December 31	(34,580)	(31,773)	(10,636)

The criteria for recognizing impairment losses are set out in Note 23 on counterparty risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Return allowance of trade receivables

Changes in return allowance were as follows:

Prepaid expenses mainly include prepaid purchases, rents, other occupancy costs and insurance premiums.

€thousands	2014	2015	2016
Opening balance	4,706	4,843	5,324
Additions	58,833	67,267	50,985
Used deductions.	(58,696)	(66,786)	(51,173)
Ending balance.	4,843	5,324	5,136

3. Other current assets, net

€thousands	2014	2015	2016
Cashpooling accounts with Casino (Note 26)	65,160	924	246,748
Current accounts with other related parties	7,108	612	14,206
ICMS	14,758	43,371	—
PIS COFINS	46	24,879	—
Other receivables	109,474	122,272	81,730
Accumulated impairment losses on other assets	(1,999)	(2,967)	(4,912)
Prepaid expenses	7,821	6,332	8,448
Other current assets	202,368	195,423	346,220

The cashpooling accounts with Casino can be considered as cash equivalents and are included in the net cash position of Cnova.

Prepaid expenses mainly include prepaid purchases, rents, other occupancy costs and insurance premiums.

4. Other non-current assets, net

€thousands	2014	2015	2016
Available-for-sale financial assets (AFS)	2,074	125	125
ICMS	58,018	10,161	—
PIS COFINS.	13,135	775	—
Other financial assets.	21,843	12,547	4,465
Other non-current assets	95,070	23,608	4,590

Available-for-sale financial assets (AFS)

Movements for the period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

<u>€thousands</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
At 1 January	1,074	2,074	125
Increases	1,100	400	—
Decreases	—	(2,574)	—
Gains and losses from remeasurement at fair value	5	180	—
Business combination or loss of control and translation adjustment	—	—	—
Other	(105)	45	—
At 31 December	2,074	125	125

AFS were mainly composed of a non-quoted investment in Partech International which was disposed on March 31, 2015.

Note 12 Inventories, net

Accounting policies

Inventories, consisting of products available for sale, are recorded at cost, net of supplier discounts, including purchase costs, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Costs of products sold are measured using the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. If the net realizable value is lower than cost, a valuation allowance is recorded for the difference.

Breakdown

<u>€thousands</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Products in warehouses	412,915	438,914	229,537
Impairment of products held in inventory	(12,804)	(23,958)	(4,703)
Inventories	400,111	414,956	224,834

The amounts recorded in respect of write downs of inventory to net realizable value are €1.4 million in 2016 (2015: €16.5 million and 2014: €6.6 million). No reversal of unused write-down was recorded in 2016, 2015 and 2014.

Note 13 Property and equipment, net

Accounting policies

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. All other items of property and equipment are depreciated on a straight-line basis over their estimated useful lives. The main useful lives are as follows:

<u>Asset category</u>	<u>Depreciation period (years)</u>
Building fixtures and fittings	5 to 10
Technical installations, machinery and equipment	5 to 10
Computer equipment	3 to 5

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from its use or disposal. The gain or loss arising from the derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognized in profit or loss when the asset is derecognized under “Gain (Loss) from disposal of non-current assets.”

Breakdown

€thousands	2014			2015			2016		
	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net	Gross	Depreciation And impairment	Net
Buildings, fixtures and fittings	1,112	(379)	733	1,449	(415)	1,034	114	(76)	38
Technical installations, machinery and equipment . . .	44,191	(12,204)	31,987	35,107	(14,003)	21,104	4,141	(2,687)	1,454
Other	<u>21,592</u>	<u>(10,323)</u>	<u>11,269</u>	<u>23,953</u>	<u>(12,616)</u>	<u>11,337</u>	<u>28,159</u>	<u>(14,322)</u>	<u>13,837</u>
Property, plant and equipment, net	<u>66,896</u>	<u>(22,906)</u>	<u>43,990</u>	<u>60,509</u>	<u>(27,034)</u>	<u>33,475</u>	<u>32,414</u>	<u>(17,085)</u>	<u>15,329</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Movements for the period

€thousands	Buildings, fixtures and fittings	Technical installations machinery and equipment	Other	Total
As of January 1, 2014	615	19,834	12,525	32,974
Business combination or loss of control	238	53	756	1,047
Increases and separately acquired tangible assets	—	1,971	16,248	18,219
Tangible assets disposed of during the period	—	(582)	(316)	(898)
Depreciation for the period	(110)	(4,229)	(3,032)	(7,371)
Impairment reversal (losses) recognized during the period	—	15	78	93
Translation adjustment	(10)	(143)	82	(72)
Reclassifications of assets in progress	—	12,279	(12,279)	—
Reclassifications and other movements	—	2,790	(2,790)	—
As of December 31, 2014	733	31,987	11,270	43,990
Business combination or loss of control	—	(58)	(53)	(111)
Increases and separately acquired tangible assets	353	1,538	12,374	14,265
Tangible assets disposed of during the period	—	(6,099)	(2,512)	(8,611)
Depreciation for the period	(126)	(5,087)	(3,274)	(8,487)
Impairment reversal (losses) recognized during the period	—	81	607	688
Translation adjustment	(170)	(7,677)	(411)	(8,259)
Reclassifications of assets in progress	243	7,724	(7,967)	—
Reclassifications and other movements	—	(1,305)	1,305	—
As of December 31, 2015	1,034	21,104	11,339	33,475
Business combination or loss of control	(316)	(22,809)	(1,087)	(24,212)
Increases and separately acquired tangible assets	96	3,710	8,226	12,032
Tangible assets disposed of during the period	(684)	(5)	(1,586)	(2,275)
Depreciation for the period	(60)	(3,628)	(3,060)	(6,748)
Impairment reversal (losses) recognized during the period	72	—	479	551
Translation adjustment	42	2,084	102	2,228
Reclassifications of assets in progress	—	1,182	(1,182)	—
Reclassifications and other movements	(146)	(184)	606	276
As of December 31, 2016	38	1,454	13,837	15,329

Note 14 Intangible assets, net

Accounting policies

Intangible items are recognized as intangible assets when they meet the following criteria:

- the item is identifiable and separable;
- Cnova has the capacity to control future economic benefits from the item; and
- the item will generate future economic benefits.

Intangible assets consist mainly of purchased software, software developed for internal use, customer lists and trademarks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Initial recognition

Intangible assets acquired separately by Cnova are measured at cost and those acquired in business combinations are measured at fair value.

Trademarks that are created and developed internally are not recognized on the balance sheet. Intangible assets are amortized on a straight-line basis over their estimated useful lives.

Development expenditures on internal use software and website development are recognized as an intangible asset when Cnova can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and
- The ability to use the intangible asset generated.

Amortization

Following initial recognition of the intangible asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Development expenditures on internal use software and website development are amortized over periods ranging from 3 to 10 years.

Indefinite life intangible assets (including purchased trademarks) are not amortized, but are tested for impairment at each year-end or whenever there is an indication that their carrying amount may not be recovered.

Derecognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognized in profit or loss when the asset is derecognized under “Gain (Loss) from disposal of non-current assets.”

Breakdown

€thousands	2014			2015			2016		
	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Trademarks	9,229	—	9,229	3,959	—	3,959	3,959	—	3,959
Licenses, software and website	141,838	(49,754)	92,084	142,969	(56,571)	86,398	102,624	(53,403)	49,221
Other. . .	40,307	(9,181)	31,126	36,023	(9,459)	26,564	22,351	(3,644)	18,707
Intangible assets, net	191,374	(58,935)	132,439	182,951	(66,029)	116,921	128,934	(57,047)	71,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Movements for the period

€thousands	Trademarks	License, software and website costs	Other	Total
As of January 1, 2014	9,229	63,112	30,969	103,311
Business combination or loss of control	—	2,166	1,403	3,569
Increases and separately acquired intangible assets	—	50,309	3,257	53,566
Intangible assets disposed of during the period.	—	(51)	(282)	(333)
Depreciation for the period.	—	(20,665)	(3,061)	(23,726)
Impairment reversal (losses) recognized during the period (continuing operations)	—	(2,155)	—	(2,155)
Translation adjustment	—	(73)	(1,076)	(1,149)
Reclassifications of assets in progress	—	—	—	—
Reclassifications and other movements	—	(559)	(84)	(643)
As of December 31, 2014	9,229	92,084	31,126	132,439
Business combination or loss of control	(5,500)	(167)	(1,532)	(7,199)
Increases and separately acquired intangible assets	230	15,784	32,121	48,135
Intangible assets disposed of during the period.	—	(27,800)	(3,472)	(31,272)
Depreciation for the period.	—	(26,133)	(2,559)	(28,692)
Impairment reversal (losses) recognized during the period (continuing operations)	—	15,762	(1)	15,761
Translation adjustment	—	(11,183)	(3,968)	(15,150)
Reclassifications of assets in progress	—	24,692	(24,692)	—
Reclassifications and other movements	—	3,361	(461)	2,900
As of December 31, 2015	3,959	86,400	26,562	116,921
Business combination or loss of control	—	(42,522)	(10,578)	(53,100)
Increases and separately acquired intangible assets	—	26,339	18,207	44,546
Intangible assets disposed of during the period.	—	(18,876)	(1,072)	(19,948)
Depreciation for the period.	—	(23,542)	(1,658)	(25,200)
Impairment reversal (losses) recognized during the period (continuing operations)	—	7,901	5	7,906
Translation adjustment	—	3,512	1,137	4,649
Reclassifications of assets in progress	—	13,896	(13,896)	—
Reclassifications and other movements	—	(3,887)	—	(3,887)
As of December 31, 2016	3,959	49,221	18,707	71,887

Trademarks are composed of Continental Edison in France. As they are essential to the identity of the Cnova business, and are used and maintained in the normal course of operations, an indefinite useful life is retained for those trademarks.

Note 15 Goodwill

Accounting policies

At acquisition date, goodwill is measured in accordance with Note 3. Goodwill is allocated to the cash generating unit or groups of cash-generating units that benefit from the synergies of the combination, based on the level at which the return on investment is monitored for internal management purposes. Goodwill is not amortized but is tested for impairment at each year-end, or whenever there is an indication that it may be impaired. Impairment losses on goodwill are not reversible. The method used by Cnova to test goodwill for impairment is described in Note 16 “Impairment of goodwill, tangible and intangible assets.” Negative goodwill is recognized directly in the income statement for the period of the business combination, once the identification and measurement of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acquiree's identifiable assets, liabilities and contingent liabilities have been verified.

Breakdown

€thousands	2014			2015			2016		
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
CDiscourt . . .	78,893	—	78,893	56,548	—	56,548	56,548	—	56,548
CNova Brazil	448,267	—	448,267	334,841	—	334,841	—	—	—
Goodwill . . .	527,160	—	527,160	391,389	—	391,389	56,548	—	56,548

Movements for the period

€thousands	2014	2015	2016
Carrying amount As of January 1	521,017	527,160	391,389
Goodwill recognized during the period (see Note 3) . .	—	—	—
Impairment losses recognized during the period	—	—	—
Translation adjustment	5,499	(113,426)	34,129
Sale of E-trend	—	(22,345)	—
Sale of Cnova Brazil	—	—	(368,970)
Reclassifications and other movements	644	—	—
Carrying amount As of December 31	527,160	391,389	56,548

Note 16 Impairment of goodwill, tangible and intangible assets

Accounting policies

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least once a year, as of December 31 and when circumstances indicate that the carrying value may be impaired. Other assets are tested whenever there is an indication that they may be impaired.

Cash Generating Units (CGUs)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cnova has defined cash-generating units as business units.

Recoverable amount

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

Fair value 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.

Value in use is the present value of the future cash flows expected to be derived from continuing use of an asset plus a terminal value. It is determined internally or by external experts on the basis of:

- cash flows projections contained in financial budgets/forecasts approved by management and cash flows beyond the projection period are estimated by applying a constant or decreasing growth rate; and
- the terminal value determined by applying a perpetual growth rate to the final cash flow projection.

The cash flow projections and terminal value are discounted at long-term after-tax market rates reflecting market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimates of the time value of money and the specific risks associated with the asset.

For goodwill impairment testing purposes, the recoverable amounts of CGUs or groups of CGUs are determined at year end.

Impairment

An impairment loss is recognized when the carrying amount of an asset or the CGU to which it belongs is greater than its recoverable amount. Impairment losses are recorded as an expense under the caption “Impairment of assets” in the income statement.

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

Breakdown

Movements for the period

Goodwill was tested for impairment as of December 31, 2014, 2015 and 2016 and no impairment was recognized.

As part of follow-up of impairment indicators, some non-financial asset values were revised and resulted in the recognition of impairment losses of:

- €3 million in 2014 related to the write off of obsolete IT development costs (Cdiscount segment for €1 million and Cnova Brazil segment for €1 million).
- €1.5 million in 2015 related to the write off of obsolete IT development costs of Cdiscount segment (€0.4 million) and Cnova Brazil segment (€0.5 million).
- €0.1 million in 2016 related to the write off of obsolete IT development costs for Cdiscount (including €3.6 million as discontinued operations).

Impairment loss on intangible assets with an indefinite life

In 2014 with respect to MonShowroom brand, recoverable amount was estimated at the year-end using the royalties method. The royalty rate amounted to 0.8%. This test did not reveal any evidence of impairment.

No evidence of impairment was also noted regarding Continental Edison brand.

Goodwill impairment losses

Recoverable value of goodwill was based on value in use. This value was determined by the discounted cash flows method, based on after-tax cash flows and using the following rates. In performing the estimation of cash flows, Cnova used internal and external analysis.

Assumptions used for determination of values in use

The tests carried out as of December 31, 2014, 2015 and 2016 did not reveal any impairments of goodwill.

In 2016, as basically the entire goodwill is related to Cdiscount, the test consisted in comparing its net assets with the market capitalization of Cnova which is significantly higher: the market capitalization of Cnova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amounted to €2,229 million (or €1,709 million when excluding the 96,790,798 shares considered as cancelled) as of December 31, 2016.

Note 17 Consolidated equity

Accounting policies

Consolidated Equity is attributable to two categories of owners: the equity holders of Cnova and the owners of the non-controlling interests.

Transactions with the owners of non-controlling interests resulting in a change in the owners' percentage interest without loss of control only affect equity. Cash flows arising from changes in ownership interests in a fully consolidated entity that do not result in a loss of control (including increases in percentage interest) are classified as cash flows from financing activities.

In the case of an acquisition of an additional interest in a fully consolidated entity, Cnova recognizes the difference between the acquisition cost and the carrying amount of the non-controlling interests as a change in equity attributable to owners of Cnova. Transaction costs are also recognized in equity. The same treatment applies to transaction costs relating to disposals without loss of control.

In the case of disposals of controlling interests involving a loss of control, Cnova derecognizes the whole of the ownership interest and recognizes any investment retained in the entity at its fair value. The gain or loss on the entire derecognized interest (interest sold and interest retained) is recognized in income statement. Cash flows arising from the acquisition or loss of control of a consolidated entity are classified as cash flows from investing activities.

Foreign currency transactions and translation

The consolidated financial statements are presented in euros. Each Cnova entity determines its own functional currency and all their financial transactions are measured in that currency.

Foreign currency translation

The financial statements of entities that use a functional currency different from the reporting currency are translated into euros as described below:

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

The resulting exchange differences are recognized directly within a separate component of equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences in consolidated equity relating to that operation is recycled to the income statement.

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising on these loans are recognized in the same component of equity as discussed above.

Foreign currency transactions are converted into the functional currency using the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

rate and the resulting exchange differences are recognized in the income statement under “Exchange gains and losses”. Non-monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate at the transaction date.

Capital management

Cnova’s capital management objectives are to ensure Cnova’s ability to continue as a going concern and to provide an adequate value creation and return to shareholders.

Cnova monitors capital on the basis of the carrying amount of equity plus its loans (including loans due to CBD and Casino net of the current account related to the cash-pool due from Casino), less cash and cash equivalents as presented on the face of the balance sheet.

Management assesses Cnova’s capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. Cnova manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Cnova may adjust its dividend policy, issue new shares, or sell assets to reduce debt.

Breakdown

Share capital

Share capital of Cnova is composed of 441,297,846 shares with a par value of €0.05, which include 25,567 shares conditionally issued on December 8, 2014 and recorded in the US book entry system on January 20, 2015.

Resulting of the initial public offering of Cnova shares on NASDAQ, the share capital was increased by 26,800,000 ordinary shares on November 21, 2014. Cnova also conditionally issued 25,567 restricted shares on December 8, 2014 as indicated above pursuant to Cnova Omnibus Incentive Plan to be granted to each individual serving as an independent director. Last, Cnova issued 2,357,327 shares in accordance with the exercise of the overallotment option of underwriters.

Following the 2016 Reorganization of Cnova Brazil (see Note 3) Cnova received 96,790,798 Cnova shares from Via Varejo on October 31, 2016. These shares had been converted in a special category for distribution purposes (as further described in Note 4), “special distribution shares”, that were immediately cancelled, which cancellation was legally registered with the Trade Register of the Dutch Chamber of Commerce on January 13, 2017. As a result, these financial statements reflect that this cancellation occurred on December 31, 2016.

Notes to the consolidated statement of comprehensive income

<u>€thousands</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Available-for-sale financial assets	145	(133)	—
Change in fair value during the period	145	(133)	—
Reclassification to profit or loss	—	—	—
Income tax (expense)/benefit.	—	—	—
Exchange differences	3,916	(147,634)	269,903
Change in translation differences during the period	3,916	(147,634)	269,903
Reclassification to profit or loss due to disposals during the period . .	—	—	—
Actuarial gains and losses	(473)	59	(581)
Change during the period.	(473)	59	(581)
Income tax (expense)/benefit.	—	—	—
Total	3,588	(147,708)	269,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Those items have no tax impact

Note 18 Share-based payments

Management and selected employees of Cnova receive options to purchase or subscribe for shares and share grants. Cnova recognizes a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

The benefit granted under stock option plans, measured at fair value when granted, constitutes additional compensation. The fair value of the options at the grant date is recognized as an expense over the option vesting period. The fair value of options is determined using the Black & Scholes option pricing model, based on the plan attributes, market data (including the market price of the underlying shares, share price volatility and the risk-free interest rate) at the grant date. Assumptions concerning the probability of grantees remaining with Cnova until the options vest are taken into account in determining the expense to be recorded.

The fair value of share grants is also determined on the basis of the plan attributes and market data at the grant date. Assumptions concerning the probability of grantees remaining with Cnova until the shares vest are taken into account in determining the expense to be recorded. If there are no vesting conditions attached to the share grant plan, the expense is recognized in full when the plan is set up. Otherwise the expense is deferred over the vesting period as and when the vesting conditions are met.

Cdiscount and Nova Pontocom have granted stock option plans or similar plans aiming to: (i) drive the expansion and success in developing the corporate purposes, allowing high level managers and employees to purchase shares issued by Cdiscount Group or by Nova Pontocom, encouraging their integration with Cnova; (ii) attract high level managers and employees to provide services to Cnova, offering them the added advantage of becoming Cnova shareholders; (iii) align the personal interests of high level managers and employees, providing them, as a form of incentive and added advantage, the chance of becoming Cnova shareholders; and (iv) stimulate greater integration of these executives and employees with Cnova's objectives.

Besides on October 30, 2014, Cnova's general meeting of shareholders adopted the Cnova N.V. 2014 Omnibus Incentive Plan to give Cnova a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants, and to provide incentives for future performance of services directly linked to shareholder value. The Omnibus Incentive Plan provides its board of directors with the authority to grant stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance units, deferred stock unit awards or other awards that may be settled in or based upon the value of Cnova's ordinary shares. Subject to adjustment for changes in capitalization and corporate transactions, up to 16,500,000 of Cnova's ordinary shares may be issued pursuant to awards granted under the Omnibus Incentive Plan.

In March 2012, Cdiscount Group granted 315,022 bonus shares to executives working for Cdiscount. The main characteristics of this bonus shares plan are as follows:

- Grant date: March 5, 2012
- Vesting date: March 5, 2014
- End of lock-up period: March 5, 2016
- No performance conditions
- Fair value of the share: €1.30

The fair value of the share was determined by an independent appraiser determining the enterprise value of Cdiscount Group, based on a multiple of sales minus net financial debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total cost of this plan is €410 thousand and is recognized over 24 months on a straight-line basis. On March 5, 2014, 315,022 of Cdiscount Group's new shares were issued and delivered to beneficiaries.

In 2011, 2012 and 2013, Cdiscount Group issued equity warrants to Casino and executives working for Cdiscount.

- July 29, 2011: 6,500,000 equity warrants were issued and exercisable from June 30, 2014 to December 31, 2016
- July 20, 2012: 932,000 equity warrants were issued and exercisable from June 30, 2015 to December 31, 2017
- July 19, 2013: 7,500,000 equity warrants were issued and exercisable from April 1, 2016 to September 30, 2016

These rights were not subject to any vesting conditions. Each warrant entitled the holder to purchase a new Cdiscount Group's share at a price of €1.09 for the 2011 and 2012 plans and €3.00 for the 2013 plan. The fair value of the rights was determined using a multi-criteria approach and was paid in cash by the subscribers. Therefore, no compensation expense was recorded for these rights. The cash for the subscription of the equity warrants was funded by interest bearing loans from the subscriber's employer.

In April 2014, these previously issued equity warrants were repurchased by Casino for €10 million and the related loans were reimbursed. The equity warrants were cancelled on July 11, 2014.

Moreover, some executives working for Cdiscount are beneficiaries of bonus share plans at Casino level. Share-based compensation expenses recorded are €50 thousand in 2014 and €nil in 2015 and 2016.

Deferred Stock Units (DSU)

On November 19, 2014 date of completion of the initial public offering, and pursuant to its Omnibus Incentive Plan, Cnova granted to certain executives of Cnova deferred stock units (DSU) with respect to 1,319,999 of ordinary shares. The DSU are non-forfeitable, vest on the date of grant and will be settled for no consideration on the fourth anniversary of the offering by issuing or transferring ordinary shares to the recipient of a deferred stock unit award. The share-based compensation expense of €9.5 million was recognized immediately on the date of grant under "Initial public offering expenses" (refer to Note 7). This expense was based upon the fair value of the ordinary share to which was added any appropriate security social charges. The fair value was the quoted market price at the grant date.

Due to the 2016 Reorganization of Cnova Brazil, 29,842 of those DSU were cancelled as they were replaced by stock options issued by Via Varejo.

Stock Appreciation Right Award (SAR)

On November 19, 2014 date of completion of the initial public offering, Casino granted certain executives of Cnova an award of cash-settled stock appreciation rights ("SARs") with respect to 4,746,907 of ordinary shares. Each SAR award vests in full on the fourth anniversary of the completion of the offering, subject to the recipient's continued service through such date. As soon as practicable following the vesting date, each SAR subject to the award will be settled by Casino for a gross amount in cash equal to the excess (if any) of (a) the lesser of the closing price of an ordinary share on NASDAQ on the vesting date and 220% of the initial public offering price per ordinary share over (b) 120% of the initial public offering price per ordinary share. Under certain conditions of termination of service prior to the vesting date (e.g., in the event of termination without cause), an award recipient may be entitled to retain some portion of the SARs to which he or she otherwise would have been entitled.

Due to the 2016 Reorganization of Cnova Brazil, 193,708 of those SARs were cancelled as they were replaced by stock options issued by Via Varejo. The 2016 Reorganization of Cnova Brazil has no further impact on the conditions of the SARs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As the SARs are fully cash-settled and do not give any right to receive ordinary shares of Cnova, the recipient of a SAR award will not have any rights as a shareholder in respect of the award, including voting rights. In addition, the SAR award may not be transferred except in case of the recipient's death.

Fair value of the SARs was measured using a Black and Scholes pricing model taking into account the terms and conditions upon which the instruments were granted. The share based payment expense relating to the SARs as of December 31, 2016 was €428 thousand. No SARs had vested at December 31, 2016.

Key assumptions used for the determination of the fair value of this instrument are:

- Dividend yield: 0
- Expected volatility: 32.5%
- Risk-free interest rate: 0.33%
- Expected life (years): 4

Note 19 Provisions

A provision is recorded when Cnova has a present obligation (legal or constructive) as a result of a past event, the amount of the obligation can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted when the related adjustment is material.

Contingent liabilities are 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 Cnova's control, or present obligations whose settlement is not expected to require an outflow of resources embodying economic benefits. Contingent liabilities are not recognized in the balance sheet (except when they are assumed through a business combination), but are disclosed in the notes to the financial statements.

Breakdown and movements

€thousands	January 1, 2014	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of control	Translation adjustment	Other	December 31, 2014
Pensions (Note 20)	1,499	221	—	—	11	—	493	2,224
Claims and litigation	3,221	5,777	(1,187)	(545)	—	74	(224)	7,116
Total	4,720	5,998	(1,187)	(545)	11	74	269	9,340
<i>of which short-term</i>	<i>1,384</i>	<i>5,777</i>	<i>(1,187)</i>	<i>(545)</i>	<i>—</i>	<i>74</i>	<i>(771)</i>	<i>4,732</i>
<i>of which long-term</i>	<i>3,336</i>	<i>221</i>	<i>—</i>	<i>—</i>	<i>11</i>	<i>—</i>	<i>1,041</i>	<i>4,609</i>

€thousands	January 1, 2015	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of control	Translation adjustment	Other	December 31, 2015
Pensions (Note 20)	2,224	389	(7)	—	7	—	(18)	2,596
Claims and litigation	7,116	14,874	(3,141)	(1,481)	—	(420)	(234)	16,713
Total	9,340	15,263	(3,148)	(1,481)	7	(420)	(252)	19,308
<i>of which short-term</i>	<i>4,732</i>	<i>12,048</i>	<i>(3,021)</i>	<i>(1,176)</i>	<i>—</i>	<i>(420)</i>	<i>(4,683)</i>	<i>7,480</i>
<i>of which long-term</i>	<i>4,609</i>	<i>3,214</i>	<i>(127)</i>	<i>(305)</i>	<i>7</i>	<i>(0)</i>	<i>4,430</i>	<i>11,828</i>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

€ thousands	January 1, 2016	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of control	Translation adjustment	Other	December 31, 2016
Pensions (Note 20)	2,596	466	(1)	—	(31)	—	639	3,669
Claims and litigation	16,713	28,988	(19,906)	(2,918)	(8,992)	268	1,127	15,280
Total	19,308	29,454	(19,907)	(2,918)	(9,023)	268	1,766	18,949
<i>of which short-term</i>	7,480	25,038	(17,719)	(385)	(8,992)	268	1,127	6,817
<i>of which long-term</i>	11,828	4,416	(2,188)	(2,533)	(31)	—	639	12,132

Cnova incurred restructuring costs in 2014, 2015 and 2016. Those costs were actual expenses:

- 2014: €7.4 million, mainly composed of bonuses (€4.8 million) and cost related to Cdiscount change of executive offices (€1.2 million);
- 2015: €13.4 million, mainly composed of closing of warehouses and sites (€7.2 million), moving of warehouses (€2.4 million), severance of employees (€1.5 million) and costs related to the Sarbanes – Oxley rules implementation (€2.2 million).
- 2016: €11.0 million, mainly including costs related to the restructuring at the head office of Cdiscount France (€3.7 million), costs related to the closing of specialty websites and subsidiaries (€4.2 million), fees related to the tender offer and subsequent legal restructuring (€1.9 million), and a specific inventory depreciation (€1.0 million).

Claims and litigations result mainly from litigations with suppliers or employees and complaints from clients who are not satisfied with the products received and the delivery date. In 2014, a provision of €3.3 million was recorded in relation to a Cdiscount tax risk. In 2015, a provision of €3.3 million was recorded in relation to 5 different suppliers' claims. In 2016, €5.7 million expense includes mainly a provision for costs in relation with the review of our 2015 annual report (€3.0 million), a provision for a VAT tax audit (€2.2 million) and several claims at Cdiscount (€0.6 million).

Note 20 Pension and other post-employment benefit obligations

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

Regarding defined benefit plans, mainly French consolidated entities are concerned as their employees are notably entitled to compensation paid on retirement. Cnova's obligation is measured using the projected unit credit method based on the provisions of existing plans. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The obligation is measured by independent actuaries annually for the most significant plans and for the employment termination benefit, and regularly for all other smaller plans. Assumptions include expected rate of future salary increases, estimated average working life of employees, life expectancy and staff turnover rates.

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

The past service cost referring to the increase in an obligation following the introduction of a new benefit plan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

or modification of an existing plan is immediately expensed.

Expenses related to defined benefit plans are recognized in operating expenses (service cost) or other financial income and expense (net of obligation and plan assets).

Curtailments, settlements and past service costs are recognized in operating expenses or other financial income and expense depending on their nature. The liability recognized in the balance sheet is measured as the net present value of the obligation

Overview of plans

Defined Contribution Plan

Defined contribution plans are retirement provisions through which an employer commits to such funding through the regular payment of contributions to a managing body. The employer's commitment to the payment of contributions is limited and therefore does not guarantee the pension amount that employees will receive. This type of plan predominantly concerns employees of Cnova's French entities. The latter come under the general social security system which is administered by the French state.

The expense for the year relating to defined contribution plans is €7.8 million as of December 31, 2016 (2015: €6.9 million, 2014: €6.9 million).

Defined Benefit Scheme

In France, an industry-specific agreement between employers and employees provides for the payment of allowances to employees at the date of retirement depending on the years of service rendered and their salary at the age of retirement.

Main assumptions used in determining total obligations related to defined benefit plans

Plans falling under defined benefit schemes are exposed to interest rate risk, rate of salary increase risk and mortality rate risk.

The following table summarizes the main actuarial assumptions used to measure the obligation:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Discount rate	2.2 %	2.0 %	1.7 %
Expected rate of future salary increases	3.0 %	2.0 %	2.0 %
Retirement age.	64	64	64

The discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

Sensitivity analysis

The impact of a variation of +/- 100 bp on the discount rate would generate a change of respectively -18.8% and +24.2% of the total amount of the commitment.

The impact of a variation of +/- 100 bp on the expected rate of future salary increases would generate a change of respectively +23.9% and -19.0% of the total amount of the commitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliation of liabilities in the balance sheet

€thousands	2014	2015	2016
As of January 1	1,499	2,224	2,596
Cost for the period.	221	387	452
Actuarial gains or losses recognized in equity	493	(70)	582
Business combination or loss of control	11	—	—
Translation adjustment	—	—	—
Other movements	—	55	39
As of December 31	<u>2,224</u>	<u>2,596</u>	<u>3,669</u>

Note 21 Financial liabilities and other liabilities

1. Accounting policies

Financial liabilities are classified into two categories as follows:

- borrowings recognized at amortized cost; and
- financial liabilities at fair value through profit or loss.

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

Recognition and measurement of financial liabilities

Financial liabilities recognized at amortized cost

Borrowings and other financial debt are recognized at amortized cost using the effective interest rate method. These liabilities may be hedged.

Debt issue costs and issue and redemption premiums are included in the cost of borrowings and financial debt. They are added or deducted from borrowings, and are amortized using an actuarial method.

Financial liabilities at fair value through profit or loss

These are financial liabilities intended to be held on a short-term basis for trading purposes. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognized in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Breakdown of financial debt

€thousands	2014			2015			2016		
	Non-current Portion	Current Portion	Total	Non-current Portion	Current Portion	Total	Non-current Portion	Current Portion	Total
Borrowings.	2,046	193	2,239	1,388	1,129	2,517	—	—	—
CBD loan(i)	—	8,060	8,060	6,881	1,550	8,431	—	—	—
BIG C Thailand Loan	—	2,112	2,112	—	9,070	9,070	—	—	—
Cash pool balances with Casino	—	68,349	68,349	—	84,451	84,451	—	65,193	65,193
Put options granted to owners of non-controlling interests (ii)	—	—	—	6,500	—	6,500	—	—	—
Bank overdrafts	—	169	169	—	10,801	10,801	—	11,022	11,022
Other financial liabilities.	—	23,674	23,674	—	25,197	25,197	—	17,405	17,405
Financial debt	2,046	102,557	104,603	14,769	132,198	146,967	—	93,620	93,620

(i) As stated in the “Description of reporting entity,” this loan will not be dropped down during the Nova Pontocom Reorganization.

Cnova financial debt decreased by €3.4 million on the year.

Cnova granted to Exito put / call options exercisable on or after November 1, 2017 over non-controlling interests in Cdiscount Colombia on 29% of shares and Cdiscount Latam on 10% of shares for a consideration in Cnova shares. The put / call related to Cdiscount Latam has no value as both shareholders decided to close its subsidiaries. Regarding the Cdiscount Colombia put / call, and according to IAS 32.23, the Company should record at the execution date a liability (against equity) for each put option that can be exercised outside of its control. This is the case of this put / call granted to Exito. A liability of €6.5 million was recognized against equity at December 31, 2015. The liability extinguished when Cnova and Exito decided to end the activities of Cdiscount Colombia.

Detail of main financial debts:

	Nominal amount	Interest rate	Issue date	Due date	2014 (K€)	2015 (K€)	2016 (K€)
Borrowings.	2,517	3% - 3.5%	November 2013	June 2023	2,239	2,517	—
CBD Loan .	7,669	105% + CDI (i)	July 2014	February 2017	8,060	8,431	—
BIG C Thailand Loan	—	3,67% - 4,08%	June at November 2014	(ii)	2,112	9,070	—
Cash pool balances with Casino	—	Eonia 1 month + 0,5%	—	—	68,349	84,451	65,193

(i) CDI: Certificado de Deposito Interbancario, or interbank deposit certificate, rate

(ii) C-Distribution Thailand and C-Distribution-Asia were sold in March 2016 (please see Note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Other liabilities

€thousands	2014			2015			2016		
	Non-current	Current(i)	Total	Non-current	Current(i)	Total	Non-current	Current	Total
Amounts due to suppliers of PP&E.	—	4,540	4,540	—	1,442	1,442	—	5,661	5,661
Other liabilities	2,337	135,805	138,142	7,792	170,909	178,701	556	94,633	95,189
Deferred income . .	1,686	3,720	5,406	777	6,132	6,909	1,524	10,373	11,897
TOTAL .	4,023	144,065	148,088	8,569	178,483	187,053	2,080	110,667	112,747

Note 22 Fair value of financial instruments

1. Accounting principles

Fair value measurements are determined following the provisions of IFRS 13 ‘‘Fair Value Measurement’’ which defines the following fair value hierarchy:

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

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

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

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

2. Financial assets

€thousands	2014		2014		Carrying amount		Total
	Carrying amount (A)	Non financial assets (B)	Total Financial assets (A – B)	Assets held for trading	Loans and receivables	AFS - measured at fair value	
Financial assets							Fair value
Other non-current assets	95,070	71,623	23,447	—	21,373	2,074	23,447
Trade receivables.	117,656	—	117,656	—	117,656	—	117,656
Other current assets	202,368	26,177	176,191	—	176,191	—	176,191
Cash and cash equivalents	573,321	—	573,321	—	573,321	—	573,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2015		2015		Carrying amount		Total
	Carrying amount (A)	Non financial assets (B)	Total Financial assets (A – B)	Assets held for trading	Loans and receivables	AFS - measured at fair value	
€thousands Financial assets							Fair value
Other non-current assets	23,608	16,898	6,710	—	6,585	125	6,710
Trade receivables	129,651	—	129,651	—	129,651	—	129,651
Other current assets	195,423	88,257	107,166	—	107,166	—	107,166
Cash and cash equivalents	400,793	—	400,793	—	400,793	—	400,793

	2016		2016		Carrying amount		Total
	Carrying amount (A)	Non financial assets (B)	Total Financial assets (A – B)	Assets held for trading	Loans and receivables	AFS - measured at fair value	
€thousands Financial assets							Fair value
Other non-current assets	4,590	1,310	3,280	—	3,156	124	3,280
Trade receivables	91,060	—	91,060	—	91,060	—	91,060
Other current assets	346,220	8,448	337,772	—	337,772	—	337,772
Cash and cash equivalents	15,264	—	15,264	—	15,264	—	15,264

3. Financial liabilities

	2014		2014		Carrying amount			Total
	Carrying amount (A)	Non financial liabilities (B)	Total Financial liabilities (A – B)	Liabilities at amortized cost	Liabilities for trading	Liabilities designated at fair value	Hedging instruments	
€thousands Financial liabilities								Fair value
Financial debt . . .	104,603	—	104,603	104,603	—	—	—	104,603
Trade payables . . .	1,311,234	—	1,311,234	1,311,234	—	—	—	1,311,234
Other current liabilities	144,065	66,976	77,088	77,088	—	—	—	77,088
Other non-current liabilities	4,023	3,303	720	720	—	—	—	720

	2015		2015		Carrying amount			Total
	Carrying amount (A)	Non financial liabilities (B)	Total Financial liabilities (A – B)	Liabilities at amortized cost	Liabilities for trading	Liabilities designated at fair value	Hedging instruments	
€thousands Financial liabilities								Fair value
Financial debt . . .	146,967	—	146,967	146,967	—	—	—	146,967
Trade payables . . .	1,216,022	—	1,216,022	1,216,022	—	—	—	1,216,022
Other current liabilities	178,489	103,663	74,826	74,826	—	—	—	74,826
Other non-current liabilities	8,569	2,006	6,563	6,563	—	—	—	6,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

€thousands Financial liabilities	2016		2016	Carrying amount				Total
	Carrying amount (A)	Non financial liabilities (B)	Total Financial liabilities (A – B)	Liabilities at amortized cost	Liabilities for trading	Liabilities designated at fair value	Hedging instruments	Fair value
Financial debt . .	93,620	—	93,620	93,620	—	—	—	93,620
Trade payables . .	576,601	—	576,601	576,601	—	—	—	576,601
Other current liabilities	110,667	10,373	100,294	100,294	—	—	—	100,294
Other non-current liabilities	2,080	1,524	556	556	—	—	—	556

Assets and liabilities are classified at Level 3, except cash and cash equivalents, bank overdrafts and the investment in Partech (disposed in 2015) which are at Level 2.

Note 23 Financial risk management objectives and policies

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

Market risk

Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments held by the Group and that are subject to variable rates will fluctuate, or the cash flows associated with such instruments will be impacted due to changes in market interest rates. The Group's interest rate risk arises principally from borrowings issued at variable rates expose the Group to cash flow interest rate risk which is more than offset by cash and cash equivalents deposits (including short-term investments) earning interest at variable interest rates. As of December 31, 2016, most of the Group's gross debt balance was subject to floating interest rates.

Interest rate sensitivity: risks associated with variable-rate financial instruments

The impact (before tax effect) on profit (loss) for the period of a 50 basis point increase or decrease in the Eonia interest rate, based on the variable rate financial instruments held by the Group at December 31, 2016, with all other variables held constant, was estimated to €0.9 million and €1.5 million respectively for the periods ended December 31, 2016 and December 31, 2015.

Exposure to foreign exchange risk

Due to its operations in Brazil, Cnova was exposed to currency translation risk, in other words its balance sheet and income statement, and consequently its financial ratios, were sensitive to change in exchange rates as part of the integration principally of Cnova Brazil accounts. Since the disposal of Cnova Brazil on October 31, 2016 and the closing of its other international activities (refer to Note 4), Cnova Group is no longer exposed to this risk except for some non significant trade payables due in foreign currency.

As of December 31, 2016, cash and cash equivalents include no Brazilian real in short-term deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Exchange rates against the Euro

Exchange rates against the euro	2014		2015		2016	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
US dollar (USD)	1.2141	1.3285	1.0887	1.1095	1.0541	1.1069
Brazilian real (BRL)	3.2207	3.1211	4.3117	3.7004	3.4305	3.8561

Counterparty risk

Cnova is not exposed to significant counterparty risks in its operating activities and its short-term investment activities.

Counterparty risk related to trade receivable

Customer receivables are regularly monitored and Cnova's exposure to the risk of bad debts is considered as limited because of the number of customers Cnova has through its operations.

Trade receivables (gross amount) break down as follows by maturity:

€thousands	Receivables not yet due not impaired (A)	Receivables past due on the balance sheet date				Doubtful receivables (C)	GROSS TOTAL (D)=(A)+(B)+(C)	Impairment losses (E)	NET TOTAL (D) - (E)
		Receivables not more than one month past due	Receivables between one and six months past due	Receivables more than six months past due	Receivables overdue (B)				
2014	96,248	4,476	6,851	6,876	18,203	37,785	152,236	(34,580)	117,656
2015	105,288	8,847	7,837	7,063	23,748	32,388	161,424	(31,773)	129,651
2016	88,859	2,039	178	-	2,217	10,620	101,696	(10,636)	91,060

Receivables past due but not impaired can vary substantially in length of time overdue depending on the type of customer, i.e. consumers or public authorities. Impairment policies are determined on an entity-by-entity basis according to customer type. As indicated above, Cnova believes that it has no material risk in terms of credit concentration.

Counterparty risk related to other assets

Other assets, mainly comprising tax receivables, and repayment rights are neither past due nor impaired. Credit risk on other financial assets—mainly comprising cash and cash equivalents and available-for-sale financial assets—corresponds to the risk of failure by the counterparty to fulfil its obligations. The maximum risk is equal to the instruments' carrying amount. Cnova's cash management policy consists of investing cash and cash equivalents with diversified first category counterparties.

Liquidity risk

Cnova manages liquidity risk through the daily follow-up of cash flows, control of financial assets and liabilities maturities and a close relationship with main financial institutions. As of December 31, 2016, Cnova's liquidity is also depending on the financing from its parent companies (Casino and CBD), see Note 30.

As part of cash pool agreement with Cnova and its subsidiaries, unused credit lines amounted to €375 million as of December 31, 2016.

Exposure to liquidity risk

The table below shows a maturity schedule for financial liabilities, including principal and interest but excluding discounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

€thousands	Maturity					2014—Total	Carrying amount Restated
	Due within one year	Due in one to two years	Due in two to three years	Due in three to five years	Due beyond five years		
Borrowings and bank overdrafts	430	376	376	676	1,086	2,944	2,408
CBD loan(i)	8,136	—	—	—	—	8,136	8,060
BigC Loan	2,112	—	—	—	—	2,112	2,112
Cdiscount Group current account	68,349	—	—	—	—	68,349	68,349
Other financial liabilities .	23,674	—	—	—	—	23,674	23,674
Trade payables and other liabilities.	1,338,322	720	—	—	—	1,389,042	1,389,042
Total.	1,491,023	1,096	376	676	1,086	1,494,257	1,493,645

€thousands	Maturity					2015—Total	Carrying amount Restated
	Due within one year	Due in one to two years	Due in two to three years	Due in three to five years	Due beyond five years		
Borrowings and bank overdrafts	11,976	368	263	471	563	13,641	13,641
CBD loan(i)	1,566	6,931	—	—	—	8,497	8,431
Big C Loan	9,070	—	—	—	—	9,070	9,070
Cash pool balances with Casino.	84,451	—	—	—	—	84,451	84,451
Put options granted to owners of non-controlling interests	—	6,500	—	—	—	6,500	6,500
Other financial liabilities . .	25,197	—	—	—	—	25,197	25,197
Trade payables and other liabilities.	1,290,848	6,563	—	—	—	1,297,411	1,297,411
Total.	1,423,108	20,362	263	471	563	1,444,767	1,444,701

(i) As stated in the “Basis of preparation of Cnova consolidated financial statements,” this loan was not dropped down during the Nova Pontocom Reorganization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

€thousands	Maturity					2016—Total	Carrying amount
	Due within one year	Due in one to two years	Due in two to three years	Due in three to five years	Due to beyond five years		
Borrowings and bank overdrafts	11,022					11,022	11,022
CBD loan			—	—	—		
BIG C Loan		—	—	—	—		
Cash pool balances with Casino	65,193	—	—	—	—	65,193	65,193
Other financial liabilities	17,405	—	—	—	—	17,405	17,405
Trade payables and other liabilities	675,328	556	—	—	—	675,884	675,884
Total	768,948	556				769,504	769,504

Equity risk

The exposure of Cnova to equity securities price risk was limited to its investment in Partech International which was classified on the consolidated balance sheet as available-for-sale before its disposal in 2015.

Note 24 Off-balance sheet commitments

Management believes that, to the best of its knowledge, there were no off-balance sheet commitments as of December 31, 2014, 2015 and 2016, other than those described below, likely to have a material impact on Cnova's current or future financial position.

Commitments given

The amounts disclosed in the table below represent the maximum potential amounts (not discounted) that Cnova might have to pay in respect of commitments given. They are not netted against sums which Cnova might recover through legal actions or counter-indemnities received.

€thousands	2014	2015	2016
Assets pledged as collateral	—	—	—
Bank bonds and guarantees given	12,535	28,677	—
Firm purchase commitments(i)	695	—	—
Other commitments	2,872	—	—
<i>Due:</i>	—	—	—
<i>Within one year</i>	16,102	28,677	—
<i>Due in one to five years</i>	—	—	—
<i>Due beyond five years</i>	—	—	—
Total commitments given	16,102	28,677	—

(i) Reciprocal commitments

Lease commitments

Cnova has no finance leases and leases with purchase options on equipment.

Cnova has operating leases on properties used in the business that do not meet the criteria for classification as finance leases. The future minimum payments under non-cancellable operating leases break down as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating leases and sub-leases where Cnova is a lessee

€thousands	2014	2015	2016
Due within one year	12,457	13,923	11,121
Due in one to five years	24,621	26,834	33,253
Due beyond five years	6,836	18,629	8,968

Note 25 Contingencies

In the normal course of its business, Cnova is involved in a number of legal proceedings with third parties or with the tax authorities in certain countries. Provisions are set aside to cover these proceedings when Cnova has a legal, contractual or constructive obligation towards a third party at year-end, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Cnova, certain of the current and former officers and directors, and the underwriters of our initial public offering, have been named as defendants in a securities class action lawsuit in the United States Federal District Court for the Southern District of New York asserting claims related to macro-economic situation in Brazil and emphasized by the irregularities identified at Cnova Brazil. Cnova may incur significant expenses (including, without limitation, substantial attorneys' fees and other professional advisor fees and obligations to indemnify certain current and former officers or directors and the underwriters of our initial public offering who are or may become parties to or involved in such matters). A reserve aiming to cover the estimated potential liability, the insurance deductible related to our insurances policies for such claims and some legal costs, has been provided.

In a separate potential action the SEC might take, sanctions might be imposed as a result of the facts at issue in the internal review conducted by the Company and its advisors retained by our board of directors

Note 26 Related Party Transactions

2014 Reorganization Related Agreements

Framework and IPO Agreement and Related Agreements

As part of the 2014 Reorganization e-commerce, Casino, CBD, Via Varejo S.A., Nova Pontocom and Nova OpCo entered into the Framework and IPO Agreement, to which Cnova became a party on July 11, 2014. Subsequently, Éxito, Cdiscount Group, Germán Quiroga and another founder of Nova Pontocom became parties to the agreement. The Framework and IPO Agreement set forth the various steps undertaken in the initial reorganization of Cnova, our governing documents, the structure of our board of directors and its committees and certain other matters related to our initial public offering. In addition to the Framework and IPO Agreement, we entered into other agreements with certain members of the Casino Group, including an agreement related to the contribution of shares of certain e-commerce companies to us, shareholders' agreements with Éxito with respect to Cdiscount Colombia and Cdiscount LatAm and put and call arrangements related to the acquisition of Cdiscount Colombia and Cdiscount LatAm.

2016 Reorganization Related Agreements

Reorganization Agreement

On May 12, 2016, we entered into a non-binding memorandum of understanding with Via Varejo regarding a possible reorganization of Cnova Brazil within Via Varejo and, on August 8, 2016, Cnova, Cnova Brazil and Via Varejo entered into the Reorganization Agreement, which provides for, among other things, the terms of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2016 Reorganization (see section “2.3.4 The 2016 Reorganization”). Pursuant to the Reorganization Agreement, Cnova Brazil was reorganized within Via Varejo. As a result, Cnova Brazil became wholly owned by Via Varejo. Cnova received (i) all of the Cnova ordinary shares (approximately 97 million shares) held by Via Varejo Holding S.à.r.l. (approximately 21.9% of Cnova’s ordinary shares) (ii) the cash balancing payment of approximately R\$16.5 million, which, pursuant to the terms of the Reorganization Agreement, was subsequently adjusted to R\$20.4 million at closing (an increase of approximately R\$3.9 million) in connection with the completion of the 2016 Reorganization to reflect the working capital and financial net indebtedness levels of Cnova Brazil as of such time, and was further adjusted after the closing to R\$43.3 million (an increase of approximately R\$22.9 million from the initial adjusted amount at closing), and (iii) the special voting shares underlying the special voting depository receipts that were previously held by a wholly owned subsidiary of Via Varejo. In addition, on November 7, 2016, Via Varejo caused Cnova Brazil to repay to R\$527.0 million in consideration of the outstanding loan obligations owed by Cnova Brazil to Cnova and one of its wholly owned affiliates, Cnova Finança, together with all interest and other accrued amounts as of the time of repayment.

Casino-Cnova Undertakings Letter

In connection with the 2016 Reorganization, Casino executed a letter addressed to the Cnova transaction committee, the Casino-Cnova Undertakings Letter, in which it was agreed to launch the Offers to acquire any and all outstanding ordinary shares of Cnova for USD 5.50 per share in cash, without interest, upon completion of the 2016 Reorganization. Pursuant to the Casino-Cnova Undertakings Letter, it was decided that two separate Offers would be made:

- the U.S. Offer: an offer to holders of Cnova ordinary shares who are located in the United States; and
- the French Offer: an offer open to holders of Cnova ordinary shares who are located in France and to holders of ordinary shares located anywhere outside the United States and France.

The Offers were made for all the issued and outstanding Cnova ordinary shares, it being understood that the shares held, directly or indirectly, by Casino or CBD were not tendered for purchase in the Offers. This was confirmed in the CBD Support Letter, as well as in the CBD Commitment Letter, which - in short - stated that CBD (i) shall cause its voting rights to be exercised at any shareholders meeting of Cnova in favor of the 2016 Reorganization, and (ii) will not tender any of its Cnova shares, held directly or indirectly, in the Offers, nor dispose or transfer, directly or indirectly, shares in any other manner or through any other instrument, in particular any derivative instruments, until the end of the Offers.

Agreements Relating to our Shares

Special Voting Agreement

On November 24, 2014, we, the Voting Depository, Casino, CBD, Via Varejo, Éxito, Mr. Germán Quiroga, and Mr. Eduardo Chalita, with acknowledgment by Nova HoldCo, Lux HoldCo and Dutch HoldCo entered into Special Voting Agreement. This agreement includes the contractual terms of the Double Voting Right Structure as discussed in “Other Information - 4 Special Voting Shares”).

Pursuant to the Special Voting Agreement, the Special Voting Shares were automatically issued when our initial public offering was completed in November 2014. The Special Voting Agreement also provides for the non transferability of special voting depository receipts except to a Permitted Transferee as described in “Other Information - 4 Special Voting Shares”), and authorizes the Voting Depository to unilaterally cancel special voting depository receipts (for no compensation) in specified circumstances. The Special Voting Agreement also includes an acknowledgement of the terms and conditions (administratievevoorwaarden, or the “Terms and Conditions”) of the Double Voting Right Structure by each initial holder of special voting depository receipts. The Special Voting Agreement further includes an irrevocable power of attorney from each initial holder of special voting depository receipts to the Voting Depository and Cnova for acts required under the Terms and Conditions or the Special Voting Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to the Special Voting Agreement, the Voting Depository is to be granted a call option (the “Call Option”) to acquire newly issued special voting shares in the event of a capital increase of Cnova in which one or more Founding Shareholders (or their Permitted Transferees, as the case may be) participate(s). The Call Option will be an irrevocable right to subscribe for additional special voting shares, exercisable only by the Voting Depository. The Call Option will include circumstances in which the Voting Depository must exercise the Call Option. An issuance of special voting shares pursuant to the Call Option will not require prior authorization by our general meeting of shareholders. The Call Option will be non transferable and cannot be encumbered in any way. The Call Option will be perpetual in nature, exercisable on more than one occasion and cannot be cancelled unless and until the Double Voting Right Structure is abolished. The Call Option will give no right to subscribe for special voting shares to the extent that our authorized share capital would be exceeded, as set forth in our Articles of Association from time to time. The Special Voting Agreement includes an undertaking by us to ensure that our board of directors will propose an amendment to our Articles of Association in order to increase the number of special voting shares comprised in our authorized share capital if it appears that the Voting Depository will likely need to hold special voting shares in excess of the number of special voting shares issuable under our authorized share capital.

The Special Voting Agreement also provides that the Voting Depository may not, directly or indirectly, sell, dispose of, transfer or encumber any special voting share or otherwise grant any right or interest therein (other than a transfer to Cnova or a statutory right of pledge in favor of the holders of the corresponding special voting depository receipts).

In the Special Voting Agreement, the Voting Depository waives all of its (de minimis) economic rights in connection with the special voting shares, although Cnova is required to reimburse the Voting Depository for reasonable costs incurred by it in connection with the administration and operation of the Double Voting Right Structure.

The Special Voting Agreement also provides that in case of dissolution of the Voting Depository, the special voting shares will be transferred back to Cnova for no consideration and, if so desired, the parties to the Special Voting Agreement will seek to implement an appropriate alternative to the Double Voting Right Structure.

The Special Voting Agreement may be amended by the holders of special voting depository receipts by two thirds majority vote, with our consent. The holders of the special voting depository receipts may also terminate the Double Voting Right Structure by a two thirds majority vote.

We have not been made aware of any changes in this agreement to date, however, with effect from July 14, 2016, the management board of the Voting Depository cancelled 384,057 special voting depository receipts previously held by Dutch HoldCo Camberra due to the fact that such entity was no longer qualified to hold such special voting depository receipts under the terms and conditions established by the Voting Depository. With effect from such cancellation, the Voting Depository transferred to the Company for no consideration 384,057 Special Voting Shares.

On a related procedure, with effect from October 31, 2016, the Voting Depository cancelled 96,790,798 special voting depository receipts held by Dutch HoldCo VV since it no longer met the requirements for holding such special voting depository receipts.

The Voting Depository then transferred to the Company for no consideration the 96,790,798 Special Voting Shares, to which the special voting depository receipts of Dutch HoldCo VV were stapled prior to the cancellation thereof. The General Meeting held on October 27, 2016, authorized the reduction of the Company's issued share capital by means of cancellation of the total of 97,790,798 Special Voting Shares held then by the Company in treasury, with effect from January 13, 2017. In addition, in January of 2017, the Voting Depository cancelled 6,002,981 special voting depository receipts and 1 special voting depository receipt previously held, respectively, by Dutch HoldCo QE and Casino due to the fact that such entities no longer qualified to hold such

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

special voting depository receipts under the terms and conditions established by the Voting Depository after having placed the same number of their respective ordinary shares with the Depository Trust and Clearing Corporation in connection with the Offers.

Registration Rights Agreement

On November 25, 2014, the Founding Shareholders and certain other members of our management entered into a registration rights agreement with us. The registration rights agreement provides Casino and Dutch HoldCo with demand registration rights that can be exercised once per twelve month period and provides all shareholders party to the agreement with piggyback registration rights, which, in either case, if exercised, would impose on us an obligation to register for public resale with the SEC our ordinary shares that are held by such shareholders. The demand registration rights can be exercised at any time, and include requests to register ordinary shares on a shelf registration statement once we become eligible to file a registration statement on Form F 3 or any successor or similar form and requests to effect takedowns from such shelf registration. The piggyback registration rights may be exercised when we propose to register any of our ordinary shares under the Securities Act by a preliminary prospectus, prospectus supplement or shelf registration statement (other than the registration statement we filed for our initial public offering, a registration on Form S 8 or F 4, or any successor or similar form relating to the ordinary shares issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan or in connection with a direct or indirect acquisition by us of another entity). In each registration pursuant to the registration rights agreement, we are required to pay the registration expenses of the selling shareholders, other than underwriting discounts and commissions and applicable transfer taxes. In addition, we have agreed to indemnify the selling shareholders in any registration pursuant to the registration rights agreement against losses suffered by them in connection with any untrue or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus, final prospectus or summary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading, except insofar as the same may be caused by or contained in any information furnished in writing to us by such selling shareholder for use therein.

Logistics and Fulfillment Agreements

Cdiscount Easydis Agreement

On January 24, 2013, Cdiscount entered into a logistics service agreement with Easydis S.A.S. (“Easydis”), which is an affiliate of Casino. Under the terms of the agreement, Easydis manages and operates the fulfillment center located in Andrézieux, France. Easydis handles receipt of inventory at the center, inspection of products from Cdiscount’s suppliers, storage of products, preparation of customer orders, management and conservation of inventory and shipping. The parties subsequently amended the agreement on May 16, 2014 to extend the scope of the services and on March 27, 2015, to provide for reviews of the pricing terms based on prevailing market rates.

The term of the agreement is six years, from June 1, 2014, until June 1, 2020. It is automatically renewable for successive six year periods.

Cdiscount Pick-Up Point Agreements

Cdiscount has entered into a number of agreements, which have been amended from time to time, with members of the Casino Group relating to pick up point and related services provided to us by such related parties.

The agreements terminate on June 1, 2024, and will be automatically renewed for successive 10 year periods unless terminated by either party with written notice sent two years prior to the expiration of the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cdiscount CCV Agreement

On July 16, 2013, Cdiscount entered into a logistics service agreement with CCV S.N.C. (“CCV”), a member of the Casino Group, as amended by two agreements dated May 16, 2014. Under the terms of the agreement, CCV provides logistics services to Cdiscount, including delivery in metropolitan France (excluding Corsica and related islands) to our customers of products purchased on our sites. CCV also provides CCV stores as Click and Collect locations for customers purchasing heavy or large products on our sites.

The agreement terminates on January 1, 2023, and is automatically renewable for successive 10 year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

The parties are not entitled to transfer the agreement without the prior consent of the other party. Each party may also be entitled to terminate the agreement in case of change in the allocation of the share capital of the other party, or a transfer or merger of the other party.

Operational and Synergy Agreements

Management Support and Strategic Advisory Agreement

On June 4, 2014, we entered into a management support and strategic advisory agreement with certain companies of the Casino Group pursuant to which the relevant Casino Group companies agree to provide certain management support services, including general management, planning, financial and treasury planning and control, human resources, institutional promotion, legal and tax and public relations, as well as strategic advisory services. In consideration for these support and advisory services, we agreed to pay fees on a pro rata basis from the date of the 2014 Reorganization through the end of the year. The fees are assessed on a cost plus basis, to be invoiced biannually. The estimated fees under the agreement are to be revised annually. To the extent that the relevant Casino Group companies incur costs or expenses either below or in excess of the estimated fee paid during the year, the relevant Casino Group companies will issue to us an additional invoice or a credit note. The management support and strategic advisory agreement is entered into for an indefinite term and may be terminated upon mutual consent, or by any party with 90 days’ prior written notice. Additionally, in the event of a material breach, the non breaching party may terminate the agreement with 15 day prior written notice to the breaching party (unless the breach is cured during this period). The agreement may also immediately terminate in the case of liquidation or bankruptcy of any of the parties.

Cdiscount EMC Commercial Partnership Agreement

On May 14, 2014, EMC Distribution S.A.S. (“EMC”), the central purchasing entity for the Casino Group, and Cdiscount entered into a commercial partnership agreement, which was subsequently amended on March 27, 2015. Under this agreement, both parties undertake to implement buying synergies to increase the volume of everyday consumer goods ordered from certain suppliers. Each party also agrees to act on behalf of the other to negotiate the terms and conditions of certain frameworks agreements with suppliers. This agreement is effective until June 1, 2024, and is automatically renewable for another five year period unless terminated with an 18 month prior notice.

DCF Commercial Partnership Agreements

On May 19, 2014, Cdiscount and Distribution Casino France (“DCF”) entered into two supply agreements, whereby DCF sells to Cdiscount Casino Group private label products and products from other suppliers and Cdiscount sells to DCF Cdiscount private label products and products from other suppliers. Pursuant to verbal binding agreements memorialized in draft agreements, the supply agreements were subsequently amended in 2015, to modify financial conditions. The agreements were subsequently amended on June 28, 2016 to detail and clarify financial conditions. Neither party has a purchase volume obligation under the agreements. Each

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

party shall pay for the products “at cost” plus a decreasing margin (1.5% to 0%) depending on the portion represented by the purchasing entity purchase volume into the global non food purchase volume made by the purchasing entity and the supplying entity. The agreements terminate on June 1, 2024, and are automatically renewable for successive 10 year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

DCF Purchasing Synergies

On June 30, 2015, Cdiscount and DCF entered into a Purchase Synergy Agreement, whereby DCF, due to lower volumes compared to Cdiscount volumes, remunerates Cdiscount for the purchase conditions obtained through such grouped purchases for non-food products. DCF pays commission to Cdiscount at a rate based on the respective volumes purchased by DCF and Cdiscount compared to the total volume with common suppliers. In particular, (i) when DCF share in total volume is less than 20%, then the rate is at 1.5% of the total volume; (ii) when DCF share in total volume is between 20% and 35%, the rate is at 0.7%. If DCF share in total volume is higher than 35%, no remuneration is due. The agreement terminates on January 1, 2025, and is automatically renewable for successive five year periods unless terminated by either party with written notice sent two years prior to the expiration of the initial period.

Cross Canal Agreement with Distribution Leader Price

On June 20, 2015, Cdiscount and Distribution Leader Price, duly represented by Franprix Leader Price Holding S.A.S. (“Franprix Holding”), entered into an agreement pursuant to which Cdiscount agrees to sell products to Leader Price and to render related services to Leader Price. These products are sold by Leader Price in Leader Price’s stores. The fees to be paid for the services rendered are based on market prices. The agreement was subsequently amended on May 21, 2016, to include changes relating to the products’ price and payment terms under the original agreement.

Tab Agreements with LPE and DCF and Alimentaire Express Agreement with Franprix

On June 30, 2015, Cdiscount entered into two agreements, one with DCF and one with Leader Price Exploitation, pursuant to which Cdiscount designed, created and maintained a tab on its website dedicated to the DCF e-commerce site “Casinodrive” and the Leader Price e-commerce site “Leaderdrive,” respectively. In 2015, Cdiscount earned a total €2.6 million upfront payment that was accounted in Cdiscount’s first-half 2015 net sales and 10% of the sales generated on the drive sites accessed through the Cdiscount tabs. Both agreements were terminated in December 2015 due to Cdiscount’s decision to concentrate its food offer in a single channel, by entering into the Alimentaire Express Agreement with Distribution Franprix S.A.S. (“Distribution Franprix”).

Under the Alimentaire Express Agreement, a verbal arrangement entered into by Cdiscount and Distribution Franprix and duly memorialized on July 28, 2016, Cdiscount maintains features on its website to allow customers to order food products and Distribution Franprix sells and delivers the products to the customers’ homes on an express basis via its network of stores. The delivery time is an hour and a half or such longer time period agreed with the purchaser. The initial territory covered by the express food delivery service is Paris and Neuilly sur Seine. Cdiscount and Distribution Franprix may agree to extend the initial territory. Under the agreement, Distribution Franprix guarantees that its stores registered pursuant to the agreement comply with the required quality standards of products sold to consumers and the timely delivery service.

The agreement is effective as of December 1, 2015, and is valid for an indefinite period. Financial conditions are based on Cdiscount’s marketplace commissions system. The parties agreed on a six-month free commission period followed by decreasing commissions depending on the number of products offered.

Later on, the parties decided to cease the Alimentaire Express project at the end of 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financing Agreements

Cdiscount Banque Casino Cooperation Agreements

On December 30, 2011, Cdiscount and Banque Casino, a French credit institution of which Casino and Crédit Mutuel S.A. each owns 50.0% of the share capital, entered into a cooperation agreement. The agreement provided for the development, distribution and promotion in French metropolitan areas, exclusively for Cdiscount's customers, via Cdiscount's sites or other channels of marketing and distribution used by Cdiscount, certain financial products and services offered by Banque Casino. The parties then amended the agreement on December 20, 2012, and June 28, 2013, to entrust Banque Casino with the distribution and the management of financial services relating to the payment in installments option offered on Cdiscount's sites, whereby customers are subject to the general terms and conditions of Banque Casino, and on December 15, 2015, and December 16, 2015, to reallocate the financial services provided by Banque Casino to Cdiscount (in-house).

In December of 2016, the parties entered into a new general framework agreement concerning the rendering, distribution and management of banking and insurance services, and agreed to develop specific agreements in connection with the various financial services under this framework agreement, including CUP card and CB4X payment to the benefit of Cdiscount's customers. Previous agreements regarding these services, including the previously disclosed Cartes et Crédits Joint Venture Agreement, were terminated and replaced by these new agreements, except for the joint venture agreement between the parties.

The framework agreement has a term of 6 years and is automatically renewable for successive 3-year periods. The termination of the framework agreement shall cause the termination of the other related specific contracts as well as the dissolution of the existing joint venture (SEP Cdiscount) with Banque Casino within 2 years. Termination clauses can be triggered for various reasons (early termination after 3 years following unsuccessful renegotiation of the terms of the framework agreement, in case of breach of some contractual provisions, such as confidentiality, and in case of a force majeure event).

CB4X Payment Agreement to Cdiscount's customers

The CB4X Payment Agreement is one of the specific agreements between Cdiscount and Banque Casino linked to the above framework agreement and is subject to its general terms and conditions. The agreement was entered into in December of 2016 and further details the 4-installment payment plan offered to Cdiscount's customers for payments made with credit card.

Under this agreement, the parties offer credit to Cdiscount's customers who opt for a payment plan in 4 installments. Cdiscount will receive the first installment directly from the customer at the time of the purchase and assign the remaining receivables (of the other 3 last installments) to Banque Casino. Banque Casino, in turn, pays the remaining purchase price to Cdiscount and assumes substantially all of the credit risk for the payment of the remaining 3 installments against the payment by Cdiscount of (i) a portion of the receivables at 3.75% discount rate on the assigned amount (3.60% discount base rate with the addition of a provision for exceptional risk of 0.15%, which is refundable after 12 months, and including cost of equity remuneration), which is subject to potential updates and (ii) a fee for insurance reserve at 10% of the estimated rate of losses based on assigned purchased amount - the rate of losses is 2.80% as of January 1, 2017 and is revised every 4 months. A possible cashback will occur if amount of losses is less than expected for the month.

Banque Casino will issue a monthly invoice with the amount due by Cdiscount in connection with discounts related to monthly activity and associated insurance reserve fee (calculated based on the total amount of the assignments).

Term and termination clauses are similar to the ones of the framework agreement, except that the termination of this agreement shall not cause the termination of framework agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CUP Credit Card Agreement to Cdiscount's customers

The CUP Credit Card Agreement is one of the specific agreements between Cdiscount and Banque Casino linked to the above framework agreement and is subject to its general terms and conditions. The agreement was entered into in December of 2016. The agreement further details the rendering and management of banking services linked to the commercialization of the CUP credit card by Banque Casino to Cdiscount's customers.

The remuneration will consist of (i) a fixed fee per new card issued set at €8.40/card up to 70,000 cards issued on a yearly basis and €15.60/card that will be issued above 70,000 cards per year; and (ii) a fixed fee per activated card set at €0.29/card payable each month.

Term and termination clauses are similar to the ones of the framework agreement, except that the termination of this agreement shall not cause the termination of framework agreement. One specific provision gives Cdiscount the option to acquire the contract's portfolio in case the agreement is terminated and the associated joint venture (SEP Cdiscount) is dissolved.

CB4X Payment Agreement to third-party's customers

The CB4X Payment Agreement to third party's customers is an independent agreement not subject to the framework agreement's general terms and conditions. This agreement between Cdiscount and Banque Casino is in effect since January of 2017 and sets out the rules for the promotion, rendering, development and management of financial services in connection with the offer of the 4-installment payment plan option (CB4X) to third parties' sellers (in France mainland and Corsica) for the benefit of their own final customers. Operations will be managed through a joint venture newly created by Cdiscount and Banque Casino.

Rights on the joint venture assets are 60% for Cdiscount and 40% for Banque Casino and the joint venture's results will be split according to the respective ownership of the parties (50.1% for Banque Casino and 49.9% for Cdiscount,) after privileged allocation (préciputs).

This agreement has an initial 6-year term and is automatically renewable for successive 3-year periods. Banque Casino granted exclusivity to Cdiscount for the entire duration of the agreement. Termination clauses can be triggered for various reasons (early termination after 3 years following unsuccessful renegotiation of the terms of the agreement, in case of breach of some contractual provisions, such as exclusivity, and in case of a force majeure event).

Cash Pooling Agreements

On July 1, 2014, Cnova entered into a Current Account Agreement with Casino Finance International (previously named Polca Holding S.A.), a member of the Casino Group and the centralizing entity of a cash pool implemented among certain members of the Casino Group. Certain of Cnova's European subsidiaries, including Cdiscount, Cdiscount Group and Cdiscount International, also acceded to the Current Account Agreement, respectively on August 1, 2014, October 17, 2014 and August 1, 2014. The purpose of the current account agreement is to improve the management of the parties' working capital through: (i) obtaining cash advances from Casino Finance International to Cnova and its European subsidiaries and (ii) making Cnova and its European subsidiaries' cash surplus available to Casino Finance International. The parties have acknowledged that the cash flows under the agreement is driven by a common economic, social or financial interest in accordance with the global policy developed for the whole Casino Group and will take into account the interest of each party. The current accounts are designed to record the cash flows between the parties on a daily basis, with all recorded claims netted off on a continuous basis, resulting in a single account balance. In connection with the increase of our net sales from the year ended December 31, 2013 to the year ended December 31, 2014, and working capital needs associated with our growth, the current account agreement between Cnova and Casino Finance International was amended on March 11, 2015 to increase the maximum size of the cash pool from €70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

million to €250 million. There is no cap on the size of any given drawing from the cash pool. Taking into account Cnova and its European subsidiaries that have acceded to the current account agreement, the maximum size of the cash pool increased from €260 million to €440 million.

Interest accrues on a daily basis (but does not compound). Interest is calculated on a monthly basis at a rate equal to the monthly average of the EONIA per annum plus a margin of 0.50% if the cash balance is in favor of Casino Finance International and a margin of 0.25% if the cash balance is in favor of Cnova and its European subsidiaries. Accrued interest is due and payable on the last date of each calendar month.

The term of the agreement is indefinite. Each party is entitled to terminate the agreement at any time subject to ten days' prior written notice. Each agreement immediately terminates if Casino no longer controls, directly or indirectly, Casino Finance International or Cnova or its European subsidiaries, as the case may be, or in case of bankruptcy of a party.

Casino Finance International, and the Casino Group entities participating in the cash pool including Cnova and certain of its European subsidiaries, are parties to a service agreement dated November 25, 2013, as amended from time to time, with Société Générale S.A. in order to implement the cash pool and ensure automatic cross border cash centralization between each participating company and Casino Finance International as the pool leader. The agreement has been entered into for an indefinite period of time. Société Générale S.A. or Casino Finance International may terminate the agreement at any time subject to a 30 day notice period.

Licensing Agreements

Cdiscount Finlandek Trademark License Agreement

Pursuant to a licensing agreement dated May 16, 2014, Casino has granted a non exclusive license to Cdiscount for the use of the Finlandek trademark in order to manufacture, distribute, trade, promote and sell certain products in France. Under the terms of the agreement, the license was granted for free until March 1, 2016. For periods thereafter, the parties have agreed to negotiate in good faith the amount of royalties to be paid by Cdiscount to Casino.

The agreement terminates on February 29, 2024, and is automatically renewable for successive ten year periods unless terminated by either party with written notice sent two years prior to expiration of the initial period.

The agreement will automatically terminate if Cdiscount is no longer part of the Casino Group. In case of termination, other than resulting from the fault of Cdiscount, Cdiscount will be entitled to distribute its remaining Finlandek inventory for 12 months.

Other Corporate Agreements

Cdiscount Go Sport Agreement

On November 19, 2012, Cdiscount entered into a development and management agreement for an online sales platform and fulfillment services related to this platform with Go Sport France S.A. ("Go Sport"), a French listed company that manufactures and distributes sports products and is controlled by Rallye, the controlling shareholder of Casino. Under the agreement, Cdiscount provided the following services to Go Sport: (i) development, maintenance and continuing operation of the e-commerce platform designed and developed by Cdiscount for the needs of Go Sport, (ii) logistics services, including reception and storage of products supplied by Go Sport or its vendors, shipment and delivery of the products, and processing of customer orders, (iii) customer support services, such as management of client requests and returns and (iv) reporting on the services rendered under the agreement. This agreement was terminated on May 12, 2015, with effect from November 19, 2015. The parties have entered into a new verbal agreement regarding the terms and conditions for the implementation of a new platform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cdiscount's compensation under the agreement was based on the annual turnover of the platform and varies based on Go Sport's annual revenues from the platform, with a minimum annual amount. In addition to the variable compensation paid by Go Sport to Cdiscount, the agreement provided for payments to be made to Cdiscount on account of maintenance services, specific third party services and logistics and transport services.

The parties further agreed to end the relationship around July of 2017.

Cdiscount Casino International Agency Agreement

Cdiscount and Casino International S.A.S. ("Casino International"), entered into an agency agreement that became effective on January 10, 2008. Under the terms of the agreement, Casino International, on an exclusive basis, (i) negotiates and sells on behalf of Cdiscount, but through International Retail and Trade Services ("IRTS"), a Swiss subsidiary of Casino acting itself as agent of Casino International, to international suppliers and small and medium sized companies, services offered by Cdiscount such as marketing studies and the sale of data; (ii) advises Cdiscount notably on international synergies and (iii) collects the sums paid by international suppliers and small and medium sized companies for services sold by Casino International on behalf of Cdiscount.

Under the terms of the agreement, Cdiscount reimburses Casino International each fiscal year for a portion of the expenses set forth in the financial statements of Casino International for the previous fiscal year.

Casino International undertakes to pay Cdiscount all the sums it collects on behalf of Cdiscount from international suppliers and small and medium sized companies for the services rendered by Cdiscount (after having retained its own remuneration). Subject to Casino International's and IRTS' prior consent, Cdiscount may directly invoice the international suppliers or small and medium sized companies and collect the applicable payments.

The agreement is automatically renewable each year for successive one-year periods unless terminated by either party with three months' notice. Each party may terminate the agreement (i) in case of insolvency of a party or dissolution of IRTS, (ii) with 30 days' notice in case of uncured breach and (iii) with three months' notice in the following cases: change in the shareholding structure of Cdiscount leading to a decrease of the direct or indirect participation of Casino in Cdiscount, or the sale of the share capital or the business of Cdiscount to a third party outside of the Casino Group.

Pursuant to a verbal arrangement entered into on March 27, 2015, effective as of January 1, 2015, this agreement has been extended to benefit certain additional Cnova subsidiaries, certain of which were disposed of since that date.

EMC Distribution Supply Agreement

On May 19, 2014, Cdiscount and EMC entered into a supply agreement, whereby EMC sells to Cdiscount imported Casino Group private label products and imported products from other suppliers. Cdiscount has no purchase volume obligation under the agreement.

Neither party is entitled to assign its rights and advantages under the agreement without the prior written consent of the other party. The agreement terminates on June 1, 2024, and is automatically renewable for successive 10 year periods unless terminated by either party with written notice sent 18 months prior to expiration of the initial period.

On October 1, 2016, EMC and Cdiscount entered into an agreement related to after-sale services in connection with the EMC Distribution Supply Agreement. The after-sale services includes indemnification and the provision of spares parts by EMC to Cdiscount. The indemnification shall be calculated according to the formula: effective after-sale-costs / annual EMC's revenue generated with Cdiscount's private label products. Cdiscount will issue an invoice to EMC of an amount equivalent to 3% of the net sale price paid under the EMC Distribution Supply

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Agreement for private label products purchasing. At year end, Cdiscount will calculate the cost incurred with private label products after-sales activities during the respective year and either issue a credit note - if the amount already invoiced exceeds the cost actually incurred - or issue an invoice - if the amount invoiced is less than the cost actually incurred by Cdiscount – to EMC.

Cdiscount—Saint Mard 1 Warehouse

Pursuant to certain verbal arrangements, Distribution Franprix entered into a sublease agreement with Cdiscount for the sublease of approximately 50,000 square meters of a warehouse in Saint Mard, France. This sublease commenced on December 15, 2014 and provided for a fixed monthly rent per square meter to be readjusted annually. The agreement with Distribution Franprix terminated on February 29, 2016, and Cdiscount entered into a lease agreement for the same space directly with a lessor, Goodman Saint Mard 1 Logistics (France) (“Goodman Saint Mard”). Goodman Saint Mard is not a related party of us. The current lease with Goodman Saint Mard, which took effect on March 1, 2016, has a term of 11 years and eight months, and may be terminated on its ninth anniversary subject to a termination payment by Cdiscount as lessee. The annual rent is approximately €2.6 million (excluding taxes and charges), subject to indexation, which may be reduced by approximately €7.0 million spread over the duration of the lease.

Sale of Logistic Equipment

In December of 2016, Cdiscount entered into an agreement with Distribution Franprix whereby the latter sold logistic equipment located in the Saint-Mard warehouse to Cdiscount. The sale was executed at net accounting value, calculated at approximately 1.400 K€ after amortization at the time of the execution of the agreement. Cdiscount made a one-time cash payment to Distribution Franprix on December 30, 2016, date of the transfer of the ownership of the equipment.

Agreements with Directors and Officers

We have entered into indemnification and insurance agreements with our directors and certain of our executive officers. We and our subsidiaries have also granted various forms of equity-based compensation to certain executives and directors of our company and/or our subsidiaries. For further discussion, see “Equity Incentive Plans” in the Annual Report.

Key management personnel compensation

€ thousands	2014	2015	2016
Salaries and other benefits excluding payroll taxes(i)	7,633	8,753	2,213
Payroll taxes on salaries and other benefits.	1,493	1,164	713
Termination benefits	—	71	1,093
Share-based payments.	3,735	4	1
Total	<u>12,861</u>	<u>9,992</u>	<u>4,020</u>

(i) Gross salaries, bonuses, discretionary and statutory profit-sharing, benefits in kind and director’s fees.

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. It relates to five managers in 2016, seven managers in 2015 and six managers in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following transactions were carried out with related parties (consisting of Casino and its subsidiaries):

€thousands	2014		2015		2016	
	Transactions	Balance	Transactions	Balance	Transactions	Balance
Loans due from Parent Companies	3,662	71,146	46,645	117,791	128,944	246,735
Receivables	60,977	63,920	(30,578)	33,342	(8,279)	25,063
Loan due to Parent Companies	5,701	105,205	(104,095)	1,110	64,272	65,382
Payables	42,872	96,646	(20,534)	76,112	(60,703)	15,409
Expense	130,141	—	153,939	—	133,885	—
Income	45,614	—	70,854	—	27,136	—

Note 27 Subsequent events

On January 31, 2017 Casino and Cnova announced the result of the tender offers launched by Casino on Cnova ordinary shares. According to the final results communicated to Casino, 31,728,136 Cnova Shares have been tendered into the Offers (of which 16,760,610 to the U.S. Offer and 14,967,526 to the French Offer). As a consequence, Casino holds (with the shareholdings of its subsidiaries), following the settlement of the Offers, 340,665,252 Cnova Shares representing 98.88 % of the share capital and 99.41 % of the voting rights of Cnova.

On February 8, 2017, Cnova announced its intent to voluntarily delist from the NASDAQ Global Select Market, which became effective on March 3. On the same day Cnova reporting obligations to the SEC became temporarily suspended.

Note 28 Main consolidated companies

The holding company

The next senior company is CBD, owning indirectly 34.05% of Cnova shares and 35.58% of Cnova voting rights and the ultimate holding company is Casino, owning directly and indirectly, before the results of the tender offers, 89.48% of Cnova shares and 93.5% of Cnova voting rights.

Subsidiaries

The main companies are listed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company	2014			2015			2016		
	% control	% interest	Consolidation method	% control	% interest	Consolidation method	% control	% interest	Consolidation method
C'Nova	Parent			Parent			Parent		
C'Nova Comercio Electronico	100.00	100.00	FI	100.00	100.00	FI	0	0	Sold
Cdiscount Group	99.81	99.81	FI	99.81	99.81	FI	100	100	FI
Financière MSR	100.00	99.81	FI	100.00	99.81	FI	0	0	Merged
E-Trend (i)	100.00	99.81	FI	0.00	0.00	(i)	0.00	0.00	(i)
Cdiscount	99.59	99.40	FI	99.63	99.44	FI	99.65	99.65	FI
Cdiscount Afrique	100.00	99.81	FI	100.00	99.81	FI	100.00	100	FI
CD Africa	85.00	84.84	FI	85.00	84.84	FI	100.00	85.00	FI
Cdiscount International BV	100.00	99.81	FI	100.00	99.81	FI	100.00	100	FI
C-Distribution Asia	60.00	59.89	FI	60.00	59.89	FI	0	0	Sold
Cdiscount LATAM	70.00	69.87	FI	70.00	69.87	FI	70.00	70.00	FI
Cdiscount Colombia	51.00	50.94	FI	51.00	50.94	FI	0	0	Sold
C Distribution Thailand	70.00	41.92	FI	70.00	41.92	FI	0	0	Sold
E-Cavi Ltd	80.00	47.91	FI	80.00	47.91	FI	0	0	Sold
Cdiscount Vietnam	100.00	47.91	FI	100.00	47.91	FI	0	0	Sold
C'nova France SAS	100.00	100.00	FI	100.00	100.00	FI	100.00	100.00	FI
Cnova Financa BV	100.00	100.00	FI	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Côte d'Ivoire	—	—	—	100.00	84.84	FI	100.00	85.00	FI
Cdiscount Sénégal	—	—	—	100.00	84.84	FI	100.00	85.00	FI
Cdiscount Cameroun	—	—	—	100.00	84.84	FI	100.00	85.00	FI
Cdiscount Panama	—	—	—	100.00	69.87	FI	100.00	70.00	FI
Cdiscount Uruguay	—	—	—	100.00	69.87	FI	100.00	70.00	FI
Cdiscount Equateur	—	—	—	100.00	69.86	FI	100.00	69.99	FI
Moncorner	—	—	—	100.00	99.44	FI	0	0	Merged
3W Santé	—	—	—	92.50	91.98	FI	0	0	Merged
3W	—	—	—	100.00	99.44	FI	100.00	99.65	FI
Moncorner Deco	—	—	—	75.78	75.35	FI	0	0	Liquidated

(i) Refer to Note 3

FI: fully integrated

**COMPANY FINANCIAL STATEMENTS OF CNOVA N.V.
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance sheet at December 31, 2016

€ thousands

Assets	Notes	December 31, 2015 restated	December 31, 2016
Property, Plant and Equipment	6	90	69
Intangible assets	7	30	43
Financial fixed assets	8	526,485	285,588
Deferred tax assets	9	-	
Total non-current assets		526,605	285,700
Other current assets, net	10	83,905	125,459
Cash and cash equivalents	11	3,847	123
Assets held for sale		-	85
Total current assets		87,752	125,582
TOTAL ASSETS		614,357	411,367
EQUITY AND LIABILITIES			
Share capital	12	22,065	17,225
Additional paid in capital		405,381	404,625
Retained earnings		(80,414)	(30,660)
Reserves		(2,929)	-
Total equity		344,463	391,190
Trade payables	13	15,598	20,177
Current account with Casino	13	254,159	-
Other current liabilities	13	137	-
Total current liabilities		269,894	20,177
TOTAL EQUITY AND LIABILITIES		614,357	411,367

The accompanying notes are an integral part of these financial statements

Income statement for the year ended December 31, 2016

<i>€thousands</i>	Notes	December 31, 2015 restated	December 31, 2016
General and administrative expenses	18	(12,994)	(7,307)
Financial income	4 & 18	210	3,987
Financial expense	18	(865)	(1,133)
Foreign currency exchange result		340	(2,901)
Income tax (expenses)/benefit	18	(2,300)	-
Net result from continuing operations		(15,609)	(7,354)
Net result from discontinued operations		(50,989)	57,627
Net profit (loss)		(66,598)	50,273

Statement of comprehensive income as of December 31, 2016

<i>€thousands</i>	December 31, 2015 restated	December 31, 2016
Net profit (loss) for the year	(66,598)	50,273
Items that may subsequently be recycled to profit or loss	-	2,929
<i>Foreign currency translation (Note 19)</i>	-	2,929
Other comprehensive (loss) for the year	-	2,929
Total comprehensive (loss) for the year	(66,598)	53,202

The accompanying notes are an integral part of these financial statements

Cash Flow Statement as of December 31, 2016

€ thousands

	December 31, 2015	December 31, 2016
Net result from continuing operations	(15,609)	(7,354)
Depreciation and amortization expenses	33	39
Expenses on share-based payment plans	40	92
Financial income, net	315	(3,399)
Current and deferred tax	2,300	-
Change in operating working capital	(18,875)	(44,367)
<i>Inventories of products</i>	-	-
<i>Trade payables</i>	1,787	1,667
<i>Trade receivables</i>	-	-
<i>Other</i>	(20,662)	(46,034)
Net cash used in continuing operating activities	(31,796)	(54,989)
Net cash used in discontinuing operating activities	-	(4,603)
Interest received	1,062	-
Purchase of property and equipment and intangible assets	(54)	(33)
Changes in loans granted	203,309	-
Net cash from continuing investing activities	204,317	(33)
Net cash from discontinuing investing activities	-	307,206
Change in loan received (including with related parties)	(171,365)	(254,159)
Interest paid, net	-	2,854
Net cash from continuing financing activities	(171,365)	(251,305)
Net cash from discontinuing financing activities	-	-
Change in cash and cash equivalents	1,156	(3,724)
<i>Cash and cash equivalents at beginning of period</i>	<i>2,691</i>	<i>3,847</i>
<i>Cash and cash equivalents at end of period</i>	<i>3,847</i>	<i>123</i>

The accompanying notes are an integral part of these financial statements

Statement of changes in Equity for the year ended December 31, 2016

€thousands	Statutor y capital	Additional paid in capital	Net result of the period	Retained earnings and other reserves	Legal reserve currency	Total equity
As of January 1, 2015	22,065	405,381	(3,680)	1,100	(2,929)	421,937
Issuing of shares	-	-	-	-	-	-
Initial public offering	-	-	-	(141)	-	(141)
Share-based payments	-	-	-	40	-	40
Allocation of prior year result	-	-	3,680	(3,680)	-	-
Deferred tax reversal	-	-	-	(10,775)	-	(10,775)
Other comprehensive income	-	-	-	-	-	-
Net profit (loss) for the period	-	-	(66,598)	-	-	(66,958)
As of December 31, 2015 (restated)	22,065	405,381	(66,598)	(13,456)	(2,929)	344,463
Forfeited treasury shares (Note 12)	(4,840)	(756)	-	-	-	(5,596)
Initial public offering	-	-	-	(1,000)	-	(1,000)
Share-based payments	-	-	-	92	-	92
Allocation of prior year result	-	-	66,598	(66,598)	-	-
Other comprehensive income	-	-	-	-	2,929	2,929
Net profit (loss) for the period	-	-	50,273	-	-	50,273
Other	-	-	-	29	-	29
As of December 31, 2016	17,225	404,625	50,273	(80,933)	-	391,190

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

1. Description of reporting entity

Cnova N.V. (hereafter “Cnova”) is a public limited liability company incorporated and domiciled in Netherlands. It is listed on Nasdaq from November 19, 2014 and Euronext Paris from January 23, 2015 under ISIN NL0010949392.

The financial statements of Cnova for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the directors on March [6], 2017.

Cnova and its subsidiaries (the “Group”) consist of leading global eCommerce operations with headquarters in the Netherlands. Operations are now performed essentially in France, after the disposal or closure of the operations with in Brazil, Colombia, Thailand, Vietnam, Ivory Coast, Senegal and Cameroun in 2016.

2. Significant accounting policies

2.1. Basis of preparation

The financial statements of Cnova have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as issued by the International Accounting Standards Board (IASB) and Part 9 of the Dutch Civil Code.

The company financial statements have been prepared on a historical cost basis and are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Restatement of previously issued financial statements

In 2015, Cnova changed its accounting framework from Dutch GAAP to IFRS. The main effect of this change was on the investments that were previously accounted for using the equity method when under IFRS they are accounted at cost. Under IFRS foreign currency differences arising on loans that form part of an entity's net investment in a foreign operation should be recognized in profit or loss in the separate financial statements if subsidiaries are recognized at cost. Although this difference with Dutch GAAP was taken into account in preparing the balance sheet as at January 1, 2015, the foreign currency exchange difference related to the net investment over 2015 was booked in other comprehensive income instead of profit or loss. Therefore, the comparative figures of 2015 have been adjusted for €73,529 thousand.

€thousands	December 31, 2015 From 2015 Annual report	Adjustments	December 31, 2015 restated
General and administrative expenses	(12,994)	-	(12,994)
Financial income	22,750	(73,529)	(50,779)
Financial expenses	(865)	-	(865)
Foreign currency exchange result	340		340
Income tax (expenses) / benefit	(2,300)		(2,300)
Net profit (loss)	6,931	(73,529)-	(66,598)

The impact on 2015 balance sheet is an increase by €73,529 thousands of “legal reserve currency” and a corresponding decrease of €73,529 thousand for “retained earnings”.

Foreign currency transactions and translation

Foreign currency transactions are converted into the functional currency using the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting exchange differences are recognized in the income statement under “Exchange gains and losses”. Non-monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate at the transaction date.

Capital management

Cnova’s capital management objectives are to ensure Cnova’s ability to continue as a going concern and to provide an adequate value creation and return to shareholders.

Cnova monitors capital on the basis of the carrying amount of equity plus its loans, less cash and cash equivalents as presented on the face of the balance sheet.

	December 31, 2015	December 31, 2016
€thousands		
Carrying amount of equity	344,463	392,757
Loans	254,296	-
Less: Cash and cash equivalents	(3,847)	122
Capital under management of Cnova	594,912	392,879

Management assesses Cnova’s capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. Cnova manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Cnova may adjust its dividend policy, issue new shares, or sell assets to reduce debt.

2.2. Main accounting policies

The following are the significant accounting policies applied by Cnova in preparing its company financial statements:

2.2.1. Current versus non-current classification

Cnova presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Cnova classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.2. Assets held for sale and discontinued activities

A non-current asset (or disposal group) shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of

such assets (or disposal groups) and its sale must be highly probable. The asset (or disposal group) shall be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and shall be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the income statement.

A discontinued operation is a disposal group to be abandoned that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. The results and cash flows of such disposal group shall be presented as discontinued operations at the date on which the criteria of discontinued operation is met. This presentation shall apply for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

2.2.3. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Cnova and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Cnova assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

In 2015 and 2016 Cnova didn't generate revenue as it has acted only as a holding of its Group.

2.2.4. Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

2.2.5. Dividends

Revenue is recognized when Cnova's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.2.6. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for: all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.7. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. Cnova entered in only one arrangement of this type where Cnova is leasing its headquarters office.

Finance leases that transfer to the Cnova substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.2.8. Plant, Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. All other items of property and equipment are depreciated on a straight-line basis over their estimated useful lives. The main useful lives are as follows:

Asset category	Depreciation period (years)
Building fixtures and fittings	5 to 10
Technical installations, machinery and equipment	5 to 10
Computer equipment	3 to 5

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an asset is determined as the difference between the net sale proceeds, if any, and the carrying amount of the asset. It is recognized in profit or loss when the asset is derecognized under “Gain (Loss) from disposal of non-current assets.”

2.2.9. Investments in subsidiaries

Subsidiaries are investees that are controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are carried in the company financial statements at cost less any impairment loss. The Company recognizes a dividend from a subsidiary in financial income when its right to receive the dividend is established.

Impairment

The Company determines at each reporting date whether there is objective evidence that the value of share on equity of subsidiaries and associates is impaired. In case investments in subsidiaries and associates are impaired, the impairment loss is presented in the line financial expenses in income statement.

2.2.10. Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Cnova determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date on which Cnova commits to purchase or sell the asset.

Fair value measurement

Fair value measurements are determined following the provisions of IFRS 13 “*Fair Value Measurement*” which defines the following fair value hierarchy:

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

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

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

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

As described further in 2.2.9, item iii, interest bearing loans and borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

This category is not relevant for Cnova.

Loans and receivables

This category is the most relevant to Cnova. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 19.

Available-for-sale (AFS) financial investments

This category is not relevant for Cnova.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- Cnova has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) Cnova has transferred substantially all the risks and rewards of the asset, or (b) Cnova has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Cnova has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of its continuing involvement in it. In that case, Cnova also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Cnova has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Cnova could be required to repay.

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarized in the following notes:

- Financial assets Note 8.2
- Other assets Note 10.

Cnova assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or Cnova of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, Cnova first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Cnova determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been

incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss.

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to Cnova. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Cnova's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to Cnova. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.11. Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets would apply only to property, plant and equipment.

Cnova assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Cnova estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in

use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Company is the sole CGU.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, Cnova estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.12. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of Cnova's cash management.

2.2.13. Share-based payments

Management and selected employees of Cnova receive options to purchase or subscribe for shares and share grants. Cnova recognizes a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

The benefit granted under stock option plans, measured at fair value when granted, constitutes additional compensation. The fair value of the options at the grant date is recognized as an expense over the option vesting period. The fair value of options is determined using the Black & Scholes option pricing model, based on the plan attributes, market data (including the market price of the underlying shares, share price volatility and the risk-free interest rate) at the grant date. Assumptions concerning the probability of grantees remaining with Cnova until the options vest are taken into account in determining the expense to be recorded.

The fair value of share grants is also determined on the basis of the plan attributes and market data at the grant date. Assumptions concerning the probability of grantees remaining with Cnova until the shares vest are taken into account in determining the expense to be recorded. If there are no vesting conditions attached to the share grant plan, the expense is recognized in full when the plan is set up. Otherwise the expense is deferred over the vesting period as and when the vesting conditions are met.

2.2.14. Provisions

General

Provisions are recognized when Cnova 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. Where Cnova expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions

Restructuring provisions are recognized only when Cnova has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected,

a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

3. Significant accounting judgements, estimates and assumptions

The preparation of Cnova's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

New IFRS standards to be applied are further described in Note 1 to the consolidated financial statements.

3.1. Judgements

In the process of applying Cnova's accounting policies, management has made the judgements, which could have the most significant effect on the amounts recognized in the consolidated financial statements.

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Cnova based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of Cnova. Such changes are reflected in the assumptions when they occur.

3.2.1. Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Cnova has depreciated all its deferred tax on losses carried forward in 2015 and 2016. These losses related to IPO cost directly recorded in equity and expire after 9 years. Cnova has determined that it cannot recognize deferred tax assets on the tax losses carried forward. If Cnova was able to recognize all unrecognized deferred tax assets, equity would have increased by €10.7 million. Further details on taxes are disclosed in Note [8.]

3.2.2. Common control transactions

Common control transaction are accounted for at the book value.

4. Assets held for sale and discontinued activities

Cnova completed on October 31, 2016 the reorganization of its Brazilian subsidiary, Cnova Comércio Eletrônico S.A. within Via Varejo. As a result of the reorganization:

- The Cnova NV shares owned by Via Varejo (96,790,798 shares) were converted to special distribution shares
- Cnova transferred all its shares in Cnova Brazil to Via Varejo through (i) a distribution of 73,974,479 shares in Cnova Brazil to Via Varejo special distribution shares at nominal value (€12.2 million) and (ii) a sale of 950,368 Cnova Brazil shares for an amount of R\$43.3 million (€1.6 million).
- Special distribution shares were at the same time forfeited (equivalent to cancellation) and acquired for a nil value by Cnova NV then cancelled on January 13, 2017
- Cnova Brazil repaid its loan from Cnova in the amount of approximately R\$526.9 million (€46.0 million).

The reorganization is a transaction under common control of Casino group. As a result, the company accounted for the full transaction at the book value of the investments except for the disposal of the 950,368 Cnova Brazil shares that was recorded in the income statement for the net cash received.

In October 2016, as part of the reorganization of Cnova Brazil, Cnova purchased from Cnova Brazil for a price of €84,617 exclusively with a view to their subsequent disposal the shares of Cnova Finança B.V., which role, now irrelevant, was to facilitate the financing of Cnova Brazil by Cnova. Accordingly the investment in Cnova Finança B.V. has been classified as held for sale.

In addition on November 30, 2016, Cdiscount Colombia SAS has proceeded to a share capital reduction by reimbursing the contributions made by Cnova and Cdiscount International B.V. As a result Cnova has no remaining interest in Cdiscount Colombia SAS.

The following table show the impact of discontinued activities on the income statements for the year ended December 31, 2015 in comparison with the income statements for those years included in the 2015 Dutch annual report.

<i>€ thousands</i>	December 31, 2015 restated	IFRS 5	December 31, 2015 revised
General and administrative expenses	(12,994)	-	(12,994)
Financial income	(50,779)	50,989	210
Financial expenses	(865)	-	(865)
Foreign currency exchange result	340		340
Income tax (expenses) / benefit	(2,300)		(2,300)
Net result from continuing operations	(66,598)	50,989	(15,609)
Net result from discontinued operations	-	(50,989)	(50,989)
Net profit (loss)	(66,598)	-	(66,598)

Result from discontinued operations is only related to gains from disposal of the 950,368 Cnova Brazil shares and all Cdiscount Colombia shares and interest income from loans to Cnova Brazil and Cnova Finança (which in turn made loans with no margin to Cnova Brazil). Other transactions with discontinued operations only corresponded to costs incurred to support those entities that were recharged. Breakdown of result from discontinued operations is the following:

<i>€ thousands</i>	December 31, 2015	December 31, 2016
General and administrative expenses		(6,168)
Financial income	(50,989)	24,627
Financial expenses		
Foreign currency exchange result		47,517
Income tax (expenses) / benefit		
Net profit (loss) (i)	(50,989)	65,976
Net cash proceeds		6,966
Disposal costs		(13,444)
Net assets disposed		(4,800)
Gain (loss) on disposals (ii)		(11,278)
Net profit/(loss) from discontinuing activities	(50,989)	54,698
Recycling of foreign currency reserves	-	2,929
Net impact on other comprehensive profit/(loss)	(50,989)	57,627

- (i) Represent the activity of the operations up to the day they ceased operations or were sold
- (ii) Corresponds to the loss on sale of Cdiscount Colombia for €2.7 million and Cnova Brazil for €1.9 million.

5. Segment information

Cnova being a holding entity, it has no reportable segments

6. Property, plant and equipment

<u>€ thousands</u>	<u>2015</u>	<u>2016</u>
Beginning of the year	19	90
Acquisitions	54	-
Transfer	40	-
Depreciation	(22)	(21)
End of year	90	69

7. Intangible assets

<u>€ thousands</u>	<u>2015</u>	<u>2016</u>
Beginning of the year	82	30
Acquisitions	-	31
Transfer	(40)	-
Accumulated depreciation	(12)	(18)
End of year	30	42

8. Financial assets

<u>€ thousands</u>	<u>2015</u>	<u>2016</u>
Investments in subsidiaries	298,776	284,932
Loans receivables from subsidiaries	227,709	657
Total financial assets	526,485	285,589

8.1. Investments in subsidiaries

<u>€ thousands</u>	<u>2015</u>	<u>2016</u>
Beginning of the year	298,776	298,776
Contribution in kind	-	3,165
Disposals (note 4)	-	(4,800)
Distribution (note 4)		(12,209)
End of year	298,776	284,932

Cnova N.V. holds directly the following subsidiaries:

- Cdiscount Group SAS, Saint Etienne, France
- Cnova France, Saint Etienne, France.
- Cnova Financa, Amsterdam, Netherland, recorded as held for sale (see Note 4)
- Cnova disposed of Cnova Comercio Eletronico SA, Sao Paulo, Brazil on October 31, 2016 (see Note 4)
- Cnova disposed of Cdiscount Colombia SAS, Medellin, Colombia on November 30, 2016 (see Note 4)

Company	2015 % owned	2016 % owned	Cost (€thousands)
Cnova Comercio Eletronico	100	-	-
Cdiscount Group	99.81	99.81	284,932
C'nova France SAS	100	100	-
Cnova Financa BV (held for sale)	1	100	82
Cdiscount Colombia	21	-	-

For a list of indirectly owned subsidiaries, joint ventures and associates and shareholding percentages, refer to Note 28 to the consolidated financial statements.

8.2. Loans receivables from subsidiaries

<u>€thousands</u>	<u>2015</u>	<u>2016</u>
Beginning of the year	107,983	227,709
Issued (repayment) net	148,632	(174,334)
Accrued Interests	22,739	657
Exchange rate differences	(51,645)	(53,375)
End of year	227,709	657

9. Deferred tax assets

In 2014, Cnova recognized against equity a deferred tax asset of €10.7 million with respect to the tax loss incurred in 2014 related mainly to IPO costs (refer to Note 3.2.1) and based on its future taxable profits.

This amount of €10,7 million has been reversed against equity as at December 31, 2015 in light of the expected disposal of Cnova Brazil as high interest loans expressed in Brazilian Reals are reimbursed, no sufficient income from loans are generated to offset the deferred tax asset. In 2016, no tax is due but due to the tax loss of €4.3million in 2016, the total unrecognized deferred tax assets is €1.8 million, with expiry date in 2023.

10. Other current assets, net

<u>€thousands</u>	<u>2015</u>	<u>2016</u>
Cash pool balances with Casino	1,839	4,614
Other receivables	11,473	5,744
<i>Including management fees with other entities of Cnova group</i>	<i>11,316</i>	
Current cash advance to subsidiaries	70,593	115,102
Other current assets	83,905	125,4459

Cash pool balances with Casino and current cash advance to subsidiaries bear interest at Eonia 1 month +0.5%.

11. Net cash and cash equivalents

Cash and deposits of €123 thousand consist of time deposits and amounts held as bank balances. All bank balances and deposits are freely available

12. Share capital

Share capital of Cnova is composed of 441,297,846 shares with a par value of €0.05, which include 25,567 shares conditionally issued on December 8, 2014 and recorded in the US book entry system on January 20, 2015.

Resulting of the initial public offering of Cnova shares on NASDAQ, the share capital was increased by 26,800,000 ordinary shares on November 21, 2014. Cnova also conditionally issued 25,567 restricted shares on December 8, 2014 as indicated above pursuant to Cnova Omnibus Incentive Plan to be granted to each individual serving as an independent director. Last, Cnova issued 2,357,327 shares in accordance with the exercise of the overallotment option of underwriters.

In addition a total of 96,790,798 of its own shares have been acquired by Cnova during the reorganization described in Note 4. These shares had been converted in a special category for distribution purposes (as further described in Note 4), “special distribution shares”, that were immediately cancelled, which cancellation was legally registered with the Trade Register of the Dutch Chamber of Commerce on January 13, 2017. As a result, these financial statements reflect that this cancellation occurred on December 31, 2016. The impact recorded in equity reflects the cost value of the investment after a net working capital adjustment agreed between Cnova and Via Varejo.

The Board of Directors of the Company proposes to appropriate the result for the period to the retained earnings.

13. Current liabilities

Trade payables are amounts due to suppliers and are payable within 3 months.

Current account with Casino matures within one year and bears interest at EONIA.

Other current liabilities consist of sundry payables and mature within one year.

14. Share-based payments

On October 30, 2014, Cnova’s general meeting of shareholders adopted the Cnova N.V. 2014 Omnibus Incentive Plan to give Cnova a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants, and to provide incentives for future performance of services directly linked to shareholder value. The Omnibus Incentive Plan provides its board of directors with the authority to grant stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance units, deferred stock unit awards or other awards that may be settled in or based upon the value of Cnova’s ordinary shares. Subject to adjustment for changes in capitalization and corporate transactions, up to 16,500,000 of Cnova’s ordinary shares may be issued pursuant to awards granted under the Omnibus Incentive Plan.

Deferred Stock Units (DSU)

On November 19, 2014 date of completion of the initial public offering, and pursuant to its Omnibus Incentive Plan, Cnova granted to certain executives of Cnova deferred stock units (DSU) with respect to 1,319,999 of ordinary shares. The DSU are non-forfeitable, vest on the date of grant and will be settled for no consideration on the fourth anniversary of the offering by issuing or transferring ordinary shares to the recipient of a deferred stock unit award. The share-based compensation expense of €9.5 million was recognized immediately on the date of grant under “Initial public offering expenses” (refer to Note 10). This expense was based upon the fair value of the ordinary share to which was added any appropriate security social charges. The fair value was the quoted market price at the grant date. Due to the disposal of Cnova Brazil, 29,842 of those DSU were cancelled as they were replaced by stock options issued by Via Varejo.

Stock Appreciation Right Award (SAR)

On November 19, 2014 date of completion of the initial public offering, Casino granted certain executives of Cnova an award of cash-settled stock appreciation rights (“SARs”) with respect to 4,746,907 of ordinary shares. Each SAR award vests in full on the fourth anniversary of the completion of the offering, subject to the recipient’s continued service through such date. As soon as practicable following the vesting date, each SAR subject to the award will be settled by Casino for a gross amount in cash equal to the excess (if any) of (a) the lesser of the closing price of an ordinary share on NASDAQ on the vesting date and 220% of the initial public offering price per ordinary share over (b) 120% of the initial public offering price per ordinary share. Under certain conditions of termination of service prior to the vesting date (e.g., in the event of termination without cause), an award recipient may be entitled to retain some portion of the SARs to which he or she otherwise would have been entitled.

Due to the disposal of Cnova Brazil, 193,708 of those SARs were cancelled as they were replaced by stock options issued by Via Varejo. The 2016 Reorganization of Cnova Brazil has no further impact on the conditions of the SARs

As the SARs are fully cash-settled and do not give any right to receive ordinary shares of Cnova, the recipient of a SAR award will not have any rights as a shareholder in respect of the award, including voting rights. In addition, the SAR award may not be transferred except in case of the recipient’s death.

Fair value of the SARs was measured using a Black and Scholes pricing model taking into account the terms and conditions upon which the instruments were granted. The share based payment expense relating to the SARs as of December 31, 2016 was €428 thousand. No SARs had vested at December 31, 2016.

Key assumptions used for the determination of the fair value of this instrument are:

- Dividend yield: 0
- Expected volatility: 32.5%
- Risk-free interest rate: 0.33%
- Expected life (years): 4

15. Financial risk management objectives and policies

The main risks associated with Cnova’s financial instruments are market risks (currency, interest rate risk).

Market risk

Exposure to foreign exchange risk

Cnova is no longer exposed to currency translation risk as all its operations outside the Eurozone have been sold or closed during 2016.

Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments held by Cnova and that are subject to variable rates will fluctuate, or the cash flows associated with such instruments will be impacted due to changes in market interest rates. Cnova’s interest rate risk arises principally from borrowings issued at variable rates expose Cnova to cash flow interest rate risk which is more than offset by cash and cash equivalents deposits (including short-term investments) earning interest at variable interest rates. As of December 31, 2016, most of Cnova’s gross debt balance was subject to floating interest rates.

Interest rate sensitivity: risks associated with variable-rate financial instruments

The impact (before tax effect) on profit (loss) for the period of a 50 basis point increase or decrease in the Eonia interest rate, based on the variable rate financial instruments held by Cnova at December 31, 2016, with all other

variables held constant, was estimated to €0.9 million and €1.5 million respectively for the periods ended December 31, 2016 and December 31, 2015.

Counterparty risk

Cnova is not exposed to significant counterparty risks in its operating activities and its short-term investment activities. All receivables (see Note 10) are with Group companies.

Liquidity risk

Cnova manages liquidity risk through the daily follow-up of cash flows, control of financial assets and liabilities maturities and a close relationship with main financial institutions. As of December 31, 2016, Cnova's liquidity is also depending on the financing from its parent companies (mostly Casino).

As part of cash pool agreement with Cnova and its subsidiaries, unused credit lines amounted to €374 million as of December 31, 2016. Current account with Casino matures within one year and bears interest at EONIA.

Equity risk

The exposure of Cnova to equity securities price risk is nil.

16. Related party transactions

Cnova N.V. has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at arm's length.

<i>€ thousands</i>	2015		2016	
	Transactions	Balance	Transactions	Balance
Loans due from subsidiaries	171,371	227,709	227,052	657
Receivables	61,420	83,905	41,554	125,459
Loan due to Parent Company	252,071	254,159	254,159	0
Payables	(2 081)	5 190	12,581	4,330
Expense	8,645	-	9,455	
Income	22,750	-	24,627	

17. Off-balance sheet commitments

Cnova has no off-balance sheet commitment apart from the following lease commitments:

- Cnova has no finance leases and leases with purchase options on equipment.
- Cnova has only one lease for its head office. The lease has been cancelled with effect in August 2017. No new lease has been entered into at this time.

18. Notes to the income statement

18.1. Employees

The average number of employees of Cnova N.V. in full-time equivalents during 2016 was 4 (2015: 4). Salaries, social security charges and pension expenses amounted to €720 thousand for 2016 (2015: €1,279 thousand), €9 thousand for 2016 (2015: €31 thousand), and €27 thousand for 2016 (2015: €31 thousand), respectively.

18.2. Auditor fees

The following table presents fees for professional services rendered by Ernst & Young ("EY") for the audit of

our financial statements as well as fees billed for other services rendered by EY.

<u>€thousands</u>	<u>2015</u>	<u>2016</u>
Audit fees for EY NL	55	117
Audit fees for EY network	1,005	1,961
Audit-related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	1,060	2,078

18.3. Financial income and expense

The loans receivable from subsidiaries (see Note 8.2) and current cash advances to subsidiaries (see Note 11) generated financial income of €28,615 thousands in 2016 (of which €24,627 thousands are related to discontinued activities and of €22,741 thousands in 2015 (of which €22,540 thousands is related to discontinued activities).

The current account with Casino (see Note 13), totally reimburses as at December 31, 2016, generated financial expenses of €1,133 thousands in 2016 and €965 thousands in 2015.

18.4. Taxes

The amount of tax expense in 2015 corresponds to the amount of minimum tax. The taxable result for 2016 is a loss of €4.3 million and no tax is due (see Note 9). There is no significant differences between domestic and effective tax rate.

19. Note to the statement of comprehensive income

Due to the end of its financing activities of Cnova Finança, all amounts previously recognized in other comprehensive income have been recycled in 2016 for a total of €2,929 thousands.

20. Reconciliation between company and consolidated information

In accordance with 2:289-10 of Dutch Civil Code, the reconciliation of equity is the following:

<u>€thousands</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Total company's equity	344,463	391,190
Retained earnings of subsidiaries	(252,117)	(412,436)
Put on minority interest CD Colombia	6,500	
Share based payments in subsidiaries	(689)	
Other	(86)	
Total consolidated equity	98,071	(21,245)

In accordance with 2:289-10 of Dutch Civil Code, the reconciliation of net result is the following:

<i>€ thousands</i>	December 31, 2015	December 31, 2016
Company's net profit (loss)	(66,598)	50,273
Net profit (loss) of subsidiaries	(265,979)	(296,768)
Gain (loss) on disposals	-	558,334
Recycling of foreign currency reserves	-	(177,991)
FX exchange	73,529	(66,885)
Other	-	29
Total consolidated net profit (loss)	(259,048)	66,992

21. Directors' remuneration

The below tables show the compensation paid by us and our subsidiaries to our executive and non-executive directors in the 2016 fiscal year. We do not have any written agreements with any director providing for benefits upon the termination of such director's relationship with our company or our subsidiaries. Amounts are in euros unless otherwise stated.

Name and title	Director fees in USD	Committee membership fees in USD	Attendance fees in USD
<i>Non-executive directors</i>			
Antoine Giscard d'Estaing, Chairman	10,000		
Yves Desjacques	10,000		
Didier Lévêque, Vice Chairman ¹	10,000		
Eleazar de Carvalho Filho	40,000		
Ronaldo Iabrudi dos Santos Pereira, Vice Chairman	10,000	5,000	9,000
Arnaud Strasser	10,000		
<i>Independent non-executive directors</i>			
Bernard Oppetit	40,000	40,000	48,000
Silvio Genesini	40,000	40,000	57,000

Remuneration for Executive director

During his tenure as executive director in the 2016 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation) amounted to €695,800, including a variable compensation related to 2015 based on 45% on quantitative targets and 55% of qualitative targets. The Cnova Board of directors has determined that those targets were 96.3% reached, setting the variable compensation paid at €168,500.

Compensation of non-executive directors

For our eligible non-executive directors who do not serve within the Casino Group in any capacity other than as a director, namely Messrs. Oppetit, Genesini and de Carvalho Filho, the remuneration structure is based on a cash portion and an equity portion supplemented by fees for service as committee chairperson and/or committee-membership as described below. This compensation structure is aligned with that used for independent directors of U.S. listed companies. The fixed compensation in cash amounts to \$40,000 annually. The compensation in equity consists of \$60,000 worth of Cnova restricted stock awards (see "—Equity Incentive Plans—Restricted Stock Awards" below for a description of the restricted stock awards).

¹ Mr. Lévêque resigned as Non-Executive Director and Vice-Chairman on January 13, 2017.

On November 19, 2014, Mr. Oppetit was granted 8,571 restricted stock awards representing a value of \$60,000 (based on the IPO share price of \$7.00 per ordinary share). On December 8, 2014, Messrs. de Carvalho Filho and Genesini were each granted 8,498 restricted stock awards with a corresponding value of \$60,000 (based on the NASDAQ closing price of our ordinary shares on the grant date of \$7.06 per share). The vesting schedule of the restricted stock awards is as follows:

Name	Number of RSAs	Grant Date	Vesting Schedule					
			Shares (#)	Date	Shares (#)	Date	Shares (#)	Date
Bernard Oppetit	8,571	11/19/2014	2,857	11/19/2015	2,857	11/19/2016	2,857	11/19/2017
Silvio Genesini.	8,498	12/8/2014	2,832	12/8/2015	2,833	12/8/2016	2,833	12/8/2017
Eleazar de Carvalho Filho	8,498	12/8/2014	2,832	12/8/2015	2,833	12/8/2016	2,833	12/8/2017

As shown in the above table, on November 19, 2016 and December 8, 2016, respectively, the second one-third of restricted stock awards vested for each of the listed non-executive directors.

Members of our audit committee receive a fixed annual retainer of \$10,000 and the chairman of the audit committee receives a fixed annual retainer of \$20,000. Members of our nomination and remuneration committee receive a fixed annual retainer of \$5,000, and the chairman of the nomination and remuneration committee receives a fixed annual retainer of \$10,000. In addition, members of the audit committee receive an attendance fee of \$2,000 per meeting and members of the nomination and remuneration committee receive an attendance fee of \$1,500 per meeting.

Based on the above information, the annual compensation of our non-executive directors (paid pro rata to the time actually served in any given year) is provided in the table below. The pro rata aggregate compensation was paid out in December 2015, as indicated in the above table. All amounts included are in U.S. dollars.

Name and title	Director fees	Audit committee fees	Nomination and remuneration committee fees	Restricted stock awards (1)
Antoine Giscard d'Estaing, Chairman .	10,000	—	—	—
Peter Estermann, former Chairman . . .	10,000	—	—	—
Ronaldo Iabrudi dos Santos Pereira, Vice Chairman	10,000	—	5,000 + 1,500 per meeting	—
Didier Lévêque, Vice Chairman	10,000	—	—	—
Yves Desjacques	10,000	—	—	—
Eleazar de Carvalho Filho	40,000	—	—	60,000
Arnaud Strasser	10,000	—	5,000 + 1,500 per meeting	—
Bernard Oppetit	40,000	20,000 + 2,000 per meeting	—	60,000
Silvio Genesini	40,000	10,000 + 2,000 per meeting	10,000 + 1,500 per meeting	60,000

(1) This amount of \$60,000 reflects the value of the restricted stock awards at the time of grant to each of Messrs. de Carvalho Filho, Oppetit and Genesini.

In addition to the audit committee and nomination and remuneration committee, a transaction committee was created on March 3, 2016, the non-executive directors that were a member of the transaction committee received a fixed annual retainer of \$20,000 and an attendance fee of \$2,000 per meeting.

Personal loans, advances and guarantees

The Company's current policy is not to grant any personal loans and guarantees to directors, and where the Company has appointed one, the Non-Board Co-CEO, except for travel advances, cash advances and use of a Company-sponsored credit card in the ordinary course of business and on terms applicable to the personnel as a whole. In addition, we have entered into indemnification agreements with our directors and certain of our executive officers.

22. Contingent liabilities

Cnova, certain of the current and former officers and directors, and the underwriters of our initial public offering, have been named as defendants in a securities class action lawsuit in the United States Federal District Court for the Southern District of New York asserting claims related to macro-economic situation in Brazil and emphasized by the irregularities identified at Cnova Brazil. Cnova may incur significant expenses (including, without limitation, substantial attorneys' fees and other professional advisor fees and obligations to indemnify certain current and former officers or directors and the underwriters of our initial public offering who are or may become parties to or involved in such matters. A reserve aiming to cover the estimated potential liability, the insurance deductible related to our insurances policies for such claims and some legal costs, has been provided.

23. Subsequent events

On January 31, 2017 Casino and Cnova announced the result of the tender offers launched by Casino on Cnova ordinary shares. According to the final results communicated to Casino, 31,728,136 Cnova Shares have been tendered into the Offers (of which 16,760,610 to the U.S. Offer and 14,967,526 to the French Offer). As a consequence, Casino holds (with the shareholdings of its subsidiaries), following the settlement of the Offers, 340,665,252 Cnova Shares representing 98.88% of the share capital and 99.41% of the voting rights of Cnova.

On February 8, 2017, Cnova announced its intent to voluntarily delist from the NASDAQ Global Select, which became effective on March 3. On the same day Cnova reporting obligations to the SEC became temporarily suspended.

OTHER INFORMATION

1. INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To: the shareholders and the board of directors of Cnova N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Cnova N.V. (the Company), based in Schiphol.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Cnova N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2016.
- The following statements for 2016: the consolidated and company income statements, the consolidated and company statements of other comprehensive income, changes in equity and cash flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Cnova N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 14.3 million
Benchmark used	0.5% of revenues
Additional explanation	The materiality is based on revenues considering that this is a key indicator used by the Company when communicating and analyzing its results to shareholders. Other earnings-based indicators were deemed less relevant.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of € 715 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Cnova N.V. is head of a group of five main entities/reporting units (the Group) of which the main are located in France and Brazil. On the latter location, Cnova Brazil has been sold on October 31, 2016. The financial information of this group is included in the consolidated financial statements of Cnova N.V.

Our group audit mainly focused on significant group entities under International Standards on Audit (ISA) 600. We have used the work of EY auditors in other countries when auditing the entity. In total our procedures represent 99% of the group's revenues. At other group entities we performed limited review or specific procedures.

Entities in scope	FY16 Group audit scope
Cnova N.V.	Full audit
Cnova Brazil	Review scope and specific procedures up to the sale of the entity
Cdiscount	Full audit
Cnova Finança	Specific scope
Cdiscount Group	Specific scope

The Group audit team visited component locations in France. Telephone and/or online meetings were also held with the auditors of these components and the other components. The findings reported to the Group audit team were discussed in more detail with component auditors, and any further work required by the Group audit team was then performed by the component auditor.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Risk	Our audit approach
<p>Going concern (note 1.1)</p> <p>As of December 31, 2016, the Group has a negative equity amounting to €21 million. It has been loss making for the last 3 years and has a negative working capital amounting to € 315 million. These facts trigger the analysis of the reasonableness of the going concern basis.</p> <p>Considering the most recent budgets and forecasts in line with those prepared and reviewed in the course of the reorganization of the group structure in 2016 and the credit facilities available to the Company within Casino Group and with external banks, the board of directors prepared the financial statements on a going concern basis.</p> <p>The board of directors is of the opinion that the credit facilities are sufficient to meet the Company's obligations for the next year.</p>	<p>We reviewed the documentation underlying the Company's position and the disclosure in the financial statements in that respect (Note 1.1). We also reviewed the current credit facility arrangements.</p> <p>We have challenged the assumptions considered by the Company to apply the going concern basis.</p> <p>Our audit procedures also included the review of (i) the entity level controls (ii) the financial statements closing process and the related controls as well as (iii) the assessment of the controls design.</p>
<p>Securities class action (note 25 of the consolidated financial statement and note 22 of the company financial statements)</p> <p>The Company, certain of the current and former officers and directors, and the underwriters of the initial public offering have been named as defendants in a securities class action lawsuit in the United States Federal District Court for the Southern District of New York asserting claims related to macro-economic situation in Brazil and emphasized by the subject matter of the internal review at Cnova Brazil.</p> <p>The Company has provided for the estimated potential liability taking into account the insurances policies covering the class action's financial exposure and has provided for lawyers' and costs.</p>	<p>We reviewed the documentation underlying the Company's position, the amounts accrued at year end and the disclosure in the financial statements with that respect (Note 25).</p> <p>Our audit procedures included, among others, the request for external lawyers' letters, telephone calls with the lawyers and inspection of the insurance contract.</p> <p>We have challenged the assumptions and judgments used to determine the Company's position at year end.</p> <p>We have verified the adequacy of the provision aiming to cover the estimated potential liability, the insurance deductible related to insurances policies for such claims and some legal cost.</p>

Risk	Our audit approach
<p>SEC investigation (note 25)</p> <p>Following the irregularities uncovered at Cnova Brazil during FY2015, the SEC is continuing its investigation process. The process is monitored by the Company together with their lawyers and the process is still on going with no deadline shared by the SEC.</p> <p>Considering the stage of the current process and the inability of the Company to determine the amount at stake, no accrual covering the possible amount of the fine that could be issued by the SEC has been recorded at year end except for the coverage of estimated SEC investigation costs.</p> <p>Accordingly, the ultimate resolution of this matter could have a material adverse effect on the Company businesses, financial condition, results of operations and cash flows.</p>	<p>We reviewed the documentation underlying the Company's position, the amounts accrued at year end and the disclosure in the financial statement with that respect (Note 25).</p> <p>We have made specific inquiries on the current status of the investigation. Our audit procedures included, among others, the request for external lawyers' letters and inquiries with the Company.</p> <p>We have challenged the assumptions used and assessed Company's position at year end and its possible effects in the financial statements.</p>
<p>Group structure reorganization (note 4 of the consolidated financial statements and note 4 of the company financial statements)</p> <p>On August 8, 2016, the Company announced that it entered into a binding reorganization agreement with Via Varejo regarding the transfer of Cnova Brazil to Via Varejo that was executed on October 31, 2016.</p> <p>Additionally, during 2016, the Company finalized the closing of Cdiscount International websites.</p> <p>Pursuant to IFRS 5, Cnova Brazil and Cdiscount International business units' income statements have been classified as discontinued operations in the Company consolidated income statement of the year as well as for 2015 and 2014 comparative periods.</p>	<p>Our audit procedures included reviewing the supporting documentation on the group reorganization.</p> <p>We have assessed compliance with applicable accounting standards in that respect and relevant judgments on the reorganization process.</p> <p>We also considered the adequacy of the Group's disclosures in the financial statements in that respect (note 4 of the consolidated financial statements and note 4 of the company financial statements).</p>
<p>Revenue recognition (note 6)</p> <p>Net sales include revenue from product sales (either business to consumer direct sales or business to business transactions), marketplaces sales (commissions) and other revenues. Those revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.</p> <p>As part of transactions through the marketplaces, it is assessed whether it is appropriate to record the gross amount of the products sold and its related costs or the net amount as a commission based on the analysis of the obligation in the arrangement.</p>	<p>Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable accounting standards. We tested the effectiveness of the Group's controls over correct timing of revenue recognition.</p> <p>We assessed sales transactions taking place at either side of the year end as well as credit notes issued after the year end date to assess whether that revenue was recognized in the correct period.</p> <p>We performed testing over manual journals posted to revenue to identify unusual or irregular items.</p> <p>We also considered the adequacy of the Group's disclosures (in note 6) in respect of revenue.</p>

Risk	Our audit approach
<p>There is a risk that revenue may be overstated due to fraud resulting from the pressure local management may feel to achieve performance targets at the reporting period end. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred.</p>	
<p>Rebates and similar agreements (note 6)</p>	
<p>Supplier rebates and contributions to common marketing campaign are measured based on contracts signed with suppliers. They are billed in installments over the year. At each year-end, an accrual is recorded for the amount receivable or payable, corresponding to the difference between the value of the services actually rendered to the supplier and the sum of the installments billed during the year.</p> <p>Therefore, there is a risk that these arrangements are not appropriately reflected and as a result revenue is misstated in the financial statements.</p>	<p>Our audit procedures included the update of our understanding of the process and evaluating the design of controls in this area.</p> <p>We also tested relevant controls over applications registering the purchase conditions with suppliers and identifying the purchases object of rebates and reviewed a sample of agreements with suppliers allowing an adequate coverage, checking agreements' terms and signatures.</p> <p>We analyzed last year reversal of accruals and the adequacy of cash in compared to rebates recorded.</p>

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Board of directors' report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Board of directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed auditors of Cnova N.V. on March 17, 2015 as of the audit for the year 2014 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-International Financial Reporting Standards and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines what is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The non-executives on the board of directors are responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 23 March 2017

Ernst & Young Accountants LLP

signed by Tom Wiffrie

2. DIVIDEND RIGHTS

To the extent any profits remain after reservation by our board of directors, a preferred dividend accrues on the special voting shares to an amount equal to one percent (1%) of the aggregate nominal value of the special voting shares that are issued and not held by the Company itself, which amount will not be distributed to the Voting Depository (the sole holder of the special voting shares) but will be added to a special dividend reserve of the Company. Any profits remaining thereafter will be at the disposal of the general meeting of shareholders for distribution to the holders of ordinary shares in proportion to the aggregate nominal value of their ordinary shares.

3. MAJOR SHAREHOLDERS

The following table and the notes thereto set forth certain information with respect to the beneficial ownership of our ordinary shares as of February 10, 2017 for:

- each shareholder known by us to be the beneficial owner of more than 5% of our outstanding ordinary shares or special voting depository receipts for special voting shares;

Following the tender offers, none of our directors and / or executive officers individually; or as a group hold more than 0.1% of our outstanding ordinary shares or special voting depository receipts for special voting shares.

Casino, Dutch HoldCo CBD and Éxito together beneficially own 340,665,252 of our ordinary shares and 100% of our special voting depository receipts for our issued and outstanding special voting shares, representing 99.41% of the voting power of all of our ordinary shares and special voting shares together as a single class.

The amounts and percentages of ordinary shares and special voting depository receipts beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities, and are based on the most recent information provided to the Company. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares voting power, which includes the power to vote or direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Except as otherwise indicated, each of the beneficial owners has, to our knowledge, sole voting and investment power with respect to the indicated ordinary shares and special voting depository receipts.

For purposes of the table below, we deem shares subject to options or warrants that are currently exercisable or exercisable within 60 days of February 10, 2016 to be outstanding and to be beneficially owned by the person holding the options or warrants for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person.

Casino, Dutch HoldCo CBD and Éxito together own directly or indirectly 100% of the issued and outstanding Special Voting Depository Receipts for Special Voting Shares pursuant to our Articles of Association, which entitles them to double voting rights (“Double Voting Rights”) in accordance with the terms of the Special Voting Agreement. In particular, for each ordinary share received in, or prior to, the 2014 Reorganization which the Founding Shareholders vote, they received two votes because they hold special voting depository receipts, which are stapled to special voting shares, even though as a legal and technical matter, the ordinary and special voting shares are separate securities. The special voting depository receipts of some of our Founding Shareholders were cancelled in 2016 (refer to “17.3 Agreements Relating to our Shares – *Special Voting Agreements*”). Thus, Casino, Dutch HoldCo CBD and Éxito, currently the only holders of special voting depository receipts, together have control over votes on fundamental and significant corporate matters and transactions pursuant to the Special Voting Agreement.

Except as otherwise indicated, the business address for each of our shareholders listed below is c/o Cnova N.V., WTC Schiphol Airport, Tower D, 7th Floor, Schiphol Boulevard 273, 1118 BH Schiphol, The Netherlands.

Beneficial Ownership of Cnova Ordinary Shares[†]
(as of February 10, 2017)

Owner	– Beneficial Ownership		Voting and Dispositive Power	
	Ordinary Shares	Percentage	Sole Power	Shared Power
Casino ⁽¹⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Companhia Brasileira de Distribuição Netherlands Holding B.V. ⁽²⁾⁽³⁾	117,303,664	34.05%	0	117,303,664
Éxito ⁽²⁾⁽⁴⁾	117,963,047	34.24%	0	117,963,047
CBD ⁽²⁾⁽³⁾	117,303,664	34.05%	0	117,303,664
Companhia Brasileira de Distribuição Luxembourg Holding S.à r.l. ⁽²⁾⁽³⁾	117,303,664	34.05%	0	117,303,664
Euris S.A.S. ⁽¹⁾⁽⁵⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Finatis S.A. ⁽¹⁾⁽⁵⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Foncière Euris S.A. ⁽¹⁾⁽⁵⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Jean-Charles Naouri ⁽¹⁾⁽⁵⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Rallye S.A. ⁽¹⁾⁽⁵⁾⁽²⁾	340,665,252	98.89%	0	340,665,252
Segisor SAS ⁽²⁾⁽³⁾	117,303,664	34.05%	0	117,303,664
Wilkes Participações S.A. ⁽²⁾⁽³⁾	117,303,664	34.05%	0	117,303,664

[†] Based on 344,507,048 Cnova ordinary shares outstanding as of January 31, 2017.

- (1) Includes 222,702,205 ordinary shares held of record by Casino, 659,383 ordinary shares held of record by Éxito, and 117,303,664 ordinary shares held of record by Companhia Brasileira de Distribuição Netherlands Holding B.V.
- (2) As of December 31, 2016, Casino holds, directly or indirectly, 32.8% of the equity securities and 99.94% of the voting power of CBD. In addition, Casino is an indirect controlling shareholder of Éxito and holds, directly or indirectly, 55.3% of the equity securities and voting power of Éxito. Éxito holds indirectly 50.0% of the voting equity securities of CBD, representing 18.8% of the total capital of CBD. Furthermore, Casino and Éxito each hold 50% of the voting equity securities of Segisor SAS, a holding entity that holds 100% of Wilkes Participações S.A., a holding entity that holds 35.39% of the equity securities and 94.3% of the voting power of CBD. In addition, Segisor SAS holds directly 2.11% of the equity securities and 5.62% of the voting power of CBD. CBD holds 100% of Companhia Brasileira de Distribuição Luxembourg Holding S.à r.l., which holds 100% of Companhia Brasileira de Distribuição Netherlands Holding B.V.
- (3) Includes 117,303,664 ordinary shares held of record by Companhia Brasileira de Distribuição Netherlands Holding B.V.
- (4) Includes 659,383 ordinary shares held of record by Éxito, and 117,303,664 ordinary shares held of record by Companhia Brasileira de Distribuição Netherlands Holding B.V.

- (5) As of December 31, 2016, Mr. Naouri held, directly or indirectly, 99.99% of the equity securities and 99.9% of the voting power of Euris S.A.S., in each case including pursuant to a usufruct interest with respect to a 45% interest in Euris S.A.S. owned by his three children, which entitles Mr. Naouri to all economic rights attached to such interest and all voting rights with respect to the allocation of profits. As of December 31, 2016, Euris S.A.S. held, directly or indirectly, 92.36% of the equity securities and 92.47% of the voting power of Finatis S.A. As of December 31, 2016, Finatis S.A. held, directly or indirectly 89.25% of the equity securities and 94.60% of the voting power of Foncière Euris S.A. As of December 31, 2016, Foncière Euris S.A. held directly 55.29% of the equity securities and 70.23% of the voting power of Rallye S.A. As of December 31, 2016, Rallye S.A. held, directly or indirectly, 50.34% of the equity securities and 63.73% of the voting power of Casino.

4. SPECIAL VOTING SHARES

As explained in “17.3 Agreements Relating to Our Shares - *Special Voting Agreement*,” a special voting structure allows Founding Shareholders and their Permitted Transferees, as those terms are defined in the Special Voting Agreement, to directly or indirectly receive twice as many voting rights in our general meeting of shareholders as the number of ordinary shares held by them and which are registered in our Founders Share Register (the “Double Voting Right Structure”).

In order to facilitate the Double Voting Right Structure, the Voting Depository has been incorporated as a foundation (*stichting*) under Dutch law. The Voting Depository is required to observe the provisions of the Special Voting Agreement, its articles of association and the Terms and Conditions (as described in “17.3 Agreements Relating to Our Shares - *Special Voting Agreement*”), in which organizational documents the Double Voting Right Structure will be “hard-wired” to the extent possible and appropriate.

The board of the Voting Depository is independent from the Company.

The members of the board of the Voting Depository are appointed, dismissed and suspended by a two-thirds supermajority of the holders of special voting depository receipts issued by the Voting Depository.

In order to allow our Founding Shareholders to directly or indirectly participate in the Double Voting Right Structure, certain Founding Shareholders and other parties thereto entered into the Special Voting Agreement setting out the contractual terms of the Double Voting Right Structure. The ordinary shares held by Casino, Dutch HoldCo CBD and Éxito were registered in a separate section (the “Founders Share Register”) of our shareholders’ register before entering into the Special Voting Agreement.

Any ordinary share so registered in the Founders Share Register is not included in the regular trading system. These ordinary shares cannot be transferred in book-entry form via the regular trading system for as long as they are recorded in the Founders Share Register. In case of a transfer of such ordinary shares, except to a Permitted Transferee, the related Double Voting Rights will be lost.

We issued one special voting share to the Voting Depository (and only to the Voting Depository) for each ordinary share registered in the Founders Share Register. The nominal value of the special voting shares was paid up by charging our special capital reserve. The Voting Depository in turn issued one special voting depository receipt to each of Casino, Dutch HoldCo CBD and Éxito (and only to them and certain other parties whose special voting depository receipts have been cancelled since then) for each ordinary share held by them and registered in the Founders Share Register. The special voting depository receipts were issued without a consideration being payable.

Special voting depository receipts may only be held by Founding Shareholders and other Permitted Transferees. For this purpose, a “Permitted Transferee” is:

- a Founding Shareholder and its legal successors; and
- any entity that is (and only for as long as it remains) at least 90% controlled, directly or indirectly, by one or more Founding Shareholders, meaning that at least 90% of the shares, units, memberships or participations, as well as the voting rights attached thereto, are held, directly or indirectly, by one or more Founding Shareholders (i.e. including Dutch HoldCo CBD and Exito and their respective legal successors as long as they remain 90% controlled by one or more Founding Shareholders).

New special voting shares may be issued by us to the Voting Depository only to the extent that Founding Shareholders (or their Permitted Transferees) (i) subscribe for additional ordinary shares in a capital increase of the Company (no additional special voting shares will be issued in relation to a purchase of additional ordinary shares from third parties) and (ii) register those ordinary shares in the Founders Share Register (making those ordinary shares non-tradable). For each special voting share thus issued, one additional special voting depository receipt will be newly issued by the Voting Depository to the relevant Founding Shareholder(s) (or Permitted Transferee(s)) participating in such capital increase of the Company.

The special voting shares vote together with the ordinary shares as a single class, such that our Founding Shareholders have Double Voting Rights. However, as a legal and technical matter, they are a separate security. The Voting Depository may not transfer the special voting shares (other than to the Company) and the special voting shares will not be listed. Similarly, special voting depository receipts may not be transferred (other than to Permitted Transferees or to the Company).

Each special voting depository receipt is “stapled” to the underlying special voting share. Each special voting share is, in turn, “stapled” to the ordinary share in respect of which it is issued.

The special voting depository receipts carry no economic rights and any (minimal) economic rights attached to the special voting shares will be waived by the Voting Depository, although Cnova agreed to reimburse the Voting Depository for reasonable costs incurred by it in connection with the administration and operation of the Double Voting Right Structure.

In respect of each general meeting of shareholders of the Company, each special voting depository receipt carries the right:

- to request and receive an ad hoc voting proxy for that particular general meeting of shareholders from the Voting Depository in order to exercise the voting rights in respect of the special voting share which is “stapled” to that special voting depository receipt; or
- to instruct the Voting Depository to vote the special voting share which is “stapled” to that special voting depository receipt as directed by the holder thereof

resulting in Double Voting Rights for the Founding Shareholders (directly or indirectly) and other Permitted Transferees in respect of the ordinary shares registered in the Founders Share Register.

To the extent that, at a general meeting of shareholders of the Company, no voting proxy is issued and no voting instruction is given in respect of one or more special voting shares (or if the Voting Depository holds special voting shares for which, for any reason, no special voting depository receipts are outstanding), the special voting shares concerned will not be voted by the Voting Depository (and shall not be taken into account for the computation of the presence of a quorum at such general meeting of shareholders).

Special voting depository receipts will be forfeited (and the “stapled” special voting share will be transferred by the Voting Depository back to the Company for no consideration) if:

- the holder of that special voting depository receipt transfers the “stapled” ordinary share to another party other than a Permitted Transferee or includes, or causes the inclusion of, the “stapled” ordinary share in a clearing, settlement or trading system of a stock exchange; or
- the holder of that special voting depository receipt ceases to be a Permitted Transferee (as the result of the Founding Shareholders failing to maintain the requisite level of control of that entity).

Special voting depository receipts may, together with the “stapled” ordinary shares, be transferred between Founding Shareholders and other Permitted Transferees.

Any amendment to the Terms and Conditions by the Board of the Voting Depository and any amendment to the Special Voting Agreement will require the approval of the Company and a resolution of the holders of special voting depository receipts adopted by two-thirds majority. The Double Voting Right Structure can be terminated by an affirmative vote of the holders of special voting depository receipts adopted by two-thirds majority, or at the request of a shareholder that, alone or together with its group companies, holds at least 95% of the issued and outstanding ordinary shares in our capital, provided such shareholder undertakes to start squeeze-out proceedings pursuant to Section 2:92a of the Dutch Civil Code as soon as practicable following termination of the Double Voting Right Structure.

5. EVENTS AFTER THE BALANCE SHEET DATE

For information regarding subsequent events, see note 27 to the consolidated financial statements.

6. PROFIT APPROPRIATION

The Board of Directors of the Company proposes to appropriate the result for the period to the retained earnings.

Signature page to the 2016 Annual Report and Financial Statements of Cnova N.V.

THE BOARD OF DIRECTORS OF CNOVA N.V.

/s/Antoine Giscard d'Estaing

/s/Ronaldo Iabrudi dos Santos Pereira

/s/Arnaud Strasser

/s/Bernard Oppetit

/s/Christophe Hidalgo

/s/Eleazar de Carvalho Filho

/s/Emmanuel Grenier

/s/Silvio Genesini

/s/Yves Desjacques
