ANNUAL REPORT AND FINANCIAL STATEMENTS OF CNOVA N.V. FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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

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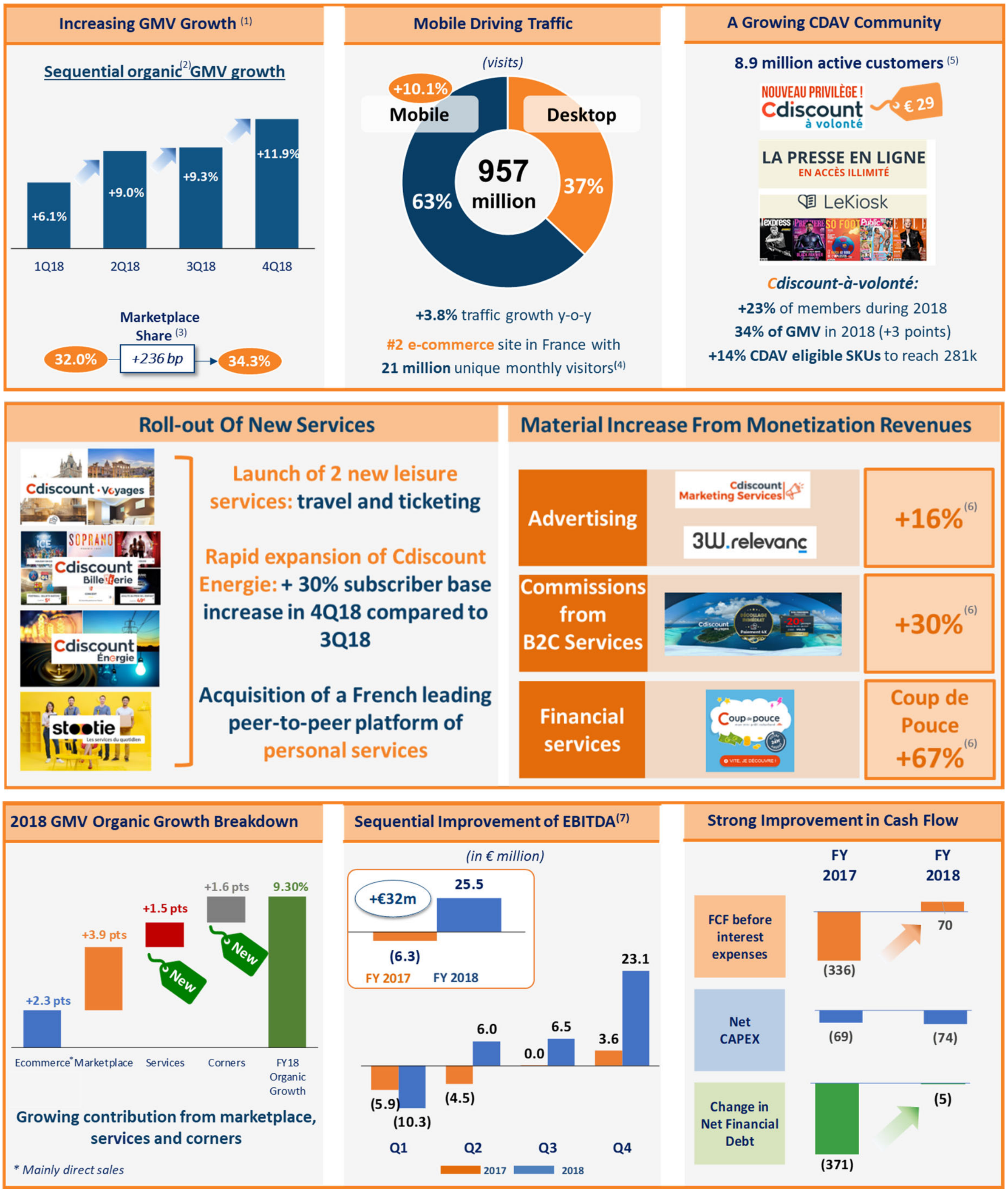
1. DIRECTORS REPORT

1.1 KEY FIGURES



(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) Organic growth: figures include showroom sales and services; exclude technical goods and home category sales made in Casino Group's hypermarkets and supermarkets as well as 1001Pneus (tire company acquired in October 18). Total exclusion of -1.1 points and -1.7 points, respectively, on GMV and net sales. 1001Pneus and Stootie, two companies acquired in 4Q18, started to be consolidated respectively from 16th October 2018 and from 1st December 2018.
(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 4th quarter 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) Full Year 2018 EBIT impact compared to the previous year
(7) EBITDA is calculated as operating profit/(loss) from ordinary activities (Operating EBIT) before depreciation and amortization expense and share based payment 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 2017 and 2018 as well as the consolidated balance sheet data as of December 31, 2017 and 2018 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 "2.1 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 "3 Risk Management and Risk Factors" of this annual report.

Key financial figures	Full Year		*Change*
€ millions	2018	2017	
Net sales	**2174.3**	**2034.9**	***+6.8%***
Gross profit(1)	**336.7**	**274.8**	***+22.5%***
Gross margin (2)	***15.5%***	***13.5%***	*+198 bps*
SG&A(3)	**(344.4)**	**(308.0)**	***+11.8%***
Adjusted EBITDA(4)	**25.5**	**(6.3)**	*n.m.*
Operating EBIT(5)	**(7.7)**	**(33.3)**	*n.m.*
Cdiscount	***(3.6)***	***(26.7)***	*n.m.*
Net profit/(loss) (from continuing activities)	**(35.3)**	**(102.6)**	***-65.6%***
Adjusted EPS (from continuing activities) (6)	**(0.04)**	**(0.24)**	***-81.5%***
Free cash flow - continuing activities LTM(7)	**69.7**	**(336.2)**	***+405.9***
Net cash/(Net financial debt)(8)	**(198.8)**	**(193.3)**	***(5.4)***

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

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

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

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

(8) 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. 2018 net financial debt was negatively impacted by the €23.8 million (US$28.5 million) payment related to the class action settlement. This amount was already considered in the 2017 accounts as restricted cash in an escrow account.

€ thousands	For the six months ended, Dec. 31, 2018	June 30, 2018	Dec. 31, 2017	June 30, 2017
GMV	**2,031,910**	**1,613,728**	**1,884,868**	**1,418,677**
Net Sales	**1,205,510**	**968,769**	**1,189,596**	**845,353**
EBITDA	**29,651**	**(4,355)**	**3,672**	**(10,388)**
Cdiscount	31,905	(2,158)	6,508	(6,780)
Holdings	(2,254)	(2,196)	(2,835)	(3,608)
Operating EBIT	**12,382**	**(20,121)**	**(10,864)**	**(22,406)**
Cdiscount	14,794	(17,796)	(7,911)	(18,772)
Holdings	(2,412)	(2,325)	(2,953)	(3,634)

1.3 SIGNIFICANT EVENTS OF THE YEAR

- ***New B2C services***

Cnova is committed to being able to meet its customers' everyday needs. After broadening its product offer year after year, in particular thanks to a significant increase in available SKUs and the marketplace development, Cnova has been expanding its service offerings at a fast pace.

Cdiscount Energie, launched in the 3rd quarter 2017, showed an accelerating performance for its first full year of operation and extended its offer with the launch of domestic oil fuel sales in the 4th quarter.

Cnova started in 2018 to offer also leisure activities, launching two new main services: first, Cdiscount Voyages, a travel platform offering a wide choice of flights, holiday rentals and equipment, and second, Cdiscount Billetterie, a ticketing platform launched at the end of 3Q18.

Finally, Cnova now offers personal services through the acquisition at the end of November of Stootie, the French leading peer-to-peer platform (more details below).

- ***Roll-out of multichannel concepts***

Cnova accelerated its multichannel strategy with Casino, initiated last year with the agreement putting Cnova in charge of technical goods and home category sales in Géant hypermarkets and Casino supermarkets and the opening of 4 Cdiscount showrooms in Géant hypermarkets. 45 new showrooms were rolled out in 2018, bringing the total network to 49 at the end of December 2018.

These showrooms offer an enhanced customer experience, with the guarantee to receive Cdiscount's best prices, new features available on interactive terminals and the ability for Casino and Cdiscount credit card holders to pay in 4 installments. In addition, showrooms increase Cdiscount's brand awareness, especially in the strategic home category, benefiting from the mass daily customer flow in hypermarkets.

In addition, a brand-new flagship showroom opened on the Champs-Elysées in Paris in early October: a 24/7 Casino/Cdiscount showroom, presenting an innovative 100% digital & connected customer experience. The store is spread over 3 floors with an exclusive pick-up point location, a Cdiscount wine cellar and a Cdiscount showroom focused on home category.

- ***Launch of Europe-wide deliveries***

Cnova launched European-wide deliveries at the end of 2Q18, offering direct delivery of 23 million SKUs to Belgium and Spain (48-hour delivery) and Germany and Italy (72-hour delivery).

Cnova also expanded abroad thanks to 36 European partnership marketplaces.

Just a few months after launching international sales, Cnova already delivers to more than 19 countries, on a low fixed-cost business model.

- ***Acquisition of 1001Pneus (tire e-retailer)***

On October 15th, 2018, Cnova acquired 1001Pneus, a leading tire e-retailer, after the company was placed into receivership. Cnova offered a consideration of 0.5 million euros for the assets and committed to retain all its 40 employees. 1001Pneus's assets have been placed into a 100% Cdiscount SA owned subsidiary named CARYA.

Located in Bordeaux, 1001Pneus is a major player in the French on-line tire industry. With an assortment covering more than 30,000 SKUs and 140 brands, 1001Pneus posted a 2017 turnover of around 50 million euros.1001Pneus benefits from a partnership network of over 4,500 assembly centers in France.

Cnova plans to accelerate 1001Pneus' development, building a leader in the on-line tire and automotive part markets. Overall, this transaction should enable 1001Pneus' teams to benefit from Cnova's expertise in logistics, marketing and technology. It strengthens 1001Pneus' prospects, integrating it into a French e-commerce leader, and also enables Cnova to reinforce its strategy in the automotive industry.

- ***Acquisition of Stootie (peer-to-peer daily services platform)***

On November 30, 2018, Cnova acquired Stootie, a leading peer-to-peer platform of personal services, after it was placed in receivership. Cnova offered a consideration of 0.72 million euros for the assets and committed to retain 38 employees. Stootie's assets have been placed into a 100% Cdiscount SA owned subsidiary named HALTAE.

Located in Paris, with a historical base of 150,000 "Stooters" (people offering their services) and 188,000 "requesters" covering a wide range of around 385 services, Stootie is the main player among French personal services marketplaces. Furthermore, Stootie and Cdiscount entered into a commercial partnership in 2017, with Cdiscount offering its clients Stootie installation and assembly services, covering 90,000 references.

Cnova is planning to boost Stootie's development by extending the existing partnership to additional references and implementing cost synergies. It also reinforces Cnova's ambition to build a diversified services platform.

- ***SEC investigation update***

On December 14, 2018, the Company received written notification from the SEC staff that they have closed their investigation related to inventory management and accounting issues at Cnova's former Brazilian subsidiary, as first reported in December 2015, and that they will not initiate any enforcement action against Cnova in connection with these issues. Therefore, no penalty, fine or other sanction will be applied in this matter.

1.4 BUSINESS REVIEW

Key performance indicators	FY2018	FY2017
GMV[1] (€ millions)	3,645.7	3,303.5
Organic GMV growth year-on-year	*9.3%*	*9.6%*
Reported GMV growth year-on-year	*10.4%*	*13.2%*
Marketplace share [2]	34.3%	32.0%
Net sales (€ millions)	2,174.3	2,034.9
Organic net sales growth year-on-year	*5.1%*	*9.3%*
Reported net sales growth year-on-year	*6.8%*	*14.4%*
Traffic (visits in millions)	956.7	921.8
Mobile share in traffic	63.4%	59.8%
Active customers[3] *(millions)*	8.9	8.6
Orders[4] *(millions)*	26.9	26.9

(1) Gross merchandise volume (GMV) is defined as product sales + other revenues + marketplace business volumes + services GMV + 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 for 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, 33067 Bordeaux, 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 information 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. As a consequence, 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 controlled 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.

Since its reorganization in 2016, Cnova continues to be focused on its French core geography but started developing its European sales in the second part of 2018 for a share of gross merchandise volume that remained so far insignificant.

1.4.2 BUSINESS AND STRATEGY

Over the past few years, the French e-commerce market has constantly evolved with the rapid expansion of marketplaces, mobile share in traffic, express delivery, development of new services and value-added functionalities. In this context of strong acceleration of innovation and volumes which has led to the consolidation of the e-commerce market, Cnova's priority was to reach a critical size. In 2018, Cnova reached a milestone towards building a profitable growth, in a more mature e-commerce market, with more loyal clients and an increased monetization strategy. Leveraging on its 2018 solid financial results, Cdiscount now plans to focus in 2019 on accelerating its shift towards a platform model generating a profitable growth.

In 2018, gross merchandise volume (GMV) totaled €3.6 billion, a 9.3% organic growth[1] (+10.4% on a reported basis) with an acceleration in the 2nd half at +10.7% organic growth (+7.8% reported) supported by successful events such as the second edition of the French Days, Black Friday and Cdiscount's 20-year anniversary sale.

The marketplace development is at the heart of the profitable growth strategy and is key to sustain GMV growth. In 2018, marketplace GMV reached a record-high €1.1 billion euros GMV (+12.3%), with a GMV share 2.4 points higher than 2017. Key drivers were the 37% increase in the number of available of SKUs and the 7 points gain in Fulfillment By Cdiscount GMV share. This strong marketplace performance was also supported by a +24% growth in Hi-Tech and +23% in large Home GMV.

Net sales amounted to €2.2 billion in 2018, representing a 5.1% organic growth compared to 2017, driven by the development of showroom revenues and B2B and B2C services. Cdiscount's Technical Goods (Hi□tech, Computers and Home Appliances) market share value increased by 0.3 point on total retail, to reach 6.3%[2].

Regarding traffic, Cdiscount consolidated its number 2 status in terms of unique monthly visitors ("UMV") on both desktop and mobile platforms, widening the gap compared to the nearest competitor. In the 4th quarter 2018, Cdiscount reached 21 million UMV overall, covering more than one third of the French population. 2018 highlighted the growing prominence of mobile traffic, which reached 63% of total traffic share (+4 points) and a GMV share of 44% (+6 points) in 2018[3].

In terms of product offerings, the combination of direct sales and marketplace businesses allowed Cnova to offer a wide and growing product assortment of over 48 million references as of December 31, 2018, up +37% compared to December 31, 2017. As mentioned in section "1.3. Significant Events of the Year," Cnova also pursued its efforts to diversify its product offerings with the purchase of 1001Pneus, a leading tire e-retailer, which posted net sales of around 50 million euros in 2017. In addition to this global offer mainly driven by the marketplace growth, the number of SKUs eligible for *Cdiscount à volonté* (CDAV) free express delivery also continued to increase at a fast pace of 14%, reaching 280,000 references after a tripling of the eligible assortment. Most significant product categories in terms of GMV are home furnishing, household appliances, consumer electronics and computers.

In terms of services, Cnova's development plan accelerated sharply in 2018 with 2 successful launches: Cdiscount Voyages (travel), launched on May 17th, 2018, posted a strong GMV sequential growth of +51% in the fourth quarter, with a very promising Black Friday performance. Cdiscount Billetterie (ticketing), started in 3Q18, showed a promising start for its first full quarter. Finally, Cdiscount Energie continued to expand with the launch

[1] *Organic growth: figures include showroom sales and services; exclude technical goods and home category sales made in Casino Group's hypermarkets and supermarkets as well as 1001Pneus (tire company acquired in October 18). Total exclusion of -1.1 points and -1.7 points, respectively, on GMV and net sales. 1001Pneus started to be consolidated from 16th October 2018 and Stootie from 1st January 2019.*

[2] *Source: GfK market share for the period January - October*

[3] *Médiamétrie studies*

of domestic heating oil offer and a 30% subscriber base increase in 4Q18 compared to 3Q18.

In terms of customer base, Cnova strives to offer its nearly 9 million active costumers the best services to retain them and attract new customers. Cnova's loyalty program, CDAV, continues to capture more customers, experiencing a 23% membership growth at the end of 2018, driven by the enrichment of its program (unlimited press offer, sharing CDAV benefits with other people, …). CDAV 2018 GMV share reached 34.1%, up 3 points compared to 2017. The focus on the expansion of the CDAV-eligible express delivery product offerings also contributed to this sharp increase: CDAV-eligible SKUs increased by 14% to reach 281 thousand SKUs at the end of December 2018, boosted by the addition of the Cdiscount Transport marketplace SKUs and the expansion of Fulfillment by Cdiscount. Customer loyalty is also supported by a unique multichannel experience and state-of-the-art delivery solutions. 45 new Cdiscount showrooms opened in Géant hypermarkets in 2018, bringing the total network to 49 at the end of December 2018, with further openings planned in 2019. Delivery solutions remain at the cutting edge of technology: roll-out of real time geolocation on large parcel delivery now covers 97% of order flow and on-demand delivery was launched in June 2018. Finally, to capture new clients outside its 2017 geographic footprint, Cnova successfully expanded in Europe through direct deliveries from its French warehouses with a solid performance in Belgium and through European partnership marketplaces (36 marketplaces to date). Cnova now delivers to 19 European countries.

In terms of logistic capacities, Cnova has a network of 10 distribution centers in France with a combined total of 523,000 sqm spread around three main regions: Paris, Lyon and Bordeaux. To support the growing product assortment, a new warehouse of 80,000 sqm warehouse was opened near Paris (Moissy) at end June 2018. 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 cost savings. This solution reduces cardboard usage with 30% less wasted space. The plan is to cover 85% of parcels by mid-2019. Exotec, the robotized picking solution, already successfully implemented in the Cestas warehouse, is being rolled-out in the Réau warehouse near Paris.

Cnova's strategy is to accelerate its path towards a profitable model through the monetization of its marketplace, data, traffic, customer, and logistics assets. 2018 marked a strong acceleration of these revenues to 64 million euros, i.e. a year-on-year growth of +23%.

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 its marketplace sellers, which enables sellers to increase their turnover, benefit from speedy delivery and increased customer satisfaction. Cnova's fulfillment services to marketplace vendors strongly accelerated in 2018 with a related GMV that increased by 63% and gained 7 points in marketplace GMV share. In addition to the fulfillment offer, Cnova developed new services to create a complete ecosystem for its vendors. For example, Cnova offers premium packages which allow our vendors to have access to sales analyses, higher visibility of their products, sponsored ads and other value-added services for a monthly subscription fee. Premium Packs (bundled offers of services) and sponsored products more than doubled in 2018 and now cover more than 25% of Cdiscount's vendor base. The revenues arising from this ecosystem of services were multiplied by 2.3 times in 2018.

Completing the advertising services offered to vendors, Cnova launched Cdiscount marketing services, a new self-service platform enabling partner websites to boost their traffic through a comprehensive offer of advertising tools. These new, commissioned-based services described in the service offerings section (Travel, Energy, Ticketing) are also driving profitability and increased by 30% in 2018.

Financial services also complemented monetization revenues with a consistent expansion throughout the year: credit card issuances increased by +82% while Coup de Pouce (short-term consumer credit offer) enjoyed a +67% growth.

In 2019, leveraging on its 2018 solid financial results, increased monetization and valuable assets, Cnova plans to accelerate its path towards a profitable platform model. By developing its key assets (customers, partners and state-of-the-art technology), Cnova will further expand:

- a marketplace of products, at the heart of Cdiscount's strategy, benefiting from a solid growth in the coming years,
- a platform of services already showing promising performance on both clients' daily needs and

leisure activities. As mentioned in section “1.3. Significant Events of the Year,” Cnova acquired Stootie, a leading peer-to-peer platform of personal services gathering 385 different daily needs for our clients,

- an enriched advertising platform, that will soon be opened to all our partners.

In parallel to this key platform strategy, Cnova is committed to accelerate the dynamics of innovation: The Warehouse, Cnova’s logistics incubator, presented a high success rate in 2018 with 3 out of 5 selected startups currently implementing their solution (autonomous electric wheel of Ez-Wheel, automated arm of Nomagic.AI and optimized return flows with Shoprunback). The second selection round for 2019 was closed at end November 2018 with 5 new startups. As a proof of these successes, Cnova was awarded 2 new prizes for Exotec, the robotized picking solution (“David avec Goliath” & LSA) and 1 additional FEVAD prize for the launch of on-demand delivery in the Paris area.

Cnova is also committed to best-in-class Corporate Social Responsibility. 100% electric delivery in Paris and Bordeaux for heavy products was launched in 4Q18. Cdiscount became the first e-merchant to receive the “Digital Ad Trust” label, awarding the website with responsible advertising practices regarding brand safety, fraud, user experience and use of personal data. In addition, Cnova has engaged in several initiatives related to education and training:

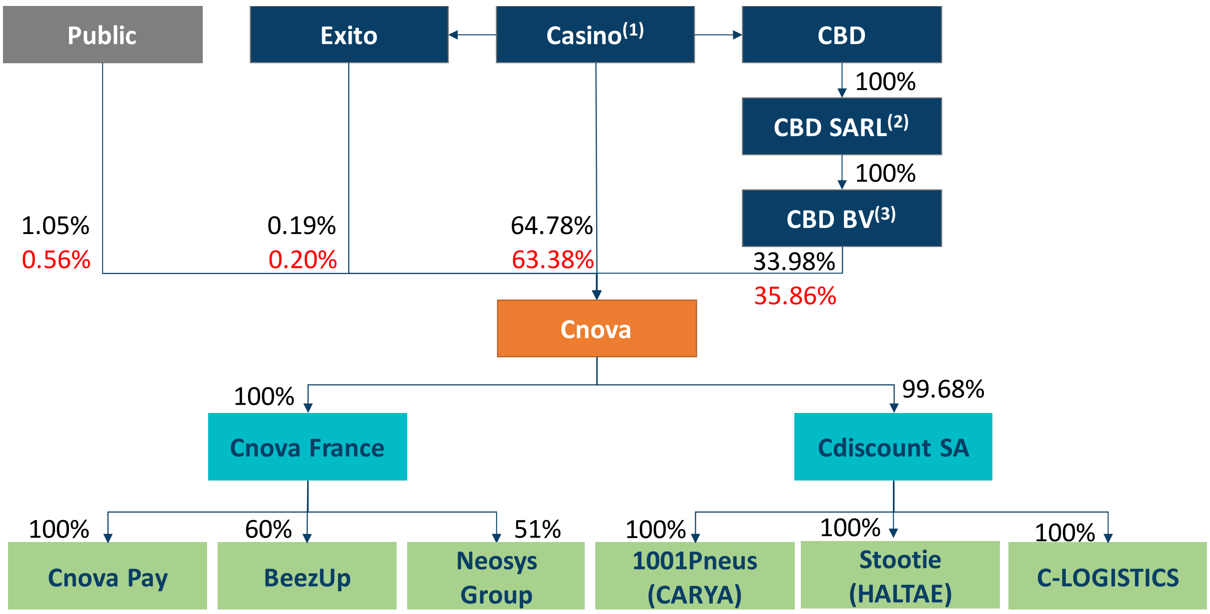
- MasterClass IT: creation of an IT development program mixing theory courses and professional experience.
- Partnerships with secondary schools near Bordeaux to promote IT development and responsible use of social networks.

Cnova entered into partnership with the association “Un Rien c’est Tout” to support charity projects through the implementation of an online donation during the order process, when the customer pays his basket.

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 at 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 of main operating entities on December 31, 2018, 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) C-logistics entity received the logistics assets from Cdiscount SA on January 1, 2019 and was still an empty holding as of December 31, 2018

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, 2017 and 2018 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.

In particular, 2017 financial figures were adjusted according to IFRS 15 (new standard on revenue), that came into force on January 1st, 2018 with retroactive application. Main impact is that certain suppliers' contributions are now recognized as a reduction of purchase price and deducted from inventories instead of revenue in previous standard.

Income statement

Consolidated Income Statement (1)	**Full year**		*Change*
€ in millions	**2018**	**2017**	
Net sales	**2,174.3**	**2,034.9**	*+6.8%*
Cost of sales	(1,837.6)	(1,760.2)	*+4.4%*
Gross profit	**336.7**	**274.8**	*+22.5%*
% of net sales (Gross margin)	*15.5%*	*13.5%*	
SG&A(2)	**(344.4)**	**(308.0)**	*+11.8%*
% of net sales	*-15.8%*	*-15.1%*	
Fulfillment	(169.2)	(158.9)	*+6.5%*
Marketing	(62.3)	(45.4)	*+37.3%*
Technology and content	(76.1)	(69.8)	*+9.1%*
General and administrative	(36.8)	(34.0)	*+8.2%*
Operating EBIT(3)	**(7.7)**	**(33.3)**	
% of net sales	*-0.4%*	*-1.6%*	
Other expenses	(15.0)	(26.9)	*-44.5%*
Operating profit/(loss)	**(22.7)**	**(60.2)**	*nm*
Net financial income/(expense)	(49.4)	(40.3)	*+22.8%*
Profit/(loss) before tax	**(72.1)**	**(100.5)**	*-28.2%*
Income tax gain/(expense)	36.9	(2.2)	*n.m*
Net profit/(loss) from continuing operations	**(35.3)**	**(102.6)**	*-65.6%*
Net profit/(loss) from discontinued operations	4.5	(8.0)	*n.m*
Net profit/(loss) for the period	**(30.8)**	**(110.6)**	*n.m*
% of net sales	*-1.4%*	*-5.4%*	
Attributable to Cnova equity holders (incl. discontinued)	(30.8)	(110.3)	
Attributable to non-controlling interests (incl. discontinued)	(0.0)	(0.3)	
Adjusted EPS (€) from continuing operations	(0.04)	(0.24)	
Adjusted EPS (€) from discontinued operations	(0.00)	(0.00)	
Adjusted EPS *(€)*(4)	**(0.04)**	**(0.24)**	

1) *2017 financial figures were adjusted: IFRS 15 (new standard on revenue) came into force on January 1st, 2018 with retroactive application. Main impact is that certain suppliers' contributions are now recognized as a reduction of purchase price and deducted from inventories instead of revenue in previous standard.*
2) *SG&A: selling, general and administrative expenses.*
3) *Operating EBIT: operating profit/(loss) before other expenses (strategic and restructuring expenses, litigation expenses and impairment and disposal of assets expenses).*
4) *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 2018, our gross merchandise volume (GMV) amounted to €3.6 billion, up 9.3% on an organic[1] basis.

On a reported basis, including in particular Casino stores and 1001Pneus sales, 2018 GMV rose by 10.4% compared to 2017. The mobile share of GMV was 44.0% for the full year 2018, i.e. a strong increase of +590 basis points compared to 2017. The marketplace share of total GMV reached 34.3% in 2018 compared to 32.0% in 2017. The number of marketplace references increased by 37% year-on-year (y-o-y). The marketplace GMV fulfilled by Cdiscount experienced a high 63% growth y-o-y, gaining 7 points of marketplace GMV share.

Net sales totaled €2.2 billion in 2018, a 5.1% organic y-o-y growth (+6.8% on a reported basis), driven by the development of showroom revenues and services.

We strive to provide our customers with a high value proposition through attractive pricing, extensive product assortment as well as highly differentiated delivery and payment solutions. We achieve this through our scalable and proprietary technology platforms. We also benefit from our parent company, Casino, which is part of the Casino Group, a leading global diversified retail group with €36.6 billion sales for the year ended December 31, 2018 including €21.0 billion in France.

As of December 31, 2018, we offered our 8.9 million active customers access to a wide and growing assortment of more than 48 million product offerings through a combination of our direct and marketplace sales.

Our loyalty program, *Cdiscount à Volonté* (CDAV), customers accounted for 34.1% of total GMV in 2018 compared to 31.1% in 2017. 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 markets 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 do not include revenue from returned items or cancelled orders. Net sales also include revenues generated from commissions from our marketplaces on sales by third-party vendors selling products on our sites and application. We launched our first marketplace in France in 2011 and marketplace revenues represent an improving portion of our total net sales. Our goal is to expand marketplace business significantly in the coming years, including the expansion of our 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, fees collected from customers using our customer service call centers and commissions from services offered to our customers through multiple partnerships (travel, ticketing, energy, …).

Cdiscount opened 49 showrooms in Géant hypermarkets and Casino supermarkets since September 21,

[1] Organic growth: figures include showroom sales and services; exclude technical goods and home category sales made in Casino Group's hypermarkets and supermarkets as well as 1001Pneus (tire company acquired in October 18). Total exclusion of -1.1 points and -1.7 points, respectively, on GMV and net sales. 1001Pneus started to be consolidated from 16th October 2018 and Stootie from December 1, 2018.

2017, including 45 in 2018. These 350 to 400 sqm showrooms display a selection of Cdiscount's Home Category and High-Tech goods. All the revenues generated by theses showrooms are recognized as net sales.

Net sales are primarily driven by growth in the number of 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 applied to current purchases, inducement offers for future discounts subject to a minimum current purchase and other similar offers. Revenue from product sales is recognized when the control of the goods or services have passed to the customer, regardless of when the payment is 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 and duties. Relating to Cnova's strategy to strongly develop its marketplace, net sales growth is also impacted by its increasing GMV share since only the commissions of marketplace orders are included in net sales.

Our net sales increased by €139.2 million, or +6.8% (reported growth), from €2,035.0 million for 2017 to €2,174.2 million in 2018. Net sales also include marketplace commissions (as a reminder marketplace GMV share was 34.3% in 2018, up 236 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 products directly sold to customers, 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, costs associated with lost, stolen or damaged goods we receive and services trade. 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" (integrated Géant hypermarkets and Casino supermarkets), 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.

The change in 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 and postal addresses. As our business grows in size, we expect a corresponding increase in our cost of sales.

Cost of sales increased by €77.4 million, or 4.4%, from €1,760.2 million in 2017 to €1,837.6 million in 2018. Our cost of sales was 84.5% of our net sales in 2018, compared to 86.5% of our net sales during 2017. The decrease was driven by the increased marketplace GMV share, a continued growth in monetization revenues (especially the advertising agency) as well as an optimized pricing and shipping strategy.

♦ ***Operating expenses***

Our operating expenses are classified into four categories: fulfillment, marketing, technology & content, and general & 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, for goods sold via classic in-store sales, as Cnova acts 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 sizes of products and preparation costs tend to be higher 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 €10.3 million, or 6.5%, from €158.9 million in 2017 to €169.2 million in 2018. As a percentage of net sales, our fulfillment expenses were stable at 7.8% of our net sales thanks to logistics productivity improvements that offset the increase in CDAV eligible SKUs expense.

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. The change in marketing costs is 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.

Marketing costs increased by €16.9 million, or 37.3%, from €45.4 million in 2017 to €62.3 million in 2018. As a percentage of net sales, our marketing expenses increased from 2.3% in 2017 up to 2.9% of our net sales in 2018 due to new media campaigns over key successful promotional events contributing to consolidate our #2 market positioning (21 million average UMV over the 4th quarter7) and grow mobile traffic.

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 €6.4 million, or 9.1%, from €69.8 million in 2017 to €76.1 million in 2018. As a percentage of net sales, our technology and content expenses slightly decreased from 3.6% in 2017 to 3.5% of our net sales in 2018. The efforts made to reduce expenses on Technology & Content compensated for the investments made (and the related amortization).

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 increased by €2.8 million, or 8.2%, from €34.0 million in 2017 to €36.8 million in 2018. As a percentage of net sales, our general and administrative expenses remained stable at 1.7% in 2018, thanks to continued discipline on such expenses.

- ***Other expenses***

Strategic and restructuring expenses

In 2018, we incurred €13.3 million on restructuring costs, mainly in relation to completion of the expansion strategy initiated in 2017 and head office restructuring.

Litigation costs

In 2018, we incurred €2.1 million on litigation costs mainly in relation with tax disputes.

Change in perimeter

In 2018, we had €3.7 million of change in perimeter gain, related to the bargain purchase gain on the 1001Pneus acquisition in October 2018.

Impairment and disposal of Assets

In 2018, we had €3.3 million of impairments of discontinued IT development at Cdiscount in relation to projects that have been replaced by new IT developments and €0.2 million gain on disposal of assets

- ***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 we incur related to the sales of receivables. More than 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 this program in France to Banque Casino.

Net financial expense increased by €9.1 million, or 22.8%, from €40.3 million in 2017 to €49.4 million in 2018, reflecting higher costs of consumer financing activities due to a rise in the take rate and overall business growth.

- ***Income tax gain (expense)***

Income tax expense went from €2.2 million in 2017 up to a gain of €36.9 million in 2018. The 2018 gain is mainly related to the recognition of a differed tax asset of €38 million following the transfer of net operating losses ("NOLs") from Cdiscount SA to C-Logistics (cf. note 9 of consolidated financial statements).

- ***Net result from discontinued activities***

Cnova Brazil was sold on October 30, 2016. Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", all incomes and expenses related to this former subsidiary are classified as discontinued activities including the disposal results and all related costs for the years ended December 31, 2017 and 2018.

The results in 2017 and 2018 are related of remaining incomes (2017) and expenses (2018) related to the disposal of Cnova Brazil.

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 as well as 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, 2018	December 31, 2017
Net cash from/(used in) continuing operating activities	**143,544**	**(267,675)**
Net cash from/(used in) discontinued operating activities	(24,514)	6,524
Net cash from/(used in) continuing investing activities	**(74,226)**	**(72,640)**
Net cash from/(used in) discontinued investing activities	(14)	2,729
Net cash from/(used in) continuing financing activities	**(41,022)**	**352,111**
Net cash from/(used in) discontinued financing activities	0	(1,667)
Effect of continuing changes in foreign currency translation adjustments	-	-
Effect of discontinuing changes in foreign currency translation adjustments	7	(65)
Change in cash and cash equivalents continuing, net, at end of period	**28,296**	**11,796**

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 experienced 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 €27.3 million and €23.6 million as of December 31, 2018, and December 31, 2017, respectively. The increase in our net cash and cash equivalents by €3.7 million represents our net cash flow during the period. We believe that our existing cash and cash equivalents together with cash generated from operations, and our existing financial resources and credit lines suffice to meet our working capital expenditure requirements for the next 12 months, assuming we have continuous access to banks and credit card operators. However, we may need additional cash resources in the future if we identify opportunities for investment, strategic cooperation or other similar actions, which may include investing in technology, including data analytics and fulfillment capabilities.

Our trade payables include accounts payable to suppliers associated with our direct sales business. Our trade payables amounted to €667.9 million and €579.7 million as of December 31, 2018, and December 31, 2017, 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.

Our net inventories of products amounted to €355.6 million and €390.1 million as of December 31, 2018 and December 31, 2017, respectively. Our inventory balances tend to 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 2018, the decrease was mainly related to an inventory reduction plan including lower safety stocks on the less sensitive products and the implementation of a new procurement tool allowing to optimize procurement process. In 2017, we had a €183 million increase 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, 2018, was €143.5 million, as adjusted for changes in operating working capital and other activities. Changes in working capital primarily consisted of a €84.8 million increase in trade payables, a €38.8 million increase in trade receivables and a €34.5 million decrease in inventories.

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 €175.4 million increase in inventories.

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

Cash used in investing activities was €(74.2) million in the year ended December 31, 2018, and was primarily attributable to €(80.4) 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 €(72.6) 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/(Used in) Financing Activities*

Cash from financing activities was €(41.0) million in the year ended December 31, 2018, and was primarily attributable to €(48.2) million of net interest paid primarily related to the instalment payments. Other drivers were €9.9 million euros of credit lines received from Casino and the repayment of financial debt for €(2.7) million.

Cash used in 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.

Financial position

€ thousands	December 31, 2018	December 31, 2017
Free cash flows (last twelve months)	**69,693**	**(336,267)**
Net financial debt	**(201,203)**	**(193,328)**
Group equity	**(175,729)**	**(143 549)**

- ***Free cash flow***

Free cash flows of the last twelve months were €(336.3) million at December 31, 2017 compared to €69.7 million at December 31, 2018. This change of €406.0 million is primarily due an operating profitability increase with an EBITDA up by €32 million, working capital improvement in particular thanks to an inventory optimization action plan and a positive impact from the growing marketplace share and a control on net capex of €(74) million in 2018 (3.4% of net sales, stable compared with 2017). In 2017, free cash flows included a €(183.1) million impact related to the strategic plan on assortment and the multichannel agreement with Casino Group.

- ***Net financial debt***

€ thousands	December 31, 2018	December 31, 2017
Cash and cash equivalents	35,523	43,760
Plus cash pool balances with Casino presented in other current assets	0	837
Less net current financial debt	(234,298)	(237,925)
Current net cash / net financial debt	(198,775)	(193,328)
Less net non-current financial debt	(2,428)	-
Net cash/(Net financial debt)	**(201,203)**	**(193,328)**

Net financial debt went from €(193.3) million at December 31, 2017 to €(201.2) million at December 31, 2018, and was relatively stable, despite the impact of a €24m exceptional payment as a result of the class action settlement that marked the closing of the procedure.

- ***Group equity***

Group equity went from €(143.5) million at December 31, 2017 to €(175.7) million at December 31, 2018. This change of €32.2 million was primarily due to the consolidated comprehensive income for 2018 of €(30.8) million. Groupe equity at December 31, 2017 was restated in accordance with IFRS15, with an impact of €(22.0) thousand.

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 €69.8 million and €76.1 million of research and development expenses in 2017 and 2018, respectively.

2.3 OUTLOOK

In 2019, leveraging on its 2018 solid financial results, increased monetization and valuable assets, Cnova will accelerate its shift towards a profitable platform model. By developing its key assets (customers, partners and state-of-the-art technology) Cnova will then further expand:

- a marketplace of products, at the heart of Cdiscount's strategy, benefiting from a solid growth in the coming years,
- a platform of services already showing promising performance on both clients' daily needs and leisure activities. As mentioned in section "1.3. Significant Events of the Year", Cnova acquired Stootie, a leading peer-to-peer platform of personal services gathering 385 different daily needs for our clients,
- an enriched advertising platform, that will soon be opened to all our partners.

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 mandated the Audit Committee with the periodic oversight of the Company's risk management program and providing periodic reports to the Board. As such, the Audit Committee assists the Board in monitoring (i) the Company's systems of disclosure controls and procedures as well as its 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 external 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 as well as ethical standards adopted by the Company.

Cnova's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. Based on our assessment, we have concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

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, 2018. Based on this evaluation, the Company concluded that our disclosure controls and procedures were effective as of December 31, 2018. 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

We have been in the past subject to a shareholder securities class action lawsuit that was settled on March 15, 2018. Any future lawsuits and their possible adverse outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Any future shareholder lawsuits could 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 business and industry risks to the Company:

- Our business is highly competitive, and this presents an ongoing threat to the success of our business. An increase in competition may maintain pressure to increase quality of services while lowering prices and thus could adversely impact our operating results.
- Macro-economic conditions in France and Europe as well as 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 operating results.
- We may not be able to adequately protect our intellectual property rights or may be accused of infringing upon 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 upon, 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 operating results could be materially and adversely affected.
- Many of the products we offer are sold at low margins. 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 and 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.
- We are 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 negatively impacted.
- 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 other significant negative consequences.
- Our online marketplaces are subject to risks associated with i) third-party sellers, ii) failure to acquire enough quality marketplace merchants while removing those offering lower quality products, and

iii) failure to develop marketplace operations in new countries or new services for marketplace merchants.

- We may be unable to prevent our marketplace sellers from selling goods in an unlawful manner. In addition, we could be liable for fraudulent or unlawful activities of our marketplace sellers.
- If we fail to retain existing customers or acquire new customers, our business may not grow.
- The development of the "*Cdiscount à volonté*" customer loyalty program aims to engage our customers and thus secure business volumes. We need to develop an offer at least as attractive as the competition to avoid creating an imbalance in the French market that would allow competition to distance itself from us.
- 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 information technology (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 IT 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, loss of customers or vendors and a reduction of commercial activity.
- 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 may not control. Our inability to increase and monetize mobile traffic could have a material negative impact 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 negatively impacted.

- We may be subject to work stoppages at our fulfillment centers or at our vendors' facilities, which may cause our business, financial condition and operating results to be materially and adversely affected.
- Employment laws in France are relatively stringent and their application in a more aggressive manner by the French state could negatively impact our activity.
- 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 which could negatively impact our activity and financial situation.
- 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.
- The events relating to the potential departure of the U.K. from the European Union, commonly referred to as Brexit, may cause us to be exposed to disruptions, logistical problems and other direct or indirect issues with a potential negative impact.

3.2.3 Risks Related to the 2016 Reorganization and the Offers

- The Company is exposed to a 6-year indemnification obligation as of October 31, 2016 to Via Varejo as part of the Reorganization Agreement, which indemnification limitation has, subject to all terms and conditions of the Reorganization Agreement, has been reduced 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 and net income.
- 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. Changes to the application of these tax laws could adversely affect operating and net income results.

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.
- Due to the volume of ordinary shares of the Company that is traded on the Euronext in Paris on an average daily basis, the pricing of our ordinary shares may experience more volatility compared to other listed companies.
- If equity research analysts publish, or stop publishing, 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.
- 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, foreign currency exchange fluctuations and 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, 2018.

Foreign Currency Risk

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

Inflation Risk

We do not believe that inflation has had a material impact 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 operating results.

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 our 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 selling credit card receivables.

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 €27.3 million and €23.6 million as net cash and cash equivalents as of December 31, 2018, and December 31, 2017, respectively. Cnova's liquidity is also dependent on financing from Casino, its Parent Company, and on the sale of credit card receivables (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 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 relevant rules of the DCGC and, if they do not apply those provisions, to give the reasons for such non-application.

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. During the financial year to which this report pertains, we complied with the provisions of the DCGC 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 that are part of Groupe Casino which includes the Company.

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. The Board 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 findings of the internal audit function of Casino are (at least annually) reported to the Audit Committee, after which the findings are discussed and feedback is given on the future internal audit plan pertaining to Cnova.

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 that were and might in the future be awarded to our executive directors are not necessarily subject to a five-year lock up and options that were and might in the future be 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 because we do not believe that such restrictions necessarily align the interests of our executive directors with the interests of the Company and its stakeholders.

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

Due to a conflicting appointment, Mr. Genesini could not attend the ordinary annual general meeting of shareholders held on May 25, 2018 for purposes of, inter alia, his re-appointment as non-executive director.

5. BOARD OF DIRECTORS

5.1 BOARD MEMBERS

At the Company's Annual General Meeting of Shareholders, held on May 25, 2018, the shareholders (re)appointed several directors. On November 22, 2018, the Board appointed Mr. Franck-Philippe Georgin as replacement non-executive director, replacing Mr. Antoine Giscard d'Estaing, who resigned from the Board on the same date. Also on November 22, 2018, the Board appointed Mr. Jean-Yves Haagen as Chairman. The individuals listed below are our current directors and replacement director.

Name	Date of initial appointment	Current term	Nationality	Year of birth
Non-executive directors				
Mr. Jean-Yves Haagen, Chairman	November 7, 2017	2018-2021	French	1964
Mr. Franck-Philippe Georgin (*)	November 22, 2018	AGM 2019	French	1981
Mr. Silvio J. Genesini (1)(2)	December 8, 2014	2018-2021	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 the Audit Committee.

(2) Member of the Nomination and Remuneration Committee.

(*) Mr. Georgin was appointed as replacement non-executive director on November 22, 2018, with a term lasting until the 2019 AGM.

The following paragraphs set forth biographical information regarding our directors:

Jean-Yves Haagen was initially appointed as replacement non-executive director on November 7, 2017, and subsequently was appointed as non-executive director on May 25, 2018. On November 22, 2018 Mr. Haagen was appointed as Chairman of the Board. 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 the president of LIDE Tecnologia and a member of the advisory council of Anjos do Brasil (a, NGO that promotes angel investments). Mr. Genesini previously served as Chief Executive Officer of Grupo Estado from 2009 to 2012, a Brazilian media group, 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 is a founding partner at Virtus BR Partners, an independent advisory firm, and at Sinfonia Capital, and currently is Chairman of Oi S.A., serves on the board of directors of TechnipFMC plc and Brookfield Renewable Partners. Previously, he served as chief executive officer of Unibanco Banco de Investimentos and president of the Brazilian Development Bank (BNDES) and managing director of Banco UBS - Brasil. He served as the chairman of the board of directors of BHP Billiton Brazil and as a member of the boards of directors of Grupo Pão de Açùcar (GPA), Petrobras, Centrais Elétricas Brasileiras, Vale, Tele Norte Leste Participações, Alpargatas, and others. He also is president of the board of trustees of the Brazilian Symphony Orchestra Foundation. He holds a bachelor's degree in economics from New York University and a master's degree in international relations from Johns Hopkins University.

Ronaldo Iabrudi dos Santos Pereira was elected, on April 27, 2018, Co-Vice-President of the Board of Directors of GPA. He has been member of the Board since 2016. M. Iabrudi is also Chairman of the Board of Directors of Via Varejo, Vice Chairman of the Board. From January 2014 to April 2018, Mr. Iabrudi was Chief Executive Officer of GPA. Previously, he was Chairman of the Boards of Directors of Lupatech, Contax and Telemar, and member of the board of directors of Estácio, Magnesita, Cemar, Oi/Telemar, RM Engenharia and Ispamar. He was also CEO of Magnesita from 2007 to 2011 and from 1999 to 2006 he worked for Grupo Telemar, where he took several posts, including CEO of Telemar/Oi and Contax. From 1997 to 1999, Mr. Iabrudi was CEO of FCA (Ferrovia Centro-Atlântica) and from 1984 to 1997, as Chief Financial and Administrative Officer and Chief Human Resources Officer at Grupo Gerdau. Graduated in Psychology from PUC-MG (1979), with master's Degree in Organizational Development from Université Panthéon Sorbonne and master's Degree in Change Management from Université Paris Dauphine, Paris – France.

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 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.

Franck-Philippe Georgin was appointed as replacement non-executive director on November 22, 2018. Mr. Georgin has served 4 years in the French Ministry for Home affairs, as a senior civil servant; he also served, during this period, as Advisor, at the private office of the Minister. He joined Groupe Casino in 2017 and then was appointed General Secretary, the position he is currently holding. He is a graduate from the École Nationale d'Administration (ENA), and also holds a master's degree from the Institut d'Études Politiques de Rennes (IEP).

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 2019 (for Bernard Oppetit, Eleazar de Carvalho Filho and Emmanuel Grenier); 2020 (for Christophe Hidalgo, Arnaud Strasser and Ronaldo Iabrudi dos Santos Pereira) and 2021 (for Silvio Genesini and Jean-Yves Haagen). 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 the Board.

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 members 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 May 25, 2018. The evaluation was carried out on the basis of a questionnaire and 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 non-executive directors in the 2018 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 in advance of setting the definitive level and structure of the compensation of our directors. 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 euro and are rounded up to whole euro amounts.

Name and title	Director fees	Audit Committee fee	Audit Committee attendance fee	N&RC fee	N&RC attendance fee
Antoine Giscard d'Estaing (1), Chairman	8.905				
Ronaldo Iabrudi dos Santos Pereira, Vice-Chairman	10,000			8,000	9,000
Eleazar de Carvalho	50,000				
Christophe Hidalgo	10,000				
Silvio Genesini	50,000	15,000	21,000	15,000	9,000
Arnaud Strasser	10,000			8,000	9,000
Bernard Oppetit	50,000	25,000	21,000		
Jean-Yves Haagen,	10,000				
Franck-Philippe Georgin(2)	1,096				

(1) Mr. Giscard d'Estaing resigned on November 22, 2018.
(2) Mr. Georgin was appointed as replacement non-executive director on November 22, 2018.

Remuneration for Executive director

During his tenure as executive director in the 2018 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation, excluding payroll taxes born by subsidiaries of the company) amounted to €1,142,000, including a variable compensation related to 2017 based 66% on quantitative targets and 34% on qualitative targets. The Board has determined that those targets were 81.0% reached, setting the variable compensation paid at €182,250.

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), 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 2018 with the average total fixed and variable cash remuneration paid by the Company and its subsidiaries to all full time Cdiscount employees during the same period. Part time roles were adjusted to compute a full-time equivalence. Long-term incentive plans or share based compensation are excluded from this calculation.

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, mid-level and senior employees employed throughout the company. This ratio is as follows in 2018: Representative Group: CEO = 1: 17.6.

The methodology used by the Company to calculate the pay ratio in 2018 differs from the methodology used to determine the 2017 pay ratio. Due to a reorganization of the Company's holding structure and employee placement in 2018, the Company is of the opinion that the 2018 pay ratio, better reflects the intention of best practice provision 3.4.1 sub iv of the DCGC. When retroactively applying the 2018 method of calculation for the pay ratio, the 2017 pay ratio would have been Representative Group: CEO = 1:18.3.

Compensation of non-executive directors

For our eligible non-executive directors who do or did not serve within the Casino Group in any capacity other than as a director, namely Messrs. Oppetit, Genesini and De Carvalho, the annual Board fee is higher than for those directors that do or did serve the Casino Groupe as an executive. The Board fee is supplemented by fees for service as committee chairperson and/or committee-membership as described below. The fixed compensation in cash amounts to EUR 50,000 annually.

For all our other non-executive directors, that do or did serve the Casino Groupe as an executive namely Messrs. Giscard d'Estaing, Hidalgo, Haagen, Iabrudi, Strasser and Georgin, a fixed annual Board fee of EUR 10,000 supplemented with fees related to committee memberships (if applicable) is awarded.

Members of our audit committee receive a fixed annual retainer of EUR 15,000 and the chairman of the audit committee receives a fixed annual retainer of EUR 25,000. Members of our nomination and remuneration committee receive a fixed annual retainer of EUR 8,000, and the chairman of the nomination and remuneration committee receives a fixed annual retainer of EUR 15,000. In addition, members of the audit committee receive an attendance fee of EUR 3,000 per meeting and members of the nomination and remuneration committee receive an attendance fee of EUR 3,000 per meeting.

Personal loans, advances and guarantees

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

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. The Chairman has emphasized to all Board members the importance of presence at and actively participating during the meetings.

Board meetings 2018

Name	19 February	26 March	25 May	23 July	23 October	6 December
Antoine Giscard d'Estaing (*)	X	X	X	X	X	
Ronaldo Iabrudi		X	X	X	X	X
Christophe Hidalgo		X	X	X	X	
Arnaud Strasser				X	X	
Eleazar de Carvalho		X		X	X	
Silvio Genesini	X	X	X		X	X

Bernard Oppetit	X	X	X	X	X	X
Jean-Yves Haagen	X	X	X	X	X	X
Franck-Philippe Georgin (*)						X

(*) Mr. Giscard d'Estaing resigned from his position as non-executive Board member on November 22, 2018, and Mr. Georgin was appointed as replacement non-executive director on that date.

Audit Committee Meetings

Name	14 February	26 March	6 April	24 May	20 July	22 October	4 December
Bernard Oppetit	X	X	X	X	X	X	X
Silvio Genesini	X	X	X	X	X	X	X

Nomination and Remuneration Committee Meetings

Name	23 March	13 June	20 July
Silvio Genesini	X	X	X
Ronaldo Iabrudi	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 2018 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 the Board in selecting individuals qualified to become our directors, determining the composition of the Board 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 2018 included 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 the Board. 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. 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 CONFLICTS 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 s/he 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 s/he 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 2018, 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.

The Company is exempt from the requirement to publish a Corporate Social Responsibility statement on non-financial information, as our consolidating parent company Casino publishes such statement as part of its annual report. Refer to this webpage for further information: https://www.groupe-casino.fr/en/commitments/.

6. EXECUTIVE OFFICERS

6.1 CURRENT EXECUTIVE OFFICERS

The individuals listed below are our current executive officers:

Name	Age	Title
Emmanuel Grenier	47	Chief Executive Officer
Gautier Bailly	39	Chief Financial Officer of Cnova N.V.; Chief Financial Officer of Cdiscount
Pascal Rivet	58	Chief Compliance Officer
Steven Geers	37	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.

Gautier Bailly was appointed as Chief Financial Officer and CFO of Cdiscount Group on November 22, 2018. Mr. Bailly has served 10 years in the French Ministry for the Budget and public accounts, as a senior civil servant and deputy director at the Budget Department; he also served, during this period, as Advisor, then Deputy Chief of Staff at the private office of the Minister. He joined Groupe Casino in 2015, as Head of the Strategic Planning. He is a graduate from the École Nationale d'Administration (ENA), and also holds a master's degree from the Institut d'Études Politiques de Bordeaux (IEP).

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, 2018 was approximately €2.415 million. This amount includes the compensation paid to Mrs. Lezy until her departure on November 22, 2018, 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 the Board 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, 2018, 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.

The deferred stock unit awards were 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. The Company issued 703,350 ordinary shares on November 20, 2018, to Stichting Cnova DSU Pooling, a special purpose vehicle created to administer, distribute and manage all ordinary shares issued pursuant the deferred stock unit awards.

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 vested 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 was 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 the 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 have been 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.

On August 2, 2018 the Company cancelled 6,002,982 special voting shares it had held in treasury until the cancelation date. On November 20, 2018 the Company issued 703,350 ordinary shares. As a result hereof, as of December 31, 2018 the Company had an issued share capital consisting of 345,201,398 ordinary shares, par value € 0.05 per share and 308,937,115 special voting shares, par value €0.05 per share.

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 25, 2018, 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 25, 2018, pursuant to which the Board 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 the Board or 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, the Board 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 25, 2018, pursuant to which the Board is authorized to acquire up to 50% of our issued share capital from time to time, by any means for an 18-month period from May 25, 2018, 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), exclusive of any fees, commissions or other expenses related to such acquisitions, and otherwise in accordance with the terms specified at the time of the authorization.

8.6 CAPITAL REDUCTIONS; CANCELLATIONS

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 the Board 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 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 MAJOR SHAREHOLDERS

Please refer to chapter 1.5 found elsewhere in this annual report.

9. AGREEMENT BETWEEN SHAREHOLDERS

9.1 AGREEMENTS KNOWN TO US 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 non-independent 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

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; and
- the final financial impact of the 2016 Reorganization, including the indemnification obligation of

Cnova to Via Varejo, limited to $50 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, 2018;
- 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 2018 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 2018, 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.

Jean-Yves Haagen, Chairman

Ronaldo Iabrudi dos Santos Pereira, Vice Chairman

Silvio J. Genesini

Eleazar de Carvalho Filho

Bernard Oppetit

Arnaud Strasser

Christophe Hidalgo

Franck-Philippe Georgin

Emmanuel Grenier, CEO

14. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements

for the years ended December 31, 2017 and 2018

€ thousands	Notes	December 31, 2017 Revised, see Note 1	December 31, 2018
Net sales	6	2,034,949	2,174,279
Cost of sales	6	(1,760,188)	(1,837,576)
Operating expenses			
Fulfillment	6	(158,858)	(169,170)
Marketing	6	(45,376)	(62,312)
Technology and content	6	(69,778)	(76,147)
General and administrative	6	(34,019)	(36,813)
Operating profit/(loss) before strategic and restructuring, litigation, impairment and disposal of assets costs		**(33,270)**	**(7,739)**
Strategic and restructuring cost	7	(9,880)	(13,316)
Litigation costs	7	(10,244)	(2,081)
Change in perimeter	7	-	3,749
Impairment and disposal of assets	7	(6,779)	(3,290)
Operating profit/(loss)		**(60,173)**	**(22,677)**
Financial income	8	685	9
Financial expense	8	(40,965)	(49,457)
Profit/(loss) before tax		**(100,453)**	**(72,125)**
Income tax gain/(expense)	9	(2,150)	36,858
Net profit (loss) from continuing activities		**(102,603)**	**(35,267)**
Net profit (loss) from discontinuing activities	4	(8,029)	4,453
Net profit/(loss) for the period		**(110,632)**	**(30,814)**
Attributable to Cnova equity owners		(110,310)	(30,791)
Attributable to non-controlling interests		(322)	(23)
Attributable to the owners continuing		(102,292)	(35,271)
Attributable to non-controlling interests continuing		(311)	(23)
Attributable to the owners discontinuing		(8,018)	4,480
Attributable to non-controlling interests discontinuing		(11)	-

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

In €	2017	2018
Basic earnings per share	(0.32)	(0.09)
Basic earnings per share – continuing operations	(0.30)	(0.10)
Diluted earnings per share	(0.32)	(0.09)
Diluted earnings per share – continuing operations	(0.30)	(0.10)

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

Consolidated statements of comprehensive income

for the years ended December 31, 2017 and 2018

€ thousands	2017 Revised, see Note 1	2018
Net income/(loss) for the year	**(110,632)**	**(30,814)**
Items that may subsequently be recycled to profit or loss		
Foreign currency translation	*34*	*(13)*
Items that may not be recycled to profit or loss		
Actuarial gains and losses	*(269)*	*(423)*
Non-controlling interests		
Other comprehensive income/(loss) for the year, net of tax	**(235)**	**(436)**
Total comprehensive income/(loss) for the year, net of tax	**(100,867)**	**(31,250)**
Attributable to Cnova equity owners	*(100,546)*	*(31,223)*
Attributable to non-controlling interests	*(321)*	*(27)*

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

Consolidated balance sheets

as of December 31, 2017 and 2018

(€ thousands)	Notes	December 31, 2017 Revised, see Note 1	December 31, 2018
ASSETS			
Cash and cash equivalents	10	43,760	35,523
Trade receivables, net	11	162,225	187,001
Inventories, net	12	390,079	355,612
Current income tax assets		2,448	3,041
Other current assets, net	11	107,118	127,247
Total current assets		**705,630**	**708,424**
Other non-current assets, net	11	6,064	9,638
Deferred tax assets	9	4	38,628
Property and equipment, net	13	34,269	39,121
Intangible assets, net	14	99,837	139,564
Goodwill	15	58,245	61,396
Total non-current assets		**198,419**	**288,347**
TOTAL ASSETS		**904,049**	**996,771**
EQUITY AND LIABILITIES			
Current provisions	19	9,012	9,481
Trade payables		579,747	667,914
Current financial debt	21	237,925	234,298
Current tax liabilities		48,793	42,338
Other current liabilities	21	153,262	192,530
Total current liabilities		**1,028,739**	**1,146,561**
Non-current provisions	19	13,998	11,772
Non-current financial debt	21	—	2,428
Other non-current liabilities	21	4,499	10,102
Deferred tax liabilities	9	362	1,637
Total non-current liabilities		**18,859**	**25,939**
Share capital		17,225	17,225
Reserves, retained earnings and additional paid-in capital		(160,567)	(192,936)
Equity attributable to equity holders of Cnova		**(143,342)**	**(175,711)**
Non-controlling interests		**(207)**	**(18)**
Total equity	17	**(143,549)**	**(175,729)**
TOTAL EQUITY AND LIABILITIES		**904,049**	**996,771**

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

Consolidated statements of cash flows
for the years ended December 31, 2017 and 2018

€ thousands	2017 Revised, see Note 1	2018
Net profit (loss) attributable to equity holders of the Parent	(102,292)	(35,271)
Net profit (loss) attributable to non-controlling interests	(311)	(23)
Net profit (loss) continuing for the year	**(102,603)**	**(35,294)**
Depreciation and amortization expense	26,557	33,160
Expenses on share-based payment plans	395	51
(Gains) losses on disposal of non-current assets and impairment of assets	1,826	(610)
Other non-cash items	—	(46)
Financial expense, net	40,279	49,448
Current and deferred tax (gains) expenses	2,150	(36,858)
Income tax paid	(2,378)	(2,240)
Change in operating working capital	(233,901)	135,933
Inventories of products	*(175,369)*	*34,467*
Trade payables	*13,160*	*84,848*
Trade receivables	*(80,195)*	*(38,756)*
Other	*8,503*	*55,374*
Net cash from/(used in) continuing operating activities	**(267,675)**	**143,544**
Net cash from/(used in) discontinued operating activities	**6,524**	**(24,514)**
Purchase of property, equipment & intangible assets	(68,592)	(80,375)
Purchase of non-current financial assets	(1,672)	(862)
Proceeds from disposal of prop., equip., intangible assets & non-current financial assets	48	8,628
Movement of perimeter, net of cash acquired (Notes 3 and 4)	(2,183)	(1,821)
Investments in entities	—	—
Changes in loans granted (including to related parties (Note 26)	(241)	204
Net cash from/(used in) continuing investing activities	**(72,640)**	**(74,226)**
Net cash from/(used in) discontinued investing activities	**2,729**	**(14)**
Transaction with owners of non-controlling interests	(57)	—
Changes in loans received	384,722	9,865
Additions to financial debt	(1,190)	7
Repayments of financial debt	8,506	(2,731)
Interest paid, net	(39,870)	(48,163)
Net cash from/(used in) continuing financing activities	**352,111**	**(41,022)**
Net cash from/(used in) discontinued financing activities	**(1,667)**	**—**
Effect of discontinued changes in foreign currency translation adjustments	(65)	7
Change in cash and cash equivalents from continuing activities	**11,796**	**28,296**
Change in cash and cash equivalents from discontinued activities	**7,521**	**(24,521)**
Cash and cash equivalents, net, at beginning of period	4,242	23,559
Cash and cash equivalents, net, at end of period (Note 10)	**23,559**	**27,334**

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

Consolidated statements of changes in equity

for the years ended December 31, 2017 and 2018

€ thousands (before appropriation of profit)	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation	Actuarial gains and losses	Equity holders of the Parent	Non-controllin g interests	Total consolidated equity
As of December 31, 2016	**344,507,048**	**17,225**	**448,649**	**(484 461)**	**(84)**	**(1,354)**	**(20,024)**	**(1,221)**	**(21,245)**
IFRS15 impacts				(11,641)			(11,641)	(39)	(11,680)
As of January 1, 2017	**344,507,048**	**17,225**	**448,649**	**(496,102)**	**(84)**	**(1,354)**	**(31,665)**	**(1,260)**	**(32,925)**
Other comprehensive income/(loss) for the period					34	(269)	(236)	1	(235)
Net profit/(loss) for the period				(110,310)			(110,310)	(322)	(110,632)
Consolidated comprehensive income/(loss) for the period	-	-	-	**(110,310)**	**34**	**(269)**	**(110,546)**	**(321)**	**(110,867)**
Share-based payments				243			243		243
Movement on minority interests Cdiscount				(380)			(380)	380	-
Movement on minority interests African entities				(999)			(999)	999	-
Other movements				5			5	(5)	-
As of December 31, 2017	**344,507,048**	**17,225**	**448,649**	**(607,543)**	**(50)**	**(1,623)**	**(143,342)**	**(207)**	**(143,549)**
IFRS9 impacts				(954)			(954)	(3)	(957)
As of January 1, 2018	**344,507,048**	**17,225**	**448,649**	**(608,497)**	**(50)**	**(1,623)**	**(144,296)**	**(210)**	**(144,506)**
Other comprehensive income/(loss) for the period					(9)	(423)	(432)	(4)	(436)
Net profit/(loss) for the year				(30,791)			(30,791)	(23)	(30,814)
Consolidated comprehensive income/(loss) for the period	-	-	-	**(30,791)**	**(9)**	**(423)**	**(31,223)**	**(27)**	**(31,250)**
Share-based payments				51			51		51
Shares issuance for long-term incentive plan	703,350			-			-		-
Movement on minority interests Cdiscount				(231)			(231)	231	-
Other movements				(11)			(11)	(12)	(23)
As of December 31, 2018	**345,210,398**	**17,225**	**448,649**	**(639,479)**	**(59)**	**(2,046)**	**(175,711)**	**(18)**	**(175,729)**

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

Description of reporting entity

Cnova N.V. (hereafter "Cnova" or the "Company) 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 the 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, 2018 were authorized for issue in accordance with a resolution of the directors on March 28, 2019.

The Group now consists of leading e-commerce operations in France and Western Europe with headquarters in the Netherlands.

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 ("EU").

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 €176 million at December 31, 2018. In 2018, Cnova increased by €411 million its cash flow from operating activities as cash used in operating activities amounted €267 million in 2017 compared to a cash generation of €144 million in 2018. As a reminder, in 2017 Cnova strategic plan led to a non-recurring working capital change of €234 million related to the implementation of the strategic inventory assortment expansion impacting inventory. As of December 31, 2018, net current assets / liabilities is negative to €438 million (€224 million excluding the credit line with Casino).

The Company has a credit line of €550 million with its parent, Casino Guichard-Perrachon (cf. Note 26) set in order to cover the needs of the Company. As part of the cash pool agreement with Cnova and its subsidiaries, unused credit lines amount to €336 million as of December 31, 2018 out of €550 million credit lines.

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

As part of assessment of the going concern principle when preparing the consolidated financial statements of the Company, management reviewed the 2019 cash flow forecasts and the cash needs over the next 12 months, as well with the available documentation of its financing means. On this basis, management concluded that the credit line with Casino will be sufficient to cover the cash needs of the group over the next 12 months after taking into consideration the working capital variation and the forecast cash generating operating perspective.

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

Standards and interpretations published with effect from January 1, 2018

The Group applies the accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2018. 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:

- *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 has superseded all current revenue recognition requirements of IAS 11, IAS 18 and the corresponding interpretations IFRS 13, IFRIC 15

The other standards and interpretations applicable from January 1, 2018 have no material impact on the Group's consolidated financial statements:

- IFRIC 22 –Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 – Transfers of Investment Property
- Amendments to IFRS 2 – Classification and Measurement of Share-settled Share-based Payment Transactions
- IFRS Annual Improvements – 2014-2016 cycle

An initial analysis of the main impact of the application of IFRS 9 and IFRS 15 on the Group's consolidated financial statements was performed in 2017. The Group decided to apply these new standards using the modified retrospective approach IFRS 9 (leading to record the transition impacts in the opening equity as of January 1, 2018) and the full retrospective method for IFRS 15 (leading to restate 2017 income statement and record the transition impacts in the opening equity as of January 1, 2017).

IFRS 9

The impacts of the application of IFRS 9 consist in an additional impairment of trade receivable on January 1, 2018 of €957 thousands, recorded against retained earnings (refer to the Consolidated Statement of Changes in Consolidated Equity).

IFRS 15

The impacts of the full retrospective application of IFRS 15 on the consolidated financial statements as of January 1, 2017 and December 31, 2017 are the following:

Consolidated Income statement for the twelve months ended December 31, 2017:

€ thousands	December 31, 2017 From 2017 Annual Report	IFRS15 impacts	December 31, 2017 Revised
Net sales	2,122,025	(87,076)	2,034,949
Cost of sales	(1,833,332)	73,144	(1,760,188)
Operating expenses			
Fulfillment	(162,471)	3,613	(158,858)
Marketing	(45,376)		(45,376)
Technology and content	(69,778)		(69,778)
General and administrative	(34,019)		(34,019)
Operating profit/(loss) before strategic and restructuring, litigation, impairment and disposal of asset costs	**(22,951)**	**(10,319)**	**(33,270)**
Strategic and restructuring cost	(9,880)		(9,880)
Litigation costs	(10,244)		(10,244)
Impairment and disposal of assets	(6,779)		(6,779)
Operating profit (loss)	**(49,855)**	**(10,319)**	**(60,173)**
Financial income	685		685
Financial expense	(40,965)		(40,965)
Profit/(loss) before tax	**(90,135)**	**(10,319)**	**(100,453)**
Income tax gain (expense)	(2,150)		(2,150)
Net profit (loss) from continuing activities	**(92,285)**	**(10,319)**	**(102,603)**
Net profit (loss) from discontinuing activities	(8,029)		(8,029)
Net profit/(loss) for the period	**(100,313)**	**(10,319)**	**(110,632)**

Main changes are related to the advertising and marketing services to suppliers that have been reclassified from net sales under cost of sales. The income statement impact is related to the impact of these reclassifications on the inventory value.

Consolidated Balance Sheet as of January 1, 2017:

€ thousands	January 01, 2017 From 2017 Annual Report	IFRS15 impacts	January 01, 2017 Revised
ASSETS			
Cash and cash equivalents	15 264		15 264
Trade receivables, net	91 060		91 060
Inventories, net	224 834	(10 124)	214 710
Current income tax assets	1 336		1 336
Other current assets, net	346 220		346 220
Total current assets	**678 714**	**(10 124)**	**668 590**
Total non-current assets	**148 354**		**148 354**
TOTAL ASSETS	**827 068**	**(10 124)**	**816 944**
EQUITY AND LIABILITIES			
Current provisions	6 817		6 817
Trade payables	576 601		576 601
Current financial debt	93 620		93 620
Current taxes liabilities	46 396		46 396
Other current liabilities	110 667	1 556	112 223
Total current liabilities	**834 102**	**1 556**	**835 658**
Total non-current liabilities	**14 212**	**-**	**14 212**
Share capital	17 225		17 225
Reserves, retained earnings and additional paid-in capital	(37 249)	(11 641)	(48 891)
Equity attributable to equity holders of Cnova	**(20 024)**	**(11 641)**	**(31 666)**
Non-controlling interests	**(1 221)**	(39)	(1 260)
Total equity	**(21 245)**	**(11 680)**	**(32 925)**
TOTAL EQUITY AND LIABILITIES	**827 068**	**(10 124)**	**816 944**

Consolidated Balance Sheet as of December 31, 2017:

€ thousands	December 31, 2017 From 2017 Annual Report	IFRS15 impacts	December 31, 2017 Revised
ASSETS			
Cash and cash equivalents	43 760		43 760
Trade receivables, net	155 404	6 821	162 225
Inventories, net	407 938	(17 859)	390 079
Current income tax assets	2 448		2 448
Other current assets, net	107 118		107 118
Total current assets	**716 669**	**(11 038)**	**705 630**
Total non-current assets	**198 419**		**198 419**
TOTAL ASSETS	**915 088**	**(11 038)**	**904 049**
EQUITY AND LIABILITIES			
Current provisions	9 012		9 012
Trade payables	579 745		579 747
Current financial debt	237 925		237 925
Current taxes liabilities	48 793		48 793
Other current liabilities	142 301	10 961	153 262
Total current liabilities	**1 017 777**	**10 961**	**1 028 739**
Total non-current liabilities	**18 859**	**-**	**18 859**
Share capital	17 225		17 225
Reserves, retained earnings and additional paid-in capital	(138 641)	(21 927)	(160 567)
Equity attributable to equity holders of Cnova	**(121 416)**	**(21 927)**	**(143 342)**
Non-controlling interests	**(134)**	(73)	**(207)**
Total equity	**(121 550)**	**(21 999)**	**(143 549)**
TOTAL EQUITY AND LIABILITIES	**915 088**	**(11 038)**	**904 049**

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 16 Leases

IFRS 16, which replaces IAS 17 and the related interpretations from January 1st, 2019, eliminates the distinction between operating leases and finance leases: it requires recognition of an asset (the right to use the leased item) and a financial liability representative of discounted future rentals for virtually all lease contracts. Operating lease expense is replaced with depreciation expense related to the right of use and interest expense related to the lease liability. Previously, the Group recognized mainly operating lease expense on a straight-line basis over the term of the lease and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. Thus, performance indicators such as EBITDA and to a lesser extent current operating income will be positively impacted. Conversely, the financial result will be negatively impacted. At last, consolidated net profit will also be affected because the total rental expense is generally higher at the beginning of the lease and decreases over time, unlike a straight-line charge under the current standard. Additionally, net cash from operating activities will be higher as cash payments for the principal portion of the lease liability and the related interest will be classified as cash flows from financing activities.

The Group mainly holds property leases, with approximately 15 real estate contracts representing an annual rent expense of €20 million out of a total of €25 million for the 2018 year-end. Adoption of the standard IFRS 16 will primarily impact the recognition of operating leases for the Group's warehouses.

In 2018, the Group continued to collect and analyze the data required for the application of IFRS 16 as at January 1, 2019. The Group implements computer software to ensure the fully integrated operational and financial monitoring of these leases. The implementation of the software will be finalized in the first half of 2019.

The Group decided to adopt the full retrospective approach as a transition method on January 1, 2019. As a

result, the 2018 accounts will be restated.
The Group has chosen to apply the two recognition exemptions proposed by the standard on the following contracts:

- Leases of short-term property,
- Leases of property relating to low value assets.

The lease term will be the legally enforceable period of the contract and will take into account the options for termination and renewal, the use of which by the Group is reasonably certain.
The discount rate used to calculate the right of use and the lease liability is based on marginal rate depending of maturity of the lease.

The estimated impact on the opening balance sheet as of January 1, 2018 would lead to:

- an increase in net assets (mainly via the recognition of a right of use) of between €105 and € 125 million,
- the recognition of a lease financial liability of between €115 and 135 million,
- a decrease in equity of less than €10 million.

The estimated impact on the 2018 income statement would be:

- an increase in Operating profit of between €2 and €4 million,
- an additional Financial expense of between €3 to €6 million,
- a decrease in net profit of between €1 to € 3 million.

The Group should opt for a separate presentation on the face of the statement of financial position under lease agreements related to the right of use and the lease debt.

The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalized the testing and assessment of controls over its new IT application implemented to follow up contract and compute IFRS 16 changes; and
- the application methods adopted by the Group of new accounting principles may be modified until the Group presents its first financial statements in accordance with IFRS 16 i.e. in connection with the publication of the 2019 half-year financial statements.

At December 31, 2018, the Group presented an off-balance sheet commitment in respect of the expected minimum lease payments on real estate and equipment leases of €164 million in accordance with IAS 17 (note 7.2), which mainly corresponded to real estate (€153 million). The difference between the off-balance sheet commitment and the estimated IFRS 16 rental debt on real estate is mainly due to:

- an increase in the amounts relating to taking into account the reasonably certain period of use of the assets increasing the duration of the Group's commitments,
- the effects of which are offset by the discounting of future lease payments, contrary to IAS 17.

Note 24 presents a reconciliation of December 31, 2017 minimum lease payments with estimation of the lease liability at January 1, 2018.

Other amendments

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 due 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 less than 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 the inventory risk before or after the customer order, during shipping or on return. 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 terms do 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, 2018, goodwill amounts to €61.4 million (2017: €58.2 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.

Deferred tax assets related to tax losses recognized in the consolidated financial statements amounts to €38.6 million (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, 2018 is €(0.09), which splits in €(0.10) for continuing operations and €0.01 for discontinued activities.

€ thousands	2017	2018
Losses (gains) attributable to ordinary equity holders of the parent for basic earnings and adjusted for the effect of dilution (1)	(110,310)	(30,791)

	2017	2018
Weighted average number of ordinary shares for basic EPS including DSU (1) (refer to Note 18)	**344,507,048**	**345,210,398**
Dilutive instruments	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	**344,507,048**	**345,210,398**

(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 345,210,398.

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 IFRS 9 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 2018

Stootie

A judgment from the Paris Commercial Court on November 30, 2018 designated Cdiscount as the acquirer of Stootie's assets. Cdiscount offered a consideration of €0.7 million for the assets and committed to retain 38 employees. Located in Paris, with a historical base of 150,000 "Stooters" (people offering their services) and 188,000 "requesters" covering a wide range of around 385 services, Stootie is the main player among French personal services marketplaces (for example DIY, relocation or installation). Stootie and Cdiscount entered into a commercial partnership last year, with Cdiscount offering its clients installation and assembly services, covering 90,000 references, carried out by Stootie.

This acquisition qualifies as a business combination under IFRS 3 Business combination, the preliminary fair values of the identified assets and liabilities of Stootie as at the date of acquisition are:

€ thousands	**Fair value recognized on acquisition**
Assets	
Intangible assets	700
Fixed assets	20
Cash and cash equivalents	0
	720
Liabilities	
Trade payables	(50)
Current tax and social liabilities	(610)
	(550)
Total identifiable net assets at fair value	**60**
Goodwill arising on acquisition	660
Purchase consideration transferred	**720**

The initial accounting for this business combination is preliminary given the recent judgement from the Paris Commercial Court. The fair value of the acquired identifiable intangible assets of €0.7 million, fixed assets of €20 thousands and current tax and social liabilities of €0.6 million are provisional and pending finalization of valuation of those assets and liabilities

The goodwill of €0.7 million comprises the value of expected synergies arising from the acquisition and a customer list, which is not expected to be 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.

Purchase consideration was paid in cash and no net cash was acquired as part of the business combination.

If the combination had taken place at the beginning of the year, the contribution of Stootie profit after tax from continuing operations for the Group would have been in the €(1) million to €(3) million range.

1001Pneus

Cdiscount acquired 1001Pneus' assets for a consideration of €0.5 million, together with all its 40 employees. This acquisition was subject to a judgement from the Marseille Commercial Court on October 15, 2018.

Located in Bordeaux, 1001Pneus is a major player in the French on-line tire industry. With an assortment covering more than 25,000 SKUs and 140 brands, 1001Pneus posted a 2017 turnover of around 50 million euros. Besides, 1001Pneus benefits from a partnership network of over 4,500 assembly centers across all French territory.

This acquisition qualifies as a business combination under IFRS 3 Business combination, the preliminary fair values of the identified assets and liabilities of 1001Pneus as at the date of acquisition are:

€ thousands	**Fair value recognized on acquisition**
Assets	
Intangible assets: brand	5,500
Intangible assets: client lists	500
Fixed assets	80
Cash and cash equivalents	0
	6,080
Liabilities	
Current tax and social liabilities	(292)
Other current liabilities	(186)
Deferred tax liabilities	(1,333)
	(1,811)
Total identifiable net assets at fair value	**4,269**
Bargain Purchase Gain	(3,749)
Purchase consideration transferred	**520**

The initial accounting for this business combination is preliminary given the recent judgement from the Marseille Commercial Court. The fair value of the acquired identifiable intangible assets and fixed assets of €6.1 million is provisional and pending receipt of the final valuations for those assets.

Purchase consideration was paid in cash and no net cash was acquired as part of the business combination.

The 1001Pneus acquisition resulted in a bargain purchase gain of €3.7 million as the fair value of assets acquired and liabilities assumed exceed the consideration paid. This is explained by a distressed sale leading to a depressed sale price mainly due increased operating working capital needs in the context of rapid development.

From the date of acquisition, 1001Pneus contributed €6.3 million of revenue and €(0.2) million 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 1001Pneus to revenue from continuing operations would have been approximately €40 million and profit before tax from continuing operations for the Group would have been approximately in the €0 to €(2) million range.

Neosys

On July 31, 2018, Cnova acquired 51% of the share capital and voting rights of Neosys, an IT service provider, for a total consideration of €0.6 million.

Neosys is headquartered in Bordeaux, France and has one subsidiary in Morocco.

Cnova has elected to measure the non-controlling interests in the acquiree at fair value. Moreover, a call and a put options can be exercised respectively between July 1, 2022 and September 30, 2022 . The put option price is based on several options and has been assessed to €2.4 million recognized as put option debt (cf. Note 21).

The fair values of the identifiable assets and liabilities of Neosys as at the date of acquisition were:

€ thousands	Fair value recognized on acquisition
Assets	
Fixed assets	94
Trade receivable	804
Other current and non-current assets	379
Cash and cash equivalents	29
	1,306
Liabilities	
Trade payables	(156)
Current tax liabilities	(520)
Other current and non-current liabilities	(94)
	(770)
Total identifiable net assets at fair value	**536**
Goodwill arising on acquisition	**2,491**
Non-controlling interests at fair value	**(2,428)**
Total consideration transferred	**600**

The fair value of the trade receivables amounts to €0.8 million, which corresponds to the gross amount of trade receivables as none of the trade receivables have been impaired.

Current Tax liabilities are mainly VAT

The goodwill of €2.5 million comprises the value of expected synergies arising from the acquisition and a customer list, which is not expected to be 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, Neosys contributed €0.2 million of external revenue and €0.2 million0 to profit after tax from continuing operations of the Group.

If the combination had taken place at the beginning of the year, the contribution of Neosys profit before tax from continuing operations for the Group would have been €0.4 million.

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)	(71)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	29
Net cash flow on acquisition	**(41)**

Transaction costs of €71 thousand were expensed.

Puts and calls have been agreed starting July 1, 2022 or in case the minority shareholder leaves the company in order to facilitate the purchase by Cdiscount of the remaining 49% non-controlling interest and to provide him with an effective liquidity of his shares. A financial liability has been recognized for €2.4 million, reflecting the most probable exit scenario of non-controlling interests, i.e. an exercise during 2022.

3. 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 purchase was 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.

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)
	(1,283)
Total identifiable net assets at fair value	**1,003**
Goodwill arising on acquisition	1,697
Purchase consideration transferred	**2,700**

The goodwill of €1.7 million (no change compared to 2017) 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.

In 2017, from the date of acquisition, BeezUP contributed €0.6 million of revenue and €(0.2) million 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 would have been €1.3 million and profit before tax from continuing operations for the Group would have been €(0.2) thousand.

Purchase consideration was paid in cash.

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, 2018b 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 €0.5 million 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 €0.2 million (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. The debt recognized as of December 31, 2018 amounts to €0.6 million

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

2018 result from discontinued activities is the following:

€ thousands	**International segment sold**	**International segment abandoned**	**Cnova Brazil**	**Total**
Net sales	-	-	-	-
Cost of sales	-	-	-	-
Operating expenses	-	(44)	-	(44)
Operating loss before other costs	-	**(44)**	-	**(44)**
Other operating costs	-	4,692	-	4,692
Operating loss	**-**	**4,648**	**-**	**4,648**
Financial net income	-	118	-	118
Profit /(loss) before tax	**-**	**4,766**	**-**	**4,766**
Income tax gain/(expense)	-	(313)	-	(313)
Net profit (loss) for the year	**-**	**4,453**	**-**	**4,453**
Net profit/(loss) from discontinuing activities	**-**	**4,453**	**-**	**4,453**

This result is mainly related to the impact of the settlement of the class action and closure of the SEC investigation described in Note 14.

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)**

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. Revenue is measured at the contract price, corresponding to the consideration to which the Group expects to be entitled in exchange for the supply of goods or services. The transaction price is allocated to the performance obligations in the contract, which represent the units of account for revenue recognition purposes. Revenue is recognized when the performance obligation is satisfied, i.e. when control of the good or service passes to the customer. Revenue may therefore be recognized at a specific point in time or over time (based on the stage of completion).

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 and service sales and related shipping fees, net of promotional discounts, rebates, and return allowances, are recognized when the performance obligation is performed. The performance obligation is performed at receipt of the order by the customer or for our loyalty program CDAV (Cdiscount à volonté) over the length of the subscription

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 IFRS 15 "Revenue from Contracts with Customers". In performing this analysis, Cnova reviews the following indicators, i.e. whether the entity:

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

As of December 31, 2018, Cnova considers that it is acting as agent for Marketplace sales

Other revenues

Pursuant IFRS 15, advertising sales or marketing services to goods suppliers have been reclassified as a reduction of purchase price (cf. Note 1), Other revenues now mainly consist in advertising sales, client's instalment payments "CB4X" service fee, insurance sales for which we are acting as agent and MKP fulfilment revenue.

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, advertising and marketing services to 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, contributions to common marketing or advertising 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 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 expensed 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	2017	2018
Product sales	1,829,123	1,939,110
Marketplace sales (commissions)	113,959	134,028
Other revenues	91,867	101,141
Net sales	**2,034,949**	**2,174,279**

The CB4X contract generated net sales of €30.9 million in 2018 (€26.7 million in 2017).

Contract assets, costs and liabilities

€ thousands	2017	2018
Contract asset	**-**	**-**
Contract costs	**-**	**3,310**
Amounts received in advance of delivery	(6,821)	(6,539)
Amounts arising from customer loyalty programs	(4,087)	(727)
Refund liability	(5,011)	(672)
Deferred revenue	(15,258)	(22,851)
Total Contract liabilities	**(31,177)**	**(30,789)**

<u>Contract costs:</u>

Costs to obtain contracts relates to payments made to Distribution Casino France for the implementation of the Cdiscount corners in Hypermarkets. These costs are amortized on a straight-line basis over the contract period (in general, 5 years). In 2018, amortization amounting €0.8 million was recognized as part of cost of sales in the consolidated income statement. There was no impairment loss in relation to the costs capitalized.

<u>Contract liabilities:</u>

For internet sales, revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the goods online the transaction price received at that point by the Group is recognized as contract liability until the goods have been delivered to the customer.

A contract liability arises in respect of vouchers applicable on future orders given to clients into a purchase contract as these vouchers provide a benefit to customers that they would not receive without entering into a purchase contract and the promise to provide vouchers to the customer is therefore a separate performance obligation. A contract liability is recognized for revenue relating to the vouchers at the time of the initial sales transaction.

The refund liability relates to customers' right to return products within 14 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. The Group uses its accumulated historical experience to estimate the amount of returns. A corresponding right to return goods asset is recognized in inventory with associated impact on cost of sales (Refer to Note 12).

Deferred revenue relates mainly to our CDAV loyalty program for which revenue is recognized over time although the customer pays up-front in full for the service. A contract liability is recognized for revenue relating to the CDAV service at the time of the initial sales transaction and is released over the service period.

The following table shows how much of the revenue recognized in the current reporting period relates to brought – forward contract liabilities. There was no revenue recognized in the current reporting period that related to performance obligations that were satisfied in a prior year.

€ thousands	**2017**	**2018**
Amounts received in advance of delivery	13,852	6,821
Amounts arising from customer loyalty programs	2,314	4,087
Refund liability	6,163	5,011
Deferred revenue	10,573	15,258
Total revenue recognized that was included in the contract liability balance at the beginning of the period	**32,902**	**31,177**

Contact assets and costs are included in other current or non-current assets and contract liabilities in other current or non-current liabilities. (cf. Note 11 and 21)

Cost of Sales

€ thousands	**2017**	**2018**
Purchases and shipping costs	(1,940,366)	(1,802,252)
Change in inventories	180,178	(35,324)
Cost of sales.	**(1,760,188)**	**(1,837,576)**

Expenses by nature and function

€ 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.	(110,506)	(36,418)	(18,823)	(16,776)	(182,523)
Depreciation and amortization expense	(2,934)	(297)	(22,638)	(686)	(26,555)
Total as of December 31, 2017.	**(158,858)**	**(45,376)**	**(69,778)**	**(34,019)**	**(308,032)**

€ thousands	**Fulfillment**	**Marketing**	**Technology and content**	**General and administrative**	**2018**
Employee benefits expense.	(41,588)	(10,032)	(28,566)	(21,061)	(101,247)
Other expenses.	(123,471)	(52,092)	(19,641)	(14,831)	(210,035)
Depreciation and amortization expense	(4,111)	(189)	(27,940)	(921)	(33,160)
Total as of December 31, 2018.	**(169,170)**	**(62,312)**	**(76,147)**	**(36,813)**	**(344,442)**

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

€ thousands	2017	2018
Operation of fulfillment centers	(60,629)	(79,516)
Payment processing	(11,084)	(9,075)
Customer service centers	(33,947)	(34,176)
Other fulfillment costs	(4,846)	(704)
Fulfillment costs	**(110,506)**	**(123,471)**
Online and offline marketing costs	(36,254)	(51,792)
Other marketing costs	(164)	(300)
Marketing costs	**(36,418)**	**(52,092)**
Technology infrastructure	(18,823)	(19,641)
Other technology and content costs		
Technology and content costs	**(18,823)**	**(19,641)**

Operating lease expense

Operating lease expenses amounted to €30.8 million at December 31, 2018 (including €5,3 million of service charge) and €19.8 million at December 31, 2017.

Note 7 Other operating expenses

1. Strategic and restructuring costs

In 2017, we incurred €9.9 million on restructuring costs in relation to the implementation of Cdiscount expansion strategic plan.

In 2018, we had €13.3 million on restructuring and strategic costs of which €7.3 million related to the finalization of the implementation of Cdiscount expansion strategic plan (opening of the two Distribution Centers ("DCs") included in the plan, last DC included in the expansion strategic plan is to be opened in 2019), €1.7 million head office restructuring, €3.2 million strategic fees and €1.1m of lease provisions (inoccupancy costs).

2. Litigation costs

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. Expenses related to disputes with suppliers were limited to €0.5 million (including legal costs).

In 2018, we had €2.1 million on litigation costs of which €1.7 million on tax property on our DCs.

3. Change in perimeter

The change in perimeter gain in 2018 is the bargain purchase gain on 1001Pneus's acquisition. Refer to Note 3 for additional information on this acquisition.

4. Impairment and disposal of assets

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' B2C flows reconciliations that are remediated by the Company for the coming transactions, an impairment of assets of €5.0 million was recognized in 2017.

In 2018, we had €3.5 million of impairments of certain IT development costs at Cdiscount in relation to projects that are no longer used or have been replaced by new IT developments.

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	2017	2018
Revenue from cash and cash equivalents	-	-
Foreign exchange gain	90	9
Proceeds from sale of investments	-	-
Other financial income	595	-
Total finance income	**685**	**9**
Interest expense on borrowings (including cash pool balance with Casino)	(1,841)	(2,591)
Foreign exchange loss	(73)	(62)
Costs related to sales of receivables	(38,977)	(45,892)
Book value of investments	-	-
Other financial expense	(74)	(912)
Total finance expense	**(40,965)**	**(49,457)**

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	2017	2018
Current taxes	61	304
Other taxes on income (i)	(2,240)	(2,127)
Deferred taxes	29	38,681
Total income tax profit (loss) recognized in the income statement	**(2,150)**	**36,858**
Tax on other income recognized in "Other comprehensive income"	—	—
Tax on other income recognized in "Total comprehensive income"	**(2,150)**	**36,858**

(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	2017	2018
Profit (loss) before tax and share of profits of associates	**(100,454)**	**(72,125)**
Income tax rate (i)	**25.00%**	**25.00%**
Income tax benefit (expense)	**25,113**	**18,031**
Effect of tax rates in foreign entities (i)	9,026	6,491
Unrecognized deferred taxed assets arising from tax loss of the period	(35,941)	(25,996)
Non-deductible expenses.		
CVAE net of income tax	(1,469)	(1,395)
Tax credits	78	—
Non-taxation of CICE (ii)	772	750
Share based payments	—	—
Deferred tax assets arising from tax loss of previous period	—	38,628
Other	271	349
Actual income tax credit / (expense)	**(2,150)**	**36,858**

(i) The tax rate corresponds to the rate applicable to Cnova NV. The effect of tax rates in foreign entities is mainly related to the difference with the French income tax rate of 34%

(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	2017	2018
As of January 1	—	—
Benefit (expense) for the period on continuing operations	—	38,628
Business combination or loss of control	—	—
Deferred tax reversal	—	—
Translation differences and reclassifications	—	—
As of December 31	**—**	**38,628**

Change in deferred tax liabilities

€ thousands	2017	2018
As of January 1	**—**	**362**
Expense (benefit) for the period	(29)	(58)
Business combination or loss of control (Note 3)	391	1,333
Impact of changes in exchange rates and reclassifications	—	—
As of December 31	**362**	**1,637**

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.

In 2018, Cnova has reorganized its legal structure to create a subsidiary to operate the logistics for the group, this subsidiary will perform the warehouse operations and shipments to customers.

This has resulted in the reverse merger of Cdiscount Group in Cdiscount SA and the creation of C-Logistics. C-Logistics has received:

- on January 1, 2019 a partial contribution of logistic's net assets from Cdiscount and,
- on February 1, 2019 C Chez Vous shares in a contribution from Easydis, a subsidiary of Casino in charge of logistics for Casino France

After this reorganization, C-Logistics is expected to be owned 84% by the Cnova Group and 16% by Easydis.

C-Logistics will operate on a cost-plus basis, meaning that all costs incurred will be reinvoiced with a fixed rate margin for external and internal costs mainly to Cdiscount.

Cdiscount has requested (i) the transfer of net operating losses ("NOLs") from Cdiscount Group to Cdiscount SA through the reverse merger and (ii) the transfer of NOL from Cdiscount SA to C-Logistics. These transfers are both subject to obtaining a ruling from the French tax authorities for both steps: the reverse merger and the allocation to C-Logistics. The acceptance process encompasses the review by the FTA of the methodology applied to allocate losses between its logistics activity and core activities as well as the review of the losses allocated to the logistics. Such rulings were requested in September 2018 .

As per these rulings C-Logistics should receive approximately €200 million of NOLs.

As per IAS 12 "Income Taxes", deferred tax assets on NOLs should be recognized when there is convincing evidence of:

- availability of the NOLs,
- future taxable income, and
- tax planning strategy

The Company has carefully analyzed these factors, especially (i) the obtention of the rulings from the French Tax Authority as tax rulings cannot be refused by FTA if the underlying transactions comply with all requirements provided by the French Tax Code ("Code Général des Impôts"), (ii) the documentation of the NOLs allocation methodology, the theoretical uncertainties related to the review of the methodology and allocated losses were reduced to such an acceptable level that it was appropriate to recognize the related DTA and (iii) the tax perspective of C-Logistics based on its cost plus model and the ability of Cdiscount to pay the services to C-Logistics.

The Company concluded that there is convincing evidence in place for the realization of the DTA on NOLs transferred from Cdiscount SA to C-Logistics and that deferred tax assets should therefore be recognized. In particular, the legal reorganization has already been performed and C-Logistics will be profitable as it operates on a cost-plus basis.

As a consequence, €38 million of deferred tax assets related to tax losses were recognized on 2018 out of the €50 million requested in the tax rulings (€200 million at the French tax rate of 25% applicable from 2022). Up to €12 million additional deferred tax assets may be recognized in future periods when the uncertainties related to the allocation methodology are resolved.

As of December 31, 2018, Cnova had €372 million of unused unrecognized tax loss carryforwards (€117 million of unrecognized deferred tax assets) compared with €447 million and €141 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	2017	2018
Cash equivalents	—	—
Cash (i)	43,760	35,523
Cash and cash equivalents	**43,760**	**35,523**
Bank overdrafts	(20,202)	(8,191)
Net cash and cash equivalents	**23,559**	**27,334**

(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 of cash pooling 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	2017	%		2018	%	
Euro	18,831	43.0	%	35,325	99.4	%
US dollar	24,828	56.7	%	-	-	%
Brazilian real	—	—		—	—	
Other.	101	0.2	%	198	0.6	%
Cash and cash equivalents . .	**43,760**			**35,523**		

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 IFRS 9. 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 €9.2 million at December 31, 2018 (2017: €9.4 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 three categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income
- financial assets at fair value through profit or loss.

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

Financial assets are initially measured at fair value plus directly attributable transaction costs in the case of instruments not measured at fair value through profit or loss. Directly attributable acquisition costs of financial assets measured at fair value through profit or loss are recorded in the income statement

Financial assets at amortized cost

Financial assets are measured at amortized cost when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and (iii) their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). They are subsequently measured at amortized cost, determined using the effective interest method, less any impairment losses. Interest income, exchange gains and losses, impairment losses and gains and losses arising on derecognition are all recorded in the income statement. This category primarily includes trade receivables, cash and cash equivalents as well as other loans and receivables. 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.

Financial assets at fair value other comprehensive income

This category comprises debt instruments and equity instruments.

- debt instruments are measured at fair value through OCI when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (iii) they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI” criterion). Interest income, exchange gains and losses and impairment losses are recorded in the income statement. Other net gains and losses are recorded in OCI. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss.

- equity instruments that are not held for trading may also be measured at fair value through OCI. This method may be chosen separately for each investment. The choice is irrevocable. Dividends received are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recorded in OCI and are never reclassified to profit or loss.

Cnova does not hold any material assets in this category

Financial assets at fair value through profit or loss

All financial assets that are not classified as financial assets at amortized cost or at fair value through OCI are measured at fair value through profit or loss. Gain and losses on these assets, including interest or dividend income, are recorded in the income statement.

Cnova does not hold any material assets in this category

Cash and cash equivalents

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

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

Cnova typically uses interest bearing bank accounts.

Impairment of financial assets

IFRS 9 requires the recognition of lifetime expected credit losses on financial assets. This impairment model applies to financial assets at amortized cost, contract assets and debt instruments at fair value through OCI.

The main financial assets concerned are trade receivables relating to B2B customers and Marketplace vendors. For trade receivables, Cnova applies the simplified approach provided for in IFRS 9. This approach consists of estimating lifetime expected credit losses on initial recognition, usually using a provision matrix that specifies provision rates depending on the number of days that a receivable is past due.

Derecognition of financial assets

Financial assets are derecognized in the following two cases:

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

2. Breakdown of trade receivables

€ thousands	2017	2018
Trade receivables	185,938	204,579
Accumulated impairment losses on trade receivables	(23,713)	(17,577)
Trade receivables	**162,225**	**187,001**

Cnova carries out non-recourse receivables sale, refer to Note 10

Accumulated impairment losses on trade receivables

€ thousands	2017	2018
Accumulated impairment losses on trade receivables		
As of January 1	**(10,636)**	**(23,713)**
Charge	(24,188)	(7,765)
Reversal	13,971	13,901
Business combination or loss of control		
Reclassification	(2,860)	-
Translation differences		
As of December 31	**(23,713)**	**(17,577)**

3. Other current assets, net

€ thousands	2017	2018
Cash pooling accounts with Casino (Note 26)	837	0
Current accounts with other related parties	10,460	847
Other receivables	88,121	113,763
Accumulated impairment losses on other assets	(1,917)	(1,696)
Prepaid expenses	9,617	13,506
Contract costs	-	828
Other current assets	**107,118**	**127,247**

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

4. Other non-current assets, net

€ thousands	2017	2018
Financial assets at fair value through profit or loss	93	11
Other financial assets	5,971	7,14
Contract costs	-	2,482
Other non-current assets	**6,064**	**9,638**

Financial assets at fair value through profit or loss

Movements for the period

€ thousands	2017	2018
At 1 January	**125**	**93**
Increases	—	—
Decreases	—	—
Gains and losses from remeasurement at fair value	—	—
Other	(32)	(82)
At 31 December	**93**	**11**

Cdiscount Voyages has been merged in Cdiscount in 2018.

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	2017	2018
Products in warehouses	398,364	367,103
Right to return goods asset.	2,804	376
Impairment of products held in inventory	(11,089)	(11,867)
Inventories	**390,079**	**355,612**

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 €0.8 million in 2018 (2017: €6.4 million). No reversal of unused write-down was recorded in 2018 and 2017.

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's 14 day returns policy. The Group uses its accumulated historical experience to estimate the amount of return.

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

	2017			2018		
€ thousands	Gross	Depreciation and impairment	Net	Gross	Depreciation And impairment	Net
Buildings, fixtures and fittings	114	(81)	32	117	(87)	30
Technical installations, machinery and equipment	8,173	(3,361)	4,812	10,521	(4,540)	5,981
Other	48,479	(19,055)	29,425	55,089	(21,979)	33,110
Property, plant and equipment, net	**56,766**	**(22,497)**	**34,269**	**65,727**	**(26,606)**	**39,121**

Movements for the period

€ thousands	Buildings, fixtures and fittings	Technical installations machinery and equipment	Other	Total
As of January 1, 2017	**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**
Business combination or loss of control	3	9	255	**267**
Increases and separately acquired tangible assets	—	554	18,954	**19,508**
Tangible assets disposed of during the period	—	(765)	(7,366)	**(8,131)**
Depreciation for the period	(6)	(1,495)	(5,218)	**(6,719)**
Impairment reversal (losses) recognized during the period	—	—	—	—
Translation adjustment	—	—	—	**—**
Reclassifications of assets in progress	—	2,940	(2,940)	**—**
Reclassifications and other movements	—	(74)	—	**(74)**
As of December 31, 2018	**29**	**5,981**	**33,111**	**39,121**

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

	2017			2018		
€ thousands	**Gross**	**Depreciation and impairment**	**Net**	**Gross**	**Depreciation and impairment**	**Net**
Trademarks	3,959	—	3,959	9,459	—	9,459
Licenses, software and website	137,914	(72,021)	65,894	176,711	(96,605)	80,106
Other	33,700	(3,715)	29,985	53,810	(3,812)	49,998
Intangible assets, net	**175,573**	**(75,736)**	**99,837**	**239,980**	**(100,417)**	**139,564**

Movements for the period

€ thousands	Trademarks	License, software and website costs	Other	Total
As of January 1, 2017	**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**
Business combination or loss of control	5,500	—	1,200	6,700
Increases and separately acquired intangible assets	—	1,321	61,719	63,040
Intangible assets disposed of during the period	—	—	—	—
Depreciation for the period	—	(26,204)	(237)	(26,441)
Impairment reversal (losses) recognized during the period (continuing operations)	—	(3,499)	—	(3,499)
Translation adjustment	—	—	—	—
Reclassifications of assets in progress	—	42,594	(42,594)	—
Reclassifications and other movements	—		(75)	(75)
As of December 31, 2018	**9,459**	**80,106**	**49,998**	**139,564**

Trademarks are composed of Continental Edison in France and 1001Pneus. 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

€ thousands	2017 Gross	2017 Impairment	2017 Net	2018 Gross	2018 Impairment	2018 Net
Cdiscount	58,245	—	58,245	61,396	—	61,396
Goodwill	**58,245**	**—**	**58,245**	**61,396**	**—**	**61,396**

Movements for the period

€ thousands	2017	2018
Carrying amount As of January 1	**56,548**	**58,245**
Goodwill recognized during the period (see Note 3) . .	1,697	3,151
Impairment losses recognized during the period.	—	—
Translation adjustment	—	—
Reclassifications and other movements	—	—
Carrying amount As of December 31.	**58,245**	**61,396**

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, 2017 and 2018 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:

- €1.8 million in 2017 related to the write off of obsolete IT development costs for Cdiscount.
- €3.5 million in 2018 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 fair value less cost of sale which can be measured through the market capitalization of Cnova. As a result, the test consisted in comparing the net book value of its net assets with the market capitalization of Cnova which is significantly higher: the market capitalization of Cnova amounted to €1,243 million as of December 31, 2018

The tests carried out as of December 31, 2017 and 2018 did not reveal any impairments of goodwill.

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 its shareholders CBD (Casino's Brazilian subsidiary) 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, 2018, the share capital of Cnova is composed of 345,210,398 shares with a par value of €0.05.

Notes to the consolidated statement of comprehensive income

€ thousands	2017	2018
Exchange differences	**34**	**(13)**
Change in translation differences during the period	34	(13)
Reclassification to profit or loss due to disposals during the period	—	—
Actuarial gains and losses	**(269)**	**(423)**
Change during the period	(269)	(423)
Income tax (expense)/benefit	—	—
Total	**(235)**	**(436)**

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.

Deferred Stock Units (DSU)

On November 19, 2014 (date of completion of the initial public offering) 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". 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 Reorganization of Cnova Brazil, 29,842 of those DSU were cancelled as they were replaced by stock options issued by Via Varejo.

On November 20, 2018, 703,350 ordinary shares were issued pursuant to DSU.

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 Reorganization of Cnova Brazil (former Cnova NV's subsidiary sold in 2016), 193,708 of those SARs were cancelled as they were replaced by stock options issued by Via Varejo.

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, 2018, was €0.1 million. All SARs had vested at December 31, 2018 and no cash amount was paid by Casino.

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, 2017	Increases	Reversals (used)	Reversals (surplus)	Business 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*

€ thousands	January 1, 2018	Increases	Reversals (used)	Reversals (surplus)	Business combination or loss of Control	Translation adjustment	Other	December 31, 2018
Pensions (Note 20)	4,561	653	—	(34)	—	—	494	5,674
Claims and litigation	18,449	7,469	(5,259)	(5,096)	—	—	15	15,578
Total	**23,010**	**8,122**	**(5,259)**	**(5,130)**	—	—	**509**	**21,252**
of which short-term	*9,012*	*3,646*	*(2,275)*	*(917)*	—	—	*15*	*9,481*
of which long-term	*13,998*	*4,476*	*(2,984)*	*(4,213)*	—	—	*494*	*11,772*

In 2017, changes of claims and litigations provisions result mainly from provisions for tax disputes (€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).

In 2018, changes of claims and litigations mainly results from the reversal of €2.7 million of provisions in connection with the resolution of supplier disputes in France

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 €11.0 million in 2018 (2017: €9.0 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:

	2017	2018
Discount rate	1.5 %	1.7 %
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 +/- 50 bp on the discount rate would generate a change of respectively -10% and +11% of the total amount of the commitment.

The impact of a variation of +/- 50 bp on the expected rate of future salary increases would generate a change of respectively +11% and -10% of the total amount of the commitment.

Reconciliation of liabilities in the balance sheet

€ thousands	2017	2018
As of January 1	**3,669**	**4,561**
Cost for the period	548	692
Actuarial gains or losses recognized in equity	270	423
Business combination or loss of control	—	—
Translation adjustment	—	—
Other movements	73	(2)
As of December 31	**4,561**	**5,674**

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

	2017			2018		
€ thousands	**Non-current Portion**	**Current Portion**	**Total**	**Non-current Portion**	**Current Portion**	**Total**
Cash pool balances with Casino	—	202,771	202,771	—	213,878	213,878
Bank overdrafts	—	20,202	20,202	—	8,191	8,191
Other financial liabilities	—	14,953	14,953	—	12,230	12,230
Current Financial debt		**237,925**	**237,925**		**234,298**	**234,298**

Cnova financial debt decreased by €4 million during the year.

Non-current financial debt of €2.4 million is related to Neosys put option on non-controlling interests (Refer to Note 3)

Changes in liabilities arising from financing activities:

€ thousands	**Cash pool balances with Casino**	**Other financial liabilities**	**Total liabilities from financing activities**
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)**
Accrued interests, net	288	—	**288**
As of January 1, 2018	**202,771**	**14,953**	**217,724**
Additions to financial debt	—	7	**7**
Repayments of financial debt [(1)]	—	(2,731)	**(2,731)**
Change in loan received [(2)]	9,865	—	**9,865**
Change in loan received -discontinued activities	—	—	—
Accrued interests, net	1,243	—	**1,243**
As of December 31, 2018	**213,879**	**12,229**	**226,108**

(1) Repayments of financial debt also includes the continued involvement in the installment payment program for €9.2 million (see Note 10)

(2) Change in loan received also includes cash pool balances with Casino

Detail of main financial debt:

	Nominal amount	Interest rate	Issue date	Due date	2017 (K€)	2018 (K€)
Cash pool balances with Casino	—	Eonia 1 month + 0,5%	—	—	202,771	213,878

3. Other liabilities

	2017			2018		
€ thousands	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Amounts due to suppliers of PP&E.	—	10,672	10,672	—	13,431	13,431
Other liabilities . . .	790	110,032	110,822	706	146,917	147,623
Contract liabilities		31,177	31,177		30,789	30,789
Deferred income . .	3,710	1,381	5,091	9,396	1,393	10,789
TOTAL.	**4,500**	**153,262**	**157,761**	**10,102**	**192,530**	**202,632**

Note 22 Fair value of financial instruments

1. Accounting principles

Fair value measurements are determined following the provisions of IFRS 13 “Fair Value Measurement” which defines the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

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

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

2. Financial assets

€ thousands Financial assets	2017 Carrying amount (A)	2017 Non financial assets (B)	2017 Total Financial assets (A − B)	Assets held for trading	Carrying amount Financial Asset at amortized cost	Carrying amount Financial Asset at fair Value	Total Fair value
Other non-current assets	6,064	716	**5,347**	—	5,254	93	5,347
Trade receivables	162,225	—	**162,225**	—	162,225	—	162,225
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

€ thousands Financial assets	2018 Carrying amount (A)	2018 Non financial assets (B)	2018 Total Financial assets (A − B)	Assets held for trading	Carrying amount Financial Asset at amortized cost	Carrying amount Financial Asset at fair Value	Total Fair value
Other non-current assets	9,638	723	**8,916**	—	8,905	11	8,916
Trade receivables	187,001	—	**187,001**	—	187,001	—	187,001
Other current assets	127,247	16,816	**110,431**	—	110,431	—	110,431
Cash and cash equivalents	35,523	—	**35,523**	—	35,523	—	35,523

3. Financial liabilities

€ thousands Financial liabilities	2017 Carrying amount (A)	2017 Non financial liabilities (B)	2017 Total Financial liabilities (A − B)	Carrying amount Liabilities at amortzsed Cost	Carrying amount Liabilities at Fait 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	153,262	12,879	**140,383**	140,383	—	—	140,383
Other non-current liabilities	4,500	3,710	**790**	790	—	—	790

€ thousands Financial liabilities	2018 Carrying amount (A)	2018 Non financial liabilities (B)	2018 Total Financial liabilities (A − B)	Carrying amount Liabilities at amortized cost	Carrying amount Liabilities at Fait Value	Carrying amount Hedging instruments	Total Fair value
Financial debt	236,726	—	**236,726**	236,726	—	—	236,726
Trade payables	667,914	—	**667,914**	667,914	—	—	667,914
Other current liabilities	192,530	24,244	**168,286**	168,286	—	—	168,286
Other non-current liabilities	10,102	9,396	**706**	706	—	—	706

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 €1.7 million and €0.2 million respectively for the periods ended December 31, 2018 and December 31, 2017.

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, 2018, cash and cash equivalents include no Brazilian real in short-term deposits.

Exchange rates against the Euro

	2017		2018	
Exchange rates against the euro	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
US dollar (USD)	1.1993	1.1297	1.1450	1.1806
Brazilian real (BRL)	3.9729	3.6054	4.4440	4.3096

Counterparty risk

Cnova is not exposed to significant counterparty risks in its operating activities and its short-term investment activities.

Counterparty risk related to trade receivable

Customer receivables are regularly monitored and Cnova's exposure to the risk of bad debts is considered as limited because of the number of customers Cnova has through its operations.

Trade receivables (gross amount) break down as follows by maturity:

€ thousands	Receivables not yet due not impaired (A)	Receivables past due on the balance sheet date: 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)
2017	*130,808*	*30,582*	*770*	*65*	*31,417*	***23,713***	*179,117*	*(23,713)*	*162,225*
2018	*173,511*	*10,305*	*3,186*	-	*13,491*	***17,577***	*204,579*	*(17,577)*	*187,002*

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, 2018, 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 €336 million as of December 31, 2018.

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 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	720,130	790	—	—	—	**720,920**	720,920
Total	958,056	790				**958,846**	958,846

€ 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	2018—Total	Carrying amount Restated
Borrowings and bank overdrafts	8,191					**8,191**	8,191
Cash pool balances with Casino	213,878	—	—	—	—	**213,878**	213,878
Other financial liabilities	12,230	—	—	—	—	**12,230**	12,230
Trade payables and other liabilities	836,200	706	—	—	—	**836,906**	836,906
Total	1,070,498	706				**1,071,204**	1,071,204

Equity risk

Cnova has 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, 2017 and 2018, 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	2017	2018
Assets pledged as collateral	—	—
Bank bonds and guarantees given	—	—
Firm purchase commitments(i)	492	292
Other commitments	—	—
Due:	—	—
Within one year	200	200
Due in one to five years	292	92
Due beyond five years	—	—
Total commitments given	**492**	**292**

(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	2017	2018
Due within one year	14,430	24,707
Due in one to five years	49,902	89,569
Due beyond five years	9,601	49,943

The reconciliation of lease commitments of 74 million as of December 31, 2017 with the January 1, 2018 IFRS 16 estimated impact of 110 to 130 million is as follows:

€ million	
Lease commitments at 31 December 2017	**74**
Change in Lease term	54 to 78
Discounting	(13) to (17)
Estimated IFRS 16 Lease liability at 1 January 2018	**115 to 135**

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.

On December 14, 2018, we received formal written notification from the SEC staff that they have closed their investigation of accounting matters at Cnova and that they do not intend to recommend any enforcement action against Cnova.

Those items resulted in 2018, in the payment of the $28.5m class action settlement presented as net cash used in discontinued activities in the consolidated statement of cash flows and in a €4.5m reversal of provision included in the Net profit (loss) from discontinuing activities.

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 the Board 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 C Chez Vous (“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 registered pursuant to the agreement comply with the required quality standards of products sold to consumers and the timely delivery service.

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

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

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 remaining3 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 3.88% discount rate on the assigned amount (3.73% 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 2.23% as of January 1, 2018, 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. As of December 31, 2018, cash advance received from Casino Finance International is €214 million (including accrued interests), €214 million for Cnova N.V. and €0 million for subsidiaries

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. Casino Group confirmed that Cnova NV will continue to benefit from intragroup resources to cover its financing needs for the next twelve months after issuance of the financial statements. 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 of €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.

As of December 31, 2018, inventories related to this agreement amounted to €64 million.

An additional agreement was signed in 2018 related to Cdiscount Corners opened in Géant hypermarkets. Under this agreement DCF will pay Cdiscount a 1.5% brand fee on all corner sales and Cdiscount will pay a commission of between 3% and 6% to DCF for cross canal sales (client ordering on Cdiscount.com on tablets located in the corner) originated in hypermarkets. In addition, Cdiscount will support half of the implementation cost of the corners.

RelevanC / Cdiscount Data Monetization

Cdiscount has entered into an agreement with RelevanC (a Casino Group subsidiary) for maximizing the value of its data along with other Casino group companies.

As per this agreement Cdiscount will provide RelevanC a right to use its advertising inventories and its data for its commercial activity and to maximize this way the value of Cdiscount data. In parallel Cdiscount will be subcontractor or service provider of RelevanC for commercialization or execution of advertising campaigns.

Under this agreement, Cdiscount grants RelevanC a license for the use of its advertising inventories and customer data and receives 70% of revenues generated by these inventories and 42% of the revenues generated by these customer data. In addition, when Cdiscount performs the commercialization of advertising campaigns or the purchasing of external inventories (trading desk activity) it receives a 15% to 20% commission.

The agreement as a one-year term and is automatically renewable for a same duration unless terminated by either party with a 3 months prior notice

C Chez Vous Share Contribution

In connection with the Cnova group reorganization presented in Note 9. Cdiscount has made on January 1, 2019 an asset contribution of its logistics and transport business to a newly formed entity C-Logistics. On January 31, 2019, Easydis (a Casino group subsidiary) realized a share contribution of 99,9% of C Chez vous ("CCV") to C-Logistics.

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.

This transaction resulted in Easydis holding 16% of the share capital of C-Logistics. This percentage was determined based on valuations of C-Logistics and CCV performed by an external appraiser.

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	2017	2018
Salaries and other benefits excluding payroll taxes(i)	1,928	1,808
Payroll taxes on salaries and other benefits	632	602
Termination benefits	–	–
Share-based payments	1	56
Total	2,561	2,466

(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 2018.

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

	2017		2018	
€ thousands	Transactions	Balance	Transactions	Balance
Loans due from Parent Companies	(235,726)	11,009	(10,185)	824
Receivables	52,976	78,039	7,661	85,700
Loan due to Parent Companies	137,610	202,992	27,147	230,139
Payables	22,294	37,703	(10,525)	27,178
Expense	313,749	—	196,371	—
Income	125,439	—	190,813	—

Note 27 Subsequent events

On January 31, 2019, as mentioned in Note 26, Easydis (a Casino group subsidiary) realized a share contribution of 99,9% of C Chez vous (“CCV”) to C-Logistics. This transaction will result in Easydis holding 16% of the share capital of C-Logistics. Business combinations of entities under common control are currently excluded from the scope of IFRS 3 Business Combinations and the IASB has a project on its agenda to address this item. Accordingly, the initial accounting of this transaction is incomplete at the time the financial statements are authorized for issue.

Note 28 Main consolidated companies

The holding company

The next senior company is CBD, owning indirectly 33.98% of Cnova shares and 35.86% of Cnova voting rights and the ultimate holding company is Casino, owning directly and indirectly, 98.96% of Cnova shares and 99.45% of Cnova voting rights.

Subsidiaries

The main companies are listed below:

Company	2017			2018		
	% control	% interest	Consolidation method	% control	% interest	Consolidation method
Cnova		**Parent**			**Parent**	
Cdiscount Group	100.00	100.00	FI	0.00	0.00	Merged
Cdiscount	99.67	99.67	FI	99.68	99.68	FI
Cdiscount Afrique	100.00	100.00	FI	100.00	100.00	FI
Cdiscount International BV	100.00	100.00	FI	100.00	100.00	FI
Cdiscount LATAM	70.00	70.00	FI	70.00	70.00	FI
C'nova France SAS	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Côte d'Ivoire	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Sénégal	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Cameroun	100.00	100.00	FI	100.00	100.00	FI
Cdiscount Panama	100.00	70.00	FI	100.00	70.00	FI
Cdiscount Uruguay	100.00	70.00	FI	100.00	70.00	FI
Cdiscount Equateur	100.00	69.99	FI	100.00	69.99	FI
Cnova Pay	100.00	100.00	FI	100.00	100.00	FI
BeezUP	100.00	100.00	FI	100.00	100.00	FI
C-Logistics (inactive before assets contribution made January 1, 2019)	N/A	N/A	FI	100.00	100.00	FI
1001Pneus (Carya)				100.00	100.00	FI
Stootie (Haltae)				100.00	100.00	FI
Neosys				51.00	51.00	FI
Neotech Solutions				51.00	51.00	FI

FI: fully integrated

15. COMPANY FINANCIAL STATEMENTS OF CNOVA N.V AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

Balance sheet at December 31, 2018

€ thousands	**Notes**	**December 31, 2017[5]**	**December 31, 2018**
Property, Plant and Equipment	6	2	1
Intangible assets	7	18	-
Financial fixed assets	8	285,707	653,747
Total non-current assets		**285,727**	**653,748**
Other current assets, net	10	263,994	11,113
Cash and cash equivalents	11	24,683	693
Total current assets		**288,677**	**11,806**
Total assets		**574,404**	**665,554**
Share capital	12	17,225	17,225
Additional paid in capital		404,625	404,625
Retained earnings and reserves		(40,438)	(39,978)
Total equity		**381,412**	**381,872**
Trade payables and other	13	14,448	10,314
Other current liabilities	14	178,544	273,368
Total current liabilities		**192,992**	**283,682**
Total equity and liabilities		**574,404**	**665,554**

The accompanying notes are an integral part of these financial statements

[5] Cnova NV re-assessed its accounting for presentation of cash pool with Casino and cash advances received from subsidiaries in the balance sheet. Cnova N.V. had previously presented the net cash advance received as other current assets. Cnova N.V. changed the presentation of changes in cash pool balance with Casino and cash advance from subsidiaries in the balance sheet.
The amount of the reclassification to the 2017 balance sheet is as follows:
• an increase of other current assets by €154,780 thousands
• an increase of other current liabilities by €154,780 thousands

Income statement for the year ended December 31, 2018

€ thousands	December 31, 2017	December 31, 2018
General and administrative expenses	(3,010)	(1,917)
Financial income	677	815
Financial expense	(25)	(959)
Foreign currency exchange result	(30)	125
Other income/ (expense)	-	(1,363)
Income tax (expenses)/benefit	-	-
Net result from continuing operations	(2,388)	(3,299)
Net result from discontinued operations	(7,400)	3,759
Net profit (loss) for the year	**(9,788)**	**460**

See Note 15

Statement of comprehensive income for the year ended December 31, 2018

€ thousands	December 31, 2017	December 31, 2018
Net profit (loss) for the year	**(9,788)**	**460**
Items that may subsequently be recycled to profit or loss	**-**	**-**
Foreign currency translation	-	-
Other comprehensive income/(loss) for the year	**-**	**-**
Total comprehensive income/(loss) for the year	**(9,788)**	**460**

See Note 16

The accompanying notes are an integral part of these financial statements

Cash Flow Statement for the year ended December 31, 2018

€ thousands	**December 31, 2017[6]**	**December 31, 2018**
Net result from continuing operations	(2,389)	(3,299)
Depreciation and amortization expenses	39	19
(Gains)/losses on disposal of non-current assets	50	-
Financial income/(expenses), net	(652)	19
Current and deferred tax	-	-
Change in operating working capital	4,466	(162)
Trade payables	*1,604*	*366*
Other receivables	*2,862*	*(528)*
Net cash from (used) in continuing operating activities	**1,513**	**(3,423)**
Net cash from (used) in discontinued operating activities	**9,047**	**(21,854)**
Interest received	1,039	984
Purchase of shares	(58)	(70,295)
Purchase of property and equipment and intangible asset	4	-
Change in cash advance granted to subsidiaries	(118,362)	(46,236)
Net cash from (used) continuing investing activities	**(117,377)**	**(115,547)**
Net cash from (used) discontinued investing activities	**(17)**	**(1,469)**
Change in cash advance received (including with related parties and subsidiaries)	131,780	141,588
Interest paid	(387)	(285)
Net cash from (used) continuing financing activities	**131,393**	**141,303**
Net cash from (used) discontinued financing activities	**-**	**(23,000)**
Change in cash and cash equivalents	**24,560**	**(23,990)**
Cash and cash equivalents at beginning of period	*123*	*24,683*
Cash and cash equivalents at end of period	*24,683*	*693*

The accompanying notes are an integral part of these financial statements

[6] Cnova NV re-assessed its accounting for changes in cash advance received (including cash pool balance with Casino) and cash advance granted in the cash flow statements. Cnova N.V. had previously presented the changes in cash pool balances and cash advance from/to subsidiaries as a change in operating working capital. Cnova N.V. changed the presentation of changes in cash pool balance with Casino and cash advance from/to subsidiaries in the cash flow statements. Change in cash advance received is now presented as financing activities and changes in cash advance granted as investing activities. The amount of the reclassification to the 2017 statement of cash flow is as follows:

- a decrease of change in operating working capital / Net cash from (used) in operating continuing activities by €13,383 thousands
- a decrease of changes in cash advance granted / Net cash from (used) in continuing investing activities by €118,397 thousands
- an increase of change in cash advance received / Net cash from (used) in continuing financing activities by €131,780 thousands

Statement of changes in Equity for the year ended December 31, 2018

€ 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, 2016	**17,225**	**404,625**	**50,273**	**(80,933)**	**0**	**391,190**
Allocation of prior year result	-	-	(50,273)	50,273	-	-
Net profit (loss) for the period	-	-	(9,788)	-	-	(9,788)
Other	-	-	-	10	-	10
As of December 31, 2017	**17,225**	**404,625**	**(9,788)**	**(30,650)**	**0**	**381,412**
Allocation of prior year result	-	-	9,788	(9,788)	-	-
Net profit (loss) for the period	-	-	460	-	-	460
As of December 31, 2018	**17,225**	**404,625**	**460**	**(40,438)**	**0**	**381,872**

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

1. Description of reporting entity

Cnova N.V. (hereafter "Cnova") is a public limited liability company incorporated and domiciled in Netherlands (Strawinskylaan 3051, Amsterdam). It is listed on Euronext Paris from January 23, 2015 under ISIN NL0010949392. Cnova NV is registered with the Dutch Trade Register under registration number 60776676.

The financial statements of Cnova for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors on March 28, 2019.

Cnova and its subsidiaries (the "Group) consist of leading global e-commerce 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.

The next senior company is Companhia Brasileira de Distribuiçao Netherlands Holding BV, owning indirectly 33.98% of Cnova shares and 35.86% of Cnova voting rights and the ultimate holding company is Casino, owning directly and indirectly, 98,96% of Cnova shares and 99,45% of Cnova voting rights.

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

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 "Foreign currency exchange result". 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 Cash pool balance with Casino, less cash and cash equivalents as presented on the face of the balance sheet.

€ thousands	**December 31, 2017**	**December 31, 2018**
Carrying amount of equity	381,411	381,872
Cash pool balance with Casino	131,762	212,144
Less: Cash and cash equivalents	24,683	693
Capital under management of Cnova	**488,490**	**593,323**

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 be 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 are 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

In 2017 and 2018 Cnova didn't generate revenue as it has acted only as a holding of its Group.

2.2.4. Interest income

For financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate method).

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

Following the first-time adoption of IFRS 9 from 1 January 2018, Cnova revised its accounting policy for financial instruments.

i) Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs in the case of instruments not measured at fair value through profit or loss. Directly attributable acquisition costs of financial assets measured at fair value through profit or loss are recorded in the income statement.

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

Financial assets are classified in the following three categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income (FVOCI);

- financial assets at fair value through profit or loss.

The classification depends on the business model within which the financial asset is held and the characteristics of the instrument's contractual cash flows.

Financial assets at amortized cost

Financial assets are measured at amortized cost when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and (iii) their contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion).

They are subsequently measured at amortized cost, determined using the effective interest method, less any impairment losses. Interest income, exchange gains and losses, impairment losses and gains and losses arising on derecognition are all recorded in the income statement.

This category primarily includes other receivables, cash and cash equivalents as well as other financial assets at amortized cost

Financial assets at fair value through other comprehensive income (OCI)

This category comprises debt instruments and equity instruments.

- debt instruments are measured at fair value through OCI when (i) they are not designated as financial assets at fair value through profit or loss, (ii) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (iii) they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). Interest income, exchange gains and losses and impairment losses are recorded in the income statement. Other net gains and losses are recorded in OCI. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss.
- equity instruments that are not held for trading may also be measured at fair value through OCI. This method may be chosen separately for each investment. The choice is irrevocable. Dividends received are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recorded in OCI and are never reclassified to profit or loss.

Cnova does not hold any assets in this category

Financial assets at fair value through profit or loss)

All financial assets that are not classified as financial assets at amortized cost or at fair value through OCI are measured at fair value through profit or loss. Gain and losses on these assets, including interest or dividend income, are recorded in the income statement.

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.

Cash and cash equivalents

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

To be classified as cash equivalents under IAS 7, investments must be:

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

Impairment of financial assets

IFRS 9 requires the recognition of lifetime expected credit losses on financial assets. This impairment model applies to financial assets at amortized cost, contract assets and debt instruments at fair value through OCI. Cnova applies the simplified approach provided for in IFRS 9 for other receivables. This approach consists of estimating lifetime expected credit losses on initial recognition, usually using a provision matrix that specifies provision rates depending on the number of days that a receivable is past due.

Derecognition of financial assets

Financial assets are derecognized in the following two cases:

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

ii) Financial liabilities
Initial recognition and measurement

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

Financial liabilities recognized at amortized cost

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

Financial liabilities at fair value through profit or loss

They are measured at fair value and gains and losses arising from remeasurement at fair value are recognized in the income statement. Cnova does not hold any financial liabilities at fair value through profit of loss including derivatives.

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 judgments, estimates and assumptions

The preparation of Cnova's 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 asset or liability affected in future periods.

3.1. Accounting standards and interpretations published with effect from January 1, 2018

The company applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Their application had no impact on the company's financial statements

- *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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This standard had no significant impact on Cnova N.V.

- *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. This standard had no impact on Cnova N.V.

- *IFRIC 22 –Foreign Currency Transactions and Advance Consideration*
- *Amendments to IAS 40 – Transfers of Investment Property*
- *Amendments to IFRS 2 – Classification and Measurement of Share-settled Share-based Payment Transactions*
- *IFRS Annual Improvements – 2014-2016 cycle*

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 16 Leases*

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

An initial analysis of the main impact of the application of IFRS 16 on the company's financial statements has continued in 2018. The company expects to apply this new standard using the full retrospective method. At this time, the estimated impacts are not significant for Cnova N.V as the company only has one lease for its headquarter offices for which the lease term is 12 months with no purchase option and for which we expect to use the short-term lease exemption

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

3.3. Judgments

In the process of applying Cnova's accounting policies, management has made the judgments, 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 transactions are accounted for at the book value.

4. Discontinued activities

Result from discontinued operations is only related to costs incurred to support entities that are classified as discontinued operations. The disposal gain in 2018 is related to the liquidation of Cnova Financa BV

Breakdown of result from discontinued operations is the following:

€ thousands	December 31, 2017	December 31, 2018
General and administrative expenses	(6,550)	5,296
Financial income	-	-
Financial expense	-	-
Impairment gain (loss) on financial instruments		(6,477)
Foreign currency exchange result	-	-
Gains (loss) on disposals	(850)	4,940
Net profit/(loss) from discontinuing activities	**(7,400)**	**3,759**

Net impact on other comprehensive profit/(loss)	**(7,400)**	**3,759**

5. Segment information

Cnova being a holding entity, it has no reportable segments

6. Property, plant and equipment

€ thousands	December 31, 2017	December 31, 2018
Beginning of the year	69	2
Tangible assets disposed of during the period	(52)	-
Depreciation	(15)	(1)
End of year	**2**	**1**

7. Intangible assets

€ thousands	December 31, 2017	December 31, 2018
Beginning of the year	42	18
Amortization	(24)	(18)
End of year	**18**	**-**

8. Financial assets

€ thousands	December 31, 2017	December 31, 2018
Investments in subsidiaries	285,085	653,747
Loans receivables from subsidiaries	622	-
End of year	**285,707**	**653,747**

8.1. Investments in subsidiaries

€ thousands	December 31, 2017	December 31, 2018
Beginning of the year	284,932	285,085
Contribution in kind	-	298,451
Increase in capital	-	70,296
Disposal (note 4)	-	(85)
Distribution (note 4)	-	-
Reclassifications	153	-
End of year	**285,085**	**653,747**

Cnova N.V. holds directly the following subsidiaries:

- Cdiscount SA, Bordeaux France (Cdiscount Group SAS, Saint Etienne, France was merged into Cdiscount SA on November 30, 2018)
- Cnova France, Saint Etienne, France.
- Cnova Financa, Amsterdam, Netherland has been liquidated in 2018 (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.

In 2018, Cnova N.V increased the capital of Cdiscount Group by €298.5 million by incorporation of a portion of the cash advance to Cdiscount Group. This operation was performed to limit the impact of the merger between Cdiscount Group and Cdiscount SA on Cdiscount SA equity.

Company	**2017 % owned**	**2018 % owned**	**Cost *(€ thousands)***
Cdiscount Group (merged into Cdiscount SA in 2018)	100	merged	-
Cdiscount SA	0	99,68	653,736
Cnova France SAS	100	100	10
Cnova Financa BV	100	liquidated	-

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, 2017**	**December 31, 2018**
Beginning of the year	657	622
Issued (repayment) net	(640)	(622)
Accrued interests	605	-
Exchange rate differences	-	-
End of year	**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 2017 and 2018, no tax is due. 2017 resulted is a tax loss of €9.8 million and 2018 tax result is estimated at €0.5 million but tax losses carried forward will be applied

At December 31, 2018 the total unrecognized deferred tax assets was €13.9 million, with expiry date in 2023 for €10.7 million, 2025 €1.1 million and 2026 for €2.1 million.

10. Other current assets, net

€ thousands	December 31, 2017	December 31, 2018
Other receivables	2,881	2,976
Including management fees with other entities of Cnova group		
Current cash advance granted to subsidiaries	261,113	8,897
Other current assets	**263,994**	**11,873**

Current cash advance granted to subsidiaries bear interest at Eonia 1 month +0.5%.

Change in Cash advance granted subsidiaries:

€ thousands	December 31, 2017	December 31, 2018
Beginning of the year	142,716	261,113
Issued (repayment) net – continued operation	118,397	46,236
Issued (repayment) net – discontinued operation	-	6,477
Incorporation as capital of Cdiscount Group	-	(298,452)
Impairment of Cdiscount International cash advance	-	(6,477)
End of year	**261,113**	**8,897**

11. Cash and cash equivalents

Cash and deposits of €693 thousand consist of time deposits and amounts held as bank balances. All bank balances and deposits are freely available. In 2017, €23,764 thousands out of the total of €24,683 thousand were considered as restricted.

12. 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.

On November 20, 2018, 703,350 ordinary shares were issued pursuant to Deferred Stock Units (DSU), as a consequence, the share capital of Cnova is now comprised of 345,210,398 shares with a par value of €0.05.

The Board 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.

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

14. Other current liabilities

€ thousands	December 31, 2017	December 31, 2018
Other accrued liabilities	23,764	-
Cash pool balance with Casino	131,762	212,144
Cash advance received from subsidiaries	23,018	61,224
Other current liabilities	**178,544**	**273,368**

Change in Cash advance received from subsidiaries and cash pool balance with Casino

€ thousands	December 31, 2017	December 31, 2018
Beginning of the year	23,018	154,780
Issued (repayment) net – continued operation	131,762	141,588
Issued (repayment) net – discontinued operation	-	(23,000)
Exchange rate differences	-	-
End of year	**154,780**	**273,368**

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

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.

On December 14, 2018 we received formal written notification from the SEC staff that they have closed their investigation of accounting matters at Cnova and that they do not intend to recommend any enforcement action against Cnova.

Those items resulted in 2018, in the payment of the $28.5m class action settlement presented as net cash used in discontinued activities in the company statement of cash flows and in a €4.5million reversal of provision included in the Net profit (loss) from discontinuing activities.

15. Notes to the income statement

15.1. Employees

The average number of employees of Cnova N.V. in full-time equivalents during 2018 was 2 (2016: 3). Salaries, social security charges and pension expenses amounted to €471 thousand for 2018 (2017: €569 thousand), €44 thousand for 2018 (2017: €52 thousand), and €13 thousand for 2018 (2017: €17 thousand), respectively. Those employees are within the Netherlands.

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	2017	2018
Audit fees for Ernst & Young Accountants LLP	75	85
Audit fees for EY network	594	648
Audit-related fees	111	11
Tax fees	-	-
All other fees	-	-
Total	**780**	**709**

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 gain of €652 thousands in 2017 and a loss of €144 thousands in 2018.

15.4. Taxes

The taxable result for 2018 is estimated to be a profit of €0.5 million and no tax is due as net operating losses will be used (see Note 9). Difference between domestic (25%) and effective tax rate (0%) is related to the use of €0.1m of unrecognized deferred tax assets in the period.

16. Note to the statement of comprehensive income

No items are recognized in other comprehensive income.

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, 2017	December 31, 2018
Total company's equity	**381,412**	**381,872**
Retained earnings of subsidiaries	(524,961)	(557,601)
Total consolidated group equity	**(143,549)**	**(175,729)**

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

€ thousands	December 31, 2017	December 31, 2018

Company's net profit (loss)	**(9,788)**	**460**
Net profit (loss) of subsidiaries	(100,844)	(32,811)
Gain (loss) on disposal	-	(4,940)
Recycling of foreign currency reserves	-	-
Impairment of cash advance to subsidiaries	-	6,477
Other	-	-
Total consolidated net profit (loss)	**(110,632)**	**(30,814)**

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.

	2017		2018	
€ thousands	**Transactions**	**Balance**	**Transactions**	**Balance**
Loan due from subsidiaries	(52)	605	(605)	0
Other current asset	121,559	263,994	(252,121)	11,873
Cash Pool balance to Parent Company	136,376	131,762	80,382	212,144
Cash advance from subsidiaries	18	23,018	38,206	61,224
Payables	(3,242)	1,088	1,693	2,782
Expenses	2,339		3,646	
Income	0		156	

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, this lease has a duration of a year. Annual operating lease expense is €21 thousands

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. As of December 31, 2017 and 2018, 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 €0.05m for 2018 and €0.2 million for 2017.

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.

Other current assets break down as follows by maturity:

2017		Other current assets past due on the balance sheet date				
€ thousands	Receivables not yet due (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)	GROSS TOTAL (C)=(A)+(B)
Expected credit loss rate	*0%*	*0%*	*0%*	*0%*		
Estimated total gross carrying amount at default	*109,214*	-	-	-	-	*109,214*
Expected credit loss	-	-	-	-	-	-

2018		Other current assets past due on the balance sheet date				
€ thousands	Receivables not yet due (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)	GROSS TOTAL (C)=(A)+(B)
Expected credit loss rate	*0%*	*0%*	*0%*	*0%*		
Estimated total gross carrying amount at default	*11,873*	-	-	-	-	*11,873*
Expected credit loss	-	-	-	-	-	-

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, 2018, 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 €338 million as of December 31, 2018. Current account with Casino bears interest at EONIA.

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. Casino Group confirmed that Cnova NV will continue to benefit from intragroup resources to cover its financing needs for the next twelve months after issuance of the financial statement. 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.

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 2016 Reorganization of Cnova Brazil, 29,842 of those DSU were cancelled as they were replaced by stock options issued by Via Varejo.

On November 20, 2018, 703,350 ordinary shares were issued pursuant to DSU.

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, 2018 was €52 thousand. All SARs had vested at December 31, 2018 and no cash amount was paid by Casino.

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 2018 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 2018 fiscal year, Mr. Grenier's total remuneration (comprising a combination of fixed and variable compensation) amounted to €1,142,000, including a variable compensation related to 2017 based 66% on quantitative targets and 34% on qualitative targets. The Cnova Board of directors has determined that those targets were 81.0% reached, setting the variable compensation paid at €182,250.

For 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 in €

Name and title	Director fees in 2018	Committee membership fees in 2018	Attendance fees in 2018	Amount paid in 2017
Non-executive directors				
Antoine Giscard d'Estaing, Chairman (1) . . .	8,905			10,000
Ronaldo Iabrudi dos Santos Pereira, Vice Chairman	10,000	8,000	9,000	21,000
Eleazar de Carvalho Filho	50,000			40,000
Christophe Hidalgo	10,000			9,671
Jean-Yves Haagen	10,000			959
Arnaud Strasser	10,000	8,000	9,000	19,500
Franck-Philippe Georgin (2)	1,096			
Independent non-executive directors				
Bernard Oppetit	50,000	25,000	21,000	70,000
Silvio Genesini.	50,000	30,000	17,500	77,500

(1) Mr. Giscard d'Estaing resigned on November 22, 2018.
(2) Mr. Georgin was appointed as replacement non-executive director on November 22, 2018

Compensation of non-executive directors

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

For our eligible non-executive directors who do or did not serve within the Casino Group in any capacity other than as a director, namely Messrs. Oppetit, Genesini and De Carvalho, the annual Board fee is higher than for those directors that do or did serve the Casino Groupe as an executive. The Board fee is supplemented by fees for service as committee chairperson and/or committee-membership as described below. The fixed compensation in cash amounts to € 50,000 annually.

For all our other non-executive directors, that do or did serve the Casino Groupe as an executive namely Messrs. Giscard d'Estaing, Hidalgo, Haagen, Iabrudi, Strasser and Georgin, a fixed annual Board fee 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 €15,000 and the chairman of the audit committee receives a fixed annual retainer of €25,000. Members of our nomination and remuneration committee receive a fixed annual retainer of €8,000, and the chairman of the nomination and remuneration committee receives a fixed annual retainer of €15,000. In addition, members of the audit committee receive an attendance fee of €3,000 per meeting and members of the nomination and remuneration committee receive an attendance fee of €3,000 per meeting.

Personal loans, advances and guarantees

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

23. Subsequent events

None

16. OTHER INFORMATION

16.1 INDEPENDENT AUDITOR'S REPORT

To: the shareholders of Cnova N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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 2018, and of its result and its cash flows for 2018 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 statement of financial position as at 31 December 2018:
- The following statements for 2018: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Cnova N.V. in accordance with the 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 assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 6.7 million (2017: € 5.7 million)
Benchmark applied	2% of gross profit
Explanation	Gross profit was chosen since it is the main indicator of profitability for mature business in this sector. 2% range was selected due to number of factors including external financing and limited shareholders.

We have also taken into account misstatements 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 that misstatements in excess of € 335.000 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 at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Cnova N.V.

Our group audit mainly focused on significant group entities. 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 limited scope procedures.

Entities in scope	FY18 Group audit scope
Cnova N.V.	Full audit
Cdiscount	Full audit

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. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit 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 two of four key audit matters is consistent with the prior year. Two key audit matters are new and relate to the application of going concern assumption and the existence and valuation of a deferred tax asset. There were two key audit matters communicated in 2017 which are no longer applicable in 2018:

- Business to customer ("BtC") adjustments: it related to a one-off issue that occurred in 2017 and that was resolved in 2018;
- SEC investigation: As disclosed in note 25 (consolidated financial statements) and in note 14 (company only financial statements), in 2018 the SEC closed its investigation of accounting matters at Cnova related to the company's Form 20-F without any enforcement action against the company.

Risk	Our audit approach	Key observations
Going concern (note 1)		
As of 31 December 2018, the Group has a negative equity amounting to €176 million. It has been loss making for the last 3 years and has a net current liability amounting to €438 million. These facts trigger the analysis of the reasonableness of the going concern basis. Considering the most recent budgets and forecasts and the credit facilities available to the Company within Casino Group and with external banks, the board of directors prepared the financial statements on a going concern basis.	We reviewed the documentation underlying the Company's position including forecasts and the disclosure in the financial statements in that respect (Note 1). We also reviewed the current credit facility arrangements and viability of Casino Group. We have challenged the assumptions considered by the Company to apply the going concern basis including retrospective review of assumptions used in earlier management	We deem management's forecast assumptions reasonable including the continued availability of the credit facilities with Casino Group. We concluded the disclosures in the consolidated financial statements being sufficient and

Risk	Our audit approach	Key observations
The management of the company is of the opinion that the credit facilities are sufficient to meet the Company's obligations for the next year.	assessments.	in accordance with EU-IFRS. We agree with the management's conclusion that the use of the going concern assumption is appropriate
Recognition of a €38 million deferred tax asset (note 1 and 9)		
During 2018 Cdiscount initiated a legal restructuring to create a new subsidiary, C-Logistics, to operate and manage the logistic flows of its e-commerce businesses combined with similar activities of Casino. Following this strategic business project, management has re-allocated the Cdiscount group carried forward tax losses to Cdiscount and the newly created C-Logistics entity. As Clogistics will be remunerated on a cost plus basis and is expected to be profitable, management has recognized a deferred tax asset of €38 million as per 31 December 2018 in relation to the losses allocated to Clogistics. The company has requested a ruling on the allocated amounts from the French tax authorities. This ruling is expected to be approved in the course of 2019. We consider this to be a key audit matter due to the degree of judgment related to the existence and the recognition of the deferred tax asset as the French Tax Authority may challenge the amount of tax losses allocated to Clogistics, the acceptability of the cost plus arrangement by the French tax authorities and the judgement involved in Cdiscounts ability to pay Clogistics for its services.	Our audit procedures included the following: - Review of the compliance of management's accounting analysis under IAS 12 - Review and reconciliation of the allocation of tax losses to C-Logistics - The review of the existence of future taxable profits - Review by our tax experts of the documentation prepared to obtain the tax ruling and the tax opinion issued by an external tax lawyer firm. - Reconciliation of the basis for deferred tax asset computation and the tax documents from the company We also considered the adequacy of the Group's disclosures (in note 9) in respect of deferred tax assets.	We did not identify evidence of material misstatement in the recorded deferred tax asset in the year.
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	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 including "principle versus agent" part for commission revenues. We tested the effectiveness of the Group's controls over correct timing of revenue recognition.	We did not identify evidence of material misstatement in the revenue recognized in the year. We assessed that the Company's revenue recognition

Risk	Our audit approach	Key observations
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. Furthermore, 2018 is the first year in which IFRS 15 is adopted.	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. Furthermore, we assessed the impact analysis related to the first year of adoption of IFRS 15. We also focused on the adequacy of the company's disclosures in respect of IFRS 15.	accounting policies were appropriately applied and disclosed in accordance with the new revenue recognition accounting standard (IFRS 15).
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 by 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 cost of sales 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 analyzed last year reversal of accruals and the adequacy of cash in compared to rebates recorded.	We did not identify evidence of material misstatement in the cost of sales recognized in the year.

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:

- Directors' report;
- Other information as required by 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 substantially 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 Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by 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

Our services are only related to the audit of the financial statements.

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 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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 a company to cease 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 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 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 audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 28 March 2019

Ernst & Young Accountants LLP

T. Wiffrie

16.2 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 the Board and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and other factors the Board may deem relevant from time to time.

16.3 DIVIDEND RIGHTS

To the extent any profits remain after reservation by the Board, 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.

16.4 PROFIT APPROPRIATION

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

Signature page to the 2018 Annual Report and Financial Statements of Cnova N.V.

THE BOARD OF DIRECTORS OF CNOVA N.V.

Jean-Yves Haagen

Ronaldo Iabrudi dos Santos Pereira

Silvio Genesini

Bernard Oppetit

Christophe Hidalgo

Eleazar de Carvalho Filho

Arnaud Strasser

Franck-Philippe Georgin

Emmanuel Grenier