ANNUAL REPORT AND FINANCIAL STATEMENTS OF CNOVA N.V. FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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

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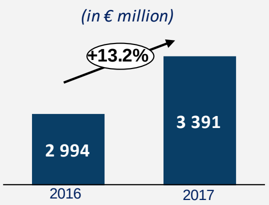
1. DIRECTORS REPORT

1.1 KEY FIGURES

GMV (1)



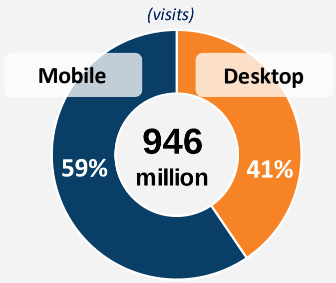
+9.6% growth on a like-for-like basis (2)

Marketplace Share (3)

31.4% → 32.0%

+56 bp

Traffic



+12.4% traffic growth y-o-y

#2 e-commerce site in France with **18 million** unique monthly visitors(4)

Strong base of loyal customers

8.6 million active customers (5)

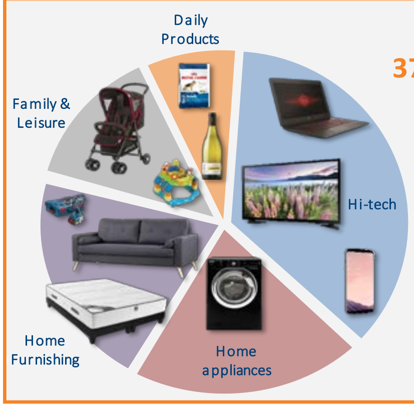
Cdiscount-à-volonté:

+48% of members y-o-y

31% of GMV in 2017 (+1,063 bp y-o-y)

#1 in France & **#3 worldwide** on **social media commitment** among main retailers (6)

Significant expansion of product catalogue in 2017



37m references

x3 in SKUs eligible to **free express delivery**

Acceleration of multichannel strategy

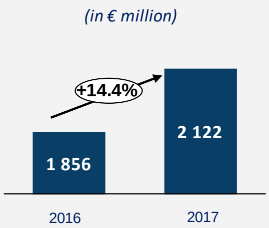
Opening of 4 **Cdiscount Showrooms** in Casino Group stores

700 SKUs

c. 400 sqm

Cdiscount Showroom in Géant Amiens, launched Dec. 4, 2017

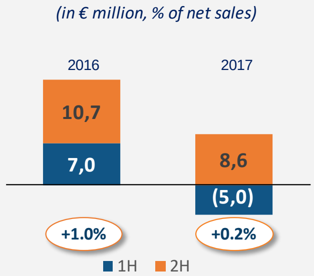
Net sales



+9.3% increase on a like-for-like basis with **13.0% growth** in 2H17

Strong market share gains: **+1.8pt** in volume in 2H17(7)

EBITDA (8)



Impact from strategic plan implementation

Sequential improvement throughout 2017

4Q17 EBITDA(8) above 2016 level

Net financial debt

Net debt position of €(193) million

Impacted by **non-recurring strategic plan implementation costs** in 1H17

(1) Gross Merchandise Volume (GMV) is defined as product sales + other revenues + marketplace business volumes + taxes and is calculated based on approved and sent orders.

(2) Like-for-like: figures have been adjusted to make them comparable across periods, by eliminating: i) operating data related to the specialty sites Comptoir des Parfums, Comptoir Santé and MonCornerDéco due to their sale or closure in 2016, ii) B2B operating data due the voluntary pullback of their sales initiated in the 3rd quarter of 2016, iii) the leap year impact in 2016 (-0.4 pt and -0.3 pt on FY17 GMV and net sales growth, respectively) and iv) Cdiscount sales made to Casino clients in France in relation with the multichannel agreement with Casino effective since June 19, 2017 (+4.3 pts and +5.8 pts on FY17 GMV and net sales growth respectively and +7.6 pts and +10.2 pts in 2H17).

(3) Marketplace share of GMV of www.cdiscount.com in France, calculated on total GMV less businesses not eligible to marketplace (B2B, supplier contribution etc.)

(4) Médiamétrie study published in January 2018, based on October 2017 traffic data.

(5) Active customers at the end of December having purchased at least once through Cdiscount websites and app during the previous 12 months.

(6) Based on Sprinklr study published in February 2018, based on the number of social media commitment in 2017 for main French and US retailers.

(7) Gfk online Market shares for Technical Goods.

(8) EBITDA is calculated as operating profit/(loss) from ordinary activities (Operating EBIT) before depreciation and amortization expenses.

1.2 FINANCIAL HIGHLIGHTS

The following tables set forth our selected consolidated financial data. The consolidated income statement data for the years ended December 2016 and 2017 as well as the consolidated balance sheet data as of December 31, 2016 and 2017 are derived from our audited consolidated financial statements included in "Consolidated Financial Statements" section of this annual report.

The selected historical consolidated financial information should be read in conjunction with section "2 Financial Review," 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 LLP, an independent registered public audit firm.

Our results of operations in any period may not necessarily be indicative of the results that may be expected in future periods. See section "4 Risk Management and Risk Factors" of this annual report.

Key financial figures *€ millions*	**2016**	**2017**	***Change 2017/2016***	***Change 2016/2015***
Net sales	**1,855.7**	**2,122.0**	*+14.4%*	***+6.8%***
Gross profit(1)	**255.3**	**288.7**	*+13.1%*	***+11.3%***
Gross margin(2)	***13.8%***	***13.6%***	*-15 bps*	***+55 bps***
SG&A(3)	(258.1)	(311.6)	*+20.7%*	*+2.3%*
EBITDA(4)	**17.7**	**3.6**	*-79.7%*	*nm*
Cdiscount	25.1	9.1	*-63.7%*	*-99.8%*
Adjusted EBITDA(5)	17.8	4.0	*-77.5%*	*nm*
Operating EBIT(6)	(2.8)	(23.0)	*nm*	*-87.7%*
Net profit/(loss) (from continuing activities)	(65.2)	(92.3)	*nm*	*-25.7%*
Adjusted EPS (from continuing activities) (7)	(0.11)	(0.19)	*nm*	*-8.4%*
Free cash flow - continuing activities (8)	(22.9)	(336.3)	*nm*	*-19.0%*
Net cash/(Net financial debt) (9)	**178.2**	**(193.3)**	*nm*	*nm*

(1) Gross profit is calculated as net sales minus cost of sales.

(2) Gross margin is calculated as gross profit as a percentage of net sales.

(3) SG&A: selling, general and administrative expenses.

(4) EBITDA is calculated as operating profit/(loss) from ordinary activities (Operating EBIT) before depreciation and amortization expenses.

(5) Adjusted EBITDA is calculated as operating profit/(loss) from ordinary activities (Operating EBIT) before depreciation and amortization expenses and share based payment expenses.

(6) Operating EBIT: operating profit/(loss) before other expenses (strategic and restructuring expenses, litigation expenses and impairment and disposal of assets expenses).

(7) Adjusted EPS: earnings per share, excluding non-recurring items.

(8) Net cash from/(used in) operating activities less purchase of property and equipment and intangible assets as presented in the consolidated cash flow statement.

(9) Net cash/(net financial debt) is calculated as the sum of cash and cash equivalents and cash pool balances held in arrangements with Casino Group and presented in other current assets/financial debt, less current and non-current financial debt.
2017 net financial debt includes €23.8 million (US$28.5 million) of restricted cash on an escrow account.

€ millions	For the six months ended,			
	June 30, 2016	Dec. 31, 2016	June 30, 2017	Dec. 31, 2017
GMV	**1,370.3**	**1,624.0**	**1,455.6**	**1,935.0**
Net Sales	**857.8**	**998.0**	**882.3**	**1,239.8**
EBITDA	**7.0**	**10.7**	**(5.0)**	**8.6**
Cdiscount	8.7	16.4	(1.7)	10.8
Holdings	(1.7)	(5.6)	(3.3)	(2.2)
Operating EBIT	**(3.2)**	**0.4**	**(17.0)**	**(6.0)**
Cdiscount	(1.4)	6.0	(13.7)	(3.7)
Holdings	(1.8)	(5.6)	(3.3)	(2.3)
Net financial income (expense)	**(19.3)**	**(11.7)**	**(17.7)**	**(22.6)**
Cdiscount	(18.7)	(18.0)	(18.0)	(22.9)
Holdings	(0.6)	6.3	0.3	0.3

1.3 SIGNIFICANT EVENTS OF THE YEAR

♦ *Casino tender offers*

In connection with the 2016 Reorganization of Cnova Brazil within Via Varejo (please see section "1.2 § *2016 Reorganization: Reorganization of Cnova Brazil within Via Varejo*" of the 2016 annual report), which materially changed Cnova's business profile, Cnova's parent company, Casino, decided to offer Cnova minority shareholders a cash exit in the event they would prefer to no longer remain shareholders of the newly configured Cnova. Grupo Pão de Açùcar (GPA) had previously 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, one in the USA and one in France, to purchase any and all 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). Both offers commenced on December 27, 2016, and were completed as of January 25, 2017.

After completion of the offers, Casino controls circa 99% of the Cnova's issued and outstanding ordinary share capital. As a result, Casino had and still has the right to initiate at its discretion a buy-out procedure as per Dutch law in order to acquire the remaining 1% of Cnova outstanding ordinary shares that it does not hold or control. This right has not been exercised as of the filing of this annual report.

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/).

Following the tender offers, Cnova benefits from a simplified corporate structure (see section 1.5 of this annual report).

♦ *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 1934 Securities Exchange Act.

Cnova's ordinary shares continue to be listed and traded on Euronext Paris.

The NASDAQ delisting and the subsequent suspension from US public reporting obligations have enabled to reduce Cnova holding costs.

♦ *Acquisition of BeezUP*

On July 5, 2017, Cnova acquired 60% of the share capital and voting rights of BeezUP S.A.S. with options to purchase the remaining 40% in 2020 or earlier under specific circumstances. Due to those circumstances, the purchases is considered under IFRS as an acquisition of 100% of the company with a deferred payment for 40%. Total price at that time will be less than €10 million.

BeezUP is a technical SAAS (service as a software) company producing services for marketplace vendors and has developed a solution that enables the aggregation of the distribution of product catalogues from different vendors and orders flow to distribute them on a wide range of partner channels. This allows Cnova to market additional services and improve its marketplace platform in addition to its traditional websites and applications.

♦ *2017: Launch of a strategic plan to accelerate top-line growth*

During 2Q17 Cnova embarked on a strategic growth plan in order to deliver sustainable GMV growth rate while strengthening sources of profitability. Strategic initiatives revolved around four main pillars: product catalogue expansion, multichannel offer reinforcement, enhancements of customer experience (including delivery edges) and technological advantages.

- *Product catalogue expansion:*

Cnova launched a product range extension program designed to significantly increase both the number of SKUs eligible to its loyalty program Cdiscount à Volonté (CDAV) free fast delivery service and marketplace references. In addition to reinforcing its market leading position in Technical goods (Consumer Electronics and Home appliances), Cnova has revamped the Home segment, multiplying by four the number of SKUs in Furniture and Deco to cover all styles, trends and prices, and boosted product diversity and availability of items in Family and Leisure markets (sport, games, …) as well as recurring daily products (organic, pet supplies, baby products, etc.).

By the end of 2017, Cnova had already tripled the number of CDAV-eligible SKUs while the number of marketplace references increased by more than 80%, outpacing by far the objective of 50%. Overall product offerings increased up to 37 million by end December 2017 compared to 17 million at end 2016.

This product catalogue expansion has been supported by a warehouse capacity extension program that plans to increase by 80% total distribution center (DC) floor space between the end of 2016 and the end of the 1st quarter 2018. At the end of 2017, total floor space had already increased by around 70% to 530,000 sqm with three new DCs opened near Orléans, Orly Airport and Bordeaux.

- *Multichannel offer reinforcement:*

In conjunction with the expansion of Cnova’s product catalogue and the objective to generate more synergies with Casino Group in France, Cnova is now managing Home Furnishing and Hi-tech product categories of integrated Géant hypermarkets and Casino supermarkets, providing immediate in-store availability for c. 4,000 references as well as combined promotions and commercial events.

In addition, four Cdiscount showrooms were opened in 2H17 in Géant hypermarkets in Toulouse, Amiens, Nîmes and Quimper. These showrooms of c. 400 sqm each allow Cnova and Casino customers to have direct access to Cdiscount’s best promotions, including best-selling hi tech and best home products with nearly 700 references displayed.

- *Enhancements of customer experience*

Cdiscount significantly enhanced customer experience all along their purchasing journey:

- Before purchase, with the complete revamp of Cdiscount mobile site and application, through increased personalization and gamification, additional functionalities (applications for Google Home on parcel tracking and best deals, Paylib and chatbots) and state-of-the art performance. According to Fasterize data, Cdiscount mobile site now ranks 2nd among main e-commerce sites in France in terms of page loading speed while the Cdiscount application is one of the best rated in the Apple store with a 4.5/5 grade based on nearly 60,000 reviews as of the end of February 2018.

- After purchase, by strengthening its leading position as the fast delivery specialist. In 2017, Cdiscount unique same-day delivery service was extended and is now available in Bordeaux, Lille, Lyon and the Paris region. In addition, after an exclusive test with Chronopost (the French postal service's fast delivery service) in Paris since 2016, Sunday delivery was also extended in 2017 to 14 major French cities. Finally, Cnova became the forerunner of real-time geolocation of large-product deliveries in France thanks to its exclusive partnership with Bringg and currently offers this service in Paris, Bordeaux and Lyon.

Cnova also complemented its Home and financial offer with innovative and market-disruptive services such as "Coup de pouce", an instant consumer credit offer and Cdiscount Energie, a mass-market home energy supply solution that is the most affordable on the market. A new product installation service was launched end 2017, starting with 20,000 eligible references and planned to reach more than 200,000 by end 2018.

- *Technological advantages:*

Innovation is also at the heart of Cnova's strategy. Throughout 2017, Cdiscount launched 52 POCs (Proof of Concept) with start-ups in all services lines, of which nearly two-thirds of finalized tests were industrialized. Among theses was Skypod, a unique and state-of-the-art robotized order picking system developed with Exotec Solutions. This new solution is designed to significantly improve DC productivity and inventory storage surface.

Cdiscount also launched in 2017 the logistics incubator "The Warehouse" and selected, in a first round, four start-ups to work on future challenges in logistics in a 500 sqm dedicated floor space in one of Cdiscount's DCs.

In addition to these strategic initiatives, and as part of the on-going monetization initiatives, Cnova created a complete marketplace ecosystem for its vendors which should further enhance profitability, through the:

- acceleration in Fulfilment by Cdiscount (FBC) with a GMV share and number of SKUs that nearly doubled vs 2016 and development of a new transportation service (interface to access all carriers and parcel tracking at a competitive pricing),
- ramp-up of marketing services with tailored advertising offers,
- financial services such as foreign exchange management and credit offers,
- roll-out of premium packs, i.e. bundled packages of services above, with a specific focus on marketing services and sales monitoring.

Cnova's double-digit GMV growth, market share gains and improvement in financial performance in 2H17 demonstrate the relevance of this plan, which reinforced Cnova's positioning as the leading French e-merchant[1].

[1] According to Gfk data, Cdiscount holds more than 30% online marketshare in Technical Goods

1.4 BUSINESS REVIEW

Key operating data	FY2016	FY2017
GMV[(1)] (€ millions)	2,994.3	3,390.5
Like-for-like GMV growth year-on-year	*13.6%*	*9.6%*
Reported GMV growth year-on-year	*10.5%*	*13.2%*
Marketplace share [(2)]	31.4%	32.0%
Net sales (€ millions)	1,855.7	2,122.0
Like-for-like Net sales growth year-on-year	*10.7%*	*9.3%*
Reported Net sales growth year-on-year	*6.8%*	*14.4%*
Traffic (visits in millions)	841.8	946.1
Mobile share in traffic	53.0%	59.5%
Active customers[(3)] *(millions)*	8.2	8.6
Orders[(4)] *(millions)*	24.7	26.8

(1) Gross merchandise volume (GMV) is defined as product 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 the period, having purchased at least once through Cdiscount websites and application during the 12 previous months.

(4) Total number of placed orders before cancellation due to fraud detection and/or customer non-payment.

1.4.1 OUR HISTORY

Cnova N.V. is a Dutch public limited liability company (*naamloze vennootschap*) incorporated 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 Strawinskylaan 3051, 1077 ZX Amsterdam, 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. We have included our website address in this annual report solely for informational purposes. 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.

Cnova was created in 2014, combining French and Brazilian e-commerce assets of Casino, GPA, Via Varejo and Exito. Cnova was listed under the ticker symbol “CNV” on November 24, 2014, on NASDAQ Global and on January 23, 2015, on Euronext Paris.

Following the 2016 Reorganization, Cnova’s Brazilian activity became wholly owned by Via Varejo, then a GPA subsidiary, and Cnova refocused on its French e-commerce business, Cdiscount (see section 1.2 of the 2016 annual report for more details).

In December 2016, Casino simultaneously launched tender offers, one in USA and one in France, to acquire all outstanding ordinary shares of Cnova at a price of $5.50 per share.

In January 2017, Casino and Cnova announced the final results of the tender offers for the ordinary shares of Cnova N.V. in the United States and France. Following the tender offers, Casino controls circa 99% of Cnova’s share capital and voting rights (see section 1.3 of this annual report for more details).

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 1934 Securities Exchange Act. Cnova's ordinary shares continue to be listed on Euronext Paris.

In the 2016 annual report, an extensive Business Overview and Business Model report was given, setting forth the main characteristics of the Company's business. We refer to such Business Overview and Business Model report, which report should be read in conjunction with this annual report.

1.4.2 BUSINESS AND STRATEGY

Cnova is the leading French e-merchant. In 2017, gross merchandise volume (GMV) totalled €3.4 billion, a 9.6% increase on a like-for-like (l-f-l) basis[1] (+13.2% on a reported basis) with an acceleration in the 2nd half. 2017 commercial performance was boosted by the strategic realignment plan initiated in 2Q17 which led to an historical sales performance in the 3rd quarter and a record-breaking Black Friday in the 4th quarter. Traffic dynamically grew by 12.4% in 2017 to 946 million visits, driven by a 26% increase in mobile visits. Cnova consolidated its 2nd position among e-commerce sites in France with 18 million unique monthly visitors[2].

Net sales amounted to €2.1 billion in 2017, up 9.3% on a l-f-l basis compared to 2016 and with a strong acceleration in 2H17 with a 13.0% y-o-y growth. According to Gfk, Cdiscount posted strong market share gains in Technical Goods (Hi-tech, Computers and Home Appliances) in 2017 with y-o-y market share gains of 1.3pt in value and 1.8 pt in volume on average in the 2nd half of 2017.

The French e-commerce market is constantly evolving with the rapid expansion of marketplaces, mobile share in traffic, express delivery, the development of new services and value-added functionalities, all of which are designed to constantly improve customer experience and reflect the continuous emergence of new players. In this context, we believe that Cnova's wide range of products and services at competitive prices, fast and easy delivery options, convenient payment means and continued innovation give us competitive advantages.

The combination of direct sales and marketplace business allows Cnova to offer a wide and growing product assortment of over 37 million references to 8.6 million active customers, as of December 31, 2017. As mentioned in section "1.3. Significant Events of the Year", Cnova strategic plan includes a massive product range extension program. Total number of product offerings increased by 17 million throughout 2017 to reach 37 million by end December 2017, with the number of SKUs eligible to *Cdiscount à volonté* (CDAV) free express delivery that almost tripled compared to end 2016. Most significant product offerings categories in terms of GMV are Home Furnishing, Home appliances, consumer electronics and computers.

Cnova also strives to offer the best services to retain existing customers and attract new ones. Cdiscount's loyalty program, CDAV, makes customers eligible to free express home shipping for orders equal to or greater than €10 for a competitive annual fee of €19 the first year, as of December 31, 2017. Minimum basket for free next day delivery for CDAV members was lowered from 25€ to 10€ in 2017. CDAV members also benefit from daily private sale offers, exclusive deals and reductions on Cdiscount services. Membership of CDAV continued to grow rapidly in 2017, increasing by 48% compared to December 2016. CDAV customers accounted for 29.7% of total orders in 2017 compared to 18.6% in 2016, purchasing on average three times more frequently than non-CDAV customers. Cnova benefits from a strong base of engaged and loyal customers, as shown by its strong social media profile. According to a Sprinklr study published in February 2018, Cdiscount is number 1 in France and number 3 worldwide on social media engagement (like, shares, comments) among main French and global retailers.

To meet its growing customers' demands, Cnova also successfully launched three innovative services in 2017 with "Coup de pouce," an online instant consumer credit offer, available in only two clicks and within 24 hours (with the express option), Cdiscount Energie, a mass-market home energy supply solution with fast online

[1] *Like-for-like: figures have been adjusted to make them comparable across periods, by eliminating: i) operating data related to the specialty sites Comptoir des Parfums, Comptoir Santé and MonCornerDéco due to their sale or closure in 2016, ii) B2B operating data due the voluntary pullback of their sales initiated in the 3rd quarter of 2016, iii) the leap year impact in 2016 (-0.4 pt and -0.3 pt on FY17 GMV and net sales growth, respectively) and iv) Cdiscount sales made to Casino clients in France in relation with the multichannel agreement with Casino effective since June 19, 2017 (+4.3 pts and +5.8 pts on FY17 GMV and net sales growth respectively, and +7.6 pts and +10.2 pts in 2H17).*

[2] *Médiamétrie study published in January 2018, based on October 2017 traffic data.*

subscription offering the same electricity but 15% cheaper than current fixed electricity rates (France's "*Tarif Réglementé de Vente*"), 2017 and "Cinstallé", a product installation service that should cover more than 200,000 references by end 2018.

During 2017 Cnova also reinforced its multichannel strategy, taking advantage of Casino Group's large network of brick and mortar stores. In 2H17, Cnova opened 4 Cdiscount showrooms in Géant hypermarkets, allowing Cdiscount and Casino customers to have physical access to nearly 700 references in Home Furnishing and Technical goods as well as Cdiscount's best promotions. In addition to these showrooms, Cnova is also managing the Home Furnishing and Hi-tech (audio visual and smartphones) categories of integrated Géant hypermarkets and Casino supermarkets, allowing customers to benefit from in-store immediate availability for c. 4,000 references. On top of that, customers also benefit from the traditional Cdiscount home delivery and Click-&-Collect pick-up as well as the usual hypermarket in-store purchases.

Providing fast and convenient delivery options thanks to efficient and reliable fulfillment services is a key pillar of Cnova's business model. Cnova offers multiple delivery options to customers, including home shipping and Click-and-Collect options. Cnova constantly improves its home delivery service in order to offer maximum flexibility and service level to its clients and is now the fast delivery specialist in France with more than 250,000 eligible references, covering both large and small products, to same-day delivery. Same-day delivery is now available in the Paris region, Lyon, Bordeaux and Lille and will be extended to other large cities in 2018, covering 8 out of the 10 largest French cities. During 2017, Sunday delivery was also extended to 14 major French cities. Cnova has a network of approximately 20,900 Click-and-Collect locations in France for small products and within this the network, approximately 500 Click-and-Collect locations for large products. As a subsidiary of Casino Group, Cnova also has access to a large network of retail outlets to serve as pick-up locations (approximately 840 click-and-collect points), giving the company a distinct competitive advantage. In addition to electronic tracking systems which provide customers with automatic status updates at different stages of the fulfillment process, Cnova also became the forerunner of real-time geolocation of large-product deliveries in France, thanks to its exclusive partnership with Bringg.

Cnova is also focused on providing reliable and efficient fulfillment services. To further serve its customers' needs, Cnova has a network of ten distribution centers in France with a total of 530,000 sqm organized around three main regions: Paris, Lyon and Bordeaux. To support the growing product assortment, warehouse floor space increased by about 70% in 2017. To efficiently process the large number of orders received, Cnova has automated and custom-designed its warehouse space, using 3D packing machines which allow the creation of a customized packaging for each order and generate costs savings. During 2017, Cnova also accelerated the automation of its warehouses with the development of a unique and state-of-the-art order picking system, Skypod, enabling to significantly improve productivity and optimize warehouse space.

Cnova offers a variety of customer payment options: credit and debit cards, PayPal and similar services, bank check, wire transfer, its branded credit card, gift cards and Paylib. Cnova also provides customers with an attractive consumer financing option that allows them to pay for purchases on the Cdiscount site, including the marketplace, in four monthly installments. This installment payment service plan gives Cnova a tremendous competitive advantage. In 2017, this payment option was utilized for approximately 40% of Cnova GMV.

Cnova's product offerings and services are available on sites designed for PCs and mobile devices as well as through applications. In the 4th quarter 2017, mobile visits accounted for 61% of total traffic compared to 55% in the 4th quarter 2016. Mobile share of GMV continued to increase, reaching 39% in the 4th quarter 2017 versus 35% during the same period in 2016. During 2017, Cnova revamped its mobile site and application to further retain and engage customers through increased personalization (customized homepage and messages, targeted offers and product recommendations based on purchasing behavior and geolocation), gamification (new games and challenges every week with 10,000 players per day) and new layouts. Cnova also optimized the performance of its sites and application. As such, Cdiscount is now one of the best rated application in the market on the Apple store with a 4.5/5 grade based on nearly 60,000 reviews and Cdiscount mobile site now ranks 2nd among main e-commerce sites in France in terms of page loading speed according to Fasterize data.

Cnova's marketplace business has experienced rapid growth in France since its inception in 2011: it generated GMV of approximately €1 billion (based on approved and sent orders and including taxes) for the year 2017 and represented nearly a third of Cnova's GMV. During that same period, the number of marketplace product offerings increased by more than 80%, while the number of marketplace sellers increased by 16% to approximately 10,100.

Cnova endeavors to provide a seamless shopping experience to customers who purchase directly or through the marketplace. Cnova monitors the performance of 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. If marketplace sellers do not comply with the terms and conditions of the marketplace agreement, including customer services standards, Cnova retains the right to remove their products from its sites. During 2017 the quality of marketplace vendors showed continuous improvement with customer satisfaction up by 16 points in 4Q17 compared to the same period in 2016.

Since 2014, Cnova has been proposing fulfillment services to third-party sellers in France to promote the competitiveness and growth of the Cnova marketplace as well as to shorten marketplace delivery times. Cnova offers to handle storage, preparation, shipping and customer service on behalf of marketplace sellers, which enables sellers to increase their turnover, benefit from speed delivery and increased customer satisfaction. Cnova's fulfillment services to marketplace vendors strongly accelerated in 2017 with a GMV share that doubled over the year.

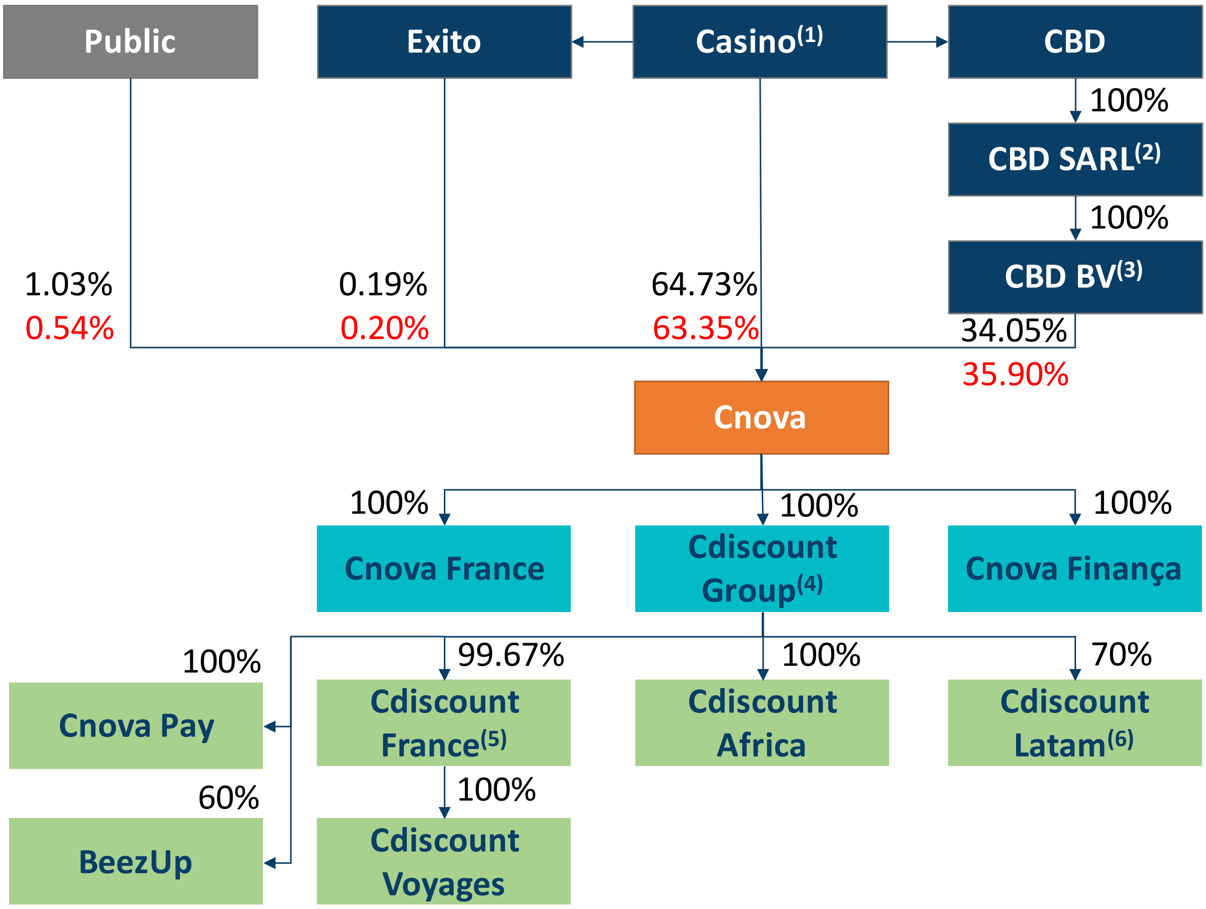
In addition to the fulfillment offer, Cnova developed new services during 2017 to create a complete ecosystem for our vendors. As such Cnova offers premium packages which allow our vendors to have access to sales analysis, higher visibility of their products, sponsored ads and other value-added services for a monthly subscription fee. Cnova also ramped up its marketing services with tailored advertising campaigns, developed new financial services such as currency exchange management and credits and launched transportation services. The development of services to marketplace vendors is a strong growth lever in the acceleration of new revenue streams.

Finally, Cnova is committed to accelerate the dynamics of innovation: Cnova launched 52 POCs (Proof of Concept) with start-ups in 2017 in all service lines (Marketing, logistics, IT…) after having thoroughly analyzed more than 800 partnerships, of which nearly two thirds of finalized tests were industrialized. In addition, Cnova launched a logistics incubator, The Warehouse, with 4 start-ups selected in 2017 to work in one of Cnova's distribution center on new areas of logistics innovation. This program is planned to be rolled out to various fields of logistics innovation in 2018. Artificial Intelligence, voice and chatbots are also playing key roles in the on-going strategic priorities with dedicated data scientists team, new google home applications and the launch of a virtual sommelier.

1.5 ORGANIZATIONAL 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 - please refer to section 2.3.4 of the 2016 annual report) and the Offers (please refer to section 2.3.5 of the 2016 annual report), our corporate structure consists of our Parent Companies and several subsidiaries. We also operate as Cdiscount S.A. in France, with address, 120-126, Quai de Bacalan CS 11584, 33067 Bordeaux Cedex, France, for which the telephone number is +33 5 55 71 45 00.

Our corporate structure on December 31, 2017, based upon information known to us, is set out in the following graphic, where black numbers indicate percentage of ordinary shares held by such entity, and red numbers indicate the percentage of voting rights held by such entity:



(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 0.33% of the share capital is indirectly held by Casino.
(6) The 30% minority interest in Cdiscount LatAm is held by Éxito.

2. FINANCIAL OVERVIEW

2.1 FINANCIAL REVIEW

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, 2016 and 2017 included 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 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.

Income statement

Consolidated Income Statement *€ in millions*	**Full year 2017**	**Full year 2016**	*Change*
Net sales	**2,122.0**	**1,855.7**	*+14.4%*
Cost of sales	(1,833.3)	(1,600.4)	*+14.6%*
Gross profit	**288.7**	**255.3**	*+13.1%*
% of net sales (Gross margin)	*13.6%*	*13.8%*	*-15 bp*
SG&A[1]	**(311.6)**	**(258.1)**	*+20.7%*
% of net sales	*-14.7%*	*-13.9%*	*-78 bp*
Fulfillment	(162.5)	(125.7)	*+29.2%*
Marketing	(45.4)	(33.2)	*+36.7%*
Technology and content	(69.8)	(55.8)	*+25.0%*
General and administrative	(34.0)	(43.4)	*-21.6%*
Operating EBIT before other costs[2]	**(23.0)**	**(2.8)**	*nm*
% of net sales	*-1.1%*	*-0.2%*	*-93 bp*
Other costs (strategic and restructuring, litigation, impairment and disposal of assets)	(26.9)	(18.5)	*+45.6%*
Operating profit/(loss)	**(49.9)**	**(21.3)**	*nm*
Net financial income/(expense)	(40.3)	(31.0)	*+29.9%*
Profit/(loss) before tax	**(90.1)**	**(52.3)**	*nm*
Income tax gain/(expense)	(2.2)	(12.9)	*nm*
Net profit/(loss) from continuing operations	**(92.3)**	**(65.2)**	*nm*
Net profit/(loss) from discontinued operations	(8.0)	132.2	*nm*
Net profit/(loss) for the period	**(100.3)**	**67.0**	*nm*
% of net sales	*-4.7%*	*3.6%*	*nm*
Attributable to Cnova equity holders (incl. discontinued)	(100.0)	73.1	*nm*
Attributable to non-controlling interests (incl. discontinued)	(0.3)	(6.1)	*nm*
Adjusted EPS (€) from continuing operations	(0.19)	(0.11)	*nm*
Adjusted EPS (€) from discontinued operations	(0.00)	(0.40)	*nm*
Adjusted EPS (€)[3]	**(0.19)**	**(0.51)**	*nm*

1) *SG&A: selling, general and administrative expenses.*
2) *Operating EBIT: operating profit/(loss) before other expenses (strategic and restructuring expenses, litigation expenses and impairment and disposal of assets expenses).*
3) *Adjusted EPS: net profit/(loss) attributable to equity holders of Cnova before other expenses and the related tax impacts, divided by the weighted average number of outstanding ordinary shares of Cnova during the applicable period.*

Operating and Financial Review and Prospects

♦ *Company Overview*

We are one of the leading e-commerce companies in France. In 2017, our gross merchandise volume (GMV) amounted to €3.4 billion, a 10% increase on a like-for-like (l-f-l) basis[1].

On a reported basis, including in particular sales in Casino stores, GMV rose by 13.2% compared to 2016. The mobile share of GMV strongly increased at 38.1% for the full year 2017, i.e. +737 basis points compared to 2016. The marketplace share of total GMV reached 32.0% in 2017 compared to 31.4% in 2016. The number of marketplace references increased by more than 80% year-on-year (y-o-y). The share of marketplace GMV fulfilled by Cdiscount more than doubled y-o-y to reach 19% at the end of 2017.

Net sales totaled €2.1 billion in 2017, up 9.3% on a l-f-l basis compared to 2016 (+14.4% on a reported basis). Home furnishings and household appliances accounted for 45% of direct sales, while hi-tech items (AV and smartphones) and IT goods contributed to 35% of direct sales.

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 €37.8 billion sales for the year ended December 31, 2017 including €20.9 billion in France.

As of December 31, 2017, we offered our 8.6 million active customers access to a wide and growing assortment of more than 37 million product offerings through a combination of our direct sales and sales by third-party vendors on our marketplace.

Placed orders increased by 8.3% to reach 26.8 million in 2017 while the number of items sold rose by 6.9% to 52.8 million in 2017. Our loyalty program, *Cdiscount à Volonté* (CDAV), customers accounted for 29.7% of total orders in 2017 compared to 18.6% in 2016, purchasing on average three times more frequently than non-CDAV customers. 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.

♦ *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 (B2B) transactions, across the variety of our product categories. Our product categories include home appliances, consumer electronics, computers, home furnishings, leisure and personal goods. We exclude revenue from items that are returned and orders that are cancelled. Net sales also include revenues generated from commissions from our marketplaces on sales by third-party vendors

[1] i.e. eliminating: i) operating data related to the specialty sites Comptoir des Parfums, Comptoir Santé and MonCornerDéco due to their sale or closure in 2016, ii) B2B operating data due the voluntary pullback of their sales initiated in the 3rd quarter of 2016, iii) leap year impact in 2016 (-0.4 pt and -0.3 pt on FY17 GMV and net sales growth, respectively) and iv) Cdiscount sales made to Casino hypermarket and supermarket clients in France in relation with the multichannel agreement with Casino effective June 19, 2017 (+4.3 pts and +5.8 pts on FY17 GMV and net sales growth respectively, and +7.6 pts and +10.2 pts in 2H17). To be noted at last that 1H17 underlying growth assumption excludes the adjustment related to TV products that had an impact of +1.7pt on the GMV l-f-l growth released in the 1st semester of 2017, as 1H16 was positively impacted by the mandatory shift to Digital Terrestrial Television (DTT) and the Euro football championship

selling products on our sites and application. We launched our first marketplace in France in 2011. To date, our marketplace revenues represent an improving portion of our total net sales, however, our goal is to expand our marketplace business significantly in the coming years, including the expansion of our program to provide fulfillment services to marketplace sellers for a fee, as well as other services (marketing, financial and transportation services), which should 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.

We also 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.

In conjunction with the expansion of Cnova's product catalogue as well as to achieve more synergies with Groupe Casino in France (Casino), Cnova has implemented with Casino a reinforced multichannel strategy which allows integrated Géant hypermarkets and Casino supermarkets (collectively, "DCF") as well as Cdiscount to carry the same home furnishing, hi-tech and household appliance items, offer a wider variety of delivery options to DCF and Cdiscount customers (Cdiscount home delivery, Click-&-Collect pick-up, online purchase with immediate DCF in-store pickup and the usual in-store purchases) and achieve operational cost savings. As a consequence, Cnova is now managing both DCF's and Cdiscount's home furnishing, hi-tech and household appliance inventories. As part of this agreement, Cdiscount and DCF have agreed that Cdiscount would acquire the DCF inventory of those goods, which total value amounted to €68 million before taxes (or €82 million including taxes), of which €78 million including taxes was paid at end June 2017. Goods were acquired at the Casino internal sales price with a discount based on Cdiscount obsolescence guidelines for products labelled as showing a degree of obsolescence. To further improve its catalogue, Cdiscount purchased in December 2017 from DCF €10.5 million of inventory under the same conditions. In accordance with IFRS, Cnova has to recognize the sales to the final customers through all channels (including classic in-store sales) as Cnova is acting as principal in this transaction, with the related margin of DCF, the agent, being deducted through fulfilment costs. Accordingly, for goods sold via classic in-store sales, the pricing of the product sold by Cdiscount to DCF is based on the purchase price net of rebates, which will be deemed the internal sales price plus a margin of 1.33% net of costs. As a reminder, the impacts on growth of this initiative were +4.3 pts and +5.8 pts on FY17 GMV and net sales growth respectively, and +7.6 pts and +10.2 pts in 2H17.

Net sales are primarily driven by growth in our active customers, the frequency with which customers purchase products from our sites as well as 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.

Our net sales increased by €266.3 million, or 14.4%, from €1,855.7 million for 2016 to €2,122.0 million in 2017. Net sales also include market place commissions which now represent 32.0% of our total GMV increasing over the same period of last year by 56 bp home furnishings and household appliances accounted for 45% of direct sales, while hi-tech items (audio visual and smartphones) and IT goods represented 35%.

♦ *Cost of sales*

Cost of sales relates 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 are included in our inventory and recognized as cost of sales upon sale of products to our customers.

Starting June 19, 2017, as part of the multichannel agreement with DCF explained above, for goods sold via classic in-store sales, cost of sales includes the value of inventory sold to DCF for resale to the end customers.

Cost of sales is 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 postal addresses. As our business grows in size, we expect a corresponding increase in our cost of sales.

Cost of sales increased by €232.9 million, or 14.6%, from €1,600.4 million in 2016 to €1,833.3 million in 2017. Our cost of sales was 86.2% of our net sales in 2016, compared to 86.4% of our net sales during 2017. The increase was driven by different factors. We experienced an increased volume of sales of large home appliances and home furnishing products, which tend to be more expensive to ship than other products. As part of our commercial strategy, we offered customers free shipping on certain orders.

♦ *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.

Starting June 19, 2017, as part of the multichannel agreement with DCF explained above, for goods sold via classic in-store sales, as Cnova is acting as principal in this transaction, the related margin of DCF, the agent, is recorded as an increase in fulfilment 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 size 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.

Fulfillment expenses increased by €36.7 million, or 29.2%, from €125.7 million in 2016 to €162.5 million in 2017. As a percentage of net sales, our fulfillment expenses increased from 6.8% in 2016 up to 7.7% of our net sales in 2017. This increase reflects the investment made in customer relationship management tools and the initial impact of the expansion in warehouse capacity as part of the strategic plan implementation costs.

Marketing costs

Marketing costs consist primarily of online 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. 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 program, *Cdiscount à Volonté*.

Marketing costs increased by €12.2 million, or 36.7%, from €33.2 million in 2016 to €45.4 million in 2017. As a percentage of net sales, our marketing expenses increased from 1.8% in 2016 up to 2.1% of our net sales in 2017. The cost of the company's launch of its strategic realignment plan and the increase in promotional advertising during the 2nd quarter of 2017 primarily explains the rise in marketing costs. In addition, the implementation of the new brand strategy launched in the last quarter of 2017 also explains part of the increase.

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 disruptive services.

Technology and content costs increased by €14.0 million, or 25.0%, from €55.8 million in 2016 to €69.8 million in 2017. As a percentage of net sales, our technology and content expenses increased from 3.0% in 2016 up to 3.3% of our net sales in 2017. The cost of the company's launch of its strategic realignment plan during the 2nd quarter of 2017 with the expansion of the IT team (data scientists team dedicated to the treatment of big data, sites and app revamp) primarily explains the increase in technology and content expenses.

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.

General and administrative costs decreased by €9.4 million, or 21.6%, from €44.4 million in 2016 to €34.0 million in 2017. As a percentage of net sales, our general and administrative expenses decreased from 2.3% of our net sales in 2016 down to 1.6% in 2017. This decrease was primarily driven by a stricter cost control. In addition, 2016 was positively impacted by the reversal of a €5.2 million provision at the holding level that had been booked in conjunction with former operations in Brazil. In relation to the reclassification of Cnova Brazil as discontinued activity, the consolidated general and administrative costs of 2016 include the positive impact of the reversal of this €5.2 million provision (those costs were borne by Cnova Brazil and are reported in "result from discontinued activities").

♦ *Other expenses*

Strategic and restructuring expenses

In 2017, we incurred €9.9 million on restructuring costs in relation to the implementation of our new expansion strategy.

Litigation costs

In 2017, we incurred €10.2 million on litigation costs, of which €5.9 million with a financial provider, €2.1 million on tax property regarding DCs, and €1.5 million on VAT issues, expenses related to disputes with suppliers were limited to €0.5 million (including legal costs).

Impairment and disposal of Assets

In 2017, we had €6.8 million of impairments consisting of €5.0 million related to a one-off on B2C receivables and of discontinued IT development at Cdiscount for €1.8 million in relation to projects that have been replaced by new IT developments.

♦ *Net financial income (expense)*

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 associated with installment payments. Approximately 40% of Cdiscount sales and GMV are paid by our customers through four instalment 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.

Net financial expense increased by €9.3 million, or 29.9%, from €31.0 million in 2016 to €40.3 million in 2017, reflecting higher costs of consumer financing activities which grow in line with the business.

♦ *Income tax gain (expense)*

Income tax expense went from €12.9 million in 2016 down to €2.2 million in 2017. The change in taxes is mainly related to the impairment of the remaining deferred tax asset for €10.8 million in 2016. No deferred tax asset was recognized in 2017.

♦ *Net result from discontinued activities*

In December 2015, Cnova decided to sell its 80% share in Cdiscount Vietnam and the sale became effective on March 1, 2016. Similarly, Cnova sold its subsidiary Cdiscount Thailand in April 2016. In addition, we closed our operations in Panama and Ecuador in the third quarter of 2015 and decided to discontinue our operations in Colombia, Cameroon and Senegal in June 2016 and Ivory Coast in November 2016; finally, we sold Cnova Brazil on October 30, 2016. Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the net results of these former subsidiaries, including the disposal results and all related costs are presented as discontinued operations for the years ended December 31, 2016 and 2017.

Cash-flows and working capital

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 in this annual report, provide additional financial information regarding our liquidity and capital resources.

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

€ thousands	December 31, 2017	December 31, 2016
Net cash from/(used in) continuing operating activities	**(267,675)**	**(21,114)**
Net cash from/(used in) discontinued operating activities	6,524	(585,469)
Net cash from/(used in) continuing investing activities	**(72,640)**	**78,892**
Net cash from/(used in) discontinued investing activities	2,729	25,106
Net cash from/(used in) continuing financing activities	**352,111**	**324,258**
Net cash from/(used in) discontinued financing activities	(1,667)	137,470
Effect of continuing changes in foreign currency translation adjustments	-	-
Effect of discontinuing changes in foreign currency translation adjustments	(72)	259,551
Change in cash and cash equivalents continuing, net, at end of period	**11,796**	**(224,253)**

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 our business expansion will be the primary driver of cash flow generation through both working capital and operating cash flows.

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 end of the year shopping period in France (Black Friday at end-November followed by 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.

In general throughout the year, 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 in days of sales may vary from period to period.

We had cash and cash equivalents of €23.6 million and €4.2 million as of December 31, 2017, and December 31, 2016, respectively. 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. 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 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 €570.7 million and €576.6 million as of December 31, 2017, and December 31, 2016, respectively. There is generally a higher level of days 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. In 2017, the slight decrease in trade payables relates to the accelerated payment to our suppliers compared to prior years.

Our net inventories of products amounted to €407.9 million and €224.8 million as of December 31, 2017 and December 31, 2016, 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. In 2017, the increase is mainly related to our strategic assortment expansion plan and multichannel agreement with the Casino Group.

♦ *Cash From/(Used in) Operating Activities*

Cash from operating activities in the year ended December 31, 2017, was €(267.7) million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €13.2 million decrease in trade payables, a €80.2 million increase in trade receivables and a €183.1 million increase in inventories. 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, 2016, was €21.1 million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €41.5 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/(Used in) Investing Activities*

Cash used in investing activities was €(72.4) million in the year ended December 31, 2017, and was primarily attributable to €(68.6) million in acquisitions of property, equipment and intangible assets. This included capital expenditures mainly related to IT investments (mostly IT investment in mobile site and application and improved state-of-the-art marketplace platform) as well as upgraded logistics systems and distribution centers expansion.

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 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/(Used in) Financing Activities*

Cash from financing activities was €352.1 million in the year ended December 31, 2017, and was primarily attributable to €384.7 million of credit lines received from Casino and €8.5 new financial debt, offset by €39.9 million of net interest paid primarily related to the instalment payments.

Cash used in financing activities was €(324.3) million in the year ended December 31, 2016, and was primarily attributable to €275.0 million of credit lines reimbursed to Casino, to €31.7 million of net interest paid primarily related to the instalment payments and to the €10.2 million reimbursement of financial debt.

Financial position

€ thousands	December 31, 2017	December 31, 2016
Free cash flows (last twelve months)	**(336,267)**	**(22,932)**
Net financial debt	**(193,328)**	**178,148**
Group equity	**(121,550)**	**(21,245)**

♦ *Free cash flow*

Free cash flows of the last twelve months were €22.9 million at December 31, 2016 compared to €(336.3) million at December 31, 2017. This change of €313.3 million is primarily due to the net result in 2017 of €(92.3) million, the change in working capital of €(244.2) million, including the impact of €(183.1) million related to the strategic plan on assortment and €68.6 million of capital expenditures in 2017, partially offset by the non-cash and non-operating items of €68.8 million.

♦ *Net financial debt*

€ thousands	December 31, 2017	December 31, 2016
Cash and cash equivalents (1)	43,760	15,264
Plus cash pool balances with Casino presented in other current assets	837	246,735
Less net current financial debt	(237,926)	(83,852)
Less net non-current financial debt	-	-
Net cash/(Net financial debt)	**(193,328)**	**178,148**

(1) including €23.8 million (US$28.5 million) of restricted cash on an escrow account

Net financial debt went from a net cash position of €178.1 million at December 31, 2016 to a net financial debt position €(193.3) million at December 31, 2017. This change of €371.5 million is primarily due to the negative change in working capital of €244.2 million (impacted by the change in inventory in relation to our strategic plan on assortment), the capex investments of €68.6 million and the interest paid of €39.9 million

♦ *Group equity*

Group equity went from €(21.2) million at December 31, 2016 to €(121.6) million at December 31, 2017. This change of €100.4 million is primarily due to the consolidated comprehensive income for 2017 of €100.5 million.

2.2 RESEARCH AND DEVELOPMENT

Our research and development strategy is centered on building and enhancing our e-commerce platforms, both on desktop and mobile (site and application) 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, data-driven advertising and digital initiatives.

We incurred approximately €55.8 million and €69.8 million of research and development expenses in 2016 and 2017, respectively.

2.3 OUTLOOK

In 2018, Cnova plans to accelerate the implementation of its strategic plan to offer the best on- and offline customer experience and reinforce its market positions through 4 main pillars:

- Offer the best products and services to its customers
    - Reinforce its leadership in large products, benefiting from fast delivery and installation services.
    - Drive increase in repurchases through assortment (daily products), CDAV and product subscription.
    - Launch new services with landmark partners, starting with a new long-term leasing offer.

- Further improve the customer experience at all steps
    - Increased personalization and gamification on Cdiscount mobile site and application.
    - Implement the rollout of Cdiscount’s unique same-day delivery offer to more large French cities.

- Accelerate monetization
    - Benefit from the ramp-up of Marketplace services to sellers.
    - Generate new revenue streams based on a unique data expertise.

- Become a platform that is increasingly more open
    - Accelerate the dynamics of innovation in all departments through POCs with start-ups.
    - Develop partnerships with third parties.

3. RISK MANAGEMENT AND RISK FACTORS

3.1 APPROACH TO RISK MANAGEMENT AND BUSINESS CONTROLS

The Board of Directors (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, 2017. 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, 2017, 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, 2017. Based on this evaluation, the Company concluded that our disclosure controls and procedures were effective as of December 31, 2017. 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”).

3.2 RISK FACTORS

3.2.1 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, the 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 have been named as defendants in a securities class action (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) asserting claims arising out of the subject matter of an internal review at Cnova Brazil, including issues related to inventory management and 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.

On May 22, 2017, the parties reached a memorandum of understanding to settle the class action that contemplated that, among other things, without admitting fault or liability on behalf of the defendants, the claims against them would be released and resolved in exchange for a payment of $28,500,000. On October 11, 2017, the court entered an order preliminarily approving the settlement and conditionally certifying the class for purposes of the settlement. The settlement amount was funded shortly after preliminary approval primarily with proceeds from insurance. The time period to object to, or opt out from, the settlement has passed and no objections or opt out notices were received. On March 19, 2018, the court entered an order giving final approval to the settlement and releasing defendants of the claims alleged against them.

The vast majority of this settlement amount is funded by Cnova's insurers. The remainder as well as all expected related costs are covered by Cnova's provision recorded in 2016 representing insurance deductible and total expected legal costs. Accordingly, the settlement should have no material impact on Cnova's net results.

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 the 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.

3.2.2 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. Increase in competition may maintain pressure to increase quality of services while lowering prices and thus could further weigh on Cnova's profitability.
- 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.
- 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.
- 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.
- We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- Cnova is exposed to the risk of business interruption, that could occur due to disruptions of the information system availability (including on the opening day of the sales or on Black Friday),

unavailability of our major distribution site, or the unavailability of a major provider (such as a provider of own-brand products or a call-center during a high activity period).

- If we do not operate our fulfillment centers effectively and efficiently, our business, financial condition and operating results could be harmed.
- We may be subject to product liability claims if people or property are harmed by the products we sell.
- Misappropriation of money or products of the company by an employee or a third party could involve loss of revenues, damage to reputation and could have significant consequences.
- Our online marketplaces are subject to risks associated with third-party sellers, failure to acquire enough quality marketplace merchants while removing those offering lower quality products and failure to develop marketplace operations in new countries or new services for marketplace merchants.
- 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.
- If we fail to retain existing customers or acquire new customers, our business may not grow.
- The development of "Cdiscount à volonté" loyalty program aims to engage the customers and thus secure business volumes. Cnova needs to develop an offer as least as attractive as the competition to avoid creating an imbalance in the French market that would allow competition to distance itself from Cnova.
- The new brand positioning involves the reinforcement of quality standards related to client relationships. The lack of evolution of the tools and services available to the client compared to competitors and clients' expectations may impact perceived quality and lead to a decline in sales volume.
- Business practices to understand customer behavior could be considered aggressive and a regulatory change could limit the use of these practices.
- Our vendor relationships subject us to a number of risks, including vendor bankruptcy, inadequate monitoring and reporting tools related to performance of purchasing, failure to maintain good relationships or attract new suppliers and absence of long term arrangements with most vendors.
- If a supplier is deemed to be in a situation of economic dependence with Cnova, the event of a cessation of commercial relations may involve financial sanctions for Cnova.
- 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 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.
- 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 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.
- 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.

- 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.
- Some of our software and systems contain open source software, which may pose particular risks to our proprietary software and solutions.
- The absence or insufficient governance of social media could lead to damage to the reputation of Cnova.
- 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.
- 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.
- Employment laws in France are relatively stringent.
- 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 are subject to foreign exchange fluctuations.
- 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.

3.2.3 Risks Related to the 2016 Reorganization and the Offers

- 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 limitation has, subject to all terms and conditions of the Reorganization Agreement, been reduced from $60 million on October 31; 2016, to $50 million on October 31, 2017.

3.2.4 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.

3.2.5 Risks Related to Our Ordinary Shares

- The price of our ordinary shares may be volatile, and investors may lose part or all of their 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 permanently 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 were to opt to do so, the buy-out price would be determined by the competent Dutch court and may be, or not, equal to the offer price.

3.2.6 Risks Related to Our Incorporation in the Netherlands

- We do not comply with all the provisions of the DCGC (as defined below). This may affect an investor’s 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.

3.2.7 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, 2017.

Foreign Currency Risk

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

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 could impact revenues from cash and cash equivalents as well as the cost of installment payments.

Equity risk

We do not hold any significant interests other than in 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 €23.6 million and €4.2 million as net cash and cash equivalents as of December 31, 2017, and December 31, 2016, respectively. Cnova’s liquidity is also dependent on financing from Casino, its Parent Company (see Notes 11 and 23 to our financial statements included elsewhere in this annual report).

4. 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 2016 (“DCGC”). The DCGC, as amended most recently with effect from January 1, 2017, first 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 Euronext Paris. The text of the DCGC can be accessed at http://www.mccg.nl.

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 and the statement contained in the DCCG’s preamble that corporate governance requires a tailor-made approach. 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 at which time the delisting from NASDAQ became effective and the subsequent suspension from US public reporting obligations. In addition, we complied in 2017 with the provisions of the DCGC, insofar as these provisions were not inconsistent with the aforementioned NASDAQ rules and U.S. Securities laws applicable to us until March 3, 2017, and except for the deviations listed below. The current deviations from the DCGC may be a reflection of structures and schemes created during our listing on NASDAQ, or emanate from the common governance practices applicable to companies part of Groupe Casino.

Cnova has adopted a Code of Business Conduct and Ethics. The text of Cnova's Code of Business Conduct and Ethics can be accessed at www.cnova.com. The Company does not voluntarily apply other formal codes of conduct or corporate governance practices.

The provisions from the DCGC we do not apply, do not comply with or deviate from, are the following:

Internal audit function (Principle 1.3 and associated best practice provisions)

As a company that is controlled by Casino, and pursuant to the management agreement entered into with Casino and Euris, internal audit support is provided by the internal audit function of Casino. Cnova’s Board of Directors has no approval or nomination rights with regards to the appointment or dismissal of the internal auditor under the terms and conditions of the aforementioned management agreement. The Board has concluded that the audit support provided by the internal audit function of Casino currently provides an adequate alternative to establishing a separate internal audit department for Cnova.

The internal audit function of Casino (annually) reports its findings to, and discusses and aligns its audit plan pertaining to Cnova with, the Audit Committee.

Retirement schedule (best practice provision 2.2.4)

Cnova has not posted the retirement schedule for the members of the Board on its website. However, all terms of office are disclosed annually in Cnova's annual report (see chapter 5.1).

Contents of the Board Rules (best practice provision 2.3.1)

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 (best practice provision 2.3.2)

The Board 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.

Oversight of misconduct and irregularities (best practice provision 2.6.4)

Actual or suspected misconduct or irregularities are being monitored by the company and are reported to the Board along with the development of any ongoing investigation and the adequate follow-up of any recommendations for remedial actions related to them, when deemed necessary. The Board oversight is currently restricted to the most serious cases and does not encompass all reported actual or suspected misconduct or irregularities reported through the company’s proper channels.

Remuneration (Principle 3.1 and certain associated best practice provisions)

- *Remuneration Policy (best practice provision 3.1.2)*

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. 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. In addition, shares awarded to our executive directors are not necessarily subject to a five-year lock up and options awarded to our executive directors are not necessarily subject to a three year vesting period, as recommended by best practice provision 3.1.2 DCGC.

- *Share ownership (best practice provision 3.3.2)*

In 2017, certain directors tendered their shares into the Tender Offer of Casino for the ordinary shares of Cnova. More specifically, Eleazar de Carvalho Filho, Non-Executive Director, sold 5,665 ordinary shares, Silvio J. Genesini, Non-Executive Director, sold 5,665 ordinary shares, Bernard Oppetit, Non-Executive Director, sold 125,714 ordinary shares, and Antoine Giscard d’Estaing, Chairman and Non-Executive Director, sold 2,200 ordinary shares.

For a detailed discussion of the implementation of our Remuneration Policy, see “5.5 Remuneration Policy of Directors”.

- *Attendance of nominee director at general meeting (best practice provision 4.1.8)*

Due to a conflicting appointment, Mr. Hidalgo could not attend the extraordinary general meeting of shareholders held on January 13, 2017 for purposes of, inter alia, his appointment as non-executive director.

5. BOARD OF DIRECTORS

5.1 BOARD MEMBERS

In the Company's Annual General Meeting of Shareholders, held on May 23, 2017, 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. Also, on November 7, 2017, the Board appointed Mr. Jean-Yves Haagen as replacement non-executive director, replacing Mr. Yves Desjacques, who resigned from the Board on the same date. The individuals listed below are our current directors and replacement director.

Antoine Giscard d'Estaing
Chairman of the Board of Directors
Chief Financial Officer of Casino Group

Ronaldo Iabrudi dos Santos Pereira
Vice-Chairman
Chief Executive Officer of CBD

Eleazar de Carvalho Filho
Director
Founding partner of Virtus BR Partners

Silvio J. Genesini
Independent Director
Independent Board Member

Bernard Oppetit
Independent Director
Chairman of Centaurus Capital

Arnaud Strasser
Director
Executive Director of Corp. Dev. & Holdings of Casino Group

Emmanuel Grenier
Executive Director
CEO of Cnova & Cdiscount

Jean-Yves Haagen
Director
General Counsel of Casino Group

Christophe José Hidalgo
Director
Chief Financial Officer of CBD

Name	Date of initial appointment	Current term	Nationality	Year of birth
Non-executive directors				
Mr. Antoine Giscard d'Estaing, Chairman	May 20, 2015	2015-2018	French	1961
Mr. Jean-Yves Haagen (*)	November 7, 2017	2017-2018	French	1964
Mr. Silvio J. Genesini (1)(2)	December 8, 2014	2015-2018	Brazilian	1952
Mr. Eleazar de Carvalho Filho	October 31, 2014	2016-2019	Brazilian	1957
Mr. Ronaldo Iabrudi dos Santos Pereira (2)	July 24, 2014	2017-2020	Brazilian	1955
Mr. Bernard Oppetit (1)	November 19, 2014	2016-2019	French	1956
Mr. Arnaud Strasser (2)	May 30, 2014	2017-2020	French	1966
Mr. Christophe José Hidalgo	January 13, 2017	2017-2020	French	1967
Executive director				
Mr. 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. Haagen was appointed as replacement non-executive director on November 7, 2017, with a term lasting to the 2018 AGM.

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 Hautes Études Commerciales (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 Casino Group's Executive Committee.

Jean-Yves Haagen was appointed as replacement non-executive director on November 7, 2017. Mr. Haagen, Casino's general counsel since September 2014, is a graduate of the Institut d'Etudes Politiques de Paris and the Centre Européen Universitaire of Nancy where he completed Master's degrees in both European Community Law and Advanced European Studies. He also holds a Bachelor of Laws degree from the University of Nancy. He has been an in-house legal counsel for almost 30 years and has held various legal and executive positions in France and overseas in the industry/engineering sector (Areva and Thales) and more recently in the international soft commodities trading sector (Louis Dreyfus Commodities BV).

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 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, 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., Alpargatas S.A., Vale S.A., among others. He currently serves as director of FMC Technologies, Inc., director and member of the audit committees TechnipFMC plc, Brookfield Renewable Energy Partners and Grupo Pão de Açúcar (GPA), where he is also chairman of the financial committee, and 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 School of Advanced International Studies.

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 Grupo Pão de Açùcar (GPA), chairman of the board of directors of Via Varejo, 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 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 GPA 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.

5.2 BOARD STRUCTURE

Our Company has a single-tier board of directors. The Board consists of nine directors, including eight non-executive directors (including one replacement director) and one executive director. The terms of our directors will expire at the annual general meeting of shareholders in 2018 (for Silvio Genesini, Jean-Yves Haagen and Antoine Giscard d'Estaing), 2019 (for Bernard Oppetit, Eleazar de Carvalho Filho and Emmanuel Grenier) and 2020 (for Christophe Hidalgo, Arnaud Strasser and Ronaldo Iabrudi dos Santos Pereira). Non-executive Directors are expected to serve three-year terms, although the internal rules for the Board 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 Board to ensure that the ratio of (a) non-independent members of the Board appointed by GPA divided by (b) the total number of non-independent members of the Board shall be at least equal to the economic interest of GPA 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 of the Company. In addition, under our Articles of Association, the Board may appoint other persons who are not a member of the Board 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. The Board may at any time determine that the specific circumstances require the Board 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’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 require the affirmative vote of a majority of the Directors present or represented at any meeting of the Board where at least a majority of the full board is present or represented. The chairman of the Board casts the deciding vote in the event that any vote of the Board results in a tie. The Board may also act by written consent, evidenced by a resolution of the Board signed by at least a majority of the full Board.

The Board has adopted internal rules concerning the organization, decision-making and other internal matters of the Board and the Board committees. The Board as a whole or the CEO (or, if appointed, any Non-Board Co-CEO) individually is authorized to represent us in dealings with third parties. The 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.

5.3 DIRECTOR INDEPENDENCE

All non-executive directors of Cnova are independent within the meaning of the DCGC. The recommendations under the DGCC with respect to the composition of the Board and its committees in terms of independence, have been complied with.

5.4 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 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, including the CEO, is assessed at least once a year.

The last meeting of the Board without the CEO being present to discuss the functioning of the Board as a whole and the individual directors took place on February 22, 2017. The evaluation was carried out on the basis of a discussion among the non-executive directors. In the context of this evaluation, the Board concluded that it, its committees and its members, are functioning properly.

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 the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

5.5 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 the Board with enough flexibility to tailor its remuneration practices on a case by case basis. In determining the remuneration of directors, the Board (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. At its discretion, the Board (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 changes to the individual directors’ remuneration packages from time to time in a manner consistent with our remuneration policy.

The Board 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.

The below tables show the compensation paid by us and our subsidiaries to our executive and non-executive directors in the 2017 fiscal year. In determining the level and structure of the compensation of our directors, relevant scenario analyses and peer company analyses were carried out and have been considered. 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 USD unless otherwise stated.

Name and title	Director fees	Audit Committee fee	Audit Committee attendance fee	N&RC fee	N&RC attendance fee	Long term incentive award (RSA) in Euros (3)
Antoine Giscard d'Estaing, Chairman	10,000					
Ronaldo Iabrudi dos Santos Pereira, Vice-Chairman	10,000			5,000	6,000	
Eleazar de Carvalho	40,000					12,324
Christophe Hidalgo (1)	9,671					
Silvio Genesini	40,000	10,000	10,000	10,000	7,500	12,324
Arnaud Strasser	10,000			5,000	4,500	
Bernard Oppetit	40,000	20,000	10,000			12,828
Jean-Yves Haagen, replacement director (2)	959					

(1) Mr. Hidalgo was appointed on January 13, 2017, and is entitled to 353 days remuneration
(2) Mr. Haagen was appointed as replacement non-executive director on November 27, 2017, and is entitled to 35 days remuneration.
(3) Based upon the closing share price on Euronext Paris in Euros on the vesting date of the relevant RSA.

Remuneration for Executive director

During his tenure as executive director in the 2017 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation, excluding payroll taxes born by the company) amounted to 1,097,000 €.

Pay Ratio

As recommended by best practice provision 3.4.1 sub iv of the DCGC, this Annual Report contains a pay ratio, setting out the ratio between the remuneration of the Company's executive director(s) and a representative reference group, as selected by the Company. With reference to the guidance issued by the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving) on December 5, 2017, the Company has decided to determine the pay ratio as follows: it compares the total fixed and variable cash remuneration paid by the Company and its subsidiaries to its executive director in 2017 with the average total fixed and the average variable cash remuneration paid by the Company and its subsidiaries to all full time employees of Cnova N.V., Cnova France and Cdiscount Group in 2017, which remuneration excludes long term incentive plans or share based compensation. To calculate the ratio, we have annualized the salaries of employees who had worked with us for less than a year during 2017.

The Company is of the opinion that this constitutes a fair comparison between the total remuneration of its executive director and a representative group comprising junior, medior and senior employees employed in a range of departments. This ratio is as follows in 2017: Representative Group: CEO = 1: 4.65.

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, 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. The fixed compensation in cash amounts to $40,000 annually. The compensation in equity consisted of $60,000 worth of Cnova restricted stock awards, the worth of which was determined at the day of granting the restricted stock awards (see "—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:

			Vesting Schedule					
Name	Number of RSAs	Grant Date	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, 2017, and December 8, 2017, respectively, the third and last 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, Hidalgo, Haagen, Iabrudi and Strasser, a fixed annual retainer of $10,000 supplemented with fees related to committee memberships (if applicable) 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.

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.

5.6 ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

As recommended by best practice provision 2.4.4. DCGC, the below tables show the absenteeism rate from Board and Committee meetings of each non-executive Board member, where an 'X' marks attendance at the respective meeting.

Board meetings 2017

Name	1 February	22 February	23 March	23 May (Amsterdam)	24 October	8 December
Antoine Giscard d'Estaing	X	X		X	X	X
Ronaldo Iabrudi	X	X	X	X	X	X
Christophe Hidalgo	X	X	X	X	X	X
Arnaud Strasser	X	X	X			X
Eleazar de Carvalho	X	X		X	X	X
Silvio Genesini	X		X	X	X	X
Bernard Oppetit	X		X		X	X
Jean-Yves Haagen (*)						X

(*) Mr. Haagen was appointed as replacement non-executive director on November 7, 2017

Audit Committee Meetings

Name	20 February	13 March	25 September	20 October	5 December
Bernard Oppetit	X	X	X	X	X
Silvio Genesini	X	X	X	X	X

Nomination and Remuneration Committee Meetings

Name	20 February	13 March	20 April	21 July	6 November
Silvio Genesini	X	X	X	X	X
Ronaldo Iabrudi	X		X	X	X
Arnaud Strasser	X	X	X		

5.7 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.

5.8 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.

5.8.1 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."

The main items discussed at the meetings of our audit committee in 2017 included those listed in article 4 of the Company's Audit Committee Charter, as can be found on www.cnova.com.

5.8.2 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.

The main items discussed at the meetings of our nomination and remuneration committee in 2017 included those listed in the Company's those listed in the Company's Nomination and Remuneration Committee Charter, as can be found on www.cnova.com.

5.9 DIVERSITY POLICY

Cnova believes that diversity is important to support good decision making, and it is committed to supporting, valuing and leveraging diversity in the composition of its Board of Directors. In pursuing this goal, on December 8, 2017, the Board approved the Diversity Policy of Cnova, which sets out the company's targets relating to diversity in the composition of the Board. The Diversity Policy is available on our website. Since its approval, the Diversity Policy is used by the Board and its Nomination and Remuneration Committee during the selection, recommendation and nomination of the Company's directors.

The current composition of the Board diverges from the targets set out in the Diversity Policy. This is primarily due to the selection of the current members of the Board based on the required profile and their backgrounds, experiences, qualifications, knowledge, abilities and viewpoints without positive or negative bias on gender or other diversity aspects such as age or nationality. In the course of 2018 compliance with the Diversity Policy's targets as to, among others, gender, will be featured on the agenda of the Nomination and Remuneration Committee meetings. The Nomination and Remuneration Committee will then inform the Board on the proposed steps to be taken to achieve compliance with the Diversity Policy.

5.10 CONFLICT OF INTEREST

In accordance with the Board Rules, a Director shall not participate in the deliberations and decision-making of the Board 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 the Board Rules, a Director is required to report a potential conflict of interest to the Chairman of the Board and the Board (excluding the Director concerned) shall resolve whether the reported potential conflict of interests qualifies as an actual conflict of interests.

During 2017, we did not enter into transactions in respect of which there was a conflict of interests between us and any of our Directors which is (or was) of material significance to us or such Director(s).

5.11 CORPORATE VALUES

Our corporate values are described in our Code of Business Conduct and Ethics, which forms a set of guidelines that explain how all of our directors, officers and employees are expected to behave as they conduct the Company's affairs. Our Code of Business Conduct and Ethics addresses both ethical standards and obligations for complying with the laws and regulations of the countries where we conduct business, as well as how we are all expected to respond to unacceptable behavior. We urge our directors, officers and employees to give their full attention to reading and understanding the Code of Business Conduct and Ethics. We believe that compliance with that Code is not only good business—it is a requirement for all directors, officers and employees of Cnova and its subsidiaries. Our directors, officers and employees are expected to act with total transparency and report in good faith any violations of the Code.

6. EXECUTIVE OFFICERS

6.1 CURRENT EXECUTIVE OFFICERS

The individuals listed below are our current executive officers:

Name	Age	Title
Emmanuel Grenier	46	Chief Executive Officer
Amandine Lezy	38	Chief Financial Officer of Cnova N.V.; Chief Financial Officer of Cdiscount
Pascal Rivet	57	Chief Compliance Officer
Steven Geers	36	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.

Amandine Lezy was appointed as Chief Financial Officer and CFO of Cdiscount Group on November 27, 2017, replacing Mr. Brunel as of that date. Mrs. Lezy has been with Casino Group since 2009 in various roles, most recently holding the functions of deputy director of Corporate Finance and Cdiscount Director of Partnerships. Prior to joining Casino Group, she worked at UBS's Investment Banking department in London. Mrs. Lezy graduated from the Hautes Études Commerciales (HEC) in 2003 and also holds a BA in Economy from Pierre Mendès-France University.

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.

6.2 COMPENSATION OF EXECUTIVE OFFICERS

The aggregate compensation expensed by us and our subsidiaries to our current executive officers for the year ended December 31, 2017 was approximately €2.579 million. This amount includes the compensation paid to Mr. Brunel until his departure on November 27, 2017, and excludes 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

6.3 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, stock appreciation rights (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. As of December 31, 2017, 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 (SAR) 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, second and third anniversaries of the grant date. Prior to vesting, the recipient had 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.

7. 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.

In order to enhance compliance with the RPT Policy, we have 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.

Since 2016 and continuing to date, Grant Thornton France has reviewed as of the end of each year, all new related party transactions and concluded that they were entered into at arm's-length terms. Further, Grant Thornton France has been testing operating effectiveness based on a sample of certain Cdiscount`s related party transactions, which are 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 has 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 in Note 26 to our consolidated financial statements included elsewhere in the annual report meet the standards set forth in the RPT Policy and best practice provision 2.7.5 of the DCGC.

For 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, please refer to Note 26 to our consolidated financial statements included elsewhere in this annual report.

8. SHARE CAPITAL

8.1 AUTHORIZED SHARE CAPITAL, ISSUANCE OF SHARES AND PREEMPTIVE RIGHTS

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.

As of December 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.

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 the Board (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 May 23, 2017, pursuant to which the Board 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. In addition, there are no preemptive rights in case of an exercise of a previously granted right to subscribe for shares.

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 the Board (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 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. 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 May 23, 2017, 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.

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.

8.2 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.

8.3 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.

The Board 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 the Board 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.

8.4 SPECIAL VOTING SHARES

As explained in "Agreements Relating to Our Shares - *Special Voting Agreement*," (please refer to Note 26 to our consolidated financial statements included elsewhere in this annual report) 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, 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.

8.5 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 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 May 23, 2017, pursuant to which the Board is authorized to acquire (i) up to 50% of our issued share capital at May 23, 2017 plus, in case of a material reorganization of the capital structure of the Company, (ii) an additional 50% of the issued share capital of the Company at May 23, 2017, by any means for an 18-month period from May 23, 2017 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 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.

8.6 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.

8.7 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.

The Board may convene additional extraordinary general meetings of shareholders whenever the Board 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 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. 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 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 or her identity and his or her 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 the Board. If the chairman of the Board 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.

8.8 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.

8.9 DIVIDENDS AND OTHER DISTRIBUTIONS

To date, 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.

8.10 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.

8.11 PROFIT APPROPRIATION

The Board proposes to appropriate the loss for the period to the retained earnings.

8.12 MAJOR SHAREHOLDERS

Please refer to chapters 1.5 and 11 found elsewhere in this annual report.

9. AGREEMENT BETWEEN SHAREHOLDERS

9.1 AGREEMENTS 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 GPA made certain undertakings to each other pursuant to a letter agreement from GPA to Casino, dated August 8, 2016 (the "GPA Support Letter") and a letter addressed to the GPA independent committee and executed by Casino and GPA, dated August 8, 2016 (the "GPA Commitment Letter"). Pursuant to the CBC Support Letter, GPA 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 GPA Support Letter, GPA 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, GPA agreed in the GPA Commitment Letter that in the event that GPA 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 GPA 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 GPA Commitment Letter that as long as Casino controls Cnova:

(i) Casino will ensure that GPA 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 GPA divided by (b) the total number of nonindependent directors is at least equal to GPA's economic interest in Cnova's outstanding ordinary shares (such director or directors the "GPA Directors");

(ii) Casino will ensure that GPA and/or the GPA 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 GPA to comply with Brazilian capital markets regulations. Casino also agreed to cause Cnova to make members of Cnova's senior management reasonably available to GPA or the GPA 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) GPA 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). GPA 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), GPA 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, GPA 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, GPA 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, GPA 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 GPA in the GPA Commitment Letter survive until the earliest of (i) the day when Casino no longer controls, directly or indirectly, Cnova, (ii) the day when GPA is no longer a shareholder of Cnova and (iii) August 8, 2041.

Except for the abovementioned GPA Support Letter, the GPA Commitment Letter and the Special Voting Agreement (as described in "Agreements Relating to our Shares - *Special Voting Agreement*" in Note 26 to our consolidated financial statements included elsewhere in this annual report), 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.

9.2 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 "Agreements Relating to our Shares - *Special Voting Agreement*" in Note 26 to our consolidated financial statements included elsewhere in this annual report), the GPA Support Letter and the GPA 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.

9.3 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 “Special Voting Shares”) may have an anti-takeover effect.

10. EVENTS AFTER THE BALANCE SHEET DATE

For information regarding subsequent events, see Note 27 to the consolidated financial statements include elsewhere in this annual report.

11. DEFINITIONS

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	CNova Comércio Eletrônico S.A., until October 31, 2016, a former wholly owned subsidiary of Cnova
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.
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

As of December 31, 2017, 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, 2017, Euris S.A.S. held, directly or indirectly, 92.36% of the equity securities and 92.5% of the voting power of Finatis S.A. As of December 31, 2017, Finatis S.A. held, directly or indirectly, 89.37% of the equity securities and 94.60% of the voting power of Foncière Euris S.A. As of December 31, 2017, Foncière Euris S.A. held directly 56.21% of the equity securities and 70.53% of the voting power of Rallye S.A. As of December 31, 2017, Rallye S.A. held, directly or indirectly, 50.39% of the equity securities and 63.21% of the voting power of Casino.

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.

12. FORWARD-LOOKING AND OTHER INFORMATION

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 "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 attract and retain talented personnel;
- our ability to maintain and enhance our brands, as well as our customer reputation;
- our ability to develop state-of-the-art technology, to make continuous improvement to our mobile platform successfully and to monetize traffic from mobile activity;
- our ability to achieve growth in the higher-margin areas of our business, including our marketplace and home furnishings product category;
- our ability to maintain and grow our existing customers base, to increase repeat orders from our customers and to grow our CDAV customer base;
- our ability to maintain good relations with our vendors and the ability of our vendors to maintain their commercial position;
- our ability to successfully and continuously increase direct sales product assortment as well as marketplace offerings
- 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 develop new sources of revenues or enhance the existing ones, including the development of new B2B services;
- 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 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 the ongoing shareholder class action lawsuit and SEC investigation; 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.

13. 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. and its affiliated companies included in the consolidated financial statements, taken as a whole, at December 31, 2017;
- The Annual Report gives a true and fair view of the position as per the balance sheet date, and the development and performance of the business during the 2017 financial year of Cnova N.V. and its affiliated companies included in the consolidated financial statements, taken as a whole; and
- The Annual Report describes the principal risks and uncertainties that Cnova N.V. and its affiliated companies included in the consolidated financial statements face.

For the purpose of complying with provision 1.4.3 DCGC, the Board believes that, to the best of its knowledge, on the basis of reports and information provided to the Board, (i) the Annual Report provides sufficient insight into any failings in the effectiveness of the internal risk management and control system, as described in “Risk Management and Risk Factors”, (ii) the internal risk management and control system, as described in “Risk Management and Risk Factors” provides reasonable assurance that Cnova's financial reporting does not contain any error of material importance, (iii) based on Cnova's state of affairs as at the date of the Annual Report, it is justified that Cnova's financial reporting is prepared on a going concern basis, and (iv) the Annual Report states those material risks and uncertainties that are relevant to the expectation of Cnova's continuity for a period of twelve months after the date of the Annual Report.

Any material failings in, material changes to, and/or material improvements of the risk management and control systems, as described in “Risk Management and Risk Factors”, which have been observed, made and/or planned, respectively, during 2017, have been discussed with the audit committee and with the Board.

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

Silvio J. Genesini

Eleazar de Carvalho Filho

Bernard Oppetit

Arnaud Strasser

Christophe Hidalgo

Jean-Yves Haagen

Emmanuel Grenier, CEO

14. INDEPENDENT AUDITOR'S REPORT

To: the shareholders and the audit committee of the board of directors of Cnova N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Cnova N.V. (the Company), based in Amsterdam.

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 2017, and of its result and its cash flows for 2017 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 2017.
- The following statements for 2017: 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 NV in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten (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	€ 5.7 million
Benchmark used	2% of gross profit
Additional explanation	The materiality is based on gross profit. Other earnings-based indicators were deemed less relevant. The benchmark has changed from revenues used in 2016 based, mainly, on the fact that gross profit is the most relevant net-earnings indicator used by the Company when communicating and analyzing its results to shareholders.

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 audit committee of the board of directors that misstatements in excess of €285 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 four main entities/reporting units (the Group) of which the most relevant one is located in France.

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 Company. In total our procedures on the full scope components represent 99% of the total group revenues and gross profit. On other component entities we performed specific scope procedures.

Entities in scope	FY17 Group audit scope
Cnova N.V.	Full audit
Cdiscount	Full audit
Cnova Finança	Specific scope
Cdiscount Group	Specific scope

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 audit committee of 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. The nature of four out of five key audit matters is consistent with the prior year. The fifth key audit matter is new and is related to adjustments identified by the Company in one of its accounting flows. There are three key audit matters communicated in 2016 that are not applicable for 2017:

- Going concern: the Company was able to increase its ability to get financial support from its parent and the matter is no longer applicable;
- Reorganization: it related to an one-off reorganization that did not occur in 2017;
- Class action: As disclosed on note 25 (consolidated financial statements) and on note 14 (company only financial statements) a settlement of the action has been reached in 2017.

Risk	Our audit approach	Key observations
SEC investigation (note 25 / note 14)		
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. Considering the stage of the current process and the inability of the Company to determine the amount at stake, no accrual covering the possible impact of the sanctions	We reviewed the documentation underlying the Company's position and the disclosure in the financial statement with that respect (Note 25 on consolidated financial statements and Note 14 on company only financial statements). We have made specific inquiries on the current status of the investigation. Our audit procedures included, among others, the request for	We agree with management's conclusions on the matter and concluded that the matter has been sufficiently disclosed in the financial statements.

Risk	Our audit approach	Key observations
that could be issued by the SEC has been recorded at year end except for the coverage of estimated SEC investigation costs. 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.	external lawyers letters and inquiries with the Company. We have challenged the assumptions used and assessed Company's position at year-end and its possible effects in the financial statements.	
Revenue recognition (note 6)		
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. 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. 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.	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. 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. We performed testing over manual journals posted to revenue to identify unusual or irregular items. We also considered the adequacy of the Group's disclosures (in note 6) in respect of revenue.	We did not identify evidence of material misstatement in the revenue recognised in the year.
Rebates and similar agreements (note 6)		
Supplier rebates and contributions to common marketing campaigns 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. Therefore, there is a risk that these arrangements are not appropriately reflected and as a result revenue is misstated in the financial statements	Our audit procedures included the update of our understanding of the process and evaluating the design of controls in this area. 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.	We did not identify evidence of material misstatement in the revenue recognised in the year.

Risk	Our audit approach	Key observations
	We analyzed last year reversal of accruals and the adequacy of cash in compared to rebates recorded.	
Business to customer (“BtC”) adjustments (note 7.3)		
In the second half of 2017, the Company uncovered deficiencies in monitoring the BtC flows for some of the customers. The Company then performed an exercise of reconciling the flows where the deficiencies were noted, including hiring an external advisor, and concluded that €4.3 million of receivables related to prior years’ sales should be impaired. From an audit perspective, there is a risk that the reconciliations are not accurate or complete and that the effects are not correctly reflected in the financial statements.	Our audit procedures included understanding the process and the flows affected. We also developed customized and extensive procedures (including involving Information Technology and Fraud specialists) to review the work performed by the Company which was assisted by an external advisor to audit the impacts recorded in the income statement. We analyzed the results of the impacts on prior periods with respect to materiality and its potential effects in the financial statements. We also considered the adequacy of the Group’s disclosures on this matter (in note 7)	We agree with the Reconciliation as per 31 December 2017 as well as management’s conclusion that a €4.3 million loss should be recognized.

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 17 March 2015 as of the audit for the year 2014 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In relation to the audit of the financial statements, we have performed an IT security maturity benchmarking analysis.

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-IFRS 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 audit committee of 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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of 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, 27 March 2018

Ernst & Young Accountants LLP

signed by Tom Wiffrie

INDEX TO FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CNOVA N.V.

Consolidated income statements

for the years ended December 31, 2016 and 2017

€ thousands	Notes	December 31, 2016	December 31, 2017
Net sales	6	1,855,715	2,122,025
Cost of sales	6	(1,600,414)	(1,833,332)
Operating expenses			
Fulfillment	6	(125,738)	(162,471)
Marketing	6	(33,183)	(45,376)
Technology and content	6	(55,817)	(69,778)
General and administrative	6	(43,383)	(34,019)
Operating profit/(loss) before strategic and restructuring, litigation, impairment and disposal of assets costs		**(2,820)**	**(22,951)**
Strategic and restructuring cost	7	(10,995)	(9,880)
Litigation costs	7	(1,432)	(10,244)
Impairment and disposal of assets	7	(6,045)	(6,779)
Operating profit/(loss)		**(21,292)**	**(49,855)**
Financial income	8	12,967	685
Financial expense	8	(43,984)	(40,966)
Profit/(loss) before tax		**(52,309)**	**(90,135)**
Income tax gain/(expense)	9	(12,884)	(2,150)
Net profit (loss) from continuing activities		**(65,193)**	**(92,285)**
Net profit (loss) from discontinuing activities	4	132,185	(8,029)
Net profit/(loss) for the period		**66,992**	**(100,313)**
Attributable to Cnova equity owners		73,091	(100,025)
Attributable to non-controlling interests		(6,099)	(288)
Attributable to the owners continuing		(65,374)	(92,006)
Attributable to non-controlling interests continuing		181	(277)
Attributable to the owners discontinuing		138,466	(8,019)
Attributable to non-controlling interests discontinuing		(6,281)	(11)

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

In €	2016	2017
Basic earnings per share	0.17	(0.29)
Diluted earnings per share	0.17	(0.29)

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

Consolidated statements of comprehensive income

for the years ended December 31, 2016 and 2017

€ thousands	**2016**	**2017**
Net income/(loss) for the year	**66,992**	**(100,313)**
Items that may subsequently be recycled to profit or loss		
Foreign currency translation	*269,903*	*34*
Available-for-sale financial assets	—	—
Items that may not be recycled to profit or loss		
Actuarial gains and losses	*(581)*	*(269)*
Non-controlling interests		
Other comprehensive income/(loss) for the year, net of tax	**269,322**	**(235)**
Total comprehensive income/(loss) for the year, net of tax	**336,314**	**(100,548)**
Attributable to Cnova equity owners	*342,552*	*(100,261)*
Attributable to non-controlling interests	*(6,238)*	*(287)*

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

Consolidated balance sheets

as of December 31, 2016 and 2017

(€ thousands)	Notes	December 31, 2016	December 31, 2017
ASSETS			
Cash and cash equivalents	10	15,264	43,760
Trade receivables, net	11	91,060	155,404
Inventories, net	12	224,834	407,938
Current income tax assets		1,336	2,448
Other current assets, net	11	346,220	107,118
Total current assets		**678,714**	**716,669**
Other non-current assets, net	11	4,590	6,064
Deferred tax assets	9	—	4
Property and equipment, net	13	15,329	34,269
Intangible assets, net	14	71,887	99,837
Goodwill	15	56,548	58,245
Total non-current assets		**148,354**	**198,429**
TOTAL ASSETS		**827,068**	**915,088**
EQUITY AND LIABILITIES			
Current provisions	19	6,817	9,012
Trade payables		576,601	579,745
Current financial debt	21	93,620	237,926
Current tax liabilities		46,396	48,793
Other current liabilities	21	110,667	142,301
Total current liabilities		**834,102**	**1,017,778**
Non-current provisions	19	12,132	13,998
Non-current financial debt	21	—	—
Other non-current liabilities	21	2,080	4,500
Deferred tax liabilities	9	—	362
Total non-current liabilities		**14,212**	**18,860**
Share capital		17,225	17,225
Reserves, retained earnings and additional paid-in capital		(37,249)	(138,641)
Equity attributable to equity holders of Cnova		**(20,024)**	**(121,416)**
Non-controlling interests		**(1,221)**	**(134)**
Total equity	17	**(21,245)**	**(121,550)**
TOTAL EQUITY AND LIABILITIES		**827,068**	**915,088**

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

Consolidated statements of cash flows
for the years ended December 31, 2016 and 2017

€ thousands	2016	2017
Net profit (loss) attributable to equity holders of the Parent	(65,374)	(92,006)
Net profit (loss) attributable to non-controlling interests	181	(277)
Net profit (loss) continuing for the year	**(65,193)**	**(92,283)**
Depreciation and amortization expense	20,565	26,557
Expenses on share-based payment plans	69	395
(Gains) losses on disposal of non-current assets and impairment of assets	6,076	1,826
Other non-cash items	498	—
Financial expense, net	31,016	40,279
Current and deferred tax (gains) expenses	12,884	2,150
Income tax paid	(2,144)	(2,378)
Change in operating working capital	17,342	(244,220)
Inventories of products	*19,269*	*(183,104)*
Trade payables	*(41,507)*	*13,160*
Trade receivables	*35,164*	*(80,195)*
Other	*4,416*	*5,919*
Net cash from/(used in) continuing operating activities	**21,114**	**(267,675)**
Net cash from/(used in) discontinued operating activities	**(585,469)**	**6,524**
Purchase of property, equipment & intangible assets	(44,045)	(68,592)
Purchase of non-current financial assets	(2,049)	(1,672)
Proceeds from disposal of prop., equip., intangible assets & non-current financial assets	616	48
Movement of perimeter, net of cash acquired (Notes 3 and 4)	20,951	(2,184)
Investments in entities	(3,043)	—
Changes in loans granted (including to related parties (Note 26)	106,462	(241)
Net cash from/(used in) continuing investing activities	**78,892**	**(72,640)**
Net cash from/(used in) discontinued investing activities	**25,106**	**2,729**
Transaction with owners of non-controlling interests	—	(57)
Changes in loans received	(274,950)	384,722
Additions to financial debt	(7,398)	(1,190)
Repayments of financial debt	(10,162)	8,506
Interest paid, net	(31,748)	(39,870)
Net cash from/(used in) continuing financing activities	**(324,258)**	**352,111**
Net cash from/(used in) discontinued financing activities	**137,470**	**(1,667)**
Effect of discontinued changes in foreign currency translation adjustments	259,551	(72)
Change in cash and cash equivalents from continuing activities	**(224,253)**	**11,796**
Change in cash and cash equivalents from discontinued activities	**(163,342)**	**7,514**
Cash and cash equivalents, net, at beginning of period	391,836	4,242
Cash and cash equivalents, net, at end of period (Note 10)	**4,242**	**23,559**

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

Consolidated statements of changes in equity

for the years ended December 31, 2016 and 2017

€ 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 January1, 2016.	**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)**
Other comprehensive income (loss) for the year....................					34	(269)		(236)	1	(235)
Net profit (loss) for the year.....				(100,025)				(100,025)	(288)	(100,313)
Consolidated comprehensive income for the year	**—**	**—**	**—**	**(100,025)**	**34**	**(269)**	**—**	**(100,261)**	**(287)**	**(100,548)**
Share-based payments				243				243		243
Movement on minority interests Cdiscount..................				(380)				(380)	380	—
Purchase of non-controlling interests of the African entities				(999)				(999)	999	—
Other movements....................				5				5	(5)	
As of December 31, 2017	**344,507,048**	**17,225**	**448,649**	**(585,616)**	**(50)**	**(1,623)**	**—**	**(121,416)**	**(134)**	**(121,550)**

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 Euronext Paris since January 23, 2015. Cnova decided to voluntary delist from Nasdaq, which became effective on March 3, 2017.

The Group consolidated financial statements of Cnova and its subsidiaries (collectively, the Group) for the year ended December 31, 2017 were authorized for issue in accordance with a resolution of the directors on March 26, 2018.

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

<u>Reorganization steps of Cnova on 2016</u>:

In the first half of 2016, Cnova deciced to 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 activity.

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.

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).

Following the completion of the 2016 Reorganization, 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.

Purchase offer from Casino on Cnova shares:

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.

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.

Cnova's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate value creation and return to shareholders. Consequently, the financial statements have been prepared on a going concern basis

The Company monitors capital on the basis of the carrying amount of equity plus its loans (including loans due to 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 the Company'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, the Company may adjust its dividend policy, issue new shares, or sell assets to reduce debt.

These financial statements are prepared on a going-concern basis despite the negative equity of €122 million at December 31, 2017 and the change in Net financial debt from a cash position of €178 million at December 31, 2016 to a net debt position of €195 million at December 31, 2017. During 2017 the Company embarked on a wide-ranging growth plan in order to re-establish a sustainable double-digit GMV growth rate while strengthening sources of profitability. This strategy notably led to a largely non-recurring working capital change of €244 million due to the implementation of Cnova 2017 strategic plan mainly resulting from the €183 million of strategic inventory assortment expansion impacting inventory.

In light of the cash flow forecasts and related projected cash needs over the next 12 months the Company has agreed with its parent Casino Guichard Perrachon an extension of the credit line to €550 million on December 8, 2017 (cf. note 26) set in order to sufficiently cover the needs of the Company planned for 2018. As part of the cash pool agreement with Cnova and its subsidiaries, unused credit lines amount to €348 million as of December 31, 2017 out of credit lines extended to a total of €550 million.

Cnova is key for the e-commerce strategy of Casino Group. The company's double-digit GMV growth, market share gains and improvement in financial performance in 2H17 demonstrate the relevance of its strategic plan that has reinforced its subsidiary Cdiscount's positioning as the leading French e-merchant.

The above supports the Company's ability to operate on a going concern basis.

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

Standards and interpretations published with effect from January 1, 2017

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period

- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

- *Annual Improvements Cycle - 2014-2016*
  Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017, the Group has no investment classified as held for sale, so these amendments did not affect the Group's financial statements.

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.

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 2017, 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 performed in 2017. The Group expects to apply these new standards using the full retrospective method.

The estimated impacts of the full restrospective application of IFRS 15 would be the following:

- On the opening balance sheet for 2017, a decrease of inventories by €10 million, an increase of current liabilities by €2 million and a resulting negative impact on equity of €12 million.
- On the income statement for the year ended December 31, 2017, a reduction of revenue by €87 million and operating profit (as well as net result) by €10 million.
- On the balance sheet for the year ended December 31, 2017, a decrease of inventories by €8 million, an increase of other current liabilities by €2 million and the resulting impact on net result (as indicated above) of €10 million.

The application of IFRS 9 is estimated to have no significant impact.

The adoption of IFRS 16 will affect the accounting for the Group's operating leases warehouses and will result in the recognition of almost all leases on balance sheet. An optional exemption exists for short-term and low-value leases assets. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Operating lease expense will be replaced with financial interest and depreciation, so key metrics like trading profit and EBITDA will change. The Group believes that the consolidated income statement will also be affected because the total rental expense is generally higher at the beginning of the lease that is to say, a decreasing charge, unlike a straight-line charge under the current standard. Additionally, operating cash flows will be higher as cash payments for the principal portion of the lease liability and attached interest will be classified within financing activities. The Group has started an initial assessment of the potential impact on the Group's financial information. As at 31 December 2017, the Group has off-balance sheet non-cancellable operating lease commitments (properties and equipment) of €70 million (see Note 24) which mainly corresponds to properties, such as warehouses used in its business that it does not own. The Group is in the process of evaluating the impact of the application in 2019

The other 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:

- 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, 2017, goodwill amounts to €59.3 million (2016: €56.5 million). No impairment expense was recorded on goodwill.

- 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.

There are no deferred tax assets related to tax losses recognized in the consolidated financial statements (see Note 9).

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, 2017 is €(0.29), which splits in €(0.27) for continuing operations and €(0.02) for discontinued activities.

€ thousands	2016	2017
Losses (gains) attributable to ordinary equity holders of the parent for basic earnings and adjusted for the effect of dilution(1)	73,091	(100,025)

	2016	2017
Weighted average number of ordinary shares for basic EPS including DSU (1) (refer to Note 18)	**426,486,045**	**344,507,048**
Dilutive instruments	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	**426,486,045**	**344,507,048**

(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:

- 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.

2. Transactions in 2017

On July 5, 2017, Cnova acquired 60% of the share capital and voting rights of BeezUP S.A.S. with options to purchase the remaining 40% in 2020 or earlier under specific circumstances. Due to those circumstances, the purchases is considered under IFRS as an acquisition of 100% of the company with a deferred payment for 40%. Total price at that time will be less than €10 million.

BeezUP is a technical SAAS (service as a software) company producing services for marketplace vendors, and has developed a software program that enables to spread catalogue feeds and orders flow on a wide range of partner channels, which will enable Cnova to propose additional services and improve its marketplace platform. Cnova has elected to measure the non-controlling interests in the acquiree at fair value.
Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of BeezUP as at the date of acquisition were:

€ thousands	**Fair value recognized on acquisition**
Assets	
Intangible assets: technology	980
Intangible assets: client lists	411
Fixed assets	2
Trade receivable	147
Other current assets	231
Cash and cash equivalents	515
	2,286
Liabilities	
Trade payables	(89)
Current tax liabilities	(161)
Other current liabilities	(192)
Deferred tax liabilities	(391)
Non current other liability	(450)
	(1283)
Total identifiable net assets at fair value	**1,003**
Goodwill arising on acquisition	1,697
Purchase consideration transferred	**2,700**

The fair value of the trade receivables amounts to €147,000, which corresponds to the gross amount of trade receivables as none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of €1,697,000 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognized. Goodwill is allocated entirely to the sole operating segment of Cnova. None of the goodwill recognized is expected to be deductible for income tax purposes.
From the date of acquisition, BeezUP contributed €645 thousands of revenue and €(249) thousands to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, the contribution of BeezUP to revenue from continuing operations would have been €1,303 thousands and profit before tax from continuing operations for the Group would have been €(250) thousands.

Purchase consideration was paid in cash.

Analysis of cash flows on acquisition

€ thousands	**Analysis of cash flows on acquisition**
Assets	
Transaction costs of the acquisition (included in cash flows from operating activities)	(50)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	515
Net cash flow on acquisition	**465**

Transaction costs of €50 thousands were expensed.

Puts and calls have been agreed starting January 1, 2020 or in case the founders or technical director leave the company in order to facilitate the purchase by Cdiscount of the remaining 40% non-controlling interest and to provide the founders or technical director with an effective liquidity of their shares:

- The calls can be exercised between April 1 and June 30, 2020 or during 6 months after the date on which the founders or technical director leave the company;
- The puts can be exercised at any time until March 31, 2020 at a minimum price (with a price complement if the seller is still employee at the company on January 1, 2020).
- The price is set:
  - At nominal value in case of hostile leave of the founders or technical director before June 30, 2018 or if they exercise their call before that date;
  - Between 25% and 50% of the acquisition price if (i) the calls/puts are exercised between July 1, 2018 and January 1, 2020 or (ii) non-hostile leave of the founders or technical director before June 30, 2018;
  - Based on the 2019 target reached if the calls/puts are exercised after January 1, 2020, following a calculation based on 2019 turnover and 2019 EBIT.

Due to the exercise modalities of the put and call and founders' presence condition within the contracts with the founders, the acquisition of BeezUP has been considered at 100% and a financial liability, corresponding to a deferred payment to founders, has been recognized to €450,000 reflecting the most probable exit scenario of non-controlling interests, i.e. an exercise during 2020. Subsequently, future change in value will be recorded in the income statement. Additionally, the remuneration of the presence condition in 2020 of the management, estimated to €207,000 (as the difference between the most probable exit scenario and the value of the call in 2020) will be recorded over the next 3 years.

3. 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 €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. has been liquidated on February 28, 2018 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 Cdiscout Group, a wholly-owned subsidiary, exerciced 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 hods all the shares of Cdiscount Group.

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 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

There was no such transation in 2017.

2017 result from discontinued activities, including mostly remaining transactions with Cnova Brazil but also Cdiscount International (both disposed and abandoned activities) is the following:

€ thousands	**International segment sold**	**International segment abandoned**	**Cnova Brazil**	**Total**
Net sales	-	-	-	-
Cost of sales	-	-	-	-
Operating expenses	-	(18)	-	(18)
Operating loss before other costs	-	**(18)**	-	**(18)**
Other operating costs	(1,018)	700	(6,580)	(6,898)
Operating loss	**(1,018)**	**683**	**(6,580)**	**(6,915)**
Financial net expense	(750)	(226)	(28)	(1,004)
Loss before tax	**(1,768)**	**456**	**(6,608)**	**(7,920)**
Income tax gain/(expense)	-	(21)	(88)	(109)
Net profit (loss) for the year	**(1,768)**	**435**	**(6,696)**	**(8,029)**

Net profit/(loss) from discontinuing activities	**(1,768)**	**435**	**(6,696)**	**(8,029)**

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 shreholder) 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: (1) 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. has been liquidated on February 28, 2018 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.

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

€ thousands	**International segment sold**	**International 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 detail of net assets disposed as of December 31, 2016 are the following:

€ thousands	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-controling 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:

€ thousands	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

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 one 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 Main components of operating profit

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.

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 envity:

- 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, 2017, 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	**2016**	**2017**
Net sales	25.1	26.7
Fulfilment costs	-	-
Financial expense	(34.6)	(39.0)
Total	**(9.3)**	**(12.3)**

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	**2016**	**2017**
Net sales	70.4	80.6

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, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as fulfilment costs.

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, warehouse reception and storage costs are not incorporated into inventory valuation on the balance sheet but directly expensed through the income statement as fulfilment 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. This program is administered internally by Cdiscount for both its direct sales and marketplace products. 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 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	2016	2017
Product sales	1,586,542	1,823,362
Marketplace sales (commissions)	103,064	114,450
Other revenues	166,109	184,212
Net sales	**1,855,715**	**2,122,025**

The revised CB4X contract generated net sales of €26.7 million in 2017 (€25.1 million in 2016).

The company increased the volume of specific marketing services to suppliers in France which are now recorded in net sales, which amounted to €80.6 million in 2017, (€70.4 million in 2016).

Cost of Sales

€ thousands	2016	2017
Purchases and shipping costs	(1,583,560)	(2,021,245)
Change in inventories	(16,854)	187,913
Cost of sales	**(1,600,414)**	**(1,833,332)**

Expenses by nature and function

€ 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)**

€ thousands	Fulfillment	Marketing	Technology and content	General and administrative	2017
Employee benefits expense	(45,418)	(8,661)	(28,317)	(16,558)	(98,954)
Other expenses	(114,119)	(36,418)	(18,823)	(16,776)	(186,136)
Depreciation and amortization expense	(2,934)	(297)	(22,638)	(686)	(26,555)
Total as of December 31, 2017	**(162,471)**	**(45,376)**	**(69,778)**	**(34,019)**	**(311,644)**

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

€ thousands	2016	2017
Operation of fulfillment centers	(45,152)	(62,819)
Payment processing	(20,037)	(11,094)
Customer service centers	(22,844)	(31,278)
Other fulfillment costs	(1,750)	(8,937)
Fulfillment costs	**(89,783)**	**(114,119)**
Online and offline marketing costs	(22,241)	(36,254)
Other marketing costs	(3,763)	(164)
Marketing costs	**(26,004)**	**(36,418)**
Technology infrastructure	(12,669)	(18,823)
Other technology and content costs	(801)	
Technology and content costs	**(13,470)**	**(18,823)**

Operating lease expense

Operating lease expenses amounted to €15,223 thousands at December 31, 2016 and €19,770 thousands at December 31, 2017.

Note 7 Other operating expenses

1. Strategic and restructuring costs

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).

In 2017, we incurred €9.9 million on restructuring costs in relation to the implementation of our new expansion strategy.

2. Litigation costs

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).

In 2017, we incurred €10.2 million on litigation costs, of which €2.1 million on tax property regarding DCs, €1.5 million on VAT issue and a €5.9 million loss related to a dispute over receivable with a financial provider, the settlement of which occurred on November 13, 2017 and is expected to generate future savings. Expenses related to disputes with suppliers were limited to €0.5 million (including legal costs).

3. Impairment and disposal 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 €6.0 million at December 31, 2016.

In 2017, we had €1.8 million of impairments consisting discontinued IT development at Cdiscount, in relation to projects that have been replaced by new IT developments. In addition, as a result of deficiencies on prior years' BtC flows reconciliations that are remediated by the Company for the coming transactions, an impairment of assets of €5.0 million was recognized in 2017.

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.

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	2016	2017
Revenue from cash and cash equivalents	-	-
Foreign exchange gain	11,545	90
Proceeds from sale of investments	-	-
Other financial income	1,422	595
Total finance income	**12,967**	**685**
Interest expense on borrowings	(889)	(846)
Foreign exchange loss	(5,571)	(73)
Costs related to sales of receivables	(34,615)	(38,977)
Book value of investments	-	-
Other financial expense	(2,909)	(1,070)
Total finance expense	**(43,984)**	**(40,966)**

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.

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	2016	2017
Current taxes	(356)	61
Other taxes on income (i)	(1,688)	(2,240)
Deferred taxes	(10,840)	29
Total income tax profit (loss) recognized in the income statement	**(12,884)**	**(2,150)**
Tax on other income recognized in “Other comprehensive income”	—	—
Tax on other income recognized in “Total comprehensive income”	**(12,884)**	**(2,150)**

(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	2016	2017
Profit (loss) before tax and share of profits of associates	**(52,309)**	**(90,135)**
Income tax rate (i)	**25.00%**	**25.00%**
Income tax benefit (expense)	**13,077**	**22,534**
Effect of tax rates in foreign entities	4,666	8,053
Unrecognized deferred taxed assets arising from tax loss of the period	(20,174)	(32,388)
Non-deductible expenses	(25)	
CVAE net of income tax	(1,107)	(1,469)
Tax credits	—	78
Non-taxation of CICE (ii)	1,772	772
Share based payments	—	—
Deferred tax reversal	(10,840)	—
Other	(254)	271
Actual income tax credit / (expense)	**(12,884)**	**(2,150)**

(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 7% for salaries below or equal to 2.5 times the minimum wage. Cnova recognized this income by reducing employee expenses.

Deferred taxes

Change in deferred tax assets

€ thousands	2016	2017
As of January 1	**11,636**	—
Benefit (expense) for the period on continuing operations	245	—
Business combination or loss of control	(1,118)	—
Deferred tax reversal	(10,840)	—
Translation differences and reclassifications	77	—
As of December 31	**—**	**—**

Change in deferred tax liabilities

€ thousands	2016	2017
As of January 1	**—**	**—**
Expense (benefit) for the period	—	(29)
Business combination or loss of control	—	—
Impact of changes in exchange rates and reclassifications	—	—
As of December 31	**—**	**(29)**

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.

There are no deferred tax assets related to tax losses recognized in the consolidated financial statements for 2016 and 2017.

As of December 31, 2017, Cnova had €447 million of unused unrecognized tax loss carryforwards (€141 million of unrecognized deferred tax assets) compared with €348 million and €108 million respectively in 2016.

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	2016	2017
Cash equivalents	50	—
Cash (i)	15,214	43,760
Cash and cash equivalents	**15,264**	**43,760**
Bank overdrafts	(11,022)	(20.202)
Net cash and cash equivalents	**4,242**	**23,559**

(i) Includes in 2017 €23.8 million (representing US$28.5 million) of restricted cash on an escrow account

Other current assets (see Note 11.3) for 2017 include €0.8 million (2016: €246.7 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	2016	%	2017	%
Euro	13,715	89.9 %	18,831	43.0 %
US dollar	1,063	7.0 %	24,828	56.7 %
Brazilian real	—	—	—	—
Other	486	3.1 %	101	0.2 %
Cash and cash equivalents	**15,264**		**43,760**	

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 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 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 €9.4 million at December 31, 2017 (2016: €9.8 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 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	2016	2017
Trade receivables	101,696	179,117
Accumulated impairment losses on trade receivables	(10,636)	(23,713)
Trade receivables	**91,060**	**155,404**

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

Accumulated impairment losses on trade receivables

€ thousands	2016	2017
Accumulated impairment losses on trade receivables		
As of January 1	**(31,772)**	**(10,636)**
Charge	(33,974)	(24,188)
Reversal	45,289	13,971
Business combination or loss of control	10,946	
Reclassification	(87)	(2,860)
Translation differences	(1,037)	
As of December 31	**(10,636)**	**(23,713)**

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

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	2016	2017
Opening balance	5,324	5,136
Additions	50,985	77,767
Used deductions	(51,173)	(78,727)
Ending balance	**5,136**	**4,176**

3. Other current assets, net

€ thousands	2016	2017
Cashpooling accounts with Casino (Note 26)	246,748	837
Current accounts with other related parties	14,206	10,460
Other receivables	81,730	88,121
Accumulated impairment losses on other assets	(4,912)	(1,917)
Prepaid expenses	8,448	9,617
Other current assets	**346,220**	**107,118**

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	2016	2017
Available-for-sale financial assets (AFS)	125	93
Other financial assets	4,465	5,971
Other non-current assets	**4,590**	**6,064**

Available-for-sale financial assets (AFS)

Movements for the period

€ thousands	2016	2017
At 1 January	**125**	**125**
Increases	—	—
Decreases	—	—
Gains and losses from remeasurement at fair value	—	—
Other	—	(32)
At 31 December	**125**	**93**

The only AFS item is Cdiscount Voyages.

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

€ thousands	2016	2017
Products in warehouses	229,537	419,027
Impairment of products held in inventory	(4,703)	(11,089)
Inventories	**224,834**	**407,938**

Inventory increase in 2017 is related to the implementation of Cnova strategic assortment plan. The amounts recorded in respect of write downs of inventory to net realizable value are €6.4 million in 2017 (2016: €1.4 million). No reversal of unused write-down was recorded in 2017 and 2016.

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:

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.’’

Breakdown

€ thousands	2016 Gross	2016 Depreciation and impairment	2016 Net	2017 Gross	2017 Depreciation And impairment	2017 Net
Buildings, fixtures and fittings	114	(76)	38	114	(81)	32
Technical installations, machinery and equipment	4,141	(2,687)	1,454	8,173	(3,361)	4,812
Other	28,159	(14,322)	13,837	48,479	(19,055)	29,425
Property, plant and equipment, net	**32,414**	**(17,085)**	**15,329**	**56,766**	**(22,497)**	**34,269**

Movements for the period

€ thousands	Buildings, fixtures and fittings	Technical installations machinery and equipment	Other	Total
As of January 1, 2016	**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**

Business combination or loss of control	—	—	2	**2**
Increases and separately acquired tangible assets	—	2,224	22,043	**24,267**
Tangible assets disposed of during the period	—	—	(231)	**(231)**
Depreciation for the period	(6)	(673)	(4,835)	**(5,514)**
Impairment reversal (losses) recognized during the period	—	—	96	**96**
Translation adjustment	—	—	—	**—**
Reclassifications of assets in progress	—	1,808	(1,487)	**321**
Reclassifications and other movements	—	—	—	**—**
As of December 31, 2017	**32**	**4,812**	**29,425**	**34,269**

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.

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

	2016			2017		
€ thousands	**Gross**	**Depreciation and impairment**	**Net**	**Gross**	**Depreciation and impairment**	**Net**
Trademarks	3,959	—	3,959	3,959	—	3,959
Licenses, software and website	102,624	(53,403)	49,221	137,914	(72,021)	65,894
Other	22,351	(3,644)	18,707	33,700	(3,715)	29,985
Intangible assets, net	**128,934**	**(57,047)**	**71,887**	**175,573**	**(75,736)**	**99,837**

Movements for the period

€ thousands	**Trademarks**	**License, software and website costs**	**Other**	**Total**
As of January 1, 2016	**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**
Business combination or loss of control	—	940	450	1,390
Increases and separately acquired intangible assets	—	5,261	44,075	49,336
Intangible assets disposed of during the period	—	(1,634)	(211)	(1,845)
Depreciation for the period	—	(20,605)	(71)	(20,677)
Impairment reversal (losses) recognized during the period (continuing operations)	—	50		50
Translation adjustment	—	15	(15)	—
Reclassifications of assets in progress	—	32,629	(32,950)	(321)
Reclassifications and other movements	—	16	—	16
As of December 31, 2017	**3,959**	**65,894**	**29,985**	**99,837**

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

Breakdown

	2016			2017		
€ thousands	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Cdiscount	56,548	—	56,548	58,245	—	58,245
Goodwill	**56,548**	**—**	**56,548**	**58,245**	**—**	**58,245**

Movements for the period

€ thousands	2016	2017
Carrying amount As of January 1	**391,389**	**56,548**
Goodwill recognized during the period	—	—
Impairment losses recognized during the period	—	—
Translation adjustment	34,129	—
Sale of E-trend	—	—
Sale of Cnova Brazil	(368,970)	—
BeezUP acquisition (see Note 3)	—	1,697
Reclassifications and other movements	—	—
Carrying amount As of December 31	**56,548**	**58,245**

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 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, 2016 and 2017 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:

- €10.1 million in 2016 related to the write off of obsolete IT development costs for Cdiscount (including €3.6 million as discontinued operations).
- €1.8 million in 2017 related to the write off of obsolete IT development costs for Cdiscount.

Impairment loss on intangible assets with an indefinite life

No evidence of impairment was 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, 2016 and 2017 did not reveal any impairments of goodwill.

In 2017, as basically the entire goodwill is related to Cdiscount, in addition to tests based on future cash flows, the test consisted in comparing its net assets with the maket capitalization of Cnova which is significantly higher: the market capitalization of Cnova amounted to €1,516 million as of December 31, 2017.

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 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

At December 31, 2017, the share capital of Cnova is composed of 344,507,048 shares with a par value of €0.05.

Resulting of the initial public offering of Cnova shares on NASDAQ, the share capital of 442,114,852 shares was increased by 26,800,000 ordinary shares on November 21, 2014. Cnova also conditionally issued 25,567 restricted shares on December 8, 2014 a 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

€ thousands	2016	2017
Available-for-sale financial assets	**—**	**—**
Change in fair value during the period	—	—
Reclassification to profit or loss	—	—
Income tax (expense)/benefit	—	—
Exchange differences	**269,903**	**34**
Change in translation differences during the period	269,903	34
Reclassification to profit or loss due to disposals during the period	—	—
Actuarial gains and losses	**(581)**	**(269)**
Change during the period	(581)	(269)
Income tax (expense)/benefit	—	—
Total	**269,322**	**(235)**

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.

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 €nil in 2016 and €0.2 million in 2017.

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.

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, 2017 was €0.2 million. No SARs had vested at December 31, 2017.

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, 2016	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of Control (i)	Translation adjustment	Other	December 31, 2016
Pensions (Note 20)	2,596	466	(1)	—	(31)	—	639	3,669
Claims and litigation	16,713	13,155	(10,013)	(2,918)	(2,770)	(14)	1,127	15,280
Total	**19,308**	**13,621**	**(10,014)**	**(2,918)**	**(2,801)**	**(14)**	**1,766**	**18,949**
of which short-term	*7,480*	*9,205*	*(7,826)*	*(385)*	*(2,770)*	*(14)*	*1,127*	*6,817*
of which long-term	*11,828*	*4,416*	*(2,188)*	*(2,533)*	*(31)*	—	*639*	*12,132*

(i) including Cnova Brazil.

€ thousands	January 1, 2017	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of control	Translation adjustment	Other	December 31, 2017
Pensions (Note 20)	3,669	564	—	(15)	—	—	344	4,561
Claims and litigation	15,280	10,978	(5,007)	(2,582)	(186)	19	(53)	18,449
Total	**18,949**	**11,541**	**(5,007)**	**(2,597)**	**(186)**	**19**	**291**	**23,010**
of which short-term	*6,817*	*7,082*	*(2,803)*	*(1,803)*	*(186)*	*(44)*	*(52)*	*9,012*
of which long-term	*12,132*	*4,460*	*(2,204)*	*(794)*	—	*63*	*342*	*13,998*

In 2016, changes of claims and litigations provisions result mainly from a provision for a VAT tax audit (€2.2 million) and a net impact of restructuring at the head office of Cdiscount France (€0.6 million).

In 2017, changes of claims and litigations provisions result mainly from provisions for tax issues (€2.3 million), an increase of a provision for a VAT tax audit (€2.3 million) and a net impact of the restructuring at the head office of Cdiscount France (-€1.0 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 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 €9.0 million in 2017 (2016: €7.8 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:

	2016	2017
Discount rate	1.7 %	1.5 %
Expected rate of future salary increases	2.0 %	2.0 %
Retirement age	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 -23.6% and +18.4% 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 +18.5% and -23.2% of the total amount of the commitment.

Reconciliation of liabilities in the balance sheet

€ thousands	**2016**	**2017**
As of January 1	**2,596**	**3,669**
Cost for the period	452	548
Actuarial gains or losses recognized in equity	582	270
Business combination or loss of control	—	—
Translation adjustment	—	—
Other movements	39	73
As of December 31	**3,669**	**4,561**

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.

2. Breakdown of financial debt

	2016			**2017**		
€ thousands	**Non-current Portion**	**Current Portion**	**Total**	**Non-current Portion**	**Current Portion**	**Total**
Cash pool balances with Casino	—	65,193	65,193	—	202,771	202,771
Bank overdrafts	—	11,022	11,022	—	20,202	20,202
Other financial liabilities	—	17,405	17,405	—	14,953	14,953
Financial debt		**93,620**	**93,620**		**237,926**	**237,926**

Cnova financial debt increased by €144.3 million during the year.

Changes in liabilities arising from financing activities:

€ thousands	Cash pool balances with Casino	Other financial liabilites	Total liabilities from financing activities
As of January 1, 2016	**84,451**	**25,197**	**136,166**
Additions to financial debt	—	(7,398)	**(7,398)**
Repayments of financial debt (1)	—	(394)	**(394)**
Change in loan received (2)	(19,734)	—	**(19,734)**
Change in loan received -discontinued activities	1,432	—	**1,432**
Interest paid, net (3)	(956)	—	**(956)**
As of January 1, 2017	**65,193**	**17,405**	**82,598**
Additions to financial debt	—	(1,190)	**(1,190)**
Repayments of financial debt (1)	—	(1,262)	**(1,262)**
Change in loan received (2)	138,861	—	**138,861**
Change in loan received -discontinued activities	(1,571)	—	**(1,571)**
Interest paid, net (3)	288	—	**288**
As of December 31, 2017	**202,771**	**14,953**	**217,724**

(1) Repayments of financial debt also includes the continued involvement in the installment payment program for €9.8 million (see Note 10)
(2) Change in loan received also includes cash pool balances with Casino presented as assets in the consolidated balance sheets (for €245.9 million)
(3) Interest paid also includes financial income and expense presented in Note 8

Detail of main financial debts:

	Nominal amount	Interest rate	Issue date	Due date	2016 (K€)	2017 (K€)
Cash pool balances with Casino	—	Eonia 1 month + 0,5%	—	—	65,193	202,771

3. Other liabilities

€ thousands	2016 Non-current	2016 Current	2016 Total	2017 Non-current	2017 Current	2017 Total
Amounts due to suppliers of PP&E	—	5,661	5,661	—	10,672	10,672
Other liabilities	556	94,633	95,189	790	118,750	119,539
Deferred income	1,524	10,373	11,897	3,710	12,879	16,589
TOTAL	**2,080**	**110,667**	**112,747**	**4,500**	**142,301**	**146,800**

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

	2016		2016		Carrying amount		Total
€ thousands **Financial assets**	**Carrying amount (A)**	**Non financial assets (B)**	**Total Financial assets (A − B)**	**Assets held for trading**	**Loans and receivables**	**AFS - measured at fair value**	**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

	2017		2017		Carrying amount		Total
€ thousands **Financial assets**	**Carrying amount (A)**	**Non financial assets (B)**	**Total Financial assets (A − B)**	**Assets held for trading**	**Loans and receivables**	**AFS - measured at fair Value**	**Fair value**
Other non-current assets	6,064	716	**5,347**	—	5,254	93	5,347
Trade receivables	155,404	—	**155,404**	—	155,404	—	155,404
Other current assets	107,118	9,617	**97,501**	—	97,501	—	97,501
Cash and cash equivalents	43,760	—	**43,760**	—	43,760	—	43,760

3. Financial liabilities

	2016		2016	Carrying amount				Total
€ thousands **Financial liabilities**	**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

€ thousands Financial liabilities	2017 Carrying amount (A)	2017 Non financial liabilities (B)	2017 Total Financial liabilities (A − B)	Carrying amount Liabilities at amortized cost	Carrying amount Liabilities for trading	Carrying amount Liabilities designated at fair value	Carrying amount Hedging instruments	Total Fair value
Financial debt	237,926	—	**237,926**	237,926	—	—	—	237,926
Trade payables	579,745	—	**579,745**	579,745	—	—	—	579,745
Other current liabilities	142,301	12,879	**129,422**	129,422	—	—	—	129,422
Other non-current liabilities	4,500	3,710	**790**	790	—	—	—	790

Assets and liabilities are classified at Level 3, except cash and cash equivalents, and bank overdrafts 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; they expose the Group to cash flow interest rate risk unless they are offset by cash and cash equivalents deposits (including short-term investments) earning interest at variable interest rates. As of December 31, 2017, 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, 2017, with all other variables held constant, was estimated to €0.2 million and €0.4 million respectively for the periods ended December 31, 2017 and December 31, 2016.

Exposure to foreign exchange risk

Due to its operations in Brazil, Cnova used to be 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, 2017, cash and cash equivalents include no Brazilian real in short-term deposits.

Exchange rates against the Euro

	2016		2017	
Exchange rates against the euro	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
US dollar (USD)	1.0541	1.1069	1.1993	1.1297
Brazilian real (BRL)	3.4305	3.8561	3.9729	3.6054

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:

		Receivables past due on the balance sheet date							
€ thousands	**Receivables not yet due not impaired (A)**	**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)**	**Doubtful receivables (C)**	**GROSS TOTAL (D)=(A)+(B)+(C)**	**Impairment losses (E)**	**NET TOTAL (D) − (E)**
2016.	88,859	2,039	178	-	2,217	**10,620**	101,696	(10,636)	91,060
2017.	123,987	30,582	770	65	31,417	**23,713**	179,117	(23,713)	155,404

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, 2017, 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 €238 million as of December 31, 2017 (€348 million including the extention of the credit line to €550 million approved on December 8, 2017).

Exposure to liquidity risk

The table below shows a maturity schedule for financial liabilities, including principal and interest but excluding discounting.

€ thousands	Maturity: Due within one year	Due in one to two years	Due in two to three years	Due in three to five years five years	Due beyond five years	2016—Total	Carrying amount Restated
Borrowings and bank overdrafts	11,022					**11,022**	11,022
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

€ thousands	Maturity: Due within one year	Due in one to two years	Due in two to three years	Due in three to five years five years	Due to beyond five years	2017—Total	Carrying amount
Borrowings and bank overdrafts	20,202					**20,202**	20,202
Cash pool balances with Casino	202,771	—	—	—	—	**202,771**	202,771
Other financial liabilities	14,953	—	—	—	—	**14,953**	14,953
Trade payables and other liabilities	709,167	790	—	—	—	**709,957**	709,957
Total	947,093	790				**947,882**	947,882

Equity risk

Cnova have no exposure to equity securities price risk as since mid-2015 we have no such investment.

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, 2016 and 2017, 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	2016	2017
Assets pledged as collateral	—	—
Bank bonds and guarantees given	—	—
Firm purchase commitments(i)	—	492
Other commitments	—	—
Due:	—	—
Within one year	—	200
Due in one to five years	—	292
Due beyond five years	—	—
Total commitments given	**—**	**492**

(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:

Operating leases and sub-leases where Cnova is a lessee

€ thousands	2016	2017
Due within one year	11,121	14,430
Due in one to five years	33,253	49,902
Due beyond five years	8,968	9,601

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 its current and former officers and directors, and the underwriters of our U.S. initial public offering, have been named as defendants in a securities class action (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) asserting claims arising out of the subject matter of an internal review at Cnova Brazil, including issues related to inventory management and 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. On May 22, 2017, the parties reached a memorandum of understanding to settle the class action that contemplated that, among other things, without admitting fault or liability on behalf of the defendants, the claims against them would be released and resolved in exchange for a payment of $28,500,000. On October 11, 2017, the court entered an order preliminarily approving the settlement and conditionally certifying the class for purposes of the settlement. The settlement amount was funded shortly after preliminary approval primarily with proceeds from insurance. The time period to object to, or opt out from, the settlement has passed and no objections or opt out notices were received. On March 19, 2018, the court entered an order giving final approval to the settlement and releasing defendants of the claims alleged against them. The vast majority of this settlement amount is funded by Cnova's insurers. The remainder as well as all expected related costs are covered by Cnova's provision recorded in 2016 representing insurance deductible and total expected legal costs. Accordingly, the settlement should have no material impact on Cnova's net results.

In a separate potential action the SEC might eventually take, sanctions might be imposed on the Company as a result of the analysis of facts from the internal review concluded at the end of the first half of 2016 by the Company and the advisors retained by the Board of Directors.

Note 26 Related Party Transactions

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.

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 cancelation 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.

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.

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 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 re gistered 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.

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.

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 and an increase to €550 million was approved on December 8, 2017.

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.

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 include 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.

Cross-canal transaction with DCF (Distribution Casino France)

Under this agreement Cdiscount will become the Casino group multi-channel leader for technical (audio, video, telecommunication and IT products) and home products (including garden furniture). Cdiscount will continue to sell these products directly from its online store through direct shipment (at home or pick-up points) and will then allow customers to collect available products nearly immediately at Géant hypermarkets or Casino supermarkets based on local inventory, or via classic in-store sales. Géant hypermarkets and Casino supermarkets will benefit from Cdiscount experience and expertise in such goods (assortment, pricing, promotion and sales) and on the other hand Cdiscount will reinforce its assortment of goods and provide an additional convenient distribution channel. Cdiscount will define the supply strategy (inventory volume, coverage objective by reference and by store, etc.).

For goods sold via classic in-store sales, the pricing of the product sold by Cdiscount to DCF is based on the purchase price net of 3net rebates, which will be deemed the internal sales price plus a margin of 1.33% net of costs. In addition, the applicable internal sales price is adjusted in case of obsolescence impairment based on Cdiscount guidelines which will be invoiced on a semi-annual basis to DCF.

As part of this agreement, Cdiscount and DCF have agreed that Cdiscount would acquire the DCF inventory of those goods, which total value amounted to €68 million before taxes (or €82 million after taxes), of which €78 million including taxes was paid at end June 2017. Goods were acquired at the Casino internal sales price and with a discount calculated using Cdiscount obsolescence guidelines for products labelled as showing a degree of obsolescence. An additional amount àf €10.5 million before taxes of similar DCF inventory was acquired by Cdiscount in December 2017 under the same terms and conditions.

The agreement as a one-year term and is automatically renewable for successive one-year periods unless terminated by either party with written notice sent 6 months prior to expiration of the initial period.

In accordance with IFRS, Cnova has to recognize the sales to the final customers through all canals (including classic in-store sales) as Cnova is acting as principal in this transaction, with the related margin of DCF, the agent, being recorded in fulfilment costs.

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	2016	2017
Salaries and other benefits excluding payroll taxes(i)	2,213	1,928
Payroll taxes on salaries and other benefits	713	632
Termination benefits	1,093	_
Share-based payments	1	1
Total	4,020	2,561

(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 four managers in 2017 and five managers in 2016.

The following transactions were carried out with related parties (consisting of Casino and its subsidiaries):

€ thousands	2016 Transactions	2016 Balance	2017 Transactions	2017 Balance
Loans due from Parent Companies	128,944	246,735	(235,726)	11,009
Receivables	(8,279)	25,063	52,976	78,039
Loan due to Parent Companies	64,272	65,382	137,610	202,992
Payables	(60,703)	15,409	22,294	37,703
Expense	133,885	—	313,749	—
Income	27,136	—	125,439	—

Note 27 Subsequent events

- On February 28, 2018, we have liquidated our subsidiary Cnova Finança.
- On March 19, 2018, as mentioned in Note 25, in the case captioned as In re Cnova N.V. Securities Litigation, the court entered an order giving final approval to the settlement and releasing defendants of the claims alleged against them.

Note 28 Main consolidated companies

The holding company

The next senior company is CBD, owning indirectly 34.05% of Cnova shares and 35.90% of Cnova voting rights and the ultimate holding company is Casino, owning directly and indirectly, 98,97% of Cnova shares and 99,56% of Cnova voting rights.

Subsidiaries

The main companies are listed below:

Company	2016 % control	2016 % interest	2016 Consolidation method	2017 % control	2017 % interest	2017 Consolidation method
C'Nova		**Parent**			**Parent**	
C'Nova Comercio Electronico	0.00	0.00	Sold	0.00	0.00	Sold
Cdiscount Group	100.00	100.00	FI	100.00	100.00	FI
Financière MSR	0.00	0.00	Merged	0.00	0.00	Merged
E-Trend (i)	0.00	0.00	(i)	0.00	0.00	(i)
Cdiscount	99.65	99.65	FI	99.67	99.67	FI
Cdiscount Afrique	100.00	100.00	FI	100.00	100.00	FI
CD Africa	100.00	85.00	FI	0.00	0.00	Merged
Cdiscount International BV	100.00	100.00	FI	100.00	100.00	FI
C-Distribution Asia	0.00	0.00	Sold	0.00	0.00	Sold
Cdiscount LATAM	70.00	70.00	FI	70.00	70.00	FI
Cdiscount Colombia	0.00	0.00	Sold	0.00	0.00	Sold
C Distribution Thailand	0.00	0.00	Sold	0.00	0.00	Sold
E-Cavi Ltd	0.00	0.00	Sold	0.00	0.00	Sold
Cdiscount Vietnam	0.00	0.00	Sold	0.00	0.00	Sold
C'nova France SAS	100.00	100.00	FI	100.00	100.00	FI
Cnova Financa BV	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Côte d'Ivoire (ii)	100.00	85.00	FI	100.00	100.00	FI
Cdiscount Sénégal (ii)	100.00	85.00	FI	100.00	100.00	FI
Cdiscount Cameroun (ii)	100.00	85.00	FI	100.00	100.00	FI
Cdiscount Panama	100.00	70.00	FI	100.00	70.00	FI
Cdicount Uruguay	100.00	70.00	FI	100.00	70.00	FI
Cdiscount Equateur	100.00	69.99	FI	100.00	69.99	FI
Moncorner	0.00	0.00	Merged	0.00	0.00	Merged
3W Santé	0.00	0.00	Merged	0.00	0.00	Merged
3W	100.00	99.65	FI	0.00	0.00	Merged
Moncorner Deco	0.00	0.00	Liquidated	0.00	0.00	Liquidated
Cnova Pay	_	_	_	100.00	100.00	FI
BeezUP	_	_	_	100.00	100.00	FI

(i) Refer to Note 3

(ii) Cnova purchased in 2017 all the non-controlling interests

FI: fully integrated

COMPANY FINANCIAL STATEMENTS OF CNOVA N.V.
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Balance sheet at December 31, 2017

€ thousands	Notes	December 31, 2016	December 31, 2017
Property, Plant and Equipment	6	69	2
Intangible assets	7	43	18
Financial fixed assets	8	285,588	285,707
Deferred tax assets	9	-	-
Total non-current assets		**285,700**	**285,727**
Other current assets, net	10	125,459	109,214
Cash and cash equivalents	11	123	24,683
Assets held for sale	4	85	-
Total current assets		**125,667**	**133,897**
Total assets		**411,367**	**419,624**
Share capital	12	17,225	17,225
Additional paid in capital		404,625	404,625
Retained earnings and reserves		(30,660)	(40,438)
Total equity		**391,190**	**381,411**
Trade payables and other	13	20,177	14,448
Other accrued liabilities	14	-	23,764
Total current liabilities		**20,177**	**38,212**
Total equity and liabilities		**411,367**	**419,624**

The accompanying notes are an integral part of these financial statements

Income statement for the year ended December 31, 2017

€ thousands	December 31, 2016	December 31, 2017
General and administrative expenses	(7,307)	(3,010)
Financial income	3,987	677
Financial expense	(1,133)	(25)
Foreign currency exchange result	(2,901)	(30)
Income tax (expenses)/benefit	-	-
Net result from continuing operations	(7,354)	(2,389)
Net result from discontinued operations	57,627	(7,400)
Net profit (loss) for the year	**50,273**	**(9,789)**

See Note 15

Statement of comprehensive income for the year ended December 31, 2017

€ thousands	December 31, 2016	December 31, 2017
Net profit (loss) for the year	**50,273**	**(9,789)**
Items that may subsequently be recycled to profit or loss	**2929**	**0**
Foreign currency translation (Note 19)	*2929*	*0*
Other comprehensive income/(loss) for the year	**2,929**	**0**
Total comprehensive income/(loss) for the year	**53,202**	**(9,789)**

See Note 16

The accompanying notes are an integral part of these financial statements

Cash Flow Statement for the year ended December 31, 2017

€ thousands	**December 31, 2016**	**December 31, 2017**
Net result from continuing operations	(7,354)	(2,389)
Depreciation and amortization expenses	39	39
Expenses on share-based payment plans	92	-
(Gains)/losses on disposal of non-current assets	-	50
Financial income/(expenses), net	(3,399)	(652)
Current and deferred tax	-	-
Change in operating working capital	(44,367)	17,848
Inventories of products	-	-
Trade payables	*1,667*	*1,604*
Trade receivables	-	-
Other	*(46,034)*	*16,245*
Net cash used in continuing operating activities	**(54,989)**	**14,896**
Net cash used in discontinued operating activities	**(4,603)**	**9,049**
Interest received	-	-
Purchase of shares		(58)
Purchase of property and equipment and intangible asset	(33)	4
Change in loan granted (to subsidiaries)	-	35
Net cash from continuing investing activities	**(33)**	**(19)**
Net cash from discontinued investing activities	**307,206**	**(17)**
Change in loan received (including with related parties)	(254,159)	-
Interest paid/(received), net	2,854	652
Net cash from continuing financing activities	**(251,305)**	**652**
Net cash from discontinued financing activities	**-**	**-**
Change in cash and cash equivalents	**(3,724)**	**24,561**
Cash and cash equivalents at beginning of period	*3,847*	*123*
Cash and cash equivalents at end of period	*123*	*24,683*

The accompanying notes are an integral part of these financial statements

Statement of changes in Equity for the year ended December 31, 2017

€ thousands	Statutory capital	Additional paid in capital	Net result of the period	Retained earnings and other reserves	Legal reserve currency	**Total Equity**
As of December 31, 2015	**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)**	**0**	**391,190**
Share-based payments						-
Allocation of prior year result			(50,273)	50,273		-
Other comprehensive income						-
Net profit (loss) for the period			(9,789)			(9,789)
Other				10		10
As of December 31, 2017	**17,225**	**404,625**	**(9,789)**	**(30,650)**	**0**	**381,411**

Notes to the financial statements

1. Description of reporting entity

Cnova N.V. (herafter "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, 2017 were authorized for issue in accordance with a resolution of the directors on March 26, 2018.

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.

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.

€ thousands	**December 31, 2016**	**December 31, 2017**
Carrying amount of equity	391,190	381,411
Loans	-	-
Less: Cash and cash equivalents	123	24,683
Capital under management of Cnova	**391,067**	**356,728**

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 2016 and 2017 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 is impaired. In case investments in subsidiaries 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 2.2.10, 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 10.

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 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 realize 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 intangibles as well as 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 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.

3.1. Accounting standards and interpretations published with effect from January 1, 2017

The company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments have no significant impact in 2017.

- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Their application has no effect on the company's financial position and performance as the company has no deductible temporary differences or assets that are in the scope of the amendments.

- *Annual Improvements Cycle - 2014-2016*
  Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017 the company as no investment classified as held for sale, so these amendments did not affect the company's financial statements.

3.2. Accounting 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:

- *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. 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 2017, 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 9, IFRS 15 and IFRS 16 on the company's financial statements has been perform in 2017. The company expects to apply these new standards using the full retrospective method. At this time, the estimated impacts are not significant.

The other amendments are not expected to have any impact on the company.

3.3. 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 financial statements.

3.4. 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 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.

3.4.1. 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.

3.4.2. 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 (€11.6 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 (€146.0 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. had been classified as held for sale at the end of 2016. During 2017 the plan changed and Cnova Finança B.V. was liquidated on February 28, 2018. At December 31, 2017, Cnova Finança B.V. is thus classified as a discontinued activity.

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.

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:

€ thousands	**December 31, 2016**	**December 31, 2017**
General and administrative expenses	(6,168)	(6,550)
Financial income	24,627	-
Financial expense	-	-
Foreign currency exchange result	47,517	-
Income tax (expenses)/benefit	-	-
Net profit (loss) (i)	**65,976**	**(6,550)**
Net cash proceeds	6,966	-
Disposal costs	(13,444)	(850)
Net assets disposed	(4,800)	-
Gain (loss) on disposals (ii)	**(11,278)**	**(850)**
Net profit/(loss) from discontinuing activities	**54,698**	**(7,400)**
Recycling of foreign currency reserves	2,929	
Net impact on other comprehensive profit/(loss)	**57,627**	**(7,400)**

(i) Represent the activity of the operations up to the day they ceased operations or were sold

(ii) Includes 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

€ thousands	December 31, 2016	December 31, 2017
Beginning of the year	90	69
Acquisitions	-	-
Tangible assets disposed of during the period	-	(52)
Depreciation	(21)	(15)
End of year	**69**	**2**

7. Intangible assets

€ thousands	December 31, 2016	December 31, 2017
Beginning of the year	30	42
Acquisitions	31	0
Transfer	-	0
Depreciation	(18)	(24)
End of year	**42**	**18**

8. Financial assets

€ thousands	December 31, 2016	December 31, 2017
Investments in subsidiaries	284,932	285,084
Loans receivables from subsidiaries	657	622
End of year	**285,589**	**285,707**

8.1. Investments in subsidiaries

€ thousands	December 31, 2016	December 31, 2017
Beginning of the year	298,776	284,932
Contribution in kind	3,165	0
Disposal (note 4)	(4,800)	0
Distribution (note 4)	(12,209)	0
Reclassifications	0	153
End of year	**284,932**	**285,084**

Cnova N.V. holds directly the following subsidiaries:

- Cdiscount Group SAS, Saint Etienne, France
- Cnova France, Saint Etienne**,** France.
- Cnova Financa, Amsterdam, Netherland, to be liquidated (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)

Recoverable value of investments is based on value in use. This value was determined by the discounted cash flows method, based on after-tax cash flows. In performing the estimation of cash flows, Cnova used internal and external analysis. No impairment is required based on recoverable value.

Company	2016 % owned	2017 % owned	Cost (*€ thousands*)
Cdiscount Group	99.81	100	284,989
Cnova France SAS	100	100	10
Cnova Financa BV	100	100	85

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 granted to subsidiaries

€ thousands	December 31, 2016	December 31, 2017
Beginning of the year	227,709	657
Issued (repayment) net	(174,334)	(640)
Accrued interests	657	605
Exchange rate differences	(53,375)	0
End of year	**657**	**622**

9. Deferred tax assets

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.

In 2016 and 2017, no tax is due but due to the tax loss of €4.3 million and €9.8 million, respectively. At December 31, 2017 the total unrecognized deferred tax assets was €14.0 million, with expiry date in 2023 for 10.7, 2025 €1.1 million and 2026 for €2.2 million.

10. Other current assets, net

€ thousands	December 31, 2016	December 31, 2017
Cash pool balance with Casino	4,614	(131,762)
Other receivables	5,744	2,882
Including management fees with other entities of Cnova group		
Current cash advance to subsidiaries	115,102	238,095
Other current assets	**125,460**	**109,214**

Cash pool balances with Casino and current cash advance to subsidiaries bear interest at Eonia 1 month +0.5%.

11. Cash and cash equivalents

Cash and deposits of €24,683 thousand consist of time deposits and amounts held as bank balances. All bank balances and deposits are freely available, except for €23,764 thousands which are considered as restricted.

12. Share capital

At January 1, 2015, the share capital of Cnova was composed of 441,297,846 shares with a par value of €0.05 and included 17,045 restricted shares from the 25,567 restricted shares that had been issued on December 8, 2014 pursuant to Cnova Omnibus Incentive Plan to be granted to each individual serving as an independent director.

In 2016, on the second anniversary of their issuance 8,522 of those restricted shares become unrestricted and in 2017 all the remaining 8,523 restricted shares became unrestricted on the third anniversary of their issuance.

In 2016, 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.

At December 31, 2017, the share capital of Cnova is composed of 344,507,048 shares with a par value of €0.05.

The Board of Directors of the Company proposes to appropriate the result for the period to the retained earnings.

13. Trade payables and other

Trade payables are amounts due to suppliers and are payable within 3 months.

The loan granted by Casino matures within one year and bears interest at EONIA. This loan is undrawn at December 31, 2016 and 2017,

Other current liabilities consist of sundry payables and mature within one year.

14. Other accrued liabilities

Cnova, certain of its current and former officers and directors, and the underwriters of our U.S. initial public offering, have been named as defendants in a securities class action (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) asserting claims arising out of the subject matter of an internal review at Cnova Brazil, including issues related to inventory management and 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. On May 22, 2017, the parties reached a memorandum of understanding to settle the class action that contemplated that, among other things, without admitting fault or liability on behalf of the defendants, the claims against them would be released and resolved in exchange for a payment of $28,500,000. On October 11, 2017, the court entered an order preliminarily approving the settlement and conditionally certifying the class for purposes of the settlement. The settlement amount was funded shortly after preliminary approval primarily with proceeds from insurance. The time period to object to, or opt out from, the settlement has passed and no objections or opt out notices were received. On March 19, 2018, the court entered an order giving final approval to the settlement and releasing defendants of the claims alleged against them. The vast majority of this settlement amount is funded by Cnova's insurers. The remainder as well as all expected related costs are covered by Cnova’s provision recorded in 2016 representing insurance deductible and total expected legal costs. Accordingly, the settlement should have no material impact on Cnova's net results.

In a separate potential action the SEC might eventually take (contingency), sanctions might be imposed on the Company as a result of the analysis of facts from the internal review concluded at the end of the first half of 2016 by the Company and the advisors retained by the Board of Directors.

15. Notes to the income statement

15.1. Employees

The average number of employees of Cnova N.V. in full-time equivalents during 2017 was 3 (2016: 4). Salaries, social security charges and pension expenses amounted to €569 thousand for 2017 (2016: €1,279 thousand), €52 thousand for 2017 (2016: €59 thousand), and €17 thousand for 2017 (2016: €27 thousand), respectively.

15.2. 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.

€ thousands	2016	2017
Audit fees for EY NL	117	75
Audit fees for EY network	1,961	594
Audit-related fees	-	111
Tax fees	-	-
All other fees	-	-
Total	**2,078**	**780**

15.3. Financial income and expense

The loans granted to subsidiaries (see Note 8.2) and current cash advances to subsidiaries (see Note 10) generated net financial income of €652 thousands in 2017 (of which €nil thousands are related to discontinued activities) and of €28,615 thousands in 2016 (of which €24,627 thousands is related to discontinued activities).

The current account with Casino (see Note 13), totally reimbursed as at December 31, 2017, generated financial expenses of €nil thousands in 2017 and €1,133 thousands in 2016.

15.4. Taxes

The taxable result for 2017 is a loss of €8.9 million and no tax is due (see Note 9). There is no significant difference between domestic and effective tax rate.

16. Note to the statement of comprehensive income

Due to the end of the 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.

17. Reconciliation between company and consolidated information

In accordance with 2:289-10 of Dutch Civil Code, the reconciliation of equity is the following:

€ thousands	December 31, 2016	December 31, 2017
Total company's equity	**391,190**	**381,411**
Retained earnings of subsidiaries	(411,214)	(502,857)
Total consolidated group equity	**(20,024)**	**(121,446)**

In accordance with 2:289-10 of Dutch Civil Code, the reconciliation of net result is the following:

€ thousands	December 31, 2016	December 31, 2017
Company's net profit (loss)	**50,273**	**(9,789)**
Net profit (loss) of subsidiaries	(296,768)	(90,524)
Gain (loss) on disposal	558,334	-
Recycling of foreign currency reserves	(177,991)	-
FX exchange	(66,885)	-
Other	29	-
Total consolidated net profit (loss)	**66,992**	**(100,313)**

18. 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. Unless stated otherwise, the balances and transactions on the table below are mostly with subsidiaries.

	2016		**2017**	
€ thousands	**Transactions**	**Balance**	**Transactions**	**Balance**
Loan due from subsidiaries	227,052	657	(52)	605
Receivables	41,554	125,459	6,588	132,047
Loan due to Parent Company	254,159		0	
Payables	12,581	4,330	(3,242)	1,088
Expenses	9,455		2,339	
Income	24,627		0	

19. 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. The new lease entered into in August 2017 as a duration of one year.

20. 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 and 2017, 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, 2017, with all other variables held constant, was estimated to €0.2 million and €0.4 million respectively for the periods ended December 31, 2017 and December 31, 2016.

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, 2017, 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 €238 million as of December 31, 2017. 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.

21. 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, 2017 was €170 thousand. No SARs had vested at December 31, 2017.

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

22. Directors' remuneration

The below tables show the compensation paid by us and our subsidiaries to our executive and non-executive directors in the 2017 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.

Remuneration for executive director

During his tenure as executive director in the 2017 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation) amounted to €1,097,000, including a variable compensation related to 2016 based on 45% on quantitative targets and 55% of qualitative targets. The Cnova Board of directors has determined that those targets were 122.4% reached, setting the variable compensation paid at €226,371.

Remuneration for non-executive directors

Name and title	Director fees in USD in 2017	Committee membership fees in USD in 2017	Attendance fees in USD in 2017	Amount paid in USD in 2016
Non-executive directors				
Antoine Giscard d'Estaing, Chairman	10,000			10,000
Ronaldo Iabrudi dos Santos Pereira, Vice Chairman	10,000	5,000	6,000	24,000
Eleazar de Carvalho Filho.	40,000			40,000
Christophe Hidalgo[1]	9,671			10,000
Jean-Yves Haagen[2]	959			10,000
Arnaud Strasser	10,000	5,000	4,500	10,000
Independent non-executive directors				
Bernard Oppetit	40,000	20,000	10,000	128,000
Silvio Genesini……………………………… .	40,000	20,000	17,500	137,000

In addition, Messrs. Oppetit, Genesini and de Carvalho Filho value of their long term incentive award (see below) represented respectively €12,828, €12,234 and €12,234, respectively at December 31, 2017, based upon the share price in Euros on the vesting date of the relevant RSA.

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 Note 21 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. Hidalgo was appointed on January 13, 2017 and is entitled to 353 days remuneration. Amount in 2016 corresponds to his predecessor, Mr. Didier Lévêque.
[2] Mr. Haagen was appointed as replacement non-executive director on November 27, 2017 and is entitled to 35 days remuneration. Amount in 2016 corresponds to his predecessor, Mr. Yves Desjacques.

			Vesting Schedule					
Name	Number of RSAs	Grant Date	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, 2017 and December 8, 2017, respectively, the third and last 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.

In 2016, in addition to the audit committee and the nomination and remuneration committee, a transaction committee was created on March 3, 2016, composed of the two independent directors. They each received a fixed annual retainer of $20,000 and an attendance fee of $2,000 per meeting. This committee was stopped at the end of 2016.

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

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.

23. Subsequent events

- On February 28, 2018, Cnova Finança B.V. has been liquidated.
- On March 19, 2018, as mentioned in Note 14, in the case captioned as In re Cnova N.V. Securities Litigation, the court entered an order giving final approval to the settlement and releasing defendants of the claims alleged against them

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THE BOARD OF DIRECTORS OF CNOVA N.V.

Antoine Giscard d'Estaing	Ronaldo Iabrudi dos Santos Pereira
Silvio Genesini	Bernard Oppetit
Christophe Hidalgo	Eleazar de Carvalho Filho
Arnaud Strasser	Jean-Yves Haagen
Emmanuel Grenier	