fnac

REGISTRATION DOCUMENT FNAC #2015

Including the Financial Annual Report

Registration Document | 2015

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

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1

Presentation of the Group

1.1 Overview of Fnac

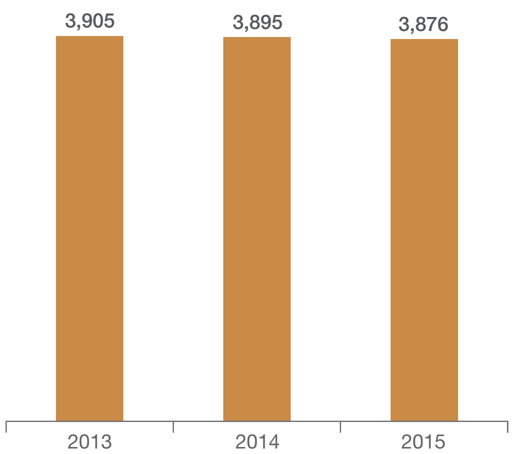
1.1.1 Consolidated key figures

(€ million)	**2015**	**2014**	**2013**
Revenues	3,876	3,895	3,905
Gross margin	1,146	1,144	1,164
EBITDA*	146	147	140
EBITDAR*	278	277	279
Current operating income	85	77	72
Current operating margin	2.2%	2.0%	1.8%
Consolidated net income	48	41	15
Free cash flow from operations	85	72	48
Net financial debt	(544)	(535)	(461)

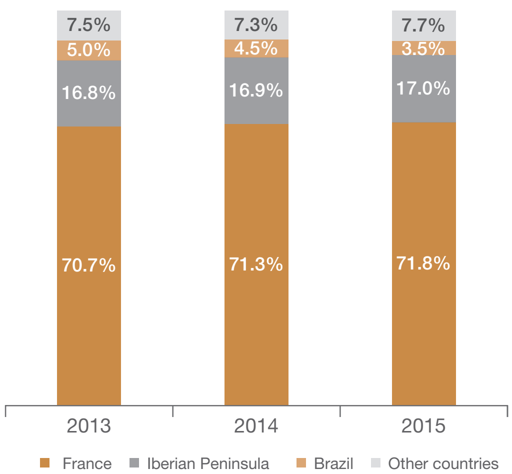
** Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".*

1.1.2 Key figures

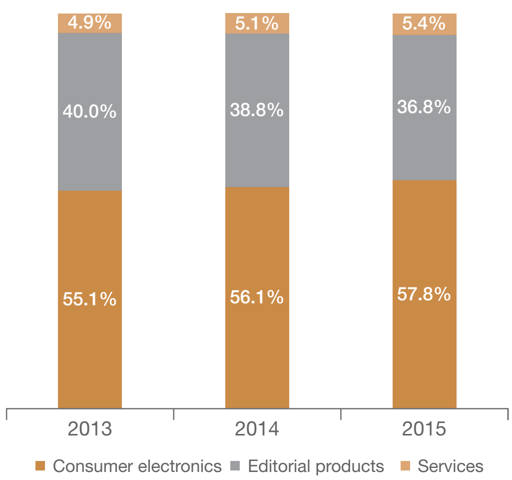
Change in sales (€m)



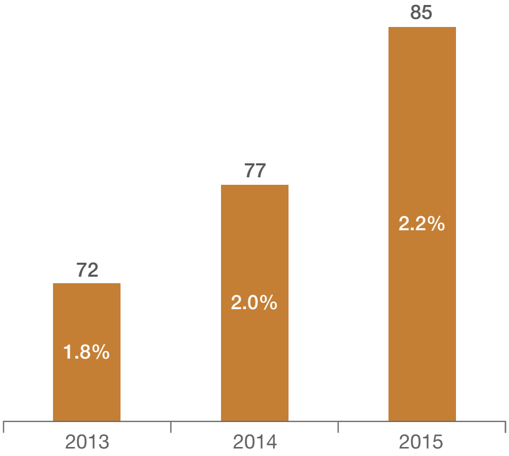
Sales by geographic region



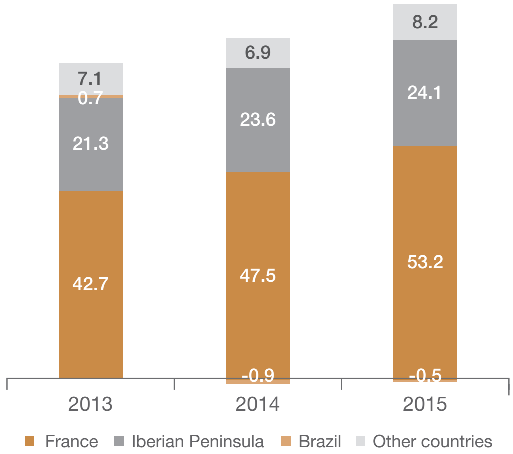
Sales by category



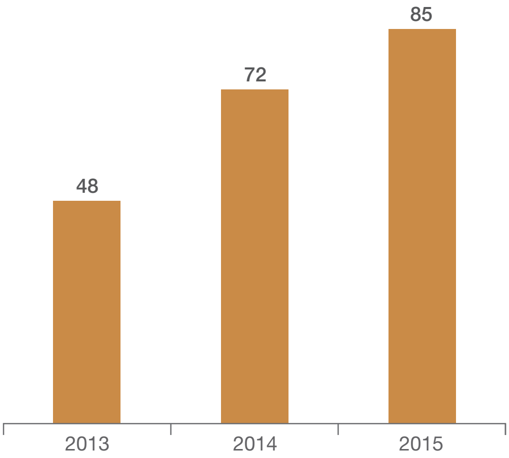
Change in current operating income (in €m) and current operating margin



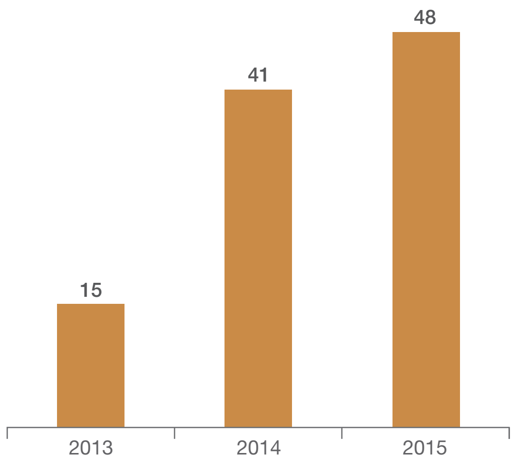
Current operating income by geographic region (€m)



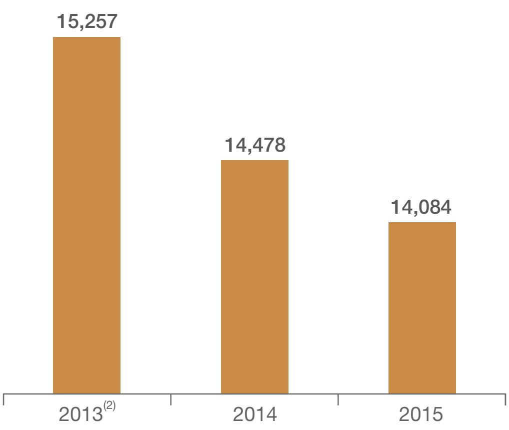
Free operating cash-flow(1) (€m)



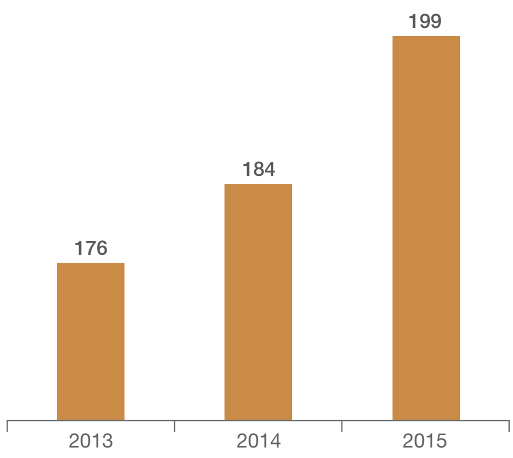
Consolidated net income (€m)



Employees

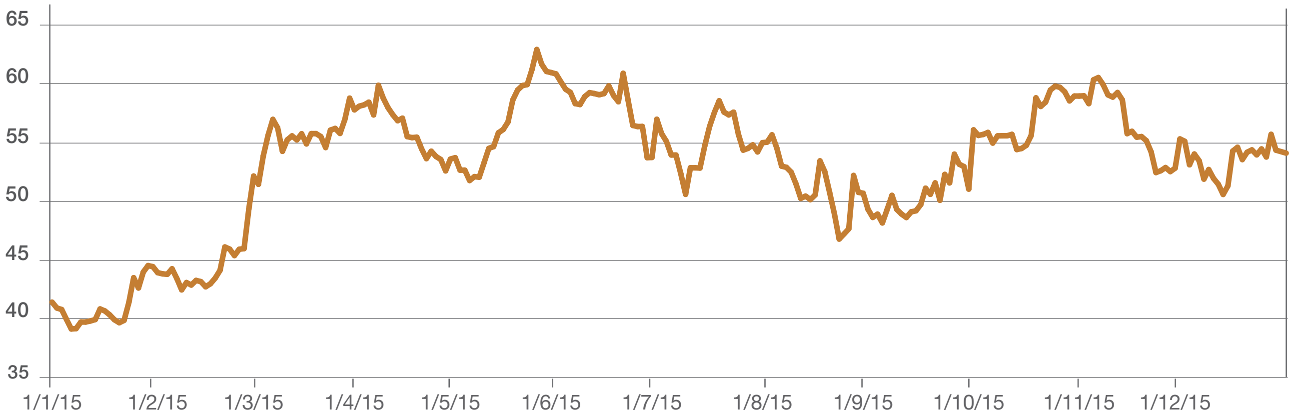


Number of stores

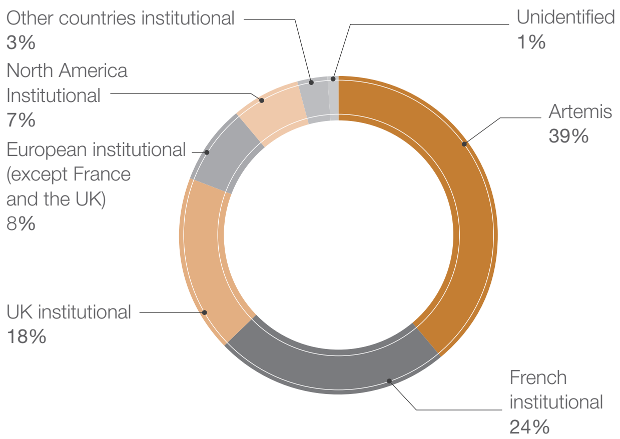


(1) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".
(2) Excluding the entities DATASPORT Ouest Eurl, DATASPORT SA and J.F.C.L. SAS, which were incorporated into the Group on December 31, 2013 but are outside the Information System applied to Human Resources.

Fnac share closing price



Breakdown of shareholding structure in terms of share equity and voting rights at December 31, 2015



1.1.3 Presentation of Fnac

With revenues of nearly €4 billion and over 14,000 employees in 2015, Fnac is the leader in the leisure and entertainment retail market in France and a major market player in the other countries where it operates, such as Spain, Portugal, Brazil, Belgium and Switzerland.

Fnac offers an unrivaled range of editorial products (37% of sales) and consumer electronics (58% of sales), along with a full range of other services (5% of sales) that complement its core product offering, as well as ticketing and box office services.

Fnac is a strong brand that encompasses the values of innovation, independence and expertise. It is the leading player in almost all of the product categories it offers and enjoys an excellent reputation and brand recognition.

Fnac has a dense network of 199 multi-format stores in key locations combined with a fast-developing internet offering that attracts a high number of visitors. With nearly 9 million unique visitors per month, fnac.com is the third-largest e-commerce website in France, and the most visited e-commerce website of all brick & mortar retailers. In 2015, online sales accounted for 15% of Fnac's revenues.

This gives Fnac a "click-and-mortar" network that enables it to benefit from synergies between its retail store network and its internet presence and implement its omnichannel strategy.

The brand's reputation and marketing concept enable it to generate a huge amount of traffic both in-store and online. As a result, Fnac has a large customer base, with a core platform of more than 6 million members who account for 60% of its revenues. This is unique in the retail sector. These loyalty program members are customers with high purchasing power and are generally more urban-based and more adept internet users than the average consumer.

1.2 History

Since its foundation by André Essel and Max Théret in **1954,** Fnac has had a remarkable history built on passion, daring and adapting to changing consumption patterns.

From the outset, the two founders had no desire to conduct business in the usual fashion, so they based their enterprise on the idea of consumer protection. When it was created, "Fnac" was an acronym for the Fédération Nationale d'Achats des Cadres (National Federation for Purchases by Executives). At that time, it was set up to enable executives to buy photographic and cinematographic equipment at attractive prices. Fnac subsequently opened up to a wider customer base by introducing new kinds of products like books, music…

Fnac opened its first store, which specialized in photography and audio equipment, on Boulevard Sébastopol in the 4th arrondissement of Paris in **1957.** A few years later, this store was expanded with the introduction of a dedicated record line.

In **1960,** Fnac's first laboratory tests comparing various consumer electronics products were published in *Contact* magazine. The introduction of a testing laboratory forged Fnac's enduring image as a specialist in consumer electronics.

In **1965,** the Group created a cultural association called Alpha (*Arts et Loisirs Pour l'Homme d'Aujourd'hui* or Arts and Leisure for Today's Man), which became the first ticket-sale business in France. A year later, Fnac launched its first photo gallery, which sealed its destiny to be involved in the cultural field.

Fnac opened a second store in **1969,** on Avenue de Wagram in the 17th arrondissement of Paris. The highly innovative design of this store reflected a different retail concept. This was followed three years later by the opening of the first store outside Paris, in Lyon.

The year **1974** marked the beginning of book sales, with the opening of the Fnac store at Montparnasse (in Paris) and the creation of Forums de Rencontre cultural spaces. These areas, inside the stores, are entirely devoted to culture and to interaction with artists, through events like concerts, book signings, and discussions with leading figures; this confirmed the Fnac concept and the Company's status as a cultural player.

In **1979,** Fnac's Forum des Halles store opened its doors and quickly became the largest Groupe Fnac store in terms of both size and revenues.

Fnac stock was first traded on the Paris Bourse in **1980.** A year later, it began to diversify internationally through store openings in Brussels, Belgium. The same year, it also launched its travel business, Fnac Voyages.

After Belgium, in **1993,** Fnac headed south and established itself in Spain, with its first store in Madrid.

The Crédit Lyonnais Group became Fnac's majority shareholder. Fnac then became part of the Kering Group in **1994,** and its stock stopped being traded in December 1994.

In **1998,** the Group opened its first store in Lisbon, Portugal.

In **1999,** Fnac began its multi-channel development by launching a website (fnac.com) and continued its expansion outside Europe with the opening of its first store in São Paulo, Brazil.

In **2000,** Fnac accelerated its international expansion, by introducing its business to two new countries: Italy and Switzerland.

In **2006,** Fnac began operating in outlying metropolitan areas with a new one-story store format, the first of which was located in Bordeaux Lac.

In **2011,** at the beginning of Alexandre Bompard's term as Chairman of Fnac, the Group launched a new strategic plan, called "Fnac 2015", to address the structural changes taking place in the markets and the deteriorating economic climate. This new strategic plan was based around three objectives:

- ramping up the omnichannel strategy;
- developing closer ties with customers;
- developing levers for growth, both in terms of new products and new store formats.

In **2012,** the Company disposed of its activities in Italy and speeded up and strengthened its network with the opening of new store formats operated directly or via a franchise.

In keeping with its strategic refocus, Kering embarked on the spin-off of Fnac with the Stock Exchange listing on June 20, **2013.**

In **2015,** Groupe Fnac made an offer to acquire Darty plc in the belief that this merger was a major strategic and financial opportunity for both groups, with the goal of creating the leading distributor of consumer electronics, cultural goods and electrical appliances in France.

1.3 Strategy

1.3.1 Groupe Fnac's competitive advantages

1.3.1.1 The benchmark brand within its markets

Since its creation 60 years ago, Fnac has become the benchmark brand on its markets thanks to its unique multi-specialist positioning and specific values, which underpin the brand and differentiate it from the competition.

These three values are:

* **expertise** in the form of knowledgeable and enthusiastic sales staff, a very broad range within each category of products, innovative ideas and a variety of tests conducted each year at its testing laboratory;
* genuine **independence** with regard to suppliers reflected in unbiased advice given to customers;
* **Fnac's creative mission,** which encourages access to **diversity, culture and innovation** by backing new talents for editorial and entertainment products and promoting innovative consumer electronics.

It is this positioning as an expert, independent and creative company that has led to Fnac becoming the No. 1 brand in terms of reputation and recognition(1) for virtually all its product families.

1.3.1.2 A strong, relatively high-income base of loyal customers

Fnac has a strong customer loyalty base, with a total of 6.2 million members, of whom 4.2 million are in France (data at end 2015). In return for a membership fee, this customer base receives ongoing benefits (discounts, private sales, gift vouchers and exclusive offers) and advance information; it represents a key competitive advantage for Fnac. The number of members increased significantly between 2010 and 2015 (by over 52%). Revenues generated by members account for 60% of all Fnac's revenues.

The customer loyalty program is designed as a customer loyalty and retention tool that also allows the Company to carry out better-targeted and more effective sales promotions.

Fnac's customer loyalty program members are an asset that sets the Company apart from its peers, since members visit the store four times more often than non-member customers and spend on average double the amount of a non-member on each visit.

These loyalty program members are customers with high purchasing power and are generally more urban-based and more adept internet users than the average consumer.

1.3.1.3 An omnichannel strategy that draws on a dense network of retail stores and an increasingly integrated powerful online presence

At the end of 2015, Fnac had a network of 199 stores (124 in France) located in key city-center locations or outlying metropolitan areas.

Fnac has had an online presence for over 10 years and has e-commerce websites in most of its countries of operation. After Amazon and Cdiscount, fnac.com is the third most-visited website in France, with an average of nearly 9 million unique visitors per month, and it is the leading click & mortar site (in terms of unique visitors per month – source Fevad).

The brand's online offering was enhanced in recent years through the creation of Marketplaces in France and the Iberian Peninsula (see section 1.4.3.3 "Website and Marketplace" of this Registration Document) and the development of m-commerce solutions, which enable access to the online offer through a mobile-enhanced website or a mobile app.

1.3.1.4 Leading positions on its markets

Fnac owes its leadership position in the retailing of editorial products and consumer electronics to the high level of traffic it generates: 116 million visits to stores in France in 2015 and an average of nearly 9 million unique visitors per month on fnac.com.(2)

Fnac also generates significant traffic and holds strong market positions in the other countries in which it operates (particularly Spain and Portugal).

(1) Source: Harris Interactive online study June 2013.
(2) Source: FEVAD / Médiamétrie.

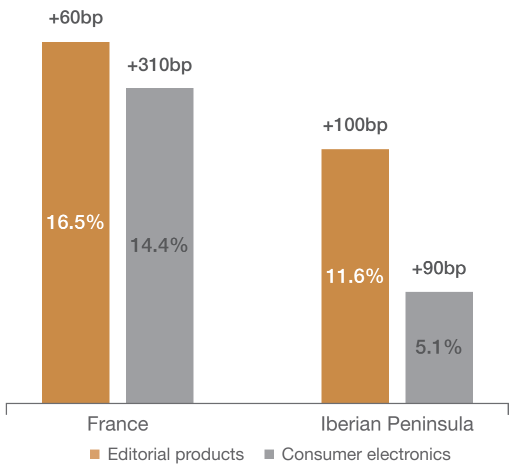
Fnac is France's leading retailer of books (nearly 47 million books sold in 2015), music (over 11 million audio CDs sold in 2015), videos (more than 11 million DVDs and Blu-Ray discs sold in 2015), computers (laptops and tablets) and photography products.

Fnac has steadily expanded its extensive product range to include ticketing and box-office activity and a high-margin service offer. Fnac is now the leader in France for event ticket sales with more than 50% market share (over 56,000 events offered and nearly 11.5 million tickets sold, over 56% of them online). Naturally, this activity reinforces Fnac's image as the leader in cultural promotion.

The diversity of the products offered by Fnac ensures it is not overexposed to certain categories of products for which consumer habits are evolving.

Despite a difficult economic environment since 2011, the Group has demonstrated its resilience by significantly improving its market shares. Between 2011 and 2015, the Group's market share in consumer electronics and editorial products in France increased by 310 and 60 basis points, respectively. In the Iberian Peninsula, the Group increased its market share in consumer electronics by 90 basis points and in editorial products by 100 bp.

Change in market shares between 2011 et 2015



Market shares, expressed as percentages, are for 2015. Changes in market shares, expressed as bp, are for the period 2011-2015.

1.3.2 Markets

1.3.2.1 Description of the markets

Fnac is the leading retailer of entertainment and leisure goods in France and operates on three main markets:

* **Editorial products:** books (physical or digital), audio (CD, vinyl), DVD/Blu-Ray, new and used video games and consoles, games & toys, and stationery;
* **Consumer electronics:** photography, TV, video, audio (HiFi, headsets and speakers), computers and tablets, small domestic appliances, telephony and connected devices;
* **Services:** after-sales, insurance, ticketing, gift boxes and gift cards.

The size of the main markets where Fnac is present is detailed in the table below:

Size of markets in France in millions of € (source: GFK, February 2016)

Consumer electronics	2015	Change compared to 2014	Publishing products	2015	Change compared to 2014
TV & video	2,105	-7.0%	Books	3,371	+1.8%
Audio	824	+1.4%	Audio	416	-8.9%
Photo	823	-10.0%	Video	547	-13.9%
IT (hardware)	4,492	-3.5%	Gaming	1,482	-2.3%
Small domestic appliances	2,991	+4.4%	Games & Toys[a]	2,081	+2.4%
Telephony	1,519	+28.8%	Stationery	794	-2.1%
Connected Devices	340	+126.6%			

(a) Source: NPD HT.

1.3.2.2 Market trends

Internet revolution

The expansion of the internet over the last fifteen years has radically changed the Group's markets. These markets have experienced a huge boom in e-commerce, along with a change in the Group's competitive environment, and a phenomenon of digitalization of editorial products.

The success of e-commerce has resulted in the emergence of new specialized online competitors, known as pure players, who focus on competitive prices and ever-expanding product ranges. Some of these pure players, like Amazon, have an international presence, while others, like Cdiscount or Rue du Commerce, are primarily focused on the French market. The international competitors offer their customers a very high level of service (high-quality websites, logistics, transport, and customer service) and are forcing click & mortar companies to meet quality standards at least as high as theirs.

The evolution of the internet and the advent of pure players have changed consumer behavior. The development of e-commerce websites has enabled them to expand the range of available products and facilitated instant price comparisons. Consumers now have much better information about the features of products via technical factsheets and consumer reviews. With greater knowledge derived from this information, they are becoming more demanding in-store in terms of price, advice and product ranges.

The rapid development of the internet has led to the phenomenon of digitalization, i.e. the transition from physical media to digital media, which has radically altered consumer spending patterns on editorial products as downloading and streaming become more prevalent. Consumers increasingly prefer digital editorial products, partly because they are cheaper than their physical counterparts, but also because of such advantages as saved space, accessibility, immediate consumption, etc. However, this digitalization phenomenon affects each segment of editorial products differently. The segments that have been most affected are audio CD, DVD and gaming, with penetration of the digital sector of 37%, 31% and 54% respectively.[1] Although the digital book market is growing in France, it is still a nascent segment, with less than 2% of the book market in 2015.

Competitive environment

Fnac's main competitors are:

* specialist internet retailers, known as pure players, who account for the majority of online sales. They rely on competitive pricing and an ever-expanding product range. Fnac's main competitors in France are the Amazon, Cdiscount, and RueduCommerce websites;
* specialist retailers who offer products to their customers through a network of physical retail outlets (brick & mortar) and, where applicable, via a website (click & mortar). These players usually have an established reputation among the general public because they have been around for a long time and offer a basic range of products. In France the most well-known are Darty, HTM Boulanger and Cultura;
* mass-market retailers (mainly hypermarket chains like Carrefour, Auchan, Leclerc, Géant Casino and Cora) also offer consumer electronics and editorial products;
* ISPs (internet service providers) and digital platforms (Spotify, Deezer, iTunes) that offer music, VOD (Netflix) and online gaming.

Markets correlated to household income

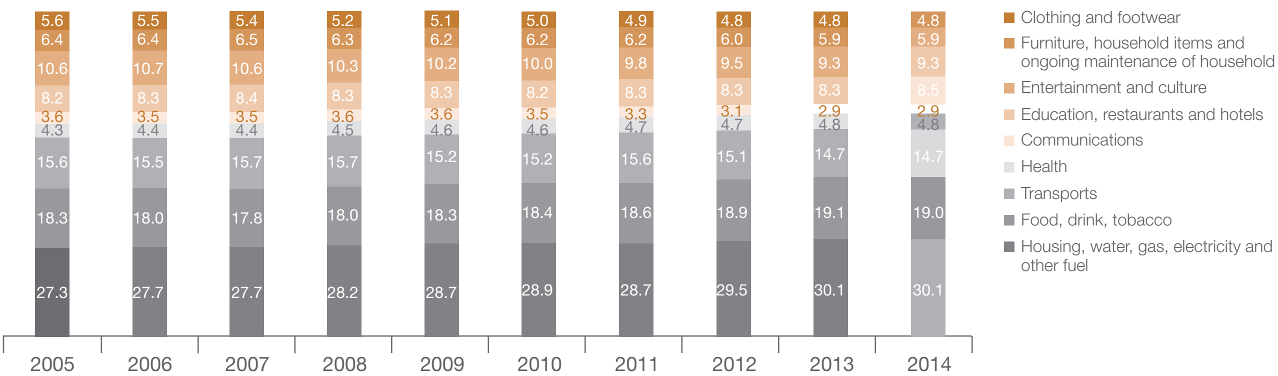
Growth in the consumer electronics and editorial products markets is sensitive to changes in disposable household income, which in turn is based on changes in gross domestic product (GDP), the tax burden on households and their rate of savings. Since 2008, the downturn in macroeconomic conditions has had the effect of reducing non-essential household spending and has led to significant declines in the editorial products and consumer electronics markets, particularly in France and the Iberian Peninsula.

The disposable household income that might be spent on consumer electronics and editorial products is also based on primary household consumption, i.e. goods and services that are essential to every household, mainly expenses relating to accommodation, health, food, drink and transport. The increase in the cost of goods and services included in primary consumption limits the resources that are available for secondary consumption (i.e. goods and services related to non-essential spending to a certain extent, notably spending related to clothing, furnishings, entertainment, culture and travel), which includes consumer electronics and editorial products.

(1) Source GFK study, February 2015.

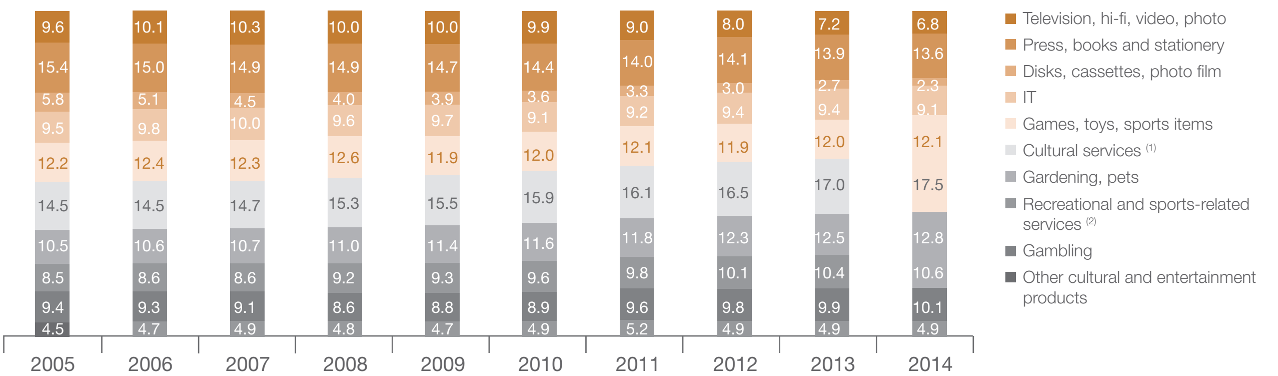
Over the past twenty years, it seems that a growing proportion of disposable household income is allocated to secondary expenses. However, more recently, there is an observable change in this growth, with the proportion of primary expenses in the household budget increasing gradually to the detriment of secondary expenses, as illustrated in the graph below (source INSEE):

Breakdown and change in household consumption by item (in %)



The following graph (source INSEE) shows the change in French household consumption in entertainment and cultural products for the period 2005-2014.

Breakdown and change in household cultural and entertainment spending (in %)



(1) Cinema, live performances, museums, audiovisual subscriptions (incl. TV licenses), photo developing, etc.
(2) Sports, sports equipment rental, fairgrounds, amusement parks, package tours, weekends, etc.
Scope: France (excluding Mayotte prior to 2011).
Source : Insee, National Accounts – Base 2010.

It can be noted that within secondary expenses, consumer electronics and editorial products have been particularly impacted. The weight of the audiovisual and photography category (corresponding to consumer electronics) thus fell by 9.6% in 2005 to 6.8% in 2014. Both the other categories, including books and CDs (corresponding to editorial products), are also down.

Impact of innovation cycles

Consumer electronics markets depend heavily on the product innovation and household saturation rate cycles. Innovation and the impacts thereof are inherently hard to predict.

The traditional cycle of a consumer electronic product begins with its market launch, followed by high levels of growth as households equip themselves with the new technology. Once households are fully equipped, growth lessens progressively and the market reaches maturity. Following this period, which varies in length depending on the product in question and is generally reflected by a fall in prices, the product may experience a resurgence in growth when old models are replaced and households buy more devices.

Innovations can disrupt the "equipping-maturity-replacement-multiple device" growth cycle, producing strong acceleration or deceleration effects. For example, the widespread use of tablets in recent years has created a new cycle of growth in the micro-computer market, and households have added a tablet to the multimedia devices they own.

Besides that, the introduction of multi-function devices such as smartphones has resulted in a phenomenon where existing devices such as MP3 players, GPS systems and cameras are substituted and cannibalized.

Over the past few years, cycles have become shorter and shorter and the trend now is for consumers to replace consumer electronics faster and faster.

Market outlook (source GFK)

According to GFK, the TV market should improve in 2016, mainly due to the new UHD (4K) technology now available at more affordable prices. The change in the broadcasting standard in the spring of 2016 should also step up the pace at which new televisions are purchased. Additionally, 2016 sporting events, particularly Euro 2016 in France, will contribute to the strong momentum in this segment.

GFK forecasts a continuation of the positive trends in the audio market, driven by innovations in the wireless and noise-cancelling headset and wireless and multiroom speaker segments.

The hardware market should remain down, according to GFK, which anticipates another drop in tablet sales in 2016. It should be noted that some segments such as PC tablets, Notebooks, and gaming PCs are expected to continue to show momentum, and office equipment should continue to take advantage of the introduction of Windows 10, launched in the second half of 2015.

Given that there is considerable competition from smartphones, which offer increasingly high-performance cameras, the Photo market should remain in poor health. However, this trend should be alleviated by many novel products with the return of Polaroid, as well as new models of sports cameras, particularly the 360° and new camera drones.

The telephony market is expected to continue to grow in 2016, benefitting from innovations in smartphones and their ecosystem. The development of subscriptionless telephony, however, is expected to slow down relative to previous years.

More than 50% of the French population now has smartphones. This penetration rate, which is expected to continue to increase, will promote the development of the connected device market, which is considered to be the growth vector in the high tech sector for the next few years and should more than double in 2016, according to GFK. After the success of sales of connected watches at Christmas, this segment is expected to significantly grow, thanks to the Apple Watch in particular. More broadly, product offerings are expected to be increasingly extensive, energized by new players, in connected healthcare as well as connected homes, and boosted by new lines of drones and connected small electrical appliances.

The book market, relatively unimpacted by digitalization, should continue to hold up well.

The change in the way audio and video products are used has significantly reduced the size of those markets over recent years. The downward trend is expected to continue in 2016, and growth in audio/video streaming will not manage to offset the decreased use of physical media.

The physical gaming market may continue to shrink but to a lesser degree than in 2015.

1.3.3 "Fnac 2015" strategic plan

To address the structural changes in the markets and the deterioration of macroeconomic conditions, in September 2011, Fnac implemented a new strategic plan called "Fnac 2015", which is based around four objectives:

* ramping up the omnichannel strategy;
* developing closer ties with customers;
* developing levers for growth, both in terms of new products and new store formats;
* improving operational efficiency.

1.3.3.1 Ramping up the omnichannel strategy

In recent years, the major development in retail has been the increase in points of contact with customers, whether in-store, online from home, or through mobile web access using smartphones and other devices.

Consumers are increasingly mixing different channels in the purchase process. For example, 81% do research online before buying in store and 70% visit a store before purchasing online.

This raises significant challenges for Fnac. The Company has in fact identified a potential seven million customers who are store customers but not fnac.com customers when they buy on the internet. The goal, therefore, is to convert them to becoming omnichannel customers.

Since 2011, the Group has invested substantially in linking the two sales channels (stores and internet) so it can offer customers a seamless purchasing process. Fnac is positioning itself to offer the best of both worlds:

* **Stores:** advice from sales staff, product demonstrations, immediate availability of products, after-sales and other in-store services;
* **Internet:** a wide choice of products and the ability to shop 24/7.

To achieve this, connections between stores and warehouses have been improved in order to offer "click-and-collect", whereby the customer orders online and the goods are delivered to a store, and "click-and-mag", giving the customer in the store access to the entire range of products available online. A new warehouse for online sales was opened in September 2012. It was fully operational at the end of 2013 and has helped to substantially increase the range of ready-to-dispatch products stored. It has also halved order preparation time. The architecture of the fnac.com website was completely revamped in 2015. A new design and simplified ergonomics, more-visible omnichannel purchasing (e.g., highlighting the local stores that are open, in-store stock visibility), shorter, streamlined checkout and simplified product descriptions are the main improvements enriching and enhancing customer experience.

The growth of the internet channel continued in 2015. It was driven by strong growth in omnichannel sales, which accounted for over 46% of internet sales in France, versus 35% in 2014 and 12% in 2011. This growth is mainly due to new functionalities, such as the 1-hour "click & collect" and "click & mag", supported by the rollout in France of Fnac Shop, which allows sellers to access all online offers. Omnichannel functionalities have also been extended to the Group's other countries (Spain, Portugal and Belgium).

The Group also strengthened its delivery options with the introduction of three new delivery services:

* **Fnac Express+** is an unlimited service offering all products available in stock on fnac.com (excluding Marketplace products) with home delivery within one business day, anywhere in France, with no minimum purchase;
* **Fnac 2h Chrono** is the fastest home-delivery service in the market. This gives customers the possibility of ordering their consumer electronics products online and having them delivered to their home within two hours. At the end of 2015, this service was available in the Greater Paris and Lille regions and will be extended in 2016 to five major cities in France;
* **Retrait Colis gratuit** ("free parcel collect") supplements the "free in-store delivery" service: customers living over 30km (≈ 20 miles) from a Fnac store can have their purchase delivered free of charge to a *relais colis* pick-up point near their home.

Added to this, the fact that one in four customers who choose to collect their online purchases in a store make an additional purchase in-store highlights the importance of a well-constructed and efficient omnichannel strategy.

The Group also has created Marketplaces to increase the number of available products and stimulate online traffic. Marketplaces saw growth in business value of over 15% in 2015, benefiting on the one hand from the rapid development of the Marketplaces in Spain (launched in June 2013) and Portugal (launched in November 2013), and on the other hand from the rapid escalation of the Marketplace in France (which offers 9.3 million individual products). Marketplaces now account for 19% of online business volume.

The Group has also invested to boost its m-commerce platform. In France, Mobile traffic increased by more than 13 percentage points and contributed to 38% of fnac.com traffic. The Group has launched a host of new apps in recent months:

* an IOS fnac.com app was launched in France at the end of 2013;
* an Android fnac.com app was launched in France in May 2014;
* a "Fnac Spectacles" app was launched in France in 2013.

1.3.3.2 Increasing commercial attractiveness and strengthening the customer relationship

Marketing policy/price image

To increase its price competitiveness compared to e-commerce players, Fnac has thoroughly overhauled its marketing policy, chiefly to reverse the decline in its price image in recent years.

The main levers used were:

* significant investments in marketing, made without sacrificing the margin thanks to a tight focus on price and promotions and exclusive partnerships with certain suppliers;
* coordination of pricing policies between the different channels and a selective alignment of online product prices with pure-player competitors;
* effective high-profile advertising campaigns, especially on posters and TV in France, streamlined to the Group's key periods (new school year, Christmas, sales and Black Friday);
* targeted promotions on high-profile products and more advertising for entry-level products.

The price-repositioning effort was also accompanied by rebalancing investments to benefit loyalty program members and give them access to the most competitive prices on the market through the loyalty program (i.e. permanent discounts and special offers).

As a result, the price differential against pure players has narrowed in the last three years. On fnac.com, in particular, the Group also offers members very competitive prices compared to the internet pure players.

Close ties with customers

Fnac has also set up new tools to establish closer ties with customers and encourage their loyalty. The aim is to develop the Fnac culture from a "product"-centric culture to a "customer"-centric culture and enable it to better respond to consumers' new requirements in terms of service, choice and product availability.

Three key initiatives have been implemented:

* **unique customer record** – To better understand consumer preferences and tailor the customer experience, Fnac has developed a unique customer record (UCR) database that consolidates all the information relating to a customer that can be found in the Group's various databases (purchase history, loyalty program points available, preferred stores, birthday, etc.). This database has been operational since mid-2012 for stores and the fnac.com website and was supplemented in mid-2013 by merging the databases of the call centers, after-sales service and ticketing. The UCR is a tool to help Fnac create a targeted marketing policy through better mining of customer information data and more precise feedback. It will also help Fnac promote its omnichannel mix by sending personalized web-only offers to customers who only shop in stores to encourage them to make purchases on fnac.com;
* the second initiative is the introduction of a customer satisfaction measurement tool, the **Net Promoter Score,** which enables the systematic measurement via e-mail of satisfaction rates for members who have made a purchase (extended to all customers from 2013). Members who give a customer satisfaction score of six or less out of 10 are considered potential critics of the Group, and are therefore the focus of targeted and personalized service. The NPS customer satisfaction indicator continued to improve in 2015 (up 7.7 points from 2014);
* a major training program for sales staff called **REVER** has been set up to enhance the customer focus and improve the quality of service. By the end of 2014, the entire sales force had been trained under this program.

New initiatives have also been introduced to improve customer service: a single-line queuing system, in-store ticket terminals, and continued development of sales staff being able to check out customer purchases.

1.3.3.3 Developing the offer

To offset the decline in certain categories of editorial products affected by digitalization, Fnac is enlarging the brand's scope to leisure products and targeting family customers more widely. New categories of products have been introduced.

First, **Games & Toys,** which are featured in areas covering the whole offering for children, and **Home & Design,** which offers domestic appliances with high added value in terms of innovation and design. By the end of December 2013, these sections had been created in all Fnac stores.

Stationery areas have also been created in almost all Fnac stores, based around premium brands. They have already delivered better-than-expected results and confirm the category's potential.

Telephony sections were successfully introduced throughout the store network in France in the first quarter of 2014, thus enabling the Group to seize a significant share in this market.

Fnac very quickly established a foothold in the **connected devices** segment, opening dedicated corners in all stores in the fall of 2013. A flagship outlet dedicated to telephony and connected devices was opened in Paris on the Champs-Elysées in June 2014. On the strength of the success of this store, in the first quarter of 2015 the Group launched a new space concept in France dedicated entirely to connected devices and telephony called Fnac Connect, developed as corners in Fnac stores or as dedicated boutiques. This helped the Group strengthen its leading position in connected health & sport and the connected home.

Since November 2015, Fnac, the leading retailer of leisure products, now offers sporting goods via its Marketplace.

In total, the contribution of new product families increased significantly to 15% of revenues over the full year 2015 (compared to 11% in 2014 and 6% in 2013). This trend confirms the success of the Group's policy of renewing its offer and Fnac's capacity to rapidly position itself on fast-growing markets.

A major player in the digital segment, the Group also demonstrated its commitment to provide innovative solutions to new consumer use patterns with the launch of Fnac Jukebox (an online music streaming service), Fnac Play (video on demand service), Pass location (an exclusive consumer electronics leasing service) and the acquisition of Izneo (a digital graphic novel distribution platform).

1.3.3.4 Increasing the density of the store network

To continue growing the network, increase its territorial coverage and target smaller catchment areas, three new store formats have been developed:

* the **"Travel"** format, which is used to penetrate high-traffic areas such as railway stations and airports with a specific product range. This format raises Fnac's profile and enables it to serve customers with a new shopping experience;
* a **"Proximity"** format, with a surface area of between 300 and 600m², stocking the full catalogue of Fnac products and services, which will allow the Company to open stores in medium-sized towns (under 100,000 inhabitants) that cannot support "Traditional" or "Outskirts" formats;
* the **"Connect"** format, with a surface area of between 80 and 100m², provides a dedicated offer in telephony and connected devices, strengthening its leading position in this range;

Through these new formats, the Group is giving priority to expansion through a franchise model, particularly in France. This is an asset-light model that enables the Company to benefit from the operating know-how of partners and their knowledge of the local market.

Expansion with new store formats gathered pace in France and other countries in 2015. Twelve stores were opened in 2015, 11 in 2014 and 5 in 2013, bringing the total number of stores with new formats to 46 at the end of December 2015. This strong momentum has mainly been in the "Proximity" format with 6 openings in France (5 of them franchises) and 2 openings in the Iberian Peninsula (1 directly owned and 1 franchise).

In France, the 2 openings in "Proximity" format, as part of ongoing discussions with the Intermarché Group, include the transformation of a "Culture and Leisure" space and the creation of a new space. Two stores were also opened in "Connect" format.

Backed by all the omnichannel functionalities, these new formats (Travel, Proximité and Connect) contribute to the development of the Group's websites and to strengthening the omnichannel strategy.

At the same time, Fnac intends to ramp up the establishment of its brand in high-potential countries using the franchise system. In December 2011, Fnac opened its first store in Morocco (Casablanca) under a partnership agreement with Aksal, one of the Moroccan leaders in the specialist retailing segment. In partnership with Darwish Holding, a pioneer in specialist retailing in the Middle East, the Group opened its first store in Doha, Qatar, on May 19, 2015. Backed by the power and expertise of Prosuma Group, a major retailer in Ivory Coast, Fnac announced the opening of two stores in Abidjan. The first opened its doors to the public at the end of November 2015 and the second at the end of February.

1.3.3.5 Improving operational efficiency

To strengthen its competitiveness, since January 2012, Fnac has launched initiatives to optimize its productivity and transform its structure to adapt to changing markets, with the objective of generating full-year savings of €80 million over two years.

These measures include a cost-reduction program for general expenses (including current expenditures, rent and technical services), an all-country hiring freeze and the elimination of around 300 positions in France and 200 positions abroad through attrition. In 2012, the swift deployment of these measures generated savings of €60 million, representing €80 million over a full year.

The Group has continued its initiatives to reduce costs and improve operational efficiency over the last three years, achieving significant savings of €55 million in 2013, €63 million in 2014 and €50 million in 2015.

1.3.4 Offer to acquire Darty plc

At the end of several weeks of negotiations, on November 20, 2015, the Boards of Directors of Groupe Fnac SA ("Fnac") and Darty plc ("Darty") announced the terms of a recommended preconditional offer by Fnac to acquire the entire existing and future share capital of Darty (the "Proposed Acquisition") in accordance with Rule 2.7 of the United Kingdom "City Code on Takeovers and Mergers" (the "Code") ("Announcement 2.7").

1.3.4.1 Chairman's message

Regarding the Proposed Acquisition, Alexander Bompard, Chairman and Chief Executive Officer of Fnac says:

"The success of Fnac's profound transformation over the past few years by all our teams has permitted us to initiate this consolidation. The combination of Fnac and Darty is a major strategic opportunity for both groups, creating the leading retailer of consumer electronics, cultural products and electrical appliances in France, as well as a significant player on the European landscape. We are convinced that the Proposed Acquisition will benefit both groups and their respective employees and customers in particular, and that it is a unique opportunity to create value for Darty and Fnac shareholders."

1.3.4.2 Background and reasons for the proposed acquisition

The retail landscape for consumer electronics has changed greatly in recent years. Since the early 2000s, it has experienced a profound shift connected with the development of e-commerce, leading to fiercer competition and the disappearance of some top-tier retailers such as RadioShack, Circuit City, Comet and Surcouf. In particular, the market has seen the arrival of new online competitors aggressively pursuing sales. In response, traditional retailers have recently turned to consolidation to achieve the necessary scale to remain competitive in their segment (e.g., Dixons/Carphone, Darty/Mistergooddeal, Carrefour/Rue du Commerce).

In addition to the main benefits offered by the Proposed Acquisition described above, Fnac's Board of Directors sees the Proposed Acquisition as a way of allowing Fnac and Darty to respond proactively to the repercussions of the market changes in their respective activities, thus positioning the Combined Group as a larger and more diversified entity with a stronger capital structure. Fnac's Board of Directors believes that the merger of Fnac and Darty would create an attractive retail offering for their customers, and that the Combined Group would be in a strong position to create added value for shareholders.

The Proposed Acquisition would offer the Combined Group the following benefits in particular:

i. A status as leader in its key product categories

The Proposed Acquisition would combine French sales of approximately €2.8 billion for Fnac (for the year ended December 31, 2014) and €2.8 billion for Darty (for the year ended April 30, 2015), creating a leading retailer of electronic and editorial products in France.

With total combined sales of €7.4 billion and EBITDA of €270 million (on a pro forma basis), the Combined Group would also be among the top ten European retailers of consumer electronics, such as Metro, Dixons/Carphone, Amazon and Expert.

ii. A merger of two iconic French brands that will benefit customers

The Combined Group will merge two well-known and respected brands, popular with customers. Together, by sharing their respective know-how and expertise, the Combined Group is expected to continue offering a high value-added proposition to its customers and an attractive retail network to its suppliers. The Combined Group would enjoy:

* recognized positioning in terms of expertise (in the cultural field in particular);
* competent and enthusiastic salespeople;
* independence (objective advice);
* creativity (by encouraging access to culture and innovation); and
* value-added service and after-sales (via the Darty Confidence Contract, for example).

iii. A more diversified and balanced product range

The Proposed Acquisition would present a more balanced offer, with a catalog of high-growth, high-margin products. Specifically, the Combined Group would bring together Fnac and Darty's presence in brown products and computing, a segment where growth requires short innovation cycles. It would also benefit from Fnac's strength in editorial products and Darty's leading position in electrical appliances. Sales of services and accessories generating wider margins would supplement the Combined Group's product range.

The Combined Group is also expected to serve as a platform for the future development of new product categories, such as those already introduced by Fnac and Darty. Fnac has expanded its range to include Games & Toys, Home & Design, Stationery, Smartphones and Connected Devices, which account for 15% of annual sales. Similarly, Darty has launched its "fitted kitchen" range in France, offering 32 different kitchen models in 71 stores. The Combined Group is also expected to grow sales of services and accessories.

iv. An improved omnichannel offer meeting constantly changing customer expectations

Customers are increasingly looking for innovative omnichannel services (e.g., the Click & Collect service and same-day delivery).

The Proposed Acquisition would combine Fnac and Darty's existing large omnichannel capacity, including their 3-hour delivery service as well as their existing services such as Click & Mag, Click & Collect, Connected Store, and Darty Button (aimed at putting customers in contact with after-sales services in two minutes), guaranteeing customers a smooth, integrated buying experience offline and online. The Combined Group would also attract higher traffic, benefitting Fnac's website (the 3rd-largest e-commerce site in France with 11 million unique visitors a month), with 40% of access from mobile phones, and the online presence of Darty's physical brands (Darty, Vanden Borre and BCC) along with Darty's "pure-player" online presence as Mistergooddeal.

v. An extended range and scope

The Combined Group would also enjoy a stronger physical presence in various forms (including stores at prime sites in a wide range of cities, shopping centers and retail parks outside of large cities, as well sites at railway stations and airports), adapted to the density and traffic of each particular site. The Combined Group would benefit from greater international exposure, with a wider European presence in 10 countries. In particular, the Combined Group would benefit from the complementarity between Fnac and Darty in France and Belgium, as well as the local attractiveness of Fnac in the Iberian Peninsula and Brazil and Darty's attractiveness in the Netherlands. The Combined Group would thus have some 380 stores in France and 200 outside France.

vi. A stronger capital structure and enhanced liquidity for Darty Shareholders

Once the Proposed Acquisition is completed, Darty Shareholders will have the benefit of holding shares in a group with a stronger capital structure than Darty's existing position alone. Moreover, on a pro forma basis, Fnac's Board of Directors believes that the Combined Group would have the benefit of lower leveraging and much greater tax flexibility.

Additional information regarding the new financing terms that will be available to the Combined Group is provided in section 1.3.4.5 "Description of Combined Group Financing".

1.3.4.3 Potential synergies of the Proposed Acquisition

Fnac's Board of Directors is convinced that the Proposed Acquisition will result in significant financial benefits for the Combined Group, including total annual savings before tax of at least €85 million per year. This amount is based on Fnac's intention to maintain all distinctive trademarks, stores and e-commerce platforms after the completion of the Proposed Acquisition. This does not include the revenue synergies that may be generated by the Proposed Acquisition. Nor does it include the impact of any commitments that may be imposed by the relevant competition authorities.

The effective completion date of the Proposed Acquisition will depend partly on how long the relevant competition authorities take to review the proposal. Assuming that the Proposed Acquisition will be completed no later than September 2016, some 10% of these synergies would be realized in 2016, 60% in 2017, 95% in 2018, and 100% thereafter.

The one-off costs connected with these savings, including additional capital spending, is expected to total approximately €65 million.

The total minimum €85 million in synergies, as described above, is expected to break down as follows:

* approximately half of the savings identified above is expected to come from retail purchasing synergies in brown and computing goods and small electrical appliances in the categories in which Fnac and Darty operate;
* the other half of the savings identified above is expected to come from optimizing warehousing and transport operations, integrating certain central corporate and support functions in the United Kingdom, France and Belgium, and savings in the procurement of external services.

The statements made above, regarding estimated cost synergies, relate to future actions and circumstances that involve intrinsic risks, contingencies and uncertainties. Consequently, it is possible that these cost synergies may not be realized within the specified timeframes or may be realized in a different form than currently envisaged by Fnac's Board of Directors. Appendix 6 of the document "Recommended Groupe Fnac proposal for the acquisition of Darty plc", available on the corporate website Groupe-fnac.com, includes the report "Statement of Quantified Financial Benefits" by Ernst & Young and de Rothschild, in accordance with City Code requirements. Ernst & Young and de Rothschild have consented (and have not withdrawn their consent) to the publication of their respective reports in the form and in the context in which they appeared. These reports are not intended to be a forecast of profits and must not be interpreted as such.

1.3.4.4 Description of the Proposed Acquisition

The Proposed Acquisition will be conducted as a court-approved Scheme of Arrangement in accordance with the provisions of Part 26 of the UK Companies Act.

However, Fnac reserves the right to choose, according to the terms of the cooperation agreement between Fnac and Darty and with the approval of the Takeovers and Mergers Panel, to carry out the Proposed Acquisition by means of a contractual offer as stipulated in part 28 of the Companies Act of 2006.

According to the terms of the Proposed Acquisition, Darty Shareholders will be entitled to receive 1 new Fnac share per 37 Darty shares held.

Under the terms of this proposal, Fnac will also offer Darty shareholders a partial cash alternative whereby they can opt to receive a cash amount in place of some or all of the new Fnac shares to which they would have been entitled under the terms of the Proposed Acquisition (prorated to the demand, in accordance with the terms of the Partial Cash Alternative). The maximum total Partial Cash Alternative is £66,686,321,[1] and will be paid to Eligible Darty Shareholders who had applied for the Partial Cash Alternative. If the demand by Darty shareholders for the cash alternative cannot be met in full, the cash payment will be reduced, according to each shareholder's request.

The details of the Partial Cash Alternative, including the cash amount per Darty share, will be provided in the Scheme Document.

Based on the Closing Price of a Fnac Share of €55.6 on November 19, 2015 (which was the last Trading Day before the date of this Announcement), the terms of the Proposed Acquisition represent:

* a value of approximately 105 pence per Darty Share;
* a premium of approximately 33% on the Closing Price of 81 pence per Darty Share on September 29, 2015, which was the last trading day before the date of the announcement of the potential offer by Fnac; and
* a value of approximately £558 million for the entire share capital issued or to be issued by Darty.

Upon the completion of the Proposed Acquisition, Darty Shareholders will hold approximately 46% of the capital of the Combined Group (excluding the impact of the Partial Cash Alternative).

According to the terms of the Proposed Acquisition, Darty Shareholders will retain the final dividend of 2.625 eurocents per Darty Share paid on November 13, 2015 for the fiscal year ended April 30, 2015. Additionally, Darty Shareholders will be entitled to receive and keep future Darty dividends paid in its normal course of business prior to the completion of the Proposed Acquisition.

It should be noted that the Proposed Acquisition has received the support of Darty Shareholders representing 23.63% of Darty's issued share capital. These shareholders have irrevocably committed or have indicated their intention to opt to receive 100% of the consideration payable to them in the form of Fnac New Shares under the terms of the Scheme. Consequently, provided that these forms of support remain in force and/or are carried out (as the case may be), a larger amount of cash will be available as Partial Cash Alternative for the Other Eligible Darty Shareholders.

In accordance with the complete description included in Announcement 2.7, available on our corporate site www.groupe-fnac.com, the Proposed Acquisition will be subject to the fulfillment (or lifting) of preliminary conditions, the fulfillment (or lifting, if allowed) of conditions, subject to certain additional terms, and to the full terms and conditions set out in the Scheme Document, including Court approval of the Scheme and approval of the Proposed Acquisition by Darty shareholders. The preliminary conditions relate to obtaining authorization from the French and Belgian Competition Authorities, or if necessary from the European Commission. The conditions include approval of the Scheme from Darty shareholders, approval of the Scheme by the Court, approval of the Proposed Acquisition from Fnac shareholders, approval from the AMF of the Fnac Prospectus and admission of new Fnac shares to trading in Euronext Paris.

On March 17, 2016, Fnac announced that it had been informed of the ruling granting unconditional approval of the Proposed Acquisition from the Belgian Competition authorities without requiring a commitment, stating that the proposal did not impair fair competition in Belgium, thus satisfactorily meeting one of the preliminary conditions of the Proposed Acquisition. The other preliminary condition is contingent upon authorization by the French Competition authorities.

Furthermore, on March 23, 2016, Fnac announced that it had learned of the French Competition authorities' decision to proceed to Phase II of the review of the Proposed Acquisition of Darty by Fnac. In this regard, Fnac expressed its certainty that it will on a domestic scale market, grouping in-store sales with on-line sales. The French Competition authorities agreed to address the issue of defining relevant markets during Phase II of the review and to evaluate active competitive pressures, especially from operators on the internet.

(1) €95,000,000 calculated using the £/€ exchange rate on November 19, 2015, the last Trading Day before the date of this Announcement, which was 1: 1.4246, and rounded down to the nearest pound.

1.3.4.5 The Steinhoff offer

After Announcement 2.7, the Board of Directors of Conforama Investissement SNC ("Conforama"), subsidiary of the Steinhoff International Holdings N .V. Group ("Steinhoff"), and the Board of Directors of Darty announced on March 18, 2016 that they had reached an agreement regarding the terms of a conditional recommended cash offer by Conforama to acquire all Darty share capital issued or to be issued at the price of 125 pence per share (the "Steinhoff Offer").

Consequently, the Board members of Darty indicated that they no longer intended to recommend proceeding with the Proposed Acquisition unless Fnac could make a more financially viable offer more likely to be completed.

In response to the Steinhoff offer, Fnac announced on March 18, 2016 that it would be reviewing various options before it and urged Darty shareholders to refrain from any action.

1.3.4.6 Description of Combined Group financing

On November 19, the Group signed a credit agreement with Crédit Agricole, Société Générale and Natixis to set up a credit facility totaling €865 million to provide for the financing needs of the combined entity.

This credit facility consists of:

* a renewable line of credit in the amount of €400 million for a term of 5 years, to fund the combined entity's working capital requirements. This renewable line of credit will replace the two companies' existing credit facilities;
* a bridge loan ("bridge to capital markets") in the amount of €465 million, to fund the cash component of the transaction (maximum £66.7 million) and to refinance the €250 million 7-year bond issued by Darty plc on February 28, 2014. This bridge loan has a 1-year term, with an option to extend by six months at the request of the Group.

All documentation relating to these financing arrangements is available on the Group's website (www.groupe-fnac.com).

These credit facilities were successfully syndicated in December by a pool of some 15 European banks.

1.4 Activities

1.4.1 Geographical breakdown

As the leading retail distributor of entertainment and leisure products (including consumer electronics), Fnac is a strong market player in France. The Group also maintains operations internationally in eight countries: Spain, Portugal, Brazil, Belgium, Switzerland, Morocco, Qatar and Ivory Coast. The Group conducts its business through both a network of stores and e-commerce websites, making it a "click & mortar" company. Within each country, the stores are laid out according to an identical format and market the same range of products, subject to local market adaptations.

1.4.1.1 France

At year-end 2015, Fnac's retail network in France consisted of 124 stores: 86 operated directly and 38 as franchises, including 9 new openings in France and 2 others opened as franchises in traditional format in Qatar and Ivory Coast.

Since the first store was opened in Paris in 1957, network densification has gradually increased in Paris and other major cities in the country. All the stores are sited in key locations in city-centers or on the outskirts and have generated a total of 116 million visits. In 1999, Fnac launched the fnac.com website, which is the third-biggest e-commerce website in France in terms of average number of unique visitors per month.[1]

(1) Source: Fevad / Médiamétrie.

In 2015, Fnac continued to expand:

Location	Date of opening	Format[(a)]
France		
Aubenas	March 2015	Proximity
Angoulême	March 2015	Connect
Ajaccio	April 2015	Proximity
Dôle	June 2015	Proximity
Beaucaire	August 2015	Connect
Meaux	October 2015	Proximity
Roissy - Terminal C	November 2015	Travel
Nevers	November 2015	Proximity
Montpon-Ménestérol	November 2015	Proximity
Gare de Metz	November 2015	Travel
Qatar		
Doha	May 2015	Traditional
Ivory Coast		
Abidjan	November 2015	Traditional

(a) The store formats are described in section 1.4.3.1 on the store network.

In France, Fnac is the leading retail distributor of entertainment and leisure products (based on revenues from all sales channels) in terms of the traffic it generates and its sales. Fnac is the leading retailer in the book, music, video, computer and photography markets.

	Data at end 2015
Revenues	€2,783.6m
% revenues online	17.1%
Current operating income	€53.2m
Number of loyalty program members	4.2 million
Number of stores	124

1.4.1.2 Iberian Peninsula

Fnac's retail network in the Iberian Peninsula had 49 stores at year-end 2015. It generated full-year consolidated revenues of €657.3 million and current operating income of €24.1 million (across all channels).

At year-end 2015, the subsidiary in Spain had 27 stores. The first store opened in 1993 in Madrid, and the fnac.es website was launched in 2000. In 2015, Fnac's footfall in Spain was 33 million. Two new stores in Proximity format opened in November 2015, one in the Puerto Venetia shopping center in Saragossa and the other in Pamplona.

In Portugal, Fnac has a network of 22 stores. The first store opened in 1998 in Lisbon and the fnac.pt website was launched in 2002. In 2015, Fnac's footfall in Portugal was 32 million.

	Data at end 2015
Revenues	€657.3m
% revenues online	9.4%
Current operating income	€24.1m
Number of loyalty program members	1.2 million
Number of stores	49

1.4.1.3 Brazil

Fnac has 12 stores in Brazil, including a Travel store in Guarulhos which opened in May 2014, and the fnac.com.br website. The first store was opened in 2000 in São Paulo. In 2015, Fnac had 14 million visitors in Brazil.

	Data at end 2015
Revenues	€136.8m
% revenues online	23.4%
Current operating income	(€0.5m)
Number of loyalty program members	0.2 million
Number of stores	12

1.4.1.4 Other countries

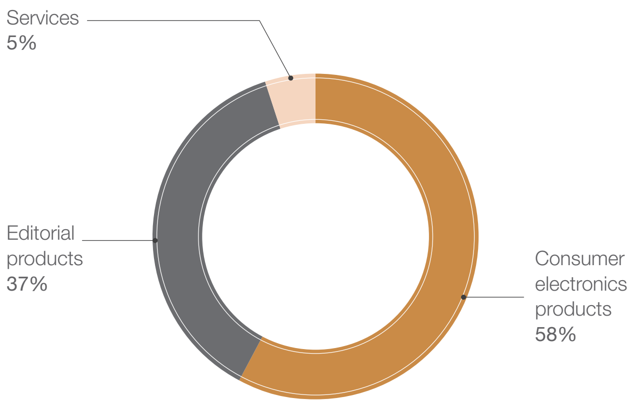
Fnac's retail network in the Iberian Peninsula had 14 stores at year-end 2015. It generated full-year consolidated revenues of €298.1 million and current operating income of €8.2 million (across all channels). In Belgium, Fnac has nine stores which in 2015 welcomed nearly 10 million visitors. Fnac's first Belgian store opened in Brussels in 1981, and the fnac.be website was launched in 2006.

In French-speaking Switzerland, Fnac has four stores recording nearly 5 million visitors in 2015. Its first Swiss store was opened on Rue de Rive, Geneva, in 2000. The fnac.ch website, launched in 2004, has limited functions, and focuses primarily on services such as ticketing and box office services, gift boxes, photo processing and e-books. A new traditional-format store was opened in Conthey in August 2015.

	Data at end 2015
Revenues	€298.1m
% revenues online	3.7%
Current operating income	€8.2m
Number of loyalty program members	0.5 million
Number of stores	14

1.4.2 Product range

Fnac offers a comprehensive range of entertainment and leisure products. Fnac is positioned as a multi-specialist retailer that aims to offer its customers the widest possible range of products in each of the product categories it carries, and to ensure such products are available both in-store and/or online.



1.4.2.1 Consumer electronics

Consumer electronics includes photography, TV-video, audio, and IT products. In 2015, Fnac generated consolidated revenues of €2,238.6 million from the sale of consumer electronics, representing 58% of its consolidated revenues.

To achieve its goal of putting products at the heart of its customer relations, Fnac develops partnerships with suppliers in order to offer customers an optimal shopping experience.

In France, Fnac is the leading distributor of Apple products, and it has entered into an agreement to set up dedicated Apple areas ("shop-in-shop") in its stores. Under this agreement, Apple provides the merchandising for these areas and supplies and pays facilitators, who provide demonstrations but do not perform any sales-related tasks. The terms and conditions of the supply agreement entered into with Apple are similar to those found in Fnac's agreements with its other suppliers.

Fnac also collaborates with Microsoft, setting up dedicated areas in order to promote the sale of Microsoft products. Under this arrangement, Fnac promotes Microsoft products in stores, mainly through Microsoft demonstrators and dedicated counters displaying the products, and on the fnac.com website. Fnac also lets Microsoft benefit from its customer loyalty program and allows Microsoft to present its products in Fnac publications.

This method of collaboration, which was extended in 2013 to other strategic suppliers such as Google and Samsung, means that the suppliers concerned assume the merchandising or organizational costs at the point of sale.

This puts Fnac at the core of its French and international suppliers' innovation strategy, as the Company is well known for its expertise: on the one hand, customers appreciate the knowledge of the in-store sales staff and after-sales service, and on the other hand, suppliers recognize Fnac as one of the distributors providing the best in-store sales experience.

With its focus on innovation, at the end of 2014, Fnac launched the "Start-up Fnac Pro" Prize on fnacpro.com. This is aimed at the French entrepreneurs who will be the producers of the products and services of tomorrow. The three winners were each given a budget to equip their company with the best tools to see their entrepreneurial project to fruition. Fnac repeated this initiative at the end of 2015. For this second edition of the Start-up Prize, Fnac is working with Intel to accelerate the development of 10 start-ups relating to the Internet of Things. The French start-ups had until January 17 to submit candidates for the Fnac Start-up Prize. Ten start-ups will each have the benefit of a customized support program and three of them will sign a distribution contact with Fnac (see section 2.5.2.1 "Dialogue with stakeholders").

1.4.2.2 Editorial products

Physical products

Editorial products include music, video, books, and gaming products. In 2015, Fnac generated consolidated revenues of €1,427.8 million from editorial products sales, representing 37% of its consolidated revenues. In France, Fnac is a trendsetter in its markets, with a rich and diverse editorial products catalog.

Fnac is the leading music store in France with a product list of 62,000 titles.

It is the leader in the video market with some 20,000 video, DVD and Blu-Ray titles.

Fnac is the leading bookseller in France[1] and offers the widest range of products on the market with a catalogue covering all sub-segments. Fnac has a catalog of approximately 1.7 million titles available on its fnac.com website. In France in 2015, the Group sold more than 48 million books (representing over 420,000 different titles), and more than 680,000 e-books.

In gaming, Fnac has a catalogue of 12,000 titles in France, including 6,000 used video game titles. In 2010, Fnac launched a secondhand video games offering based on the buyback of used video games.

Digital products

To be in line with and position itself in a digitized market, Fnac entered into a partnership with the Canadian company Kobo in September 2011 and now offers an innovative digital reading solution: *Kobo by Fnac*. Kobo's role is to provide and maintain the technology platform, provide the devices, and develop applications, while Fnac is responsible for the cost of marketing and advertising in France. Both parties combine their platforms and share the income and costs of adjusting and connecting the Kobo system to the fnac.com website interfaces. In 2015, the brand offered over 3 million e-book titles for sale.

Similarly, Fnac is expanding its digital content offerings. In March 2014, Fnac announced the launch of a general public music streaming service called "Fnac Jukebox", offering a catalog of several million titles, which further strengthened its presence in the music segment. In October 2015, Fnac launched Fnac PLAY, its video-on-demand service, in partnership with VOD Factory. This service offers films and TV series from all the biggest studios, for rent or purchase, tagged with Fnac's quality rating. Lastly, in February 2016, Fnac rounded out its offer by taking an equity stake in Izneo, the leading European distributor and digital library of graphic novels.

(1) Ranking source: Company on GFK database.

1.4.2.3 New segments

In 2015, new product families (Home & Design, Kids, Stationery, Connected Devices and Telephony) accounted for more than 15% of total revenues, an increase of over 4 percentage points compared to 2015.

Home & Design

In 2012, in line with the strategic focus of the "Fnac 2015" plan, Fnac launched "Home & Design" sections in its stores, which showcase innovative, technologically sophisticated and well-designed small domestic appliances such as vacuum cleaners, breakfast products and food preparation machines.

Fnac intends to offer a small, high value-added household appliances range, based on innovation and design, in keeping with Fnac's overall positioning. In highlighting leading mid-range and high-end brands such as Dyson, Nespresso, Krups, Magimix, Alessi, Kitchenaid, Cuisinart and Bodum, its positioning is differentiated from other premium companies in the sector. This positioning is also reflected in the particular way these areas are presented, which adds to the stores' attractiveness. Products are presented on islands in a self-promoting eco-system that includes books, gift boxes, utensils and accessories.

Games & Toys

Since November 2011, Fnac has been developing new sections for 0-12 year olds within its stores called "Fnac Kids". These sections create a single area for toys, games, books, DVDs, CDs, consumer electronics and gaming for children.

The lighting, furniture and color schemes of these dedicated areas have been tailored to meet the tastes of younger customers, with products available by age range (from infant to twelve-year-old). They also have a layout designed to welcome children with space for them to read, listen to music or stories, and play on interactive tablets. Emphasis is also placed on Fnac's technological positioning.

To consolidate its presence in the Games & Toys market, Fnac entered into a partnership agreement with the French subsidiary of the Walt Disney Company in October 2012. As part of this agreement, Fnac agreed to reserve a section for Disney items, such as DVDs, books and toys, within the "Fnac Kids" areas and to implement joint promotional efforts. In return, Disney will extend this partnership to all its products, including fashion and furnishings, as well as to the Disney TV channel. It has also agreed to finance or manage workshops for children offered in "Fnac Kids" areas. This partnership has been implemented in all stores with a "Fnac Kids" area in France. In 2015, this partnership was particularly dynamic for the release of the latest film in the Star Wars saga, offering dedicated corners in all stores.

Stationery

To supplement its book range, Fnac has also created stationery sections based on Premium position brands in all its stores.

Connected Devices

Fnac launched a new section devoted to Connected Devices in all its 86 stores in France. This new product range is also available on fnac.com. Fnac is the only company in France to offer a section entirely devoted to innovative, on-trend Connected Devices.

The range is segmented into four themes:

* **Sport,** with products based around sports tracking and guidance, accessories, competition (innovative watches);
* **Well-Being,** with products that enable users to be monitored by a life coach, balance and blood pressure monitoring, etc.;
* **Leisure,** for various activities including games, weather forecasting, etc.;
* **Home,** with innovations in home automation, video surveillance, baby monitors, etc.

Telephony

Since the second half of 2011, Fnac stores in France have included new sections that are entirely operated by SFR and have developed a comprehensive range of products and services for mobile telecommunications and internet access.

At the beginning of 2014, Fnac extended its partnership with SFR to sell sim-free devices and take advantage of this very dynamic market, which has experienced strong growth since 2013. Subscription-free telephones and smartphones accounted for 54% of sales of mobile phones in 2015, versus 26% in 2012. This move has been of particular benefit to retailers who now sell more phones than the operators, especially the multi-specialists whose market share has increased significantly since 2012.

In order to take full advantage of this market's growth, in 2014 Fnac started to offer a range of unlocked handsets (mobile phones and smartphones) in all its stores in France. This range is also available on all fnac.com websites. SFR still has a boutique in 24 Fnac network stores.

In June 2014, Fnac opened a 125m^2 flagship store on the Avenue des Champs-Élysées in Paris, entirely devoted to telephony and Connected Devices. Designed to provide customers with a unique and fun experience, this new store combines the largest Connected Devices and telephony offer on the market with an innovative retail concept.

Following the success of this store, Fnac has created a new **"Fnac Connect"** store concept for telephony and Connected Devices, which has been deployed in 86 existing stores and in dedicated stores with a floorplan of 80 to 100m^2.

The first **"Fnac Connect"** store opened its doors in March 2015 in Angoulême, and the second in Beaucaire in August 2015.

Sport

Since November 2015, Fnac has been diversifying its range with sporting goods via Marketplace on fnac.com.

1.4.2.4 Services

To promote its services in the stores, Fnac has created dedicated **"Service Area"** sections where customers can get advice on after-sales service, home delivery, guarantees or at-home training. At the end of 2015, all the stores in France had a Service Area and 36 stores (including franchises) had the new-concept Service Area with optimized shop fittings and layout to welcome customers.

Fnac also offers a number of **financing options** in partnership with Finaref (Groupe Crédit Agricole). Through the membership card or a credit card, Fnac offers the option of postponing payment at no charge for the first monthly installment for up to 45 days depending on the purchase date, the option of payment in tranches and the option of ongoing financing in several monthly installments.

In May 2014, Fnac launched a new innovative and exclusive service, **"Pass Location",** which offers customers the opportunity to rent a consumer electronics product for 24 months before deciding whether to buy it, exchange it or return it. This new service applies to High Tech products within a wide range of computers, tablets and smartphones. This gives Fnac's customers access to the latest technological trends while also giving them the opportunity to take their time to test a product before buying it.

Fnac has also strengthened its delivery service in 2014 and 2015.

In June 2014, it launched **Fnac Express+.** This new service means that any product available in stock on fnac.com (excluding Marketplace products) can be delivered to a customer's home or a Relais Colis pick-up point anywhere in France within one business day, with no minimum purchase required.

Since November 2014, Fnac has offered another new delivery service that is the fastest on the market: **"2 Heures Chrono".** This is an express home-delivery service, available from the fnac.com website, giving customers the opportunity to order consumer electronics products online and have them delivered to their home within two hours. In 2015 this service was available in the Greater Paris and Lille regions.

1.4.2.5 Fnac ticketing

Fnac has a Ticketing and Box Office Services Division, known as "France Billet", with a market share of over 50% in France, making it the leading ticketing and box office player for shows and events. In 2015, the network had more than 1,600 points of sale in France, two wholly owned websites (fnacspectacles.com and francebillet.com), over 500 white-label websites and over 8,300 affiliates. France Billet sold nearly 11.5 million tickets, over 56% of which were sold online, and generated revenues of around €436 million in France. This service has the largest offering in France, with nearly 56,000 events per year across all segments.

France Billet also operates ticketing sites under a white label (which means the sites use solutions and resources provided by Fnac without mention of its name), especially those for Showroom Privé and Voyages SNCF, and it has long-term partnerships with Carrefour, Super U and Géant for which it manages ticketing solutions.

To facilitate the in-store collection of tickets ordered online, Fnac installed 66 ticket collection terminals in 43 stores in 2014. These machines were hugely successful, with a utilization rate (the percentage of tickets collected in-store) of 83% over the full year 2015, and even more than 90% for 14 stores.

The France Billet subsidiary, Tick&Live (the result of a Datasport/Kyro merger), which provides venues and show producers with a complete box office solution as well as ticket management for sporting events, now has more than 340 customers and issues over 20 million tickets.

To boost its BtoB business, in November 2015 France Billet acquired the company Eazieer to support its development in ticketing-related technologies and services for leisure, entertainment and sports operators. Based in Marseille, it is a leading start-up provider of ticketing services, and Customer Relationship Management (CRM) in particular, to entertainment, sports and event operators. Eazieer's customers include Olympique de Marseille, the Toulon Racing Club, and Fondation Vasarely. By bringing Eazieer into its Group, France Billet will be able to offer an innovative and flexible CRM solution to all its customers, tailored to their particular ticketing needs. Groupe Fnac will also have the benefit of Eazieer's expertise and momentum in CRM for its own use. To supplement its subsidiary Tick&Live, which it owns jointly with Groupe Fimalac, France Billet is continuing its strategy to consolidate solutions for professionals in the event sector and to position itself as the "go-to" provider of technology for live events.

To supplement its electronic ticketing solution, Fnac is, since December 2015, distributing its Fan Edition ticket, a collector's item, delivered to your home, in an exclusive gift pack. Promoted exclusively on www.fnacspectacles.com by France Billet, a Fnac subsidiary and the leading ticket provider in France, Fan Edition tickets come in the colors of the event and are completely covered in visuals.

1.4.2.6 Fnac Voyages

In France, Fnac Voyages is a travel agency that offers a selection of holidays via the website and ten in-store agencies.

1.4.3 An omnichannel distribution network

1.4.3.1 Store network

Since its foundation in 1954, Fnac has developed an original store design concept, which brings together all the products sold by Fnac in one place. This diverse range of products, the specific layout of the stores, and the expertise of the sales staff are key characteristics of the Fnac store concept. While Fnac had traditionally developed mainly city-center stores, the Group has more recently developed new store formats adapted to the outskirts shopping experience (with a broader range of consumer electronics products, greater use of self-service and more entry-level products).

Under the “Fnac 2015” plan, Fnac has started to diversify its presence and continue to establish stores in new regions, via new formats, with a particular priority on franchises. This mode of operation limits investment costs while furthering the goal of increasing Fnac’s visibility at a rapid pace. At the end of 2015, this type of operation involved 39 stores. The franchisee then pays a fee for the use of the brand’s distinctive features based on a percentage of revenues at the relevant sales point.

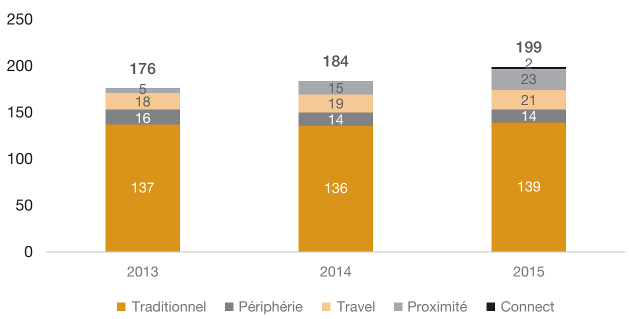
These new formats are:

* the **travel retail** format (railway stations, airports, and duty-free) with 21 stores at the end of 2015, 18 of which are in France. Fnac has signed a strategic partnership with Lagardère Services via Aelia and MRW to develop the travel retail stores in France under a franchise operation;
* the **proximity** format with 23 stores at the end of 2015. In 2015 alone, the Group opened 6 stores in France (Aubenas, Ajaccio, Dole, Nevers, Montpon-Ménestérol, Meaux) and 2 internationally (Puerto Venetia and Pamplona). The Aubenas and Montpon-Ménestérol store openings resulted in the conversion of “Culture and Leisure” spaces as part of the discussions with the Intermarché Group and the creation of space for the Dole store.
* the **connect** format (dedicated to telephony and connected devices) with 2 stores at the end of 2015 in Angoulême and Beaucaire. For this new concept, Fnac received the prestigious Janus Award in the Business category from the French Institute of Design.

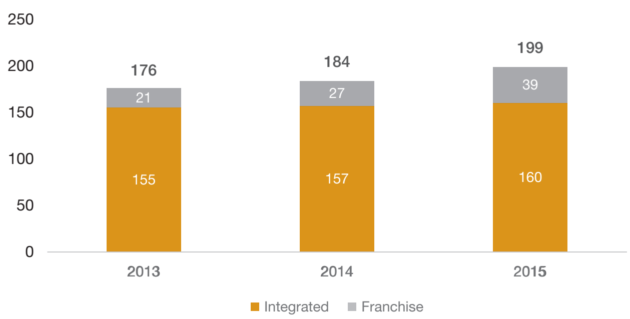
At the end of 2015, Fnac had 199 stores in total, including 124 stores in France. Fnac’s stores are in one of 5 formats.

Format	Date of concept	Average surface area	Location	Offering	Number of stores
Traditional	1974	2,400m²	• City center – Shopping mall	Entire range	139
Outskirts	2006	2,000m²	• City outskirts	Entire range	14
Proximity	2012	300 to 1,000m²	• Towns and smaller cities • Big cities to supplement the store network	Entire range	23
Travel *(Aelia and MRW)*	2011	60 to 300m²	• Airports and railway stations	Topical editorial products Consumer electronics focused on mobility	21
Connect	2015	80 to 100m² for dedicated stores	• City center • Shop in Shop	Telephony and connected devices	2 stores and 86 corners

Number of stores



Number of stores



1.4.3.2 Websites and Marketplaces

Fnac has had a website in France since 1999 and internationally since 2000. Through the fnac.com website, Fnac is currently the third-biggest e-commerce merchant in France in terms of average unique visitors per month. In 2015, the fnac.com website generated total revenues of €475 million (Marketplace commissions included), and Fnac Direct, the company running fnac.com, generated positive current operating income. This was not the case for all comparable players in its sector.

The fnac.com website extends the range of products of the categories available in-store and it also offers product categories that are not available in the stores. The website offers products that are sold either under the Fnac logo or via Marketplace. The fnac.com website offers approximately 12.7 million new and used articles in France that can be accessed both online and by customers in-store. The architecture of the fnac.com website was completely revamped in 2015. A new design and simplified ergonomics, more-visible omnichannel purchasing (e.g., highlighting the local stores that are open, in-store stock availability), shorter, streamlined checkout, and simplified product descriptions are the main improvements enriching and enhancing customer experience. On the strength of this new design, the website won the FEVAD prize for best e-commerce site in 2015. The website also took home the Top/Com Overall Gold Prize for web design as well as e-commerce prizes for "Ergonomic – Customer Pathway".

Marketplace, which is an intermediary platform linking buyers and sellers, supports Fnac's online strategy by increasing the choice available on fnac.com and the number of items available to online shoppers. This helps increase the website's traffic and visibility and contributes to customer loyalty. The platform allows more than 3,400 professional sellers and several hundred thousand private sellers in France, who meet Fnac's service quality criteria and are managed by a dedicated Fnac team, to be listed and to use the fnac.com site as a sales interface, making the most of Fnac's visibility, reputation and transaction security. Marketplace generated Group business volume (the volume of sales achieved on Marketplace) of over €100 million in 2015. Marketplace development continued steadily in Spain and Portugal.

The Group has also invested to upgrade its m-commerce platform, which saw traffic in France grow by 13 points in 2015 and now accounts for over 38% of fnac.com traffic. The Group has launched a host of new apps since the end of 2013:

- an IOS fnac.com app launched in France at the end of 2013;
- an Android fnac.com app launched in France in May 2014;
- a "Fnac Spectacles" app launched in France in 2013.

1.4.3.3 Omnichannel strategy positioning

With the growth of e-commerce and fundamental changes in consumer habits over the last ten to fifteen years, Fnac's omnichannel positioning puts the Company in a perfect situation to benefit from this growth, increase its presence and engage with new consumer trends. This positioning gives Fnac numerous advantages (see section 1.3.1.3 on the "Omnichannel" concept) over its main competitors, especially the pure players of e-commerce.

The Group's omnichannel presence allows it to leverage the synergies between its network of stores and its online presence to offer its customers a comprehensive range of services. Fnac offers customers a flexible cross-platform range of shopping experiences, leveraging the respective strengths of its stores and the fnac.com website. Examples include:

- **"click-and-mag":** where a sales assistant places an order for the customer on fnac.com when a store does not have a product in stock, with delivery to the location of the customer's choice. This allows every store in the Group's network, regardless of size or format, to offer the full range of products Fnac offers;
- **"1hr click & collect":** where the customer orders a product on fnac.com that is in stock in a nearby Fnac retail store and collects it from that store within the hour, free of charge. This allows customers to obtain their products quickly and at the same time to ensure the product will be available before making the trip to the store;
- **"click and relais colis":** where the customer purchases a product on fnac.com and collects the product free of charge within two to four days from the Fnac store of his or her choice (specifically for products that are not in stock in the store)
- **Fnac Express+:** unlimited service offering access to all the products in stock on fnac.com (excluding Marketplace products) with delivery to the customer's home within one business day, anywhere in France, with no minimum purchase;
- **Fnac 2hr Chrono:** the fastest delivery in the market. This gives customers the possibility of ordering their consumer electronics products online and having them delivered to their home within two hours. This service was available at the end of 2015 in the Greater Paris and Lille regions and will be expanded in 2016 to 5 major French cities.
- **Retrait Colis gratuit** ("free parcel collect") supplements the "free in-store delivery" service: customers living over 30km (≈ 20 miles) from a Fnac store can have their purchase delivered free to a relais colis pick-up point near their home.

1.4.4 Fnac's customers

1.4.4.1 Characteristics of the customer base

In France, Fnac has a good mix of customers. They are mainly town and city dwellers (62%) and regular internet users (80%) [1].

The following table shows the distribution of Fnac's customers and loyalty program members in France.

Full-year 2015	% Male	Average age	% Family [a]	% Urban[b]	% CSP	Student	Paris region	Daily web visitors
Members[a]	52%[b]	45	31%	72%	40%	13%	37%	86%
Customers	48%	44	30%	62%	35%	12%	28%	80%
Average, France	48%	47	28%	47%	27%	9%	19%	67%[c]

(a) Including at least one child under 15.
(b) Living in cities of over 100,000 inhabitants.
(Source: BVA Survey, February 2015).

Fnac's priority customer targets are (i) existing customers, especially its loyalty members, (ii) families in the upper socio-professional category (CSP+) with children at home, and (iii) young people, especially students.

In addition to consumers, Fnac also caters to corporate clients through B2B activity that has two components: "key accounts" activity targeting large companies and "Fnac Pro" activity for small businesses, artisans and self-employed professionals.

1.4.4.2 Members and the customer loyalty program

Fnac has a strong customer loyalty base, with a total of 6.2 million members, of whom 4.2 million are in France (data at end 2015). Revenues generated by loyalty program members accounted for 60% of Group revenues (and 63% in France). The number of members increased by 52% between 2010 and 2015. This membership base gives Fnac a strong competitive advantage as described in section 1.3.1.2 on "The customer base".

The customer loyalty program is designed as a customer loyalty and retention tool that also allows the Company to carry out better-targeted and more effective sales promotions. Fnac's customer loyalty program members are an asset that gives the Company a real advantage over its peers. Members visit the store four times more often than customers in general and on average they spend double the amount of a non-member on each visit. The Group has also observed that the average yearly expenditure of a customer loyalty program member is eight times higher than that of a non-member.

On November 23, 2015, Fnac announced that it had reached the target of 4 million Fnac Card members. The Group's iconic loyalty program saw 400,000 new members in 2015 in France, the fastest growth in its history. To celebrate this major milestone, and to thank its members, Fnac decided to launch a unique, exceptional 4-day promotion from November 26 to 29.

In France, since 2009, Fnac has also offered a membership card called "One" which is a program intended for the biggest-spending members. At the end of 2015, Fnac had nearly 170,000 One card members (approximately 4% of the members in France) who benefit from the One program's exclusive services and premium-quality service.

To better understand consumer preferences and tailor the customer experience, Fnac has developed a unique customer record (UCR) database that consolidates all the information relating to a customer that can be found in the Group's various databases (purchase history, loyalty program points available, preferred stores, birthday, etc.). The UCR tool enables Fnac to implement a targeted marketing policy and offer clients product and service offers that correspond to their preferences. It also promotes the development of the omnichannel mix by sending specific personalized offers online to customers who normally only shop in the stores, to encourage them to buy on the fnac.com website.

In October 2013, Fnac and American Express announced the establishment of a strategic partnership. This partnership has a dual purpose:

* enhancing customer loyalty programs through exclusive offers for Fnac members and American Express cardholders;
* acquiring new customers for both brands through special offers for their customers.

In addition, American Express agrees to support the Amex card purchase through a media investment.

(1) Source: BVA Survey, February 2015.

1.4.4.3 Recognition

With a strong history spanning over 60 years, the Fnac brand benefits from a high level of consumer awareness in France and in its other markets that has allowed the Group to position itself as a “premium yet accessible” retail distributor of entertainment and leisure products (including consumer electronics).

The Fnac brand name has strong spontaneous recognition, meaning the percentage of people who independently (without any aids or suggestions) recall a brand’s name in a given sector. In the summer of 2012, 57% of survey respondents in France spontaneously cited Fnac’s name as a go-to retail brand for editorial products and consumer electronics (first place).[(1)] Similarly, for “top of mind” brand recognition (i.e. the number of times a brand is ranked in first place in a spontaneous recognition test), the Fnac brand came out at 35% (first position).[(1)] This reputation gives it a strong competitive advantage as described in section 1.3.1.1 on “The brand”.

This recognition is largely due to Fnac’s three core pillars: expertise, independence and cultural promotion.

* **Expertise** – Among specialty retail brands, Fnac is known for its expertise in the products it sells. The Company maintains its reputation for expertise by focusing on three main areas: laboratory testing, with more than 950 tests in 2015 (see section 2.5.2.1 on “Dialogue with stakeholders” and 1.4.5.3 on the “Testing laboratory”), the quality of its sales force, and its advertising.
* **Independence** – Since its foundation, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to Fnac’s recommendations to customers and enables it to develop closer ties with them. Beginning 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating (see section 2.5.2.1 on “Dialogue with stakeholders”).
* **Cultural promotion** – Fnac is a major cultural player and a company committed to artists, not just through its extensive range of cultural products, but also through the events (over 12,000) organized in-store or externally:
  - in the literary field: the Prix Goncourt des Lycéens (for high school students), the Prix du Roman Fnac (for novels) and the Prix de la BD Fnac (for graphic novels);
  - in the music field: the “Fnac Live” free music festival at the Hôtel de Ville in Paris (formerly the Fnac *Indétendances* festival);
  - in the photographic and film field: photo marathons, photo exhibitions in store or on external walls, master classes with celebrated film directors;
  - in the video games field: gaming trophies and a presence at major trade fairs;
  - Fnac is also contributing to cultural access and education mainly via the charitable schemes *Grande Collecte* and *Braderie Solidaire* in Dijon. These two events are detailed in section 2.5.2.2 “Partnership and sponsorship initiatives”.

1.4.5 Other activities

1.4.5.1 Purchasing policy

The Group Purchasing Department, created in 2007, negotiates with consumer electronics suppliers to set annual terms, product purchase prices, promotional offers etc. It also sets out the Group’s strategy for each product category with the Sales and Marketing Departments in each European country.

In 2011, Fnac initiated a program to centralize and manage as much of its procurement as possible from France and generate synergies between the countries in which the brand is based (economies of scale, optimization of logistics, cost savings, etc.). The first stage of the program saw the integration of Belgium in 2011 into the Purchasing Department’s negotiating scope. This format was replicated for Switzerland in 2012 for small consumer electronics and editorial products before being deployed for other products in 2013.

Group-wide, Fnac has adopted a strong, centralized purchasing strategy, which aims to generate large volumes and optimize the purchase price. Relations with suppliers are set down in framework agreements with a legal duration of one year. Returns clauses are systematically included in book purchasing agreements, and to a lesser extent, in audio and video disc purchasing agreements.

1.4.5.2 Logistics and transport

In France, logistical support for the Group’s business is organized around three logistics warehouses, which are all located in the Essonne department (91) in the Paris region: one warehouse at Massy (70,000m^2), opened in 1998, and two warehouses at Wissous: Wissous 1 (39,000m^2), which was opened in 2005, and Wissous 2 (22,000m^2), which has been operational since 2012 The Wissous 1 warehouse, which is for online sales, was fully operational at the end of 2013. It has enabled Fnac to reconfigure its logistics to underpin the “Fnac 2015” strategic plan. It has substantially extended the range of ready-for-dispatch products stored and has halved the order preparation time.

(1) Source: To luna online study, Summer 2012.

These three facilities are located very close to one another, allowing great flexibility in terms of delivery, thanks to the creation of inter-facility shuttles to cater to the omnichannel routes offered to customers.

In Spain, Fnac has a single 14,000m² integrated warehouse. In Portugal, Fnac has a single 9,000m² integrated warehouse. The Group intends to strengthen the logistics links between France and the Iberian Peninsula countries, specifically via common handling of small consumer electronics.

In Brazil, Fnac uses an external service provider that has its own warehouse.

Logistics in Belgium and Switzerland were outsourced to DHL in 2012. For both these countries, products in common with France (consumer electronics and some editorial products) are increasingly being processed from France.

The transportation of Group products is outsourced to reputable carriers.

1.4.5.3 Testing laboratory

Fnac's testing laboratory is a unique concept that has served the Company's customers since 1972. Every year, its experts, equipped with a range of sophisticated measuring equipment, test the technical performance of hundreds of new electronic products. Labo Fnac's objective scientific methods are recognized by the big brands that regularly send their prototypes to it for evaluation. The test results are published on the fnac.com website every month and included in the Technical Factsheet comparisons. Some 950 tests were conducted in 2015.

1.5 Property, plant and equipment

All the Group's properties (offices, stores, warehouses, etc.) for the purposes of its operations are leased, primarily through operating leases.

The following table summarizes the areas occupied by the Group (including franchises) as at Thursday, December 31, 2015 in the various countries where the Group maintains operations (excluding discontinued operations). The Group's geographical locations are described more fully in section 1.4.1 on "Geographical breakdown".

Stores (including franchises)	Number of sites	Customer retail area (in m²)
France*	124	239,477
Spain	27	55,260
Portugal	22	34,789
Brazil	12	25,699
Belgium	9	18,885
Switzerland	5	9,133
TOTAL	**199**	**383,243**

* *Includes a store in Morocco, a store in Qatar and a store in Ivory Coast.*

Warehouses/Offices (excluding franchises)		Number of sites	Surface area occupied (in m^2)
France	Warehouses	5	138,186
	Offices	6	20,848
Belgium	Offices	1	1,332
Brazil	Offices	0	0
Switzerland	Warehouses	1	172
	Offices	1	827
Spain	Warehouses	1	15,000
	Offices	1	3,024
Portugal	Warehouses	1	9,262
	Offices	1	1,876
TOTAL		**18**	**190,527**

The Group considers that the utilization rate of its property, plant & equipment is consistent with its operations, development plan, and ongoing and planned investments.

The Group's main current and planned investments, as at the filing date of this Registration Document, are detailed in section 4.2.3.5 "Net cash flows from investing activities" in this Registration Document.

1.6 Research and Development, patents and licenses

Given the nature of the Group's activities, the Group does not conduct any research and development. The Group therefore does not own any patents or licenses.

The Group owns a portfolio of over 600 trademarks registered across the world under the name "Fnac" and its derivatives used in the context of commercial promotions.

The Group also owns a portfolio of over 700 domain names.

The Group's intellectual property policy is centered on the protection of its brands (in particular the "Fnac" brand and its derivatives) and its domain names. The policy involves filings and reservations on either a local country basis or in the full range of countries where the Group operates or wishes to preserve its rights. The name "Fnac" is reserved as a domain name with the main generic extensions and the main geographic extensions.

2

Corporate social and environmental responsibility

2.1 Our commitments

2.1.1 Our commitments

Fnac is a company with a firm base in regional areas and its mission is to enable the greatest number of people to share in cultural media and new technologies. While this role is a source of pride, it also places a particular responsibility on the group because it must ensure that its practices are exemplary, especially in dialogue with all the interested parties: employees, customers, shareholders, suppliers, local authorities, associations, public bodies, etc.

Fnac considers CSR as a lever for additional performance and seeks to integrate it further into its businesses every year.

The main strands of Fnac's CSR policy are:

* Social: to promote the commitment of the teams by enhancing employability, equal opportunity and the quality of life at work;
* Environmental: to reduce the environmental impacts caused by its activities through improving the transport of merchandise, energy use and waste recycling, and generally reducing consumption;
* Societal: to facilitate access to culture for the greatest number of people and develop the local economy in the various regions.

Fnac also distributes a Suppliers CSR Charter and a code of business ethics to involve suppliers and employees in its commitment to responsibility.

Lastly, Fnac demonstrates its willingness to take this issue to the highest level and to apply it to all of its businesses by including CSR targets in the variable compensation of its executive Board members.

2.1.2 Organization

This section is intended to respond to the 42 themes of Article 225 of the Grenelle II Law on extra-financial reporting, and it has been prepared by the CSR manager. Social data are conveyed to the CSR by the various segments of HR (corporate matters, remuneration, HR development and the HR managers of the various legal entities). Environmental and societal data are conveyed to the CSR by the CSR correspondents in each country and by head offices and logistics departments (purchasing, communication, cultural activities, marketing, transport, maintenance, legal, expansion, franchises).

Since 2013, Fnac has also had a Corporate Social, Environmental and Societal Responsibility Committee whose mission is to review the social, environmental and societal policies conducted by the Group and the information it publishes in this domain. Its composition and a more detailed description of its duties are contained in section 3.1.

2.2 Methodology note

2.2.1 Drafting of a "Reporting Protocol"

All the methodological points summarized in the paragraphs above are described and developed in a social reporting protocol drafted by the Social Data manager and an environmental and societal reporting protocol drafted by the CSR team. Both protocols have been audited to verify that contributors understand and apply them. They are therefore updated and supplemented annually based on the audit recommendations, with the aim of continually improving tools and processes.

2.2.2 Organization of data collection

Social data

Figures for the indicators concerning France are collected centrally by the Social Data Manager. These data are extracted from payroll only. As Training, Temporary Employment and Employee Relations are not identified separately in this database, this information is provided directly by the HR Directors and HR managers of the companies solicited, who are given a kit detailing requirements.

Country reporting is done directly by the Country HR Departments, which have access to Enablon in order to upload collected data. They are given a kit detailing the indicators and calculation rules, along with a practical, step-by-step guide on using the application.

Group approval is given after reviewing changes in the previous year using alerts configured in Enablon, comments made in the application by contributors/approvers, and by checking data consistency.

Qualitative data on training, diversity, social relations and remuneration are compiled by the manager of each component.

Environmental and societal data

Data are recorded at the various levels of site, country or Group. The efforts made to centralize data over the past three years have freed the stores from their reporting duty this year, enabling them to devote their efforts to ensuring a successful December, this being the crucial month for the Fnac's annual earnings.

The CSR manager checks that all data has been collected, performs consistency checks and signs off on the results.

2.2.3 Scope

The reporting scope for a given year applies to all Group entities for which consolidation is possible and verifiable. It cannot apply on a strict financial basis due to the technical constraints of the data model. Thus, every year, the Group's Finance Department advises CSR contributors of any disposals, acquisitions or reclassification of subsidiaries in order to adjust the reporting scope. The scope of environmental and societal data may be reduced to reflect the degree of reliability or comprehensiveness of the data uploaded. All exclusions from the reporting scope are disclosed and explained in the section(s) concerned.

By default, franchises and stores at train stations or airports, which are consolidated in the financial scope, are excluded from the environmental and societal campaign.

Centralizing many of the indicators has made the data more reliable and increased the scope of reporting. For example, Fnac is reporting the following indicators for the first time: waste and packaging for France and Portugal, refrigerant leakage for France and electricity consumption for Switzerland and Brazil.

Methodological specifications for the social portion

Data are collected for the previous calendar year, from January 1 to December 31. The application scope is based on employees listed in the payroll software.

Methodological specifications for the environmental and societal portion

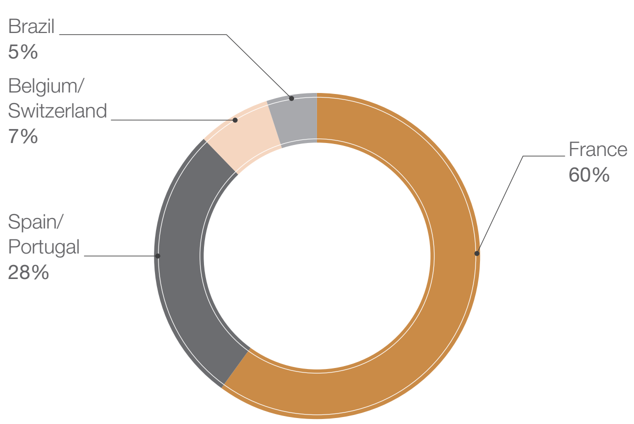
The data collected corresponds to varying periods of 12 actual months depending on the contributors, impacted to a greater or lesser extent by the seasonality of the Company's activities.

* Period applied for stores: to avoid the Christmas period, data is reported in November of a given year and covers the period from November of the previous year to October of the current year.
* For all other contributors, data is reported between January 1 and 15 of the following year and covers the period from January to December 31 of the relevant year.

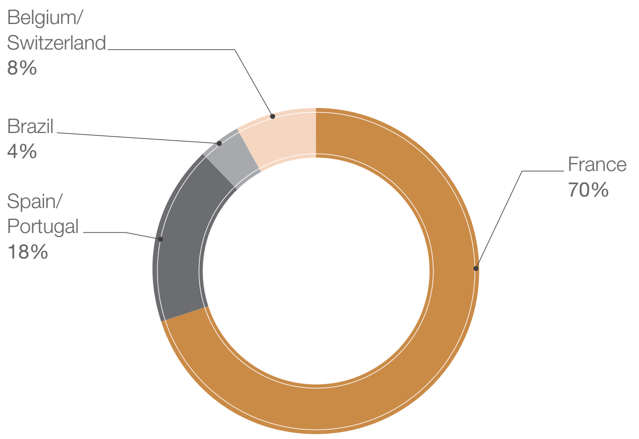
To see the relative importance of the exclusions affecting some environmental and societal indicators, the following charts show the employee and revenue breakdown by regions/countries.

France has the preponderant weight, which is why it is not excluded from any indicator.

Total employees at Dec. 31, 2015



Actual revenues at Dec. 31, 2015



Indicators

For each of the themes of Article 225 of the Grenelle II law, we have reported on the most relevant indicator(s) and as necessary indicated where they do not apply.

Their reliability is assessed by the applicable departments using consistency checks. They are then consolidated. For all reporting, data from previous years may be corrected or refined as and when necessary to ensure the published data are more reliable.

The conversion factors used for the reporting of greenhouse gas emissions are from the carbon accounting method recommended by Ademe (version 7).

In the interests of transparency in terms of the requirements of Article 225 of the Grenelle II law, this document has been audited by an independent third party (ITP) whose conclusions are presented in section 2.6.

2.3 Social information

The Group's human resources policy has for a long time been centered on human and cultural diversity, which presents a constant challenge as well as an economic and competitive advantage. The aim of this policy is to strike the right balance between the need to support the Brand's development in its markets and its economic model, and the intention of upholding strong social dialogue.

Overhauling Fnac's model involves making the customer the focus of each employee's sales and management activities. This priority is reflected in a training program focused on customer relations over the last three years and will include the development of managerial skills in the coming years.

For the social aspect, Fnac is a brand that respects its legal and regulatory obligations and attempts to anticipate legislative developments aimed in particular at improving employees' working conditions. The Group's scope is covered by numerous agreements and unilateral action plans underscoring this commitment.

2.3.1 Workforce

2.3.1.1 Employees

The table below shows the number of Group employees on open-ended or fixed-term contracts over the last two years by geographical region.

Geographical regions (employees on open-ended and fixed-term contracts)	December 31, 2015	December 31, 2014
France	8,489	8,816
Spain and Portugal	3,962	3,940
Brazil	727	819
Belgium and Switzerland	906	903
TOTAL	**14,084**	**14,478**

The number of employees shown above includes employees hired by the Group through an employment contract and does not take account of whether such contracts were suspended at year-end. The figures presented in the table above do not include temporary hires, student interns or external service providers.

The workforce was reduced by 3.7% in France after finalization of the employment protection plan in 2014 and cost controls. Internationally, the Group posted a 2.7% decline in workforce.

The table below shows the number of Group employees (in France and abroad) with permanent employment contracts in the last two years by socio-professional category.

Socio-professional categories (employees on open-ended contracts only)	December 31, 2015	December 31, 2014
Executives and Supervisors (managers)	2,432	2,409
Manual workers, office workers, technicians (non-managers)	10,066	9,975
TOTAL	**12,498**	**12,384**

The increase in employees on open-ended contracts is due to the constraints imposed by the 2014 employment protection plan on open-ended hires coming to an end.

The table below shows the distribution of Group employees (in France and abroad) during the course of the last two years by gender.

Male/Female ratio	December 31, 2015	December 31, 2014
Percentage of women in the workforce	44.1%	43.9%
Percentage of women managers	40.8%	40.7%

The table below shows the change in the breakdown of the Group workforce by type of contract over the last two years.

Percentage of type of contract	December 31, 2015	December 31, 2014
Open-ended employment contracts	88.7%	85.5%
Fixed-term employment contracts	11.3%	14.5%
Temporary workers	*7.4%*	*6.3%*

The table below shows the distribution of Group employees on permanent contracts (in France and abroad) in the last two years by age bracket.

Age distribution of employees on open-ended contracts	December 31, 2015	December 31, 2014
Under 25	6.7%	5.7%
25 - 30	15.2%	14.3%
31 - 40	36.0%	39.9%
41 - 50	28.4%	27.8%
51 - 55	8.6%	7.7%
56 - 60	4.4%	4.0%
Over 60	0.8%	0.6%

There was little change to the age structure in 2015. Representing 64% of the workforce, the 31-50 age group continues to account for the majority of employees.

The measures undertaken to promote the employment or maintenance of employment for persons over 50 are bearing fruit since the proportion of employees aged 50 and over continues to grow and accounted for 14% of employees on open-ended contracts at December 31, 2015. This represents an increase of 2 percentage points in a year.

2.3.1.2 Working hours

The table below shows the change in the Group's workforce on part-time, open-ended contracts over the last two years:

Breakdown of working hours for employees on open-ended contracts	December 31, 2015	December 31, 2014
Full-time	9,142	9,301
Part-time	3,356	3,083
Proportion of part-time employees on open-ended contracts	*26.8%*	*24.9%*

The proportion of part-time employment increased by 1.9 percentage points in 2015. Belgium and Spain are the countries with the most part-time employment, with 50% and 55% of part-time open-ended contracts respectively.

2.3.1.3 Recruitment and departures

In this section, the term "recruitment" refers to all acts related to engaging a person and linking such person to a company through a work contract to perform a specific work task. It includes apprenticeship or vocational training contracts but excludes internships. The term "dismissal" refers to the case where an employer unilaterally terminates an employee's contract of employment.

In 2015, the Group recruited 2,089 employees on an open-ended employment contract compared to 892 in 2014 in the six countries in which it operates, representing an increase of 134% new hires. This increase is largely due to the end of the constraints imposed by the termination of the employment-protection plan that had been put in place in 2014. In 2015, the Group also recorded a monthly average of 1,041 temporary staff, an increase of 13%. This increase was due to the decision to hire temporary staff for busy periods rather than employees on fixed-term contracts.

The table below shows the change in the Group's workforce over the last two years:

Workforce	2015	2014
Turnover of staff with open-ended employment contracts[(a)]	16.6%	16.0%
Voluntary turnover of staff with open-ended employment contracts[(b)]	7.1%	8.2%
New hires on open-ended employment contracts[(c)]	16.7%	7.2%
Number of disabled workers/registered employees	3.6%	3.5%

(a) Ratio of departures on open-ended employment contracts excluding internal job transfers to employees on open-ended employment contracts at December 31.

(b) Resignations, trial periods terminated on the employee's initiative.

(c) Ratio of new hires on open-ended employment contracts to employees on open-ended employment contracts at December 31.

The Group did not encounter any difficulties in recruitment in 2015; turnover was stable during the year given the economic situation.

The following table shows the breakdown of departures on open-ended contracts in France and other countries by reason for departure. The increase in dismissals for economic reasons was due to the 2014 employment-protection plan coming to an end in 2015, with departures recognized at the end of the reclassification periods.

	2015		2014	
Reason for departure	Number of departures	As % of total	Number of departures	As % of total
Departures on the initiative of the employee	888	41.1%	1,020	50.2%
Termination for economic reasons	289	13.4%	170	8.4%
Termination for non-economic reasons	824	38.2%	736	36.2%
Departures because of retirement	44	1.9%	30	1.5%
Mobility	90	4.2%	51	2.5%
Death	6	0.3%	7	0.3%
Breach of contract	19	0.8%	18	0.9%
TOTAL	**2,160**	**100%**	**2,032**	**100%**

The following table shows the change in absenteeism in the Group in 2015 (Switzerland and Belgium, accounting for 6% of Group employees, are not included in this indicator).

In view of the change to the accounting rules this year (change from work days to calendar days), the 2014 data (4.4%) is not comparable and has therefore been eliminated from reporting.

Working conditions	2015
Illness absence [(a)]	5.6%

(a) Ratio of number of calendar days of illness absence, long-term illness, workplace and other accidents to total theoretical workdays.

2.3.2 Remuneration

The Group's gross payroll expense before taxes (in France and other countries) amounted to 385 million euros at December 31, 2015 compared to 374 million euros at December 31, 2014.

2.3.2.1 Remuneration policy

The remuneration policy is determined by the Human Resources Department, which regularly analyzes the Group's remuneration positioning in comparison with market data provided by specialist firms. These market analyses then help to define the overall remuneration policy tailored to the various activities.

Remuneration is composed of the basic salary, systems of individual or collective variables, and employment benefits.

The basic salary remunerates good job performance. It is determined by reference to minimum salary matrices for each level of job. Ensuring that a balance is maintained in terms of who is employed (men/women, seniors, part-time, etc.) is a main component of the Group's human resource strategy.

At the end of 2015, 90% of employees, managers and non-managers, benefited from variable remuneration systems linked to economic indicators and the achievement of individual targets. For example, the variable element for store employees in France factors in individual and collective performance and customer satisfaction.

Profit sharing and incentive plans enable Group employees in France to benefit collectively from a share of profits. Incentive plans are governed by agreements specific to each of the Group's French subsidiaries. Profit sharing is covered by a discretionary Group-level agreement renegotiated in 2013 for financial years 2013 to 2015. All employees who have worked for the Group for over three months have the option of immediately allocating all the sums paid to them under profit-sharing and incentive plans to a Group Savings Plan. This scheme benefits from exemptions from tax and social security contributions under the applicable regulations.

All employees in France are covered by health insurance plans, providing a very high level of coverage and considered among the best on the market. In the other countries, where applicable, employees have additional coverage in compliance with the legal obligations of the country.

Lastly, the Group's managers in France benefit from a defined contribution occupational pension plan.

2.3.2.2 Remuneration of Directors

The Nomination and Remuneration Committee, composed of Group Directors, reviews and recommends to the Board of Directors the elements and conditions for remuneration of corporate officers and the principles of the Executive Committee's remuneration. It is informed by the HR Department of the elements of remuneration for Groupe Fnac Executive Committee members and the Group's remuneration policy.

The Group HR Department monitors the remuneration of senior Group executives to ensure internal consistency and fairness.

Fnac's Board of Directors uses the principles of the AFEP-MEDEF Code as the framework of its corporate governance and therefore adheres to the AFEP-MEDEF guidelines of October 6, 2008, revised in November 2015, regarding the remuneration of Corporate Directors of listed companies. It considers these guidelines to be consistent with the Group's corporate governance procedures detailed herein (see section 3.3.1).

2.3.3 Employee relations

2.3.3.1 Organization of social dialogue

Each of the Group's subsidiaries in its six host countries has staff representative bodies in accordance with current local legislation. However, the organization, prerogatives and obligations of these bodies vary widely from one country to another, depending on applicable local legislation.

A Group-level Committee is in place and a European Works Committee is currently being set up.

This is the level at which the management regularly negotiates agreements applicable to all companies in the Group with the representative trade unions (e.g. profit-sharing, employee savings, benefits, and the intergenerational agreement).

In 2015, an amendment to the benefits agreement was signed with the CFDT, CFTC, CGT and SUD FNAC unions.

In France, social dialogue is also structured at the level of legal entities and individual establishments.

In each establishment, there are staff representatives and an establishment council. Meetings are chaired by management. As regards health and safety, all Group establishments are covered by Health, Safety and Working Conditions Committees (CHSCT).

At company level, each legal entity has a works council or a central works council plus establishment councils, depending on its workforce and the complexity of its structure. The management of each subsidiary negotiates agreements with the union bodies in areas such as profit sharing, gender equality and the reduction and structuring of working time.

2.3.3.2 Collective agreements in France

The Group subsidiaries are covered by agreements, some of which are mandatory while others are signed at the behest of the management and unions.

Some agreements have led to significantly improving employees' individual and collective benefits compared to the statutory provisions for each item. For example, five of the Group's subsidiaries are covered by "company agreements" which provide for company-wide arrangements on employment law issues such as leave, allowances, breaks, etc.

At Group level, negotiations have been successfully concluded on healthcare costs, profit sharing, the establishment of a Group committee and an intergenerational plan. Negotiations on a supplement to the health insurance plan were concluded and signed by the majority of trade union organizations in 2015.

Social dialogue is central to many of the negotiations at the Group's subsidiaries.

Apart from agreements at Group or subsidiary level, a number of unilateral decisions on such fundamental issues as remuneration, work organization and hours, gender equality, professional integration and retaining employees with a disability contribute to improving the integration, organization and quality of life of employees at work.

2.3.4 Health and safety

2.3.4.1 Occupational health and safety practices

The Group pays particularly close attention to employee health protection, and will continue to implement all measures necessary to meet its occupational health protection obligations.

For example, pursuant to its legal obligations, management annually updates a single document for each establishment to identify the risks for employees' physical and psychological health and automatically associates an action plan to each identified risk. The section of the document on psychosocial risks has been updated with help from employees and in conjunction with members of the CHSCT. The section on physical risks has been updated with members of the CHSCT.

In recent years the Group has also implemented a number of unilateral initiatives, such as a violence and harassment alert system that can be triggered by any employee to stop a situation from placing the employee's health at risk.

In France, the Group also has two social assistants and a telephone helpline to provide support to employees when certain difficult situations arise.

As the logistics businesses are particularly concerned with the question of security, Fnac Logistique instituted a continuous improvement process in 2015 through the organization of a day per month for the observation of actions and risk analysis. On this day, Directors and managers visit a selected site to observe the employees' awareness of safety instructions and compliance with rules of conduct. An action plan with responses to any areas identified for improvement is then deployed immediately.

Fnac Logistique is also continuing its investments to reduce carrying heavy loads with the purchase of grippers in 2015 (this follows on from adding conveyors at Wissous 1 in 2013 and Wissous 2 in 2014). Also, for many years it has called on external service providers to improve ergonomics at workstations and the automation and mechanization of activities (heavy loads, merchandise transport chain, etc.).

2.3.4.2 Health and safety agreements signed

No workplace health and safety agreements were signed in 2015.

2.3.4.3 Work injuries and occupational illnesses

The Group considers it a fundamental duty to ensure its employees' physical and psychological health and safety. All the measures taken in this regard are described in section 2.3.4.1 on Occupational Health and Safety Practices.

In 2015, the total number of accidents at work with stoppage time, occurring at the workplace or during travel for work purposes in France and abroad, came to 284, compared to 330 in 2014 and 365 in 2013. This represents a reduction of 14% in one year and 22% in two years.

There were no fatal accidents in 2015. Fifteen employees contracted an occupational illness during the year.

Work injuries to employees on open-ended or fixed-term contracts – Group	2015	2014
Frequency of accidents at work[a]	13.1%	16.1%
Severity of accidents at work[b]	0.6%	0.5%

(a) In number of accidents, excluding commuting accidents that led to at least one day of absence from work, per million hours worked.
(b) In number of days lost per thousand hours worked.

2.3.5 Training

Training to support strategic goals

Under its strategic plan and in accordance with its legal obligations, Fnac has continued to roll out its training policy, which revolves around two main themes:

* the acquisition or strengthening of the necessary skills for the job with regard to product or business developments, through recurrent actions on training, available as standard or by one-off demand (integration, product training, health & safety at work, management, etc.);
* the aim of developing a strong customer-satisfaction culture to support the Fnac 2015 strategic plan at a time when, under the omnichannel strategy and with the rapid expansion of the internet, it is crucial that customers are totally satisfied and their loyalty reinforced every time they visit a store. Fnac has developed a program based around the themes of "welcome, explore, sell, expand, thank" (in French called REVER: *Recevoir, Explorer, Vendre, Élargir, Remercier*), which over 6,000 employees have been trained in over the last three years.

In 2015, when the REVER program came to an end, a team of dedicated internal trainers continued to support the stores and franchise network (training new entrants, monitoring teams already trained, support for store management to formalize customer-satisfaction action plans, and the integration of new employees at the franchises).

Training data France	2015	2014
Total expenditure on training (in euros)	1,808,486	3,065,727
Employees who have received training	2,956	3,737
Managers	557	807
Non-managers	2,399	2,930
Total number of hours of training (excluding security staff)	42,870	61,480
Average number of hours of training per employee trained[a]	15	16

(a) The information on training for fiscal 2015 is provisional given the consolidation timetable in the first quarter. They will not be finalized until the annual statement on employers' participation in the development of ongoing professional training, sent to the relevant institution at the end of May 2016.

Group training data	2015
Total expenditure on training (in euros) including security staff	2,679,661
Employees who have received training	8,052
Managers	1,097
Non-managers	6,955
Total number of hours of training (excluding security staff)	107,050
Total number of hours of training for security staff	18,798
Total number of hours of training per employee trained[a]	13

Given the scale of the REVER program, the end of its deployment accounted for the bulk of the reduction in the Group's expenditure on training (-41%). In 2016, programs will be deployed to develop the competences of managers to manage their teams better.

The Group is also keen to develop its e-learning training programs and thereby enable the greatest number to have access to fundamental business-line skills beyond in-person training. On top of the existing product range, tailor-made modules on the customer experience and service were developed in 2015. They offer a recap for employees who have already been trained and promote the rapid acquisition of the foundations of customer relations for new hires. Three new modules in 2015 generated 3,274 online connections, with 1,634 specifically for the REVER module on bringing the customer experience to life.

In 2015, the Group devoted a total budget of around 2.7 million euros to employee training, which represents around 0.7% of the Group's payroll.

Developing the employability of all employees

Ensuring the employability of all employees is a priority for Fnac. In this context, beyond the training actions it offers, the Group is continuing its ambition to support employees who want to gain a qualification for skills learnt through their professional experience: since 2004, 574 employees in France have benefited from personalized training and earned certification for competences and know-how acquired on the ground. In 2015, 28 employees gained a formal qualification: 10 bachelor degrees, 2 technical diplomas and 16 vocational certificates.

2.3.6 Equal treatment

The commitment to equal treatment, diversity and the fight against discrimination is a response to issues that the Group considers are fundamental to its strategy and aligns with the Fnac values of Commitment, Passion, Respect, Innovation.

This is a commitment that Fnac wants all employees to understand and share, whatever their country, function or level in the organization. The Group is therefore concerned to:

* communicate this commitment regularly to all Group employees, highlight achievements and promote the sharing of best practice – for example: a poster on gender equality at work, creation of the Handi'trophée Fnac for disabled sports, internal communications on disability, explanatory leaflet on the intergenerational agreement measures, and the CSR report in France;
* continue to roll out awareness-raising actions which serve as a reminder of the value, aim, and legal framework of Fnac's commitment in this area and provide appropriate tools, e.g. for Diversity (awareness-raising day of accountability at Wissous), Disability (HandiTour, excellence Fridays at Fnac Logistique), Age (raising awareness after the signing of the Agreement), and Religion (summary presentation).

The commitment is also demonstrated externally to:

* job applicants, especially via Fnac's corporate website, the Talents de Fnac recruitment website, in general advertising of our job offers (on dedicated websites such as agefiph.fr, handicap.fr and senioragir.fr, and the disability employment forum *Cap Emploi*), through our presence at job fairs (*Paris pour l'emploi*, *Village Handicap*, Handi2day), etc.;
* service providers, for example by including CSR requirements in calls for tender (e.g. agreements on temporary employment, recycling at head office carried out by a specialized company, etc.).

Generally, HR communications aim to reflect the diversity of job applicants and employees, especially through illustrated material (intergenerational agreement leaflet, wording of job offers).

Since 2010, a member of the HR Department staff has been in charge of managing diversity-related actions.

Fnac Belgium was awarded the Diversity Label in December 2015 from the Brussels Minister for the Economy, Employment and Training. This label recognizes companies that have invested fully in the promotion of diversity and the fight against discrimination and was recently awarded to validate the implementation of an action plan (2012-2015) at all Fnac Belgium establishments concerning the selection of job applicants and recruitment, the training of managers, and the integration and "mentoring" of new hires.

2.3.6.1 Gender equality

Beyond the proportion of men and women in the workforce (in France and other countries, 44.3% women in new hires, 40.8% women managers, 44% women in the workforce), action for gender equality in employment in France plays out in social dialogue: the professional gender equality agreements and action plans managed by the companies are aimed at promoting diversity in the business lines at all levels of responsibility, by ensuring equal treatment for equal skills in recruitment, access to training and job promotion, parenting, etc.

Groupe Fnac's Executive Committee is composed of 7 men and 5 women (42% female).

Also, a significant proportion of posts traditionally thought of as a male preserve are now performed by women: for example, Fnac has 16 female store Directors (19%).

The Group has also committed itself to promoting the work-life balance of its workforce.

Fnac is a signatory of the corporate parenting charter, which aims to facilitate representations on parenting within the corporate setting, to create a favorable environment for employee parents, especially for pregnant women, and to respect the principle of non-discrimination in professional advancement for employee parents.

On International Women's Day in March 2015, Fnac's establishments in France published information to raise employee awareness.

2.3.6.2 Support for seniors and youth

The Group is committed to employing "seniors" and integrating "young people". Further to the Group's triennial agreement on the employment of seniors in Fnac companies (2010-2012) and in accordance with its legal obligations, discussions with the trade union organizations ended in the signing of an intergenerational agreement in December 2014.

The main actions relate to:

* the recruitment and integration of young people (integration pathway, follow-up);
* the recruitment of seniors and maintaining them in employment (e.g. the possibility from the age of 56 of adjusting their working time, with the company being responsible for paying the difference in their pension contributions and maintenance of lump-sum retirement payment, progressive pre-retirement scheme from two years before retirement with the company being responsible for paying the difference in their pension contributions, the possibility of a "health check" during working hours, etc.);
* late stage career planning (meetings offered with the HR manager, skills assessments, etc.);
* transition into retirement, especially through workshops and individual information meetings;
* knowledge-transfer to the next generation (appointment of a senior as a mentor for a new recruit, taking on interns and work-study program students, pairing employees to swap skills between generations and business lines, etc.).

At the end of this first year of implementation, a review was conducted on the commitments related to maintaining seniors in employment and recruiting seniors and young people. The figures are higher than for commitments related to maintaining seniors in employment and recruiting young people; however, the figures for recruiting seniors need to be improved in order to achieve the target set for the end of three years of the agreement.

In 2015, seven collective information workshops were organized with the help of retirement specialist organizations.

2.3.6.3 Recruiting and integrating people with disabilities

Employing people with disabilities has long been part of the Group's diversity policy.

The Disability Project has been in existence since 2005.

At December 31, 2015, the Group had 514 employees with a disability (up 2.5% versus 2014) in France and other countries (3.6% of the workforce).

In France, at the end of 2014, employees with a disability accounted for 4.26% of the workforce, up by 0.36 percentage points versus 2013 and by over 1 percentage point in 3 years (versus 2011).

Every year during "National Disabled Workers Week" in France, the Company publishes information about the employment of people with a disability, during which it participates in "Handilive" which is organized under the auspices of the Employment Ministry. At this event, Fnac presents its policy to promote the employment of people with disabilities (involving recruitment, vocational training, continuing employability, and awareness), as well as its activities and occupations, and conducts direct Q&A sessions with applicants. In 2015, "Mission Handicap" travelled to various work sites (stores in Valenciennes, Troyes, Reims, Angers, Étoile, Boulogne, La Défense, Beaugrenelle and others) to inform all employees about the realities of disability (especially the inclusion of disabling illnesses) and the importance in terms of prevention of approaches to "recognizing" disability.

The Group also attended dedicated employment forums, particularly online forums such as Handi2day (in April and October 2015), which attracted more than 40 recruiters. Fnac publishes all its job offers on the Agefiph website and sends them to Cap Emploi. It also publishes them on Handicap.fr and seeks applicants on the Hanploi and Regionsjob websites (dedicated CV library).

An information document has been drafted for employees to respond to the main questions and potential concerns and is due to be published in early 2016.

"Handicap Mission" informs and supports people with a disability, during recruitment and throughout their career, with administrative tasks to adjust their work conditions, access training, and develop their skills. It is also addresses the concerns of employees who become disabled and therefore beneficiaries of the law on disability.

To promote the recruitment of workers with disabilities, the Group has introduced a special professional development program offering more than 300 hours of block-release training. In 2015, a class for the deaf was created with the disability agency GRETA and enabled 12 people to train as checkout operators.

Fnac Logistique continued its efforts towards integration within business lines (logistics, after-sales, quality control): after a first session with GRETA in 2014-2015, 13 people with a disability underwent training to gain a qualification in store sales or a professional qualification in logistics.

The Group also works with temporary employment agencies (France) so that it can employ temporary workers, particularly when reinforcements are needed at the end of the year. This commitment is one of the selection criteria for temporary employment agencies and is regularly monitored.

In addition, the Group develops partnerships with the disabled sector under France's "ESAT" and "EA" initiatives (establishments or services that help people with disabilities return to work). For example, it outsources the laundering of Fnac waistcoats to this sector. (In 2014 it had forged 48 partnerships in the sector).

In 2015, it awarded contracts to the disabled sector (sheltered-employment organizations and disability-adapted companies) for the printing and mailing of documents and letters, and the upkeep of green spaces. Workers with disabilities also wrapped gifts ordered on fnac.com, all year round.

The task of recycling paper, drinking cups, cans and plastic bottles at the head office was outsourced to a company that helps people with disabilities return to work, at the same time addressing the Group's social and environmental commitment.

Handi'trophée 2015

In 2015, Fnac launched its first Handi'trophée (France). Promoting the integration of people with a disability is a historic commitment for Fnac, and numerous actions are undertaken every year to encourage the employment of people with a disability, in terms of recruitment, maintaining them in work, providing information and raising awareness.

To strengthen the commitment, the aim of the Fnac Handi'trophée is to showcase the actions of establishments, which get involved and communicate disability issues in a positive and serious way by flagging successes and sharing best practice for everyone's benefit.

For this first year of the contest, there were 12 entries: 1 for head office, 3 for logistics, and 8 for stores. The winner was Fnac Saint-Lazare for its integration of deaf people to work as checkout operators; this is a key area of our business as it is a permanent, customer-facing role which can be developed at other sites.

Two other actions were shortlisted: a Special Prize was awarded to Fnac Lille, whose comprehensive action covered a range of areas: by focusing on recruitment, improving work stations and supporting employees needing recognition of their disability, its example shows that the employment of people with a disability really is within the reach of all establishments.

And the judges also created a special award for Fnac Logistique for the successful integration of 11 people with a disability on a work-study program, across a raft of business lines ranging from logistics to after-sales.

2.3.6.4 Promoting integration at work

Work-study programs

In 2015, Fnac accepted 286 work-study program students, some on career development courses, others on apprenticeships. Work-study opportunities are available in all our business lines: sales, customer service, logistics and after-sales, as well as in all the back-office functions like accounting, marketing, communications and HR.

The training involves all types of businesses and also offers various levels of qualification, including a vocational aptitude certificate and 5-years' post-school experience.

To develop closer ties with local communities, Fnac has put in place local partnerships with training organizations in all the employment regions where it is present. Specific Fnac courses (with a Fnac employee running the training) have been created, accepting 19 students for two days a week.

Support for schools promoting job skills for people with difficulty accessing work

In 2015, Fnac decided to devote 18% of the amount paid under the apprenticeship tax (140 thousand euros) to schools and centers promoting job skills for people with difficulty accessing work, especially the *Écoles de la Deuxième Chance* and centers run by Adapt (Association pour l'insertion sociale et professionnelle des personnes handicapées). In 2016, Fnac will be involved with projects financed by the apprenticeship tax.

2.3.7 Policy to combat discrimination

The initiatives implemented to promote diversity, equal treatment and equal opportunities help combat discrimination.

Sessions are held to educate managers about these issues, clearly reaffirming Fnac Group's commitment in this regard and create a common culture so that the issues are understood, adapted and consequently implemented.

These components of the Group's strategy – affirmation, communication, education, legal framework, social dialogue, managerial and HR processes, practical action and concrete measures – underpin our policies regarding anti-discrimination and diversity.

2.3.8 Promoting and respecting the provisions of the ILO core agreements

Through all its commitments and agreements in all countries in which it is present, Fnac respects and promotes the principles and rights recognized in the ILO.

In this respect, and drawing on the laws in each Fnac country, the Group respects freedom of association, bans forced and child labor, and conducts a policy free of any discriminatory measure.

In addition, freedom of association in the Group is strengthened by personnel representative bodies at each Group level.

2.4 Environmental information

The Group pays particular attention to the environmental footprint of its activities, by controlling its CO_2 emissions generated by BtoB transport, reducing its energy consumption and managing its waste.

Since 2013, Fnac has also acted to curb the impact of its products; upstream, by offering its customers information about the environmental impact of the product; downstream, by instituting a responsible "repurposing" policy.

2.4.1 General environmental policy

2.4.1.1 Organization of assessment or certification systems

Monitoring the environmental impact of the Group's operations is handled by the CSR unit in the Human Resources Department.

Data relate for the most part to transport and energy consumption and are reported by each business group.

Following a process initiated in 2010 on environmental management, in 2013, Société Française du Livre (SFL, a subsidiary of the Group) obtained ISO 14001 certification. The teams at two sites (Saint-Denis and Rottembourg) took a long-term approach to apply best practice out of a concern to improve SFL's environmental performance.

2.4.1.2 Staff training and information initiatives

Group employees are made aware of best practices to reduce stores' environmental impact through the dissemination of a document called the "Fnac Ecoguide". This document is updated on an annual basis by the head of Maintenance to promote best practices in energy saving and waste management.

The CSR Department informs employees of actions taken and results obtained on the CSR page of the Group's corporate website, where the annual CSR report is also published. Regular reports of key figures and major events are posted on the Group's intranet.

2.4.1.3 Resources allocated to the prevention of environmental and pollution risks

Even though its primary business is retail, which has few environmental and pollution risks compared to other sectors, the Group strives to minimize its environmental impact. This commitment is also reflected in the ambitious targets we have set for the main areas of our environmental impact: transport and energy consumption in our buildings.

2.4.1.4 Provisions and guarantees earmarked for environmental risk

Fnac's financial statements contain no provisions or guarantees for environmental risk. Since the Group does not belong to the manufacturing industry, it incurs very little environment-related risk.

2.4.2 Pollution and waste management

2.4.2.1 Waste

Waste in the air, water and ground does not constitute a material impact for the Group. Its only emissions, which could significantly affect the environment are greenhouse gases.

2.4.2.2 Waste prevention, recycling and elimination measures

Conscious of the environmentally negative impact of technical products with an increasingly short life, Fnac is working to promote a second life for products and manage their end-of-life responsibly, with the aim of ensuring that the Group plays its part in a circular economy.

Repurposing consumer electronics

Fnac has set up a structure within Fnac Occasion ("second-hand Fnac") tasked with dealing responsibly with all products bearing its "100% refund" guarantee. Its aim is to repurpose these products through recycling:

* either through repair or reconditioning by Fnac customer services teams, followed by re-sale to our customers via the fnac.com Marketplace;
* or by reselling them to organizations that at least offer a responsible end of life for them through recycling or repair and resale via a not-for-profit distribution network. Fnac works with outreach players such as Emmaüs-Ateliers du Bocage and ENVIE. Any organization wanting to purchase such products has to sign a responsibility charter whereby they guarantee responsible waste management and the systematic wiping of data.

One of the structure's first tasks is to control the upstream and downstream product recycling processes, to ensure that the products actually reach the recycling plant.

Another measure, taken during a computer re-equipment program in 2015, was the donation to the Atelier du Bocage of 443 computers previously used by employees for reclamation and re-use.

Repurposing editorial products

Every year, Fnac organizes a massive book-collection program at its stores in France for the benefit of *Bibliothèques sans Frontières*. This annual event is described in section 2.5.2.2 devoted to the Company's societal initiatives.

Waste management

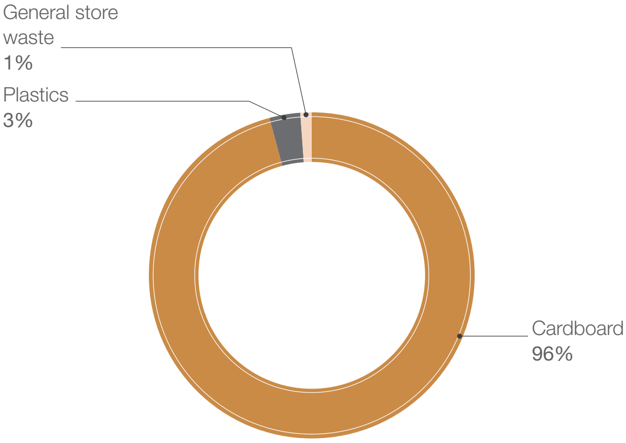
The nature of the waste produced by the Group is mainly linked to its business as a retailer. Product packaging or pallets used for transport generally produce non-hazardous waste, mainly cardboard, paper and plastic.

Fnac also recycles all the cardboard packaging of products that arrive ready-packaged from suppliers.

These two factors account for Fnac's large volume of cardboard and plastic waste, and it makes every effort to recycle them: in 2015, the logistics center in France returned 2,258 tons of cardboard to the supplier for recycling.

Fnac Logistique recycled 87% of the total waste of 2,584 tons.

Recycled waste in tonnes per category



Fnac's head office is also very concerned by its waste management and has put in place a sorting and recycling process for paper, cardboard and drink containers (cartons, pouches, cans and bottles). As a result, over 15 tons of cardboard and paper were recycled in 2015. This initiative has a social dimension since our partner is a company dedicated to providing work for people with a disability (cf. 2.3.6.3).

Obviously Fnac also has to manage the end of life of hazardous waste from its own consumption and customer returns such as neon lighting, batteries, electrical equipment, used oil, photo-lab waste, paints, aerosols, soiled packaging and printer toner.

Waste collected and directed to appropriate recycling (new use, reuse, recycling)

Scope: France

(in tons)	2015	2014	2013
Waste electrical and electronic equipment (WEEE)	342	412	469
Batteries	12	13	16
Toner cartridges	10	7	7
Other hazardous waste *(Warehouses)*	14		
Palettes and other wood *(Warehouses)*	1,942		
Other non-hazardous waste *(Warehouses)*	131		

Scope: Portugal

(in tons)	2015
Waste electrical and electronic equipment (WEEE)	7
Batteries	4
Toner cartridges	1
Other hazardous waste *(Warehouses)*	5
Palettes and other wood *(Warehouses)*	51
Other non-hazardous waste *(Warehouses)*	14

This table includes both the production of waste from stores, central offices and warehouses as well as waste returned by customers to our sites.

The steady reduction in France is due to the type of products collected as they are generally lighter every year (televisions being a prime example) and by the decrease in waste deposited in our collection banks by our customers. This is probably due to the huge increase in the number of recycling sites available to customers apart from Fnac stores.

As a major distributor, in the coming years Fnac will have to emphasize end-of-life collection of small household appliances in its stores in order to strengthen its participation in the national effort to collect, depollute and recycle WEEE.

2.4.2.3 Noise pollution

The Group's activities produce little noise pollution.

2.4.3 Sustainable use of resources

2.4.3.1 Water consumption and supply and local constraints

Water is not a major issue for Fnac. On the one hand, as a retail distributor, Fnac only consumes water for sanitation and, on the other hand, Fnac does not have sites in countries with a level of water shortage classified as water stress.[(1)]

It is also difficult to extract meaningful information from the reported water consumption figures because many stores are on commercial leases that include water costs and therefore the volumes consumed are not visible.

2.4.3.2 Consumption of raw materials and measures taken to improve their efficient use

Paper consumption

Scope: France

The two main sources of paper used at Fnac are office paper and paper purchased directly in the form of a finished product (particularly catalogues and other printed promotional material).

In 2015, 272 tons of office paper were consumed compared with 296 tons in 2014.

A similar trend is evident in the purchase of paper in the form of finished products, which came to 458 tons in 2015 – almost all of this was paper made from recycled fibers or certified as sustainably sourced.

Fnac is thus continuing its commitment to reduce its consumption of paper. This policy, which began in 2011, has led to the elimination of technical files in paper form (they are now in electronic format), a significant reduction in the volume of marketing documents and the number of pages they contain, their creation in electronic format and dissemination online, the optimization of printing systems and reduced paper weight (in gsm).

Packaging consumption

Packaging is a major challenge for the Group, which uses large quantities of cardboard and plastic to protect and transport products sold in stores or ordered on the Internet and delivered directly to the end customer.

Cardboard

Scope: France

In France, the logistics division purchased a total of 1,560 tons of cardboard in 2015.

The logistics teams are always looking for the right balance between better protection for its products and lighter packaging. This concern resulted in a special audit of packaging in 2014 carried out by an external provider (Eco-Emballages). The conclusion was that the cardboard used was very efficient in terms of weight/protection.

Fnac Logistique is also engaged in a process of continuous improvement to manage waste sorting (especially cardboard and plastics).

Fnac has also decided to go a step further by printing recycling advice to help customers contribute to better recycling rates.

Plastic packaging

Fnac started charging for plastic bags (0.05 euro) in 2012. These bags are made of recycled material and can be recycled again.

Fnac also sells reusable carrier bags at a cost of 0.50 euro and 1 euro.

The table below shows the total consumption of plastic packaging since 2013. This plastic packaging comes from two sources: carrier bags at the till and shrink wrapping (mainly used for palletization).

Consumption of plastic packaging

(in tons)	2015	2014	2013
France	342	334	291
Portugal	111	ND	ND
Belgium	19	19	26
TOTAL	**472**	**353**	**317**

(1) The water stress threshold is defined by convention as below 1,700m³ per capita/year. Source: Aquastat data – FAO.

Energy consumption, measures taken to improve energy efficiency and use of renewable energies

Since 2010, the Group's head of Maintenance has conducted a policy to optimize the consumption of energy by equipment – through the institution of best practice summed up in the "Fnac Ecoguide" and the choice of more energy-efficient lighting and air conditioning materials.

In France, this policy of energy optimization is reflected in:

* the establishment of centralized technical management at several sales outlets from 2013. In 2014, there was a clear drop in energy consumption at the stores that had been equipped in this way in 2013 (consumption down 22% at Fnac Noisy and 14% at Fnac Clermont for example). On the back of this evidence, a dozen more stores have been equipped since the last quarter of 2014 (including three in 2015: La Défense; Parly2 and Evry). Deployment is expected to continue in 2016 at a further 20 stores and all sites should be equipped in this way within two years;
* the use of LED strip lighting (staff corridors) in 14 stores in 2015, making a total of 3,791 meters of lights replaced.

This key process of optimization is continues on the basis of energy audits conducted by the external service providers B Eco and Greenflex.

In Belgium and Switzerland, Fnac is focusing its efforts on supplies from renewable energy sources.

In 2015, 66% of the electricity purchased by Fnac Belgium came from renewable production while, for Switzerland, 100% came from renewable sources.

Electricity consumption

Scope: Group 100%

	2015		2014		2013	
Electricity	**MWh**	**KWh/m²**	**MWh**	**KWh/m²**	**MWh**	**KWh/m²**
France	71,729	165	73,886	170	77,365	181
Spain	22,035	264	21,724	260	21,550	234
Portugal	13,838	318	13,413	309	13,501	307
Brazil	8,531	242				
Belgium	5,575	149	5,967	160	6,150	283
Switzerland	2,030	157	2,347	182	2,554	273
TOTAL	**123,738**					
EXCL. BRAZIL	***115,207***	***191***	***117,337***	***197***	***121,120***	***204***

The table above illustrates the changes in MWh of electricity-related consumption. This can be read in two ways:

* on the one hand, the Group's actual footprint on the environment (MWh): changes to scope have not been taken into account so the table reflects the Group's impact using gross data;
* on the other hand, its environmental performance (KWh/m²): this shows the efforts to improve energy consumption and integrates changes to scope (i.e. store opening or closures).

In 2015, around **124 GWh** of electricity were consumed by the Group (including Brazil for the first time this year).

At constant scope, electricity consumption was 2% lower than in 2014.

Natural gas consumption

A second major variable in the Group's energy consumption is natural gas, which is only used in France (18 establishments) and Belgium (all establishments). There were no changes to scope between 2014 and 2015.

Scope: France, Belgium

(in MWh)	**2015**	**2014**
France	7,315	7,154
Belgium	1,047*	1,295*
TOTAL NATURAL GAS	**8,362**	**8,449**

* *Natural gas consumption data for Belgium 2014 corrected by assessment.*

2.4.3.3 Ground Use

The Group is not concerned by environmental issues linked to ground use, given its area of business.

2.4.4 Climate change

2.4.4.1 Greenhouse gas emissions

The Group's two main sources of CO_2 emissions are energy consumption (principally for heating, air conditioning and lighting at sales outlets, warehouses and offices) and the transport of merchandise and people.

CO_2 emissions from energy consumption

The table below shows the Group's direct (due to natural gas combustion) and indirect (due to power generation) greenhouse gas emissions and energy consumption in France. These emissions have been calculated using the emission factors in the carbon accounting method suggested by the French environment and energy management agency Ademe in version 7 of its Bilan Carbone.

	2015 incl. Brazil	2015 excl. Brazil	2014 excl. Brazil	2013 excl. Brazil
Energy consumption				
Electricity – Scope: Group *(GWh)*	124	115	117	121
Natural gas – Scope: France, Belgium *(GWh)*	8	8	8	ND
Refrigerant leakage – Scope: France		110		
CO_2 emissions related to energy				
Emissions related to electricity (indirect) TCO_2	21,531	20,785	21,763	21,006
Emissions related to natural gas (direct) TCO_2		1,816	1,834	ND
Emissions related to refrigerants (direct) TCO_2		169		
TOTAL TONS CO_2 EXCL. REFRIGERANTS		**22,601**	**23,597**	

Focus on electricity 2015 by country

	kWh	Emissions TCO_2 eq.
France	72	5,602
Brazil	9	746
Portugal	13	6,217
Switzerland	3	0
Belgium	5	689
Spain	22	8,276
TOTAL	**124**	**21,531**

As indicated above, the electricity used by Switzerland is 100% renewable and that by Belgium is 66% renewable.

This gives a zero-emission factor for Switzerland and reduces Belgium's by 66%.

It should be noted that these figures show only one order of magnitude. In fact, the calculation of direct and indirect CO_2 emissions requires the use of numerous assumptions, defined in relation to the "Bilan Carbone" carbon audit and signed off by the Auditors.

CO_2 emissions related to transport

The transport movements taken into account for this reporting correspond solely to transport under Fnac's control, i.e. transport it pays for.

When it comes to shipping goods, Fnac's goal is to ensure that the products it retails are available at all of its points of sale while keeping its environmental impact to a minimum. For ease and clarity, transport has been split into two categories.

BtoB transport

"BtoB" transport includes the supply of goods to the stores from warehouses and, in a small measure, suppliers' returns and publishers' delivery costs.

These flows, which are exclusively by road, are expressed in ton-kilometers (tkm). For each journey, this figure corresponds to the distance multiplied by the total tonnage transported on the journey to calculate the tonnages of CO_2 emitted.

These data are supplied by Logistics and cover:

* round trip deliveries from the logistics site in France to our French stores, European subsidiaries (in Belgium, Spain, Portugal and Switzerland), our stores in train stations and at airports, and SFL;
* shuttle journeys between the three logistics site warehouses in France: Massy, Wissous 1 and Wissous 2;
* transport to and from our logistics providers: Legendre, Prisme and Publidispatch;
* publisher carriage costs: subtraction of the direct flows from certain book publishers paid for by Fnac (Hachette, MDS, Sodis, Volumen).

Flows between warehouses and stores located outside France are excluded from the reporting scope.

Until 2014, the GHG emission factors applied to BtoB transport did not take into account emissions from the production and distribution of fuel. When updating the factors in September 2014, it was decided to include "upstream" and "manufacturing" in these factors.

The calculation method adopted is the one proposed in version 6 of the Ademe Bilan Carbone method. The emission factors for diesel, however, are updated using Ademe version 7. For the products shipped by Fnac, the default emission factor used in this reporting takes into account French road transport infrastructure.

BtoC transport of online orders

The BtoC transport of online orders concerns the transport of goods from our warehouses to the end customer. The CO_2 emissions related to these deliveries are calculated from data supplied by Chronopost International, DHL, and Bpost for packages sent abroad and by La Poste for the remainder.

CO_2 emissions related to Transport

The CO_2 emissions related to the transport of goods are presented in the following table, which includes restated historic data using the new factors applied.

CO_2 emissions for BtoB transport

(in tons CO_2 eq.)	2015	2014	2013	2012	2011
France	2,261	2,823	3,020	3,633	3,809
Portugal	380	ND	ND	ND	ND

The reduction in BtoB transport in recent years has continued with **a 20% decrease in CO_2 emissions** in 2015. This is due to a reduction in the tonnages transported plus the implementation of various measures to improve performance:

* greater frequency of deliveries to provincial stores, also extended to seven Paris/Paris region stores;
* greater optimization of flows of palletized consumer electronics and consolidation of time slots;
* exclusive use of trucks meeting Euro IV to VI emissions standards for deliveries to the provinces.

CO_2 emissions – BtoC (online customers)

(in tons of $CO_{2\ eq.}$)	2015	2014	2013
BtoC transport of online orders	3,841	4,862	4,725

The 20% reduction in CO_2 emissions related to the transport of online orders is due to the decrease in sending packages by air (a much higher emissions factor) and by the development of "click and collect" when an order made online is delivered to a store.

CO_2 emissions

(in tons CO_2 eq.)	2015	2014	2013
Total BtoB + BtoC (online customers)	6,102	7,685	7,745

Altogether, in 2015, 6,102 tons of CO_2 emitted were due to transport. This represents a 20% decrease compared to 2014 and 21% compared to 2013 for the reasons described above.

2.4.4.2 Adaptation to consequences of climate change

The Group's business does not require the introduction of measures to adapt to the consequences of climate change.

2.4.5 Protecting biodiversity

The Group's activity has no major impact on biodiversity.

2.5 Societal information

2.5.1 Fnac's territorial, economic and social impact

As a generator of economic activity, Fnac plays a major role in local communities. In addition, the Group's stores, mainly in town centers, enable the Group to play a decisive role in the dynamism of the urban social fabric.

In short, Fnac's cultural action policy reflects its powerful ambition to spread culture more widely, by promoting stronger links between the public and artists and by investing in extending the coverage and reach of works (cf. 1.4.4.4). This resulted in:

* the organization of free events in stores (nearly 1,100 in 2015 across France were supported by 100,000 people in total, according to our estimates): concerts, book signings, conversations, conferences – in particular providing a practical venue for local artists to meet their public;
* support for the literary field with the organization of landmark prizes: *Prix du Roman Fnac* (13th year), *Prix de la BD* (4th year) and *Prix Goncourt des Lycéens* (since 1988). These three highlights in the year give massive promotion to the authors and their works among a variety of different public profiles;
* the creation of innovative events like Pages Privées Fnac, enabling the public to meet leading contemporary authors in an intimate gathering (22 authors supported);
* the development of the Fnac Live festival (5th year): 32 free concerts for 130,000 spectators in central Paris, with top names in contemporary music and many young emerging artists supported by Fnac;
* the establishment of partnerships with local cultural institutions (at theatres and concert halls, festivals, museums, operas, etc.) with the aim of spreading their influence and inviting Fnac customers to hear them and find out more about them.

2.5.2 Relations with individuals or organizations interested in Fnac's business

2.5.2.1 Dialogue with stakeholders

For many years, Fnac has strived to maintain ongoing, constructive dialogue with its stakeholders, whether internal or external, local or national. The table below lists Fnac's key stakeholders along with the main methods offered by the Group to conduct dialogue.

Stakeholders	Main methods of dialogue
Customers	• Stores • Social media • Consumer surveys • Free cultural events
Employees	• Internal survey every two years • Intranet/Newsletters/Fnac in
Employee partners	• Regular meetings with staff representative bodies • Corporate agreements • Info Consult
Shareholders, investors and rating agencies	• Corporate website • Press releases and financial reports • General Meeting
Suppliers	• Annual suppliers & vendors get-together organized by Fnac
NGOs and non-profits	• National partnerships and ad hoc initiatives set up by stores
Entrepreneurs	• "Fnac Pro – Startup" competition every two years

With regard to its customers, Fnac is deeply committed to its retailers providing independent advice generated by Labo Fnac (Fnac laboratory), which assesses and compares the characteristics and performance of consumer electronics. For nearly 40 years, Labo Fnac has stood out for its product expertise and independence vis-à-vis its suppliers. The results of these studies are provided to consumers free of charge. In 2015, Fnac's team of technical specialists conducted 959 tests on 570 products (**compared to 835 tests on 387 products** in 2014) to compare them based on performance criteria that are not always easy to assess at the point of sale. There is no equivalent to the Labo Fnac at any other retail distributor: its culture of independence sets it apart from competitors due to the credibility of its recommendations, and this enables it to develop an unrivalled relationship of trust with consumers.

With an environmental rating system displayed on televisions in 2013, followed by PCs, tablets and cellphones in 2015, in store and on fnac.com, Fnac has strengthened it's advisory. This gives customers extra criteria when choosing a product as they know more about its impact on climate and non-renewable natural resources throughout its life, from manufacture to waste, including transport and use. During the past year, at least 75% of televisions and 40% of PCs/tablets/cellphones for sale in Fnac stores or on fnac.com had an environmental rating displayed, although Apple refused to send the necessary information to calculate its ratings.

The rating is calculated independently using indicators approved by Ademe. On fnac.com, 46,200 clicks were recorded for environmental ratings in 2015. Supplementary advice is also offered on a more energy-efficient usage as well as information on recycling old technical products through Fnac.

Fnac underscored its commitment to innovation and the corporate culture by organizing in 2014, for the first time ever, a "Fnac Pro – Startup" competition aimed at rewarding and supporting with equipment, the three most innovative startups. The next competition will take place in 2016.

2.5.2.2 Partnership and sponsorship initiatives

For a number of years, Fnac has sponsored the social integration company Emmaüs-Ateliers du Bocage, to which it has donated cellphones collected in-store and old computers of Group staff, which are still in working order. In 2015, Fnac donated 443 computers to ADB.

Every year during sustainable development week, Fnac organizes a big nationwide book collection for *Bibliothèques sans Frontières*. This huge event galvanizes employees and customers and has enabled the association to acquire around 100,000 books. At the end of 2014, the project was also awarded a special prize from the "Génération Responsable" Club, which is an association of CSR and sustainable development professionals.

In 2015, in the same vein of solidarity and for the sixth consecutive year, Fnac Dijon organized the "Braderie Solidaire" in partnership with Secours Populaire. Once a year, this event offers the public the opportunity to buy new products (unsold in Fnac stores across France) at heavily reduced prices. All the proceeds – a total of 126,485 euros – went to Secours Populaire. In addition to its support for cultural products, Fnac Dijon involved itself on a human scale through its staff working the event as volunteers.

Fnac also supports the association Sport dans la Ville whose mission is integration through sport by taking part in a "golden goal" tournament.

2.5.3 Relations with subcontractors and suppliers

Since the Group is a retailer, its purchases are substantial. To limit the social and environmental impact of its purchases, departments in charge of traded and non-traded purchases have circulated a "Fnac Suppliers CSR Charter" to their commercial partners since 2009. The Charter contains the key principles relating to respect for human rights, compliance with labor law, environmental protection and the fight against corruption.

Fnac also tends to favor socially responsible companies and to this end has set up a structure within Fnac Occasion to deal responsibly with all products bearing its "100% refund" guarantee. The system is part of the Company's effort to expand product repurposing and is described in more detail in the environmental section herein.

Fnac also supports the disabled sector (ESAT and EA disabled worker initiatives) by including it in the many tenders launched for non-traded purchases. Today, Fnac uses these companies primarily for laundering its waistcoats, replying to unsolicited employment applications, printing its in-house promotional materials (posters, in-house newsletters, information mailed to employees, pens) and sorting waste at head office.

2.5.4 Fair trade practices

2.5.4.1 Anti-corruption initiatives

Fnac has formalized its commitment to human rights (including compliance with all rules adopted by the International Labor Organization) and business ethics (prevention of misuse of corporate assets, principle of buyer independence, vigilance regarding conflicts of interest, political neutrality, supplier gifts, and so on) in a code of business conduct, updated in 2013, which applies group-wide to promote integrity and responsible behavior. This code, which is available in five languages, is distributed to all Fnac employees.

2.5.4.2 Measures taken to promote health, safety and the protection of consumers' personal data

As an establishment open to the public, Fnac must comply with strict rules regarding safety and security. The Group therefore ensures that each of its sites has the ability to limit fire risk, alert occupants in the event of an emergency, ensure swift evacuation while avoiding panic, and alert and facilitate the attendance of the emergency services. To ensure these rules are properly adhered to, compliance checks are performed annually on facilities and equipment by the Security and Accessibility Committee.

In addition, daily security rounds are made by Fnac staff when stores open, focusing in particular on emergency means and equipment and keeping emergency exits and aisles clear. Fnac store managers are given a guide to preventing customer accidents, which they share with their staff. This guide, produced by the Risk-Prevention Department in partnership with the CNPP and Perifem,[1] is intended to provide information about risks that could occur at Fnac's establishments. It also has guidance on implementing preventative measures to ensure the safety of customers and consumers.

On top of this, data and personal details are at the core of the transformation of economic models. Compliance with the legal framework on processing personal data (of customers or employees) is therefore a major concern for Fnac and an area it intends to constantly improve. In this regard, Fnac is closely following the draft European data privacy laws, which are aimed at adapting the data protection rules in the light of digital platforms and social networks and ensure better harmonization within the European Union.

In general terms, Fnac is focusing on the following objectives:

* clear information about the purpose of the processing at the time when personal data is collected;
* the relevance and proportionality of the personal data collected;
* the holding of data for a limited period given the proposed purpose of collecting it;
* exercise of the rights of the persons concerned;
* data confidentiality and security.

2.5.4.3 Other actions in favor of human rights

All actions in this area have been described in the above sections.

2.6 Report of the independent third-party on the consolidated social, environmental and societal data in this Management Report

Fiscal year ending December 31, 2015

To the Shareholders,

In our professional capacity of accountants appointed as an independent third-party by Groupe Fnac, accredited by COFRAC under number 3-1080,[2] we hereby present you with our report on the consolidated social, environmental and societal information for the year ended December 31, 2015, presented in the Management Report (hereinafter the "CSR Information"), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

The Company's responsibility

It is the role of the Board of Directors to draft a Management Report containing the CSR Information prescribed by Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the protocols used by the company (hereinafter the "Reference Framework"). This is available on demand from the company's head office, and a summary can be found in section 2.2. of the Management Report entitled "Methodology note".

Independence and quality control

Our independence is defined by the regulatory requirements, our profession's code of ethics and the provisions laid down in Article L. 822-11 of the French Commercial Code. We have also established a quality control system, which covers the policies and documented procedures to ensure compliance with ethical rules, standards of professional practice and the applicable legal and regulatory requirements.

Responsibility of the independent third party

Our role, on the basis of our work, is to:

* verify that the required CSR Information is presented in the Management Report or, if omitted, is the subject of an explanation pursuant to the third point of Article R. 225-105 of the French Commercial Code (Verification of the presentation of CSR Information);

(1) CNPP: Centre national de prévention et de protection (national center for data protection and prevention).
Perifem: Technical association for trade and distribution.
(2) The scope of this accreditation can be viewed on www.cofrac.fr.

* express a conclusion of reasonable assurance on the fact that the CSR Information, taken as a whole, is, in all significant aspects, accurately presented in accordance with the Reference Framework (Reasoned opinion on the accuracy of the CSR Information).

Our work was conducted by four people and carried out between November 2015 and February 2016 over a total period of approximately three weeks. To aid us in the conduct of our tasks, we called upon our CSR experts.

We performed the work described below in accordance with professional standards applicable in France and with the Decree of May 13, 2013, which determines the methods whereby the independent third-party performs its mission and, with regard to the reasoned opinion on the accuracy of the information, with the international standard ISAE 3000.(1)

1. Certification of inclusion of CSR Information

Nature and extent of the work

Based on interviews with the managers of the departments concerned, we noted a strategic focus on sustainable development as a function of the social and environmental consequences of the company's activity and its commitments to society and, where applicable, the actions or programs arising from it.

We compared the CSR Information presented in the Management Report with the list prescribed in Article R. 225-105-1 of the French Commercial Code.

If any consolidated information was absent, we verified that the explanations were provided in accordance with the provisions of point 3 of Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope of the Group – i.e. the company and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code – with the limits specified in section 2 of the Management Report entitled "Corporate Social and Environmental Responsibility".

Conclusion

On the basis of this work and within the above-mentioned limits, we have verified the presence of the required CSR Information in the Management Report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and extent of the work

We conducted ten interviews with the persons responsible for the preparation of the CSR Information in the departments in charge of the process for collecting information and, where applicable, responsible for the internal control and risk management procedures, in order to:

* assess the appropriate structure of the Reference Framework in terms of its relevance, comprehensiveness, reliability, impartiality and understandability, taking into consideration, where applicable, best practice within the sector;
* verify the establishment of a procedure to collect, compile, process and check data to ensure the comprehensiveness and consistency of the CSR Information and observe the internal control and risk management procedures relative to the compiling of the CSR Information.

We determined the nature and extent of our tests and checks according to the nature and importance of the CSR Information with regard to the features of the company, the social and environmental aspects of its activities, its focus in terms of sustainable development, and best practice in the sector.

For the CSR Information that we considered the most important:(2)

* at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we set up analytical procedures for the quantitative information and, based on sampling, we verified the calculations and consolidation of the data and confirmed their consistency and agreement with the other information provided in the Management Report;

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

(2) **Quantitative social data:** employees and their breakdown by geographic region, types of contract and ages; proportion of women employees; proportion of female managers; breakdown of work time for open-ended employment contracts; turnover for open-ended employment contracts; number of employees with a disability; reasons for departures; sickness absentee rate; frequency of occupational accidents; severity of occupational accidents; total number of hours of training (excluding security); average number of hours of training per employee trained.

Qualitative social data: remuneration policy; organization of social dialogue; attribution of Diversity Label to Fnac Belgium.

Environmental data: consumption of plastic packaging; quantity of hazardous and non-hazardous waste; waste collected and sent to recycling facilities; consumption of paper; consumption of cardboard; consumption of plastic packaging; consumption of electricity and proportion of energy from renewable sources; consumption of gas; CO_2 emissions related to energy consumption; CO_2 emissions related to BtoB and BtoC transport.

Qualitative societal data: dialogue with stakeholders; environmental rating display system; dissemination of the "CSR Charter for Fnac Suppliers"; establishment of a structure for the responsible processing of all products under the "100% refund" guarantee.

* at the level of a representative sample of entities and work sites that we selected(1) according to their activity, contribution to the consolidated indicators, location and a risk analysis, we conducted interviews to verify the correct application of the procedures, and, on a sample basis, we performed detailed tests, consisting of verifying the calculations made and reconciling the data in the supporting documentation. The selected sample represented 70% of the workforce and between 69% and 100% of the quantitative environmental information presented.

We assessed the consistency of the rest of the consolidated CSR Information in light of our knowledge of the company.

Lastly, we assessed the pertinence of the explanations regarding the total or partial lack of certain data, where applicable.

We consider that the sampling methods and sample sizes that we used in applying our professional judgment enable us to arrive at a conclusion of moderate assurance; a higher level of assurance would have required a more extensive job of verification. Due to the fact that sampling techniques were used, and also due to the other limitations inherent to the operation of any information and internal control system, the risk that a significant anomaly in the CSR Information might not be detected cannot be completely ruled out.

Conclusion

On the basis of this work, we have not identified any significant anomaly that would call into question the fact that the CSR Information, taken as a whole, is presented accurately and in accordance with the Reference Framework.

Paris, February 15, 2016

Independent Third-Party

Grant Thornton

French member of Grant Thornton International

Vincent Papazian

Partner

(1) Fnac France (excluding logistics activities), the Massy logistics platform (logistics activities in France), Fnac Portugal.

3

Corporate governance

3.1 Administrative, executive and supervisory bodies

3.1.1 Composition of administrative, executive and supervisory bodies

The Company is a French limited company *(société anonyme)* with a Board of Directors. A description of the main provisions of the bylaws and internal regulations of the Board of Directors and the Board's specialized committees can be found in section 3.2 "Functioning of the administrative and executive bodies" in this Registration Document.

3.1.1.1 Board of Directors

The following table shows the composition of the Board of Directors and the main positions and offices held by the Directors outside the Company in the past five years.

At Thursday, December 31, 2015, the Board of Directors had nine members, of whom five were independent.

Alexandre Bompard
43 years

Le Flavia
9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, Ivry-sur-Seine Cedex (94768) – France

Chairman, Chief Executive Officer

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at Thursday, December 31, 2015

- Chairman, Chief Executive Officer, Fnac
- Member of Siècle (association constituted under the French Law of 1901)

Offices and positions held over the past five years that are no longer held

- Director, Les Éditions Indépendantes

Number of shares held

81,114

Patricia Barbizet

60 years

12, rue François 1er
Paris (75008)

Director and Vice Chairman

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at Thursday, December 31, 2015

- Non-Board Chief Executive Officer and member of the Supervisory Board, Financière Pinault
- Chief Executive Officer and Director, Artémis
- Vice Chairman of the Board of Directors and Director, Kering[(a)]
- Permanent Representative of Artémis to the Board of Directors, AGEFI
- Permanent Representative of Artémis to the Board of Directors, Sebdo Le Point
- Director, Yves Saint Laurent
- Director, Total [(a)]
- Member of the Supervisory Board, Peugeot SA[(a)]
- Member of the Management Board, Société Civile du Vignoble du Château Latour
- Chairman, Christie's International Plc
- Director and Deputy Director, Palazzo Grassi
- Non-executive Board Member, Kering Holland (formerly Gucci)
- Chairman and member of the Supervisory Board of the Company du Ponant Holding

Offices and positions held over the past five years that are no longer held

- Director, TF1[(a)]
- Director, Bouygues[(a)]
- Director, Air France-KLM[(a)]
- Director, Fonds Stratégique d'Investissement
- Board member, Gucci Group N.V.
- Non-executive Director, Tawa Plc
- Delegated Chief Executive Officer and Director, Société Nouvelle du Théâtre Marigny
- Director, Fnac SA

Number of shares held

1,130

(a) Listed French companies.

Stéphane Boujnah

51 years

40, rue de Courcelles
Paris (75008)

Independent Director

Resignation from office of Director effective November 15, 2015

Positions and offices held at Thursday, December 31, 2015

- Member of the Board of Directors, Paris Europlace
- Director, Cinétévé
- Group CEO and Chairman of the Managing Board, Euronext NV
- Chairman of the Board of Directors, En Temps Réel, Association pour la Recherche et le Débat [Association for Research and Discussion]
- Chairman of the Board of Directors of the Orchestral Ensemble "Accentus/Erda/Insula"

Offices and positions held over the past five years that are no longer held

- Managing Director, Deutsche Bank
- Director, Groupe Fnac
- Chief Executive Officer, Santander Global Banking & Markets for continental Europe

Number of shares held

300

Carole Ferrand

45 years

12, rue François 1[er]
Paris (75008)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Saturday, December 31, 2016

Positions and offices held at Thursday, December 31, 2015

- Honorary Chairman and Director, Terra Nova (association constituted under the French Law of 1901)
- Director, Sebdo, Le Point
- Director, Artémis 21
- Director, Éditions Tallandier

Offices and positions held over the past five years that are no longer held

- Director and Chairman of the Board of Directors, Sofica EuropaCorp[(a)]
- Director, Sofica Hoche Artois Image

Number of shares held

250

(a) Listed French companies.

Antoine Gosset-Grainville

49 years

44, avenue
des Champs-Élysées
Paris (75008)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at Thursday, December 31, 2015

- Member of the Supervisory Committee, Schneider Electric[(a)]
- Director, La Compagnie des Alpes[(a)]
- Founding partner, BDGS Associés

Offices and positions held over the past five years that are no longer held

- Deputy Chief Executive Officer, groupe Caisse des Dépôts
- Director, CNP Assurances[(a)]
- Director, Icade[(a)]
- Director, Fonds Stratégique d'Investissement
- Director, Transdev
- Director, Dexia

Number of shares held

250

(a) Listed French companies.

Alban Gréget
39 years

12, rue François 1er
Paris (75008)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Saturday, December 31, 2016

Positions and offices held at Thursday, December 31, 2015

- Director, Artémis 21, Temaris and TER Obligations
- Director and Chairman of the Board of Directors, AGEFI
- Director and Chief Executive Officer, Finintel
- Director, Capi
- Director, Immobilier Neuf
- Director, Courrèges
- Director and Deputy Chief Executive Officer, La Centrale de Financement
- Permanent representative of Artémis, Director, Michel & Augustin
- Chairman, Marigny SAS
- Permanent representative of Artémis, Director, Optimhome Portugal
- Chairman and permanent representative of Rocka, Director, Optimhome SAS
- Director of Digit RE Group
- Member of the Supervisory Board of the Compagnie du Ponant

Offices and positions held over the past five years that are no longer held

- Director, La Centrale du Crédit
- Permanent representative of Artémis Director, Mimesis Republic

Number of shares held

250

Nonce Paolini
66 years

1, quai du Point-du-Jour
Boulogne (92656)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Sunday, December 31, 2017

Positions and offices held at Thursday, December 31, 2015

- Chairman, Chief Executive Officer, TF1[a]
- Chairman and Director, Monte Carlo Participation
- Chairman and Director, Fondation d'entreprise TF1
- Director, Bouygues[a]
- Director, Bouygues Telecom
- Permanent representative of TF1 Director, Group AB
- Permanent representative of TF1 Director, Extension TV
- Permanent representative of TF1 Director, TF6 Gestion
- Permanent representative of TF1 Director, GIE TF1 Acquisitions de droits
- Vice President and Director, TMC (Télé Monte Carlo)
- Permanent representative of TF1, Director, École de la Cité, du Cinéma et de la Télévision

Offices and positions held over the past five years that are no longer held

- Permanent representative of TF1, Director, Mediamétrie
- Director, TF1 Thématiques
- Chairman, NT1
- Chairman, HDI
- Chairman, TF1 Management
- Permanent representative of TF1 Management, Manager, La Chaîne Info
- Permanent representative of TF1 Management, Managing Director, TF1 DS
- Chairman, TF1 Publicité
- Chairman, Programmes européens francophones audiovisuels spéciaux 4
- Chairman, HOP (Holding Omega Participations)

Number of shares held

250

(a) Listed French companies.

Arthur Sadoun

44 years

133, avenue
des Champs-Élysées
Paris (75008)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Sunday, December 31, 2017

Positions and offices held at Thursday, December 31, 2015

- Chairman and CEO, Publicis Conseil
- Chairman and CEO, Publicis Activ France
- CEO, Publicis Worldwide
- CEO, Publicis Communications
- Chairman, Marcel
- Chairman, Publicis Dialog
- Chairman, Publicis Webperformance
- Director, F2SCom
- Director, Care France

Offices and positions held over the past five years that are no longer held

- None

Number of shares held

250

Brigitte Taittinger-Jouyet

56 years

74, rue Raynouard
Paris (75016)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Saturday, December 31, 2016

Positions and offices held at Thursday, December 31, 2015

- Director, HSBC France [a]
- Director, Centre Georges Pompidou
- Director, Festival d'Aix

Offices and positions held over the past five years that are no longer held

- Chairman, Société des Parfums Annick Goutal

Number of shares held

250

(a) Listed French companies.

Jacques Veyrat

53 years

4, rue Euler
Paris (75008)

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at Thursday, December 31, 2015

- Chairman, Impala SAS
- Director, HSBC France
- Non-voting Director, Louis Dreyfus Armateurs
- Director, Nexity[a]
- Member of the Supervisory Board, Eurazeo[a]
- Non-voting Director, Direct Énergie[a]
- Non-voting Director, Sucres et Denrée
- Non-voting Director, ID Logistics[a]

Offices and positions held over the past five years that are no longer held

- Chairman, Louis Dreyfus Holding BV
- Chairman and CEO, Louis Dreyfus
- Chairman and CEO, Neuf Cegetel
- Director, Direct Energie
- Director, ID Logistics Group
- Director, Imerys

Number of shares held

250

(a) Listed French companies.

All the Company's Directors, as listed above, were appointed by the General Meeting of the Company's shareholders on April 17, 2013.

So that the Directors' terms of office would expire on a rolling basis, the Directors (apart from the Chairman of the Board of Directors) drew lots to split themselves into three groups:

* a first group, composed of three Directors, Carole Ferrand, Brigitte Taittinger-Jouyet and Alban Gréget, who resigned their office prior to the Company's Annual General Meeting held in 2014 having approved the annual accounts for the year 2013. Their offices were renewed for a period of three years which will expire at the General Meeting which will approve the accounts for 2016;
* a second group, also composed of three Directors, Stéphane Boujnah, Nonce Paolini, Arthur Sadoun, who resigned their office prior to the Company's Annual General Meeting held in 2015 in order to approve the annual accounts for the year 2014. Their offices were renewed for a period of three years which will expire at the Annual General Meeting which will approve the accounts for 2017, it being specified that Stéphane Boujnah resigned from his office effective November 15, 2015:
* a third group, composed of four Directors (Patricia Barbizet, Alexandre Bompard, Antoine Gosset-Grainville and Jacques Veyrat), whose offices will expire at the Company's Annual General Meeting to be held in 2016 to approve the financial statements for the 2015 fiscal year.

In accordance with the bylaws, at the meeting of the Company's Board of Directors on October 22, 2013, Patricia Barbizet was duly appointed as Vice Chairman.

Personal information regarding the members of the Board of Directors

Alexandre Bompard – Chairman and Chief Executive Officer – Graduate of the Institut d'Études Politiques in Paris, with a degree in public law and a postgraduate degree in economics, and a graduate of the École Nationale de l'Administration (Cyrano de Bergerac class). After being appointed to the French General Inspectorate of Finance (1999-2002), Mr. Bompard became technical adviser to François Fillon, then Minister for Social Affairs, Labor and Solidarity (April-December 2003). From 2004 to 2008, Mr. Bompard was assigned many roles within the Canal + Group. He was Chief of Staff to Bertrand Méheut (2004-2005), then Director of Sport and Public Affairs within the Group (June 2005 to June 2008). In June 2008, he was appointed Chairman and CEO of Europe 1 and Europe 1 Sport. Since January 2011, he has been Chairman and Chief Executive Officer of Fnac and was an advisory member of the Board and member of the Kering Executive Committee until April 2013.

Patricia Barbizet – Vice Chairman of the Board of Directors – Graduate of the École Supérieure de Commerce de Paris. Ms. Barbizet started her career in the Renault Group as Treasurer of Renault Véhicules Industriels before becoming Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. In 1992, she helped found Artémis, becoming its Chief Executive Officer in that same year. She is a member of the Board of Directors of Total and a member of the Supervisory Board of Peugeot SA. She is currently the Chief Executive Officer of Artémis Group, the Pinault family's investment arm, Vice Chairman of the Board of Directors of Kering and the Chair & CEO of Christie's International.

Stéphane Boujnah – Independent Director – Graduate of the Institut d'Études Politiques de Paris, DEA in international economic law, an LLM in international law from the University of Kent in Canterbury and an MBA from INSEAD. From 1991 to 1997, Mr. Boujnah was an attorney at Freshfields and specialized in mergers and acquisitions and international investment projects. He became a consultant for Dominique Strauss-Kahn at the Ministry of Economy, Finances and Industry, where he was in charge of innovation, new technologies, risk capital, foreign investments and certain structural reforms (1997-1999). From 2000 to the end of 2002, he was the Director of Mergers and Acquisitions at Crédit Suisse First Boston Technology Group in Palo Alto and later on in London. He then created KM5 Capital, a company specializing in mergers and acquisitions in the technology sector and in advising risk-capital funds and private equity (2003-2004) and became Managing Director in charge of business development for the Deutsche Bank's investment bank in Paris (2005-2010). In May 2010, he was appointed Chief Executive Officer of Santander Global Banking and Markets for France and Benelux, of which he had become, in July 2014, Chief Executive Officer for Continental Europe... In November 2015, Stéphane Boujnah was appointed Group CEO and Chairman of the Managing Board of Euronext NV and resigned his office of Director effective November 15, 2015.

Carole Ferrand – Director – Graduate of the École des Hautes Études Commerciales (class of 1992). Ms. Ferrand started her career at PriceWaterhouseCoopers, where she was an auditor and later a financial advisor in the Transaction Services Division. In 2000, she joined Sony France, the French subsidiary of the consumer and professional electronics branch of the Sony Corporation group, as Financial Director before becoming General Secretary in 2002. In 2011, she held the position of Chief Financial Officer of the Europacorp group. Since January 2013 she has been Financing Director at Artémis Group and in charge of strategic and financial support for certain investments.

Antoine Gosset-Grainville – Independent Director – Graduate of the Institut d'Études Politiques de Paris, holder of a "Banking and Finance" DESS from Université Paris-IX Dauphine, graduate of the École Nationale de l'Administration (Léon Gambetta class). After being appointed to the General Inspectorate of Finance in 1993, he became Deputy General Secretary of the Economic and Financial Committee of the European Union in 1997. From 1999 to 2002, he was an economic and industrial affairs advisor for Pascal Lamy at the European Commission. Mr. Gosset-Grainville is an attorney licensed in Paris and Brussels. In 2002, he became a partner at the law firm of Gide Loyrette Nouel. In 2007, he was appointed Deputy Director of the Office of Prime Minister François Fillon, where he was in charge of economic and financial matters. In March 2010, he became Deputy Chief Executive Officer of the

Caisse des Dépôts in charge of finance, strategy, investments and oversight of European and international activities, then interim Chief Executive Officer of the Caisse des Dépôts Group from February to July 2012. In April 2013, he founded the law firm BDGS Associés.

Alban Gréget – Director – Graduate of l'École supérieure des sciences économiques et commerciales. Mr. Gréget was an analyst in Corporate Finance at Société Générale in Paris and then in London (1997-2000). From 2001 to 2008, he was an Analyst and then Associate before becoming Vice President of mergers and acquisitions at Merrill Lynch in Paris. Since March 2008, he has been Investment Director for the Artémis Group, where he is in charge of new investments, mergers and acquisitions and the strategic and financial oversight of certain investments. He is a Director of several Artémis Group companies.

Nonce Paolini – Independent Director – Master's degree in literature and graduate of the Paris Institut d'Études Politiques (class of 1972). Mr. Paolini began his career with EDF-GDF, where he held operational and management positions. In 1998, he joined the Bouygues group, where he successively held the positions of Director of Development and Director of Human Resources, before going on to become central Director of Communications. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Deputy Chief Executive Officer. In 2002 he was appointed Deputy Chief Executive Officer of Bouygues Telecom and then Managing Director and Board member in April 2004. In 2007, he was appointed CEO of TF1 Group,then Chairman & CEO in 2008.

Arthur Sadoun – Independent Director – Graduate of the European Business School with an MBA from the European Institute of Business Administration (Institut Européen d'Administration des Affaires). He created his own public relations firm in Chile before joining the TBWA network in Paris as Director of International Strategic Planning and then Director of Development. In 2000 he was named Chief Executive Officer of TBWA/Paris and then went on to become Chairman of the Board in 2003. In 2006, he joined Publicis Conseil as Chairman-Chief Executive Officer. He has been Chairman of Publicis France since 2009 and Chief Executive of Publicis Worldwide since 2011.

Brigitte Taittinger-Jouyet – Independent Director – Graduated from the Institut d'études politiques de Paris and holds a Master's in History from the Université des sciences humaines; Head of advertising at Publicis (1984-1988), in 1988 Ms. Taittinger-Jouyet became project manager for the Marketing Division of the Louvre group in charge of industrial and budget hotel products. From 1991 to 2012, she was Chair of the Société des Parfums Annick Goutal. Since 2013, she has been Director of Strategy and Development at the Institut d'Études Politiques de Paris (Sciences Po – Paris).

Jacques Veyrat – Independent Director – Graduated from École Polytechnique (class of 1983) and the Collège des Ingénieurs (class of 1989), engineering degree from Ponts et Chaussés (class of 1988). Mr. Veyrat was appointed to the Treasury Department, where he served as Secretary for the Inter-ministerial Committee on Industrial Reconstruction (Comité Interministériel de Restructuration Industrielle) for the period 1989-1991, then as Deputy General Secretary to the Paris Club from 1991 to 1993. From 1993 to 1995, he served as Technical Adviser to the Ministry of Transport Equipment, Tourism and the Seas. In 1995, he joined the Louis Dreyfus group as Chief Executive Officer of Louis Dreyfus Shipbuilders (1995-1998), before becoming Chairman and Chief Executive Officer of Louis Dreyfus Communications, which became Neuf Cegetel (1998 to 2008), and then Chairman and Chief Executive Officer of the Louis Dreyfus Group (2008 to 2011). Since 2011, he has been Chairman of Impala.

3.1.1.2 Executive management

In accordance with Article 16 of the Company's bylaws, Alexandre Bompard serves as Chairman of the Board and Chief Executive Officer of the Company. He was appointed Chairman and Chief Executive Officer of the Company on April 17, 2013 for a period of three years expiring at the close of the Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015.

3.1.1.3 Management Committee

The Group's Management Committee consists of the following:

* Alexandre Bompard, Chairman and Chief Executive Officer;
* Claudia Almeida e Silva, Managing Director, Brazil and Portugal;
* Benoît Fremaux, Director of Information Systems and Digitalization;
* Frédérique Giavarini, Human Resources Director;
* Laurent Glepin, Communications Director;
* Katia Hersard, Brand, Marketing and e-Commerce Director;
* Matthieu Malige, Group Chief Financial Officer;
* Enrique Martinez, Managing Director, Northern Europe;
* Elodie Perthuisot, Director, Products division;
* Coralie Piton, Strategy Director;
* Olivier Theulle, Operations Director;
* Marcos Ruao, Managing Director Spain.

The Group's Management Committee meets on a weekly basis to discuss the Group's operational and financial performance and strategic plans and to manage the Company.

3.1.1.4 Statement relating to the members of the Board of Directors

To the Company's knowledge, at the date of registration of this Document, there was no family tie between the members of the Company's Board of Directors.

To the Company's knowledge, during the last five years: (I) none of the above persons has been convicted of fraud, (II) none of the above persons has been involved in a bankruptcy or a business put into administration or liquidation, (III) none of the above persons has been indicted and/or subject to an official public sanction by statutory or regulatory authorities (including designated professional bodies) and (IV) none of the above persons has been disqualified by a court from acting as a member of the administrative, executive or supervisory body of any company, or from being involved in the management or conduct of business of any company.

To the Company's knowledge, there is no service agreement between the Directors and the Company or any of its subsidiaries, save for the commercial contracts mentioned in section 3.1.2. and of the agreement described in Article 7.7.3 below.

3.1.2 Conflicts of Interest

To the Company's knowledge, at the date of registration of this Document, there was no potential conflict of interest between the duties of the members of Board of Directors towards the Company and their private interests.

To the knowledge of the Company, there is no pact or agreement of any kind, concluded with shareholders, customers, suppliers or others by virtue of which one of the members of the Board of Directors of the Company has been named in this capacity, other than:

* commercial contracts signed with companies of which certain members are the legal representatives, in the normal scope of conducting business and under market conditions;
* an agreement concerning the monitoring of the Darty acquisition process and the anti-trust aspects of the operation with the BDGS Firm, of which a Director of the Fnac Group is Founding Partner such as the agreement is described in Article 7.7.3 below.

The members of the Company's Board of Directors have not accepted any restrictions regarding the disposal of their interests in the Company's share capital, with the exception of the rules to prevent insider trading.

3.2 Functioning of the administrative and executive bodies

3.2.1 Terms of office of members of the administrative and executive bodies

The dates on which the terms of office of each member of the Company's Board of Directors and executive management bodies expire are shown in section 3.1.1 "Composition of the administrative and executive bodies".

To enable the terms of the Directors to expire on a rolling basis, the Directors (apart from the Chairman of the Board of Directors) drew lots to divide themselves into three groups as described in section 3.1.1 "Composition of the administrative and executive bodies".

3.2.2 Information on service contracts between members of the administrative and executive bodies and the Company or any one of its subsidiaries

To the Company's knowledge, at the date of registration of this Document, there was no service contract linking members of the Board of Directors to the Company or to any of its subsidiaries that provides them with benefits, save for the business contracts mentioned in section 3.1.2, which are signed in the normal course of business and on prevailing market terms, and of the regulated agreement such as described in Article 7.7.3.

3.2.3 Board of Directors Committees

Pursuant to Article 15(4) of the Company's bylaws, at its meeting on June 24, 2013, the Company's Board of Directors established committees in charge of reviewing issues submitted to them by the Board or its Chairman.

In the Nomination and Remuneration Committee; the Corporate Social and Environmental Responsibility Committe the Audit Committee; the Nomination and Remuneration Committee; and the Corporate Social and Environmental Responsibility Committee. The composition, duties and practices of these committees are set forth below.

3.2.3.1 Audit Committee

The Company's Board has decided to establish an Audit Committee and has set the following rules for its internal governance.

Composition

Members of the Audit Committee are appointed for an indefinite period (it being noted that such appointment shall terminate, in all circumstances, when they cease to be members of the Board of Directors). When selecting members of the Audit Committee, particular consideration is given to their independence, as well as to their financial and accounting expertise.

The composition of this Committee was determined by the Company's Board of Directors at its meeting on June 24, 2013: Its Chairman is Stéphane Boujnah (Independent Director) and its two other members are Carole Ferrand (Director) and Jacques Veyrat (Independent Director).

Due to the resignation of Mr. Stéphane Boujnah from his office of Director on November 15, 2015, the Audit Committee is now composed of Carole Ferrand (Director) and Jacques Veyrat (Independent Director). The Board of Directors on October 22, 2015 noted this composition and decided to maintain it considering the Darty plc acquisition operation in progress and the modifications in governance that this acquisition could generate. Mr. Jacques Veyrat (Independent Director) took the chairmanship. The Board of Directors conducted a discussion meeting aimed at enlarging the Board of Directors by one or more new Directors including one who could join the audit Committee. The composition of the Committee was ratified by the Board of Directors at its meeting of February 17, 2016 subject to the renewal of the directorship of Jacques Veyrat by the General Meeting of June 17, 2016.

Duties

The Audit Committee is responsible for monitoring the preparation and auditing of accounting and financial information, and for ensuring the effectiveness of risk-monitoring and internal control procedures to facilitate the Board's review and approval thereof.

Accordingly, the Audit Committee's internal rules set out its main responsibilities as follows:

* *monitoring the preparation of financial information* – The Audit Committee is responsible for examining the annual or interim parent company and consolidated financial statements prior to their presentation to the Board, including any provisions and related adjustments and any situation that could create a material risk for the Group, as well as any financial information, any report concerning quarterly, semi-annual or annual performance, or any reports prepared for a specific transaction (such as a capital contribution, merger or market transaction);
* *monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and accounting information* – The Audit Committee is tasked with ensuring the relevance, reliability and correct implementation of the Company's internal control, identification, hedging and risk management procedures relating to its business activities and its financial and accounting information. The Committee also regularly examines the mapping of business risks, as well as the material off-balance sheet risks and commitments of the Company and its subsidiaries;

* *monitoring the legal control of the parent company and consolidated financial statements by the Company' s Statutory Auditors* – The Audit Committee will request information from and oversee the Company's Statutory Auditors (including in the absence of company managers), particularly in relation to their general work schedule, any difficulties encountered while conducting their audit, changes they believe should be made to the Company's financial statements or other accounting documents, irregularities, discrepancies or inaccuracies, material uncertainties and risks relating to the preparation and treatment of accounting and financial information, and any material weaknesses they may have discovered in internal control procedures;
* *monitoring the independence of the Statutory Auditors* – During the renewal or the appointment of the Statutory Auditors, the Audit Committee leads the selection procedure of the Statutory Auditors and submits the results to the Board of Directors. Additionally, so that the Committee can monitor, throughout the term of the Statutory Auditors, the rules of independence and objectivity, the Audit Committee must communicate to the Statutory Auditors each year: (i) a statement of independence, (ii) the amount of fees paid to the Statutory Auditors' network by the companies controlled by the Company or entity which controls it, for the services that are not directly related to the assignment of the Statutory Auditors and (iii) information about the services accomplished for the procedures directly related to the assignment of the Statutory Auditors. The Audit Committee, together with the Statutory Auditors, must also examine any risks to their independence and the measures taken to guard against such risks.

Practices

An Audit Committee meeting is valid when there is a quorum of two members in attendance. The Audit Committee's proposals are adopted by a simple majority of those attending the meeting, each member having one vote. The Audit Committee shall meet at least four times a year, and as many times as it deems necessary. Audit Committee meetings are held before a meeting of the Board and, where the agenda of the Audit Committee concerns the examination of the semi-annual and annual financial statements prior to their examination by the Board, at least two days before the Board meeting.

3.2.3.2 Nomination and Remuneration Committee

The Company's Board has decided to establish a Nomination and Remuneration Committee and has set the following rules for its internal governance.

Composition

Nomination and Remuneration Committee members are appointed for an indefinite period (it being noted that such appointment shall terminate, in all circumstances, when they cease to be a member of the Board of Directors). When selecting members of the Nomination and Remuneration Committee, particular consideration is given to the independence of members, as well as their expertise in the selection and compensation of Executive Directors of listed companies.

The composition of this Committee was determined by the Company's Board of Directors at its meeting on June 24, 2013: Its Chairman is Nonce Paolini (Independent Director) and its two other members are Patricia Barbizet (Director) and Antoine Gosset-Grainville (Independent Director).

The composition of the Committee was ratified by the Board of Directors at its meeting of February 17, 2016, subject to the renewal of the directorship of Patricia Barbizet by the General Meeting of June 17, 2016.

Duties

The Nomination and Remuneration Committee is a specialized committee of the Board of Directors whose main function is to assist the Board in appointing members of the Executive Committees of the Company and the Group, as well as in determining and regularly reviewing the compensation and benefits awarded to the Group's corporate officers and Executive Directors or senior executives, including any deferred benefits and/or voluntary or compulsory redundancy payments awarded by the Group.

Accordingly, it carries out the following functions:

* *proposing the appointment of members of the Board of Directors, executive management and the Board's committees* – The Nomination and Remuneration Committee is responsible for making proposals to the Board concerning appointments of members of the Board (by the General Meeting or by co-option), and of the Managing Director(s), as well as of members and the Chairman of each of the other Board committees. When it issues its recommendations, the Committee takes into consideration the following: (i) the desirable balance of composition of the Board of Directors in view of the composition and the evolution of the Company's shareholders (ii) the desirable number of independent members, (iii) the proportion of men and women required by the regulations in force, (iv) the opportunity for renewal of terms and (v) the integrity, competence, experience and independence of each candidate. The Nomination and Remuneration Committee must also establish a procedure for selecting future independent members and conduct its own research concerning potential candidates before they are approached. When it makes its recommendations, the Nomination and Remuneration Committee must ensure that the Board and its specialized committees, including the Audit Committee and the Nomination and Remuneration Committee, have at least the minimum number of independent members required by the corporate governance principles to which the Company adheres;

* *conducting an annual assessment of the independence of the Board members* – Each year, before the publication of the Company's Annual Report, the Nomination and Remuneration Committee assesses whether each Board member meets the Company's independence criteria and submits an opinion to the Board for its consideration on the situation of each individual in relation to these criteria;
* *examining and making proposals to the Board of Directors concerning all aspects and terms and conditions of the compensation of the Group' s principal senior executives and executive management* – The Nomination and Remuneration Committee is responsible for preparing proposals that include both fixed and variable compensation, as well as, where applicable, share-based compensation, retirement benefits, health care, life and disability benefits, termination packages, benefits in kind or specific benefits, and any other direct or indirect compensation that the executive management package might include. It is informed of these aspects of the compensation of the Group's senior corporate officers and the relevant compensation policies that have been implemented within the Group. When preparing its proposals and work, the Nomination and Remuneration Committee will take into account the corporate governance standards to which the Company adheres;
* *examining and making proposals to the Board of Directors concerning the distribution method for attendance fees* – The Nomination and Remuneration Committee makes proposals to the Board regarding the allocation of attendance fees and the individual payments to be made to members of the Board, taking into account their attendance at Board and Committee meetings, their responsibilities and the time they are required to devote to their duties. The Committee also makes proposals regarding the compensation awarded to the Company's Chairman and Vice Chairman of the Board.

Practices

A meeting of the Nomination and Remuneration Committee is valid when there is a quorum of two members in attendance. Committee recommendations for Nomination and Remuneration are adopted by a simple majority of those attending the meeting, each member having one vote.

The Nomination and Remuneration Committee may meet as many times as it seems necessary, but must meet at least once a year, prior to the meeting in which the Board assesses whether its members meet the Company's independence criteria (for more information on the concept of "independence" see section 3.5.2.5 "Independence of Directors"), and, in all cases, prior to any Board meeting deciding on the compensation of Senior Executives or the allocation of attendance fees.

3.2.3.3 Corporate Social and Environmental Responsibility Committee

The Company's Board has decided to establish a Corporate Social and Environmental Responsibility Committee and has set the following rules for its internal governance.

Composition

The members of the Corporate Social and Environmental Responsibility Committee are appointed for an indefinite period (it being noted that such appointment shall terminate, in all circumstances, when they cease to be a member of the Board of Directors). When selecting members of the Committee, particular consideration is given both to the independence of members, as well as their expertise in handling issues of social, environmental and corporate relevance.

The composition of this Committee was determined by the Company's Board of Directors at its meeting on June 24, 2013: Brigitte Taittinger-Jouyet is the Chairman (Independent Director) and the other members are Alexandre Bompard (Chairman of the Board of Directors), Alban Gréget (Director) and Arthur Sadoun (Independent Director).

The composition of the Committee was ratified going forward, by the Board of Directors at its meeting of February 17, 2016 subject to the renewal of the directorship of Alexandre Bompard by the General Meeting of June 17, 2016.

Duties

The responsibilities of the Corporate Social and Environmental Responsibility Committee are based on the three components of sustainable development identified by the Company: corporate, social and environmental.

Accordingly, the Corporate Social and Environmental Responsibility Committee's internal rules set out its principal functions as follows:

* *examining the corporate, social and environmental policies enacted by the Company* – The Corporate Social and Environmental Responsibility Committee is responsible for the annual examination of the corporate, social and environmental policies enacted by the Company, the targets set and results obtained in these areas. The Corporate Social and Environmental Responsibility Committee assesses these areas in light of the business activities of the Company and of its subsidiaries and any information it may have on suppliers and their subcontractors. In this respect, it reviews the Fnac CSR Charter distributed to the Group's suppliers and, where necessary, suggests improvements to it. The Corporate Social and Environmental Responsibility Committee also examines a summary of the ratings awarded to the Company and its subsidiaries by the extra-financial rating agencies;

* *examining the principal corporate, social and environmental risks and opportunities for the Company* – Each year, the Corporate Social and Environmental Responsibility Committee is responsible for preparing a presentation mapping any risks posed to the corporate, social and environmental responsibilities of the Company in light of specific challenges in the Company's business activities. It examines the risks identified, reviews the procedures for protecting against those risks and monitors their development;
* *examining the Company' s publications in the areas of corporate, social and environmental responsibility* – Each year, the Corporate Social and Environmental Responsibility Committee must review all information published by the Company that relates to issues of corporate, social and environmental responsibility. In this respect, the Corporate Social and Environmental Responsibility Committee reviews the reporting, assessment and control systems annually, to enable the Group to produce reliable information for these areas;
* *examining issues relating to the promotion of diversity, equity and equality* – Each year, the Corporate Social and Environmental Responsibility Committee examines all issues relating to the promotion of diversity, equity and equality within the Group. Where necessary, it summarizes its observations as recommendations and submits them to the Board. It also monitors and distributes the recommendations adopted by the Board;
* *examining the environmental impact of the Group's activity* – Each year, the Corporate Social and Environmental Responsibility Committee examines the impact of the Group's activities on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the Group's activities, and initiatives promoting the collection and recycling of end-of-life products. Where necessary, it summarizes its observations as recommendations and submits them to the Board. It also monitors and distributes the recommendations adopted by the Board;
* *establishing a focus on social sustainability within the Group* – The Corporate Social and Environmental Responsibility Committee is responsible for highlighting changes in social trends that are materially linked to the Group's activities, such as freedom of expression and the fight against cultural exclusion. It supports initiatives to promote these values among the public, inviting people to become involved with initiatives undertaken by the Company (such as offering to act as partners with non-profit associations, a solidarity sign-up scheme, collecting cultural products for redistribution to those most in need of them, etc.);
* *including employees in the Group' s corporate, social and environmental policies* – Each year, the Corporate Social and Environmental Responsibility Committee draws up proposals to strengthen employees' involvement in the Group's corporate, social and environmental policies. In this respect, it chooses how to communicate the key messages to the highest number of people and further employees' awareness of them and provides training on its key corporate, social and environmental policies. It also reviews changes to proposals that have previously been adopted and implemented and, where necessary, proposes additional changes and/or further actions to be undertaken.

Practices

A meeting of the Corporate Social and Environmental Responsibility Committee is valid when there is a quorum of two members in attendance. The Corporate Social and Environmental Responsibility Committee's proposals are adopted by a simple majority of those attending the meeting, each member having one vote. The Committee meets as many times as it deems necessary, and at least once a year, prior to the Board meeting to convene the Annual General Meeting.

3.2.4 Statement relating to corporate governance

The Company refers to the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"), updated in November, 2015.

The AFEP-MEDEF Code on which the Company relies may be consulted on line.[1] The Company makes copies of this code available on an ongoing basis to members of its governance bodies.

Except as stated below, the Company unreservedly complies with all its recommendations:

AFEP-MEDEF Code recommendation	Explanation of exceptions
At least two thirds of the administrators on the audit committee should be independent administrators	Mr. Stéphane Boujnah resigned from his office of Director effective 15 November 2015. The Audit Committee is therefore now composed of two members, Carole Ferrand, Director, and Jacques Veyrat, Independent Director, who has taken the Chairmanship. The Board of Directors conducted a discussion meeting aimed at enlarging the Board of Directors by one or more new Directors, given the changes in governance that the potential acquisition of Darty might generate, including one, independent, who could join the Audit Committee.
Presentation of the Remuneration of Directors in the form of a table (Article 24.2 "Annual information")	The Company considers that the information provided in section 3.3.1 accurately and fully reflects the elements of compensation paid to Alexandre Bompard. Consequently, the presentation of executive compensation in the form of standardized tables does not seem necessary for understanding this information.
The variable remuneration must be of a balanced order of magnitude with respect to the fixed portion (Article 23.2.3 par. 11 "Variable remuneration for Chief Executive Officers"	The compensation of corporate officers includes a multi-year variable component based on an allocation of value units and performance options. These arrangements are not capped but are subject to service and share price performance requirements. Consequently, multi-year variable compensation may be a substantial portion of a corporate officer's total compensation.

The Company also has a code of conduct for trading in securities. This code seeks to prevent insider trading and prohibit any insiders and their beneficiaries from using and/or disclosing privileged information, and from recommending, on the basis of inside information, that another person conduct transactions on the Company's financial instruments.

The code provides for blackout periods related to the Group's financial information, the holding of bonus shares and the granting of stock options.

The Legal Department has been designated as the compliance officer and, as such, is responsible for answering any insider questions and queries relating to the charter.

3.2.5 Transactions on Directors' shares

During the Board of Directors meeting held on May 29, 2015, Mr. Alexandre Bompard committed to reinvest in Groupe Fnac shares the two amounts of multi-year variable remuneration paid in 2015, net of all taxes and contributions, i.e., €4,320,932 (pursuant to section 3.3.1 "Remuneration and benefits for the Chairman and Chief Executive Officer" of this Registration Document).

This amount was invested in 80,750 Fnac Group shares on December 4, 2015. These shares will be held by Mr. Alexandre Bompard in bearer form for a minimum period of two years. Mr. Alexandre Bompard holds 81,114 Fnac Group shares on the date of this Registration Document.

(1) (http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2015 FR.pdf.

3.3 Compensation and benefits for administrative and executive bodies

3.3.1 Compensation and benefits of the Chairman and Chief Executive Officer

The Company is a French limited liability company with a Board of Directors. The positions of the Chairman of the Board of Directors and the Chief Executive Officer are combined and have been exercised by Alexandre Bompard since April 17, 2013.

Alexandre Bompard does not have an employment contract.

During its meeting on February 26, 2015, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors considered and decided upon the elements of the compensation package for the Chairman and Chief Executive Officer, Alexandre Bompard and the terms of establishing a multi-year variable compensation scheme.

The stated amounts payable correspond to all compensation awarded to the Chief Executive Officer during each of the fiscal years mentioned, irrespective of the date of payment. The amounts paid correspond to all compensation received by the Chief Executive Officer during each of the fiscal years mentioned.

Fixed compensation

For 2015, the fixed annual compensation for the Chairman Chief & Executive Officer was set at a gross amount of €900,000, identical to that of 2014 and 2013. The gross amount due and paid for 2015 was €900,000.

Annual variable compensation

For FY 2015, just as for FY 2014, the Chairman and Chief Executive Officer's annual variable compensation was a maximum of 105% of his annual fixed compensation.

In the same way as in 2014, 80% of it was based on financial targets, with a maximum level of attainment of 85%, and 20% on qualitative targets, with a maximum level of attainment of 20%.

The 2015 financial targets set for the variable portion were as follows:

* Group current operating income (COI), corresponding to 35% of the total target with a maximum level of attainment of 110%;
* Group free cash flow (FCF), corresponding to 15% of the total target with a maximum level of attainment of 110%;
* Group revenues, corresponding to 20% of the total target with a maximum level of attainment of 100%;
* evolution of Group market share, corresponding to 10% of the final target with a maximum level of attainment of 100%;
* the level of satisfaction of the criteria indicated above has been established precisely for each of them. The level of attainment of the 2015 financial target is 110% for Group current operating income (COI), 110% for Group free cash-flow (CFL), 100% for Group revenue, and 85% for the evolution in Group market share, representing a total level of attainment for the financial targets of 83.5% and a level of attainment for qualitative targets of 20%. The total level of attainment of variable targets in 2015, resulting from the addition of the two targets above, is therefore 103.5% of fixed annual compensation, and the amount payable for 2015 is €931,500.

For the record, in 2014 the level of attainment of the variable targets was 100.23% of the fixed annual compensation and came to a total of €902,056 which was paid in March 2015.

Multi-year variable compensation

At its meeting on February 26, 2015, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to implement the 2015 multi-year variable compensation plan in the equivalent of bonus shares settled in cash.

The plan consists in the grant of the equivalent of 21,746 bonus shares settled in cash to Alexandre Bompard. The vesting of this equivalent of bonus shares settled in cash is subject to the achievement of a performance condition measured in February, 2017 (average of the Groupe Fnac share prices at the closing of stock market in February, 2017). If the price of the Groupe Fnac share in February 2017 is below a predefined price, no payment will be made.

The vesting of this equivalent of bonus shares is additionally subject to a condition of presence at the end of February, 2017: the related payment, in cash, will take place provided that the conditions of presence and performance are met. This amount, net of all social contributions and taxes, will be immediately reinvested by the beneficiary in Groupe Fnac shares for a minimum duration of two years, these shares being held in registered form.

The valuation of the gross amounts at the grant date and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the equivalent of bonus shares granted in 2015, was €958,999. This valuation corresponds to the number of equivalent bonus shares granted multiplied by a share price of reference at the grant date, which is €44.10 (average of the 20 share prices preceding February 26, 2015) per share. These awards have not yet been vested for the corporate officer, considering the performance and presence conditions.

As a reminder in 2014, 58,051 value units were awarded to Alexandre Bompard of which two-thirds of the cash payment will be made in April 2016 and one-third in February 2017, subject to the achievement of the performance condition, and provided that presence conditions are met at each of these dates.

The value per unit corresponds to the average price of the Groupe Fnac share in February 2016. If the price of the Groupe Fnac share in February 2016 is below a predefined price, no payment will be made.

The valuation of the gross amounts at the grant and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the value units granted in 2014 was €913,333 for the maturity date of April 2016 and €456,667 for the maturity date of February 2017. This valuation corresponds to the number of value units granted multiplied by a share price of reference at the grant date of €23.60 (average of the 20 share prices preceding February 26, 2014) per share. These awards have not yet been vested for the corporate officer, considering the performance and presence conditions.

As a reminder, in 2013, 197,925 value units were granted to Alexandre Bompard. The first date of maturity corresponding to two-thirds of this compensation occurred at the end of July, 2015 and the second date of maturity corresponding to one-third of the compensation will occur in July, 2016.

The value per unit corresponds to the average price of the Groupe Fnac share in July, 2015. This average price was €55.07, which means that the performance criteria are completely achieved. Consequently, and considering the presence of Alexandre Bompard on July 31, 2015, two-thirds of this gross variable compensation (excluding employer contributions), i.e., €7,266,850, was paid in October, 2015. The remaining third, i.e., €3,632,880 will be vested provided that the condition of presence on July 31, 2016 is met. The price of €55.07 shows a very strong stock market performance between July 2013, the grant date of the plan, and July 2015. The price rose by more than 200%, from €18.19 in July 2013 to €55.07 in July 2015. At the same time, the Capitalization of the Company grew by €617 million, from €302 million in July 2013 to €919 million in July 2015.

During its meeting on February 26, 2015, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to implement the performance option component of the 2015 multi-year variable compensation plan.

The system consists of the grant of performance options which will only be progressively vested, by tranche, at the end of two vesting periods (March 2015 – September 2017 and March 2015 – September 2018) subject to the beneficiary's presence in the Group at the expiration of each period in question (or on the decision of the Board of Directors if the condition of presence is not fulfilled).

These will be subject to the achievement of a Groupe Fnac share price performance condition defined for each of the two periods. These options will be paid in cash. If the Groupe Fnac share price on each maturity date is below a predefined price, no payment will be made.

This way, on the maturity date of September 30, 2017, 35,415 options may be vested, and on the maturity date of September 30, 2018, 30,567 options may also be vested.

The valuation of the gross amounts at the award date and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the performance options granted in 2015 is €291,448 for the September 30, 2017 maturity date and €251,552 for the September 30, 2018 maturity date. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €44.10 (average of the 20 share prices preceding February 26, 2015) per share, volatility of 30% and a EURIBOR SWAP risk-free interest rate. The value of a performance option on the vesting date will correspond to the unrealized gain between the share price on the vesting date and the reference price. These awards have not yet been vested for the corporate officer, considering the performance and presence conditions.

As a reminder, in 2014, the performance options granted were 82,738 options with a maturity date of September 30, 2016 and 72,628 options with a maturity date of September 30, 2017, which could be vested provided that the presence condition are met (or as decided by the Nomination and Remuneration Committee if the presence condition is not met) and the performance condition is achieved.

The valuation of the gross amounts on the award date and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the performance options granted in 2014 is €319,522 for the September 30, 2016 maturity date and €280,478 for the September 30, 2017 maturity date. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €23.60 (average of the 20 share prices preceding February 26, 2014) per share, volatility of 30% and a EURIBOR SWAP risk-free interest rate.

The value of a performance option on the vesting date will correspond to the unrealized gain between the share price on the vesting date and the reference price. These amounts have not yet been vested for the corporate officer, considering the performance and presence conditions.

As a reminder, in 2013, the performance options granted were 67,190 options with a maturity date of March 31, 2015, 79,959 options with a maturity date of March 31, 2016, and 115,495 options with a maturity date of March 31, 2017, which could be vested provided that the presence condition is met (or as decided by the Nomination and Remuneration Committee if the presence condition is not fulfilled) and the performance condition is achieved.

The first tranche of the performance options granted in 2013 has therefore matured as of March 31, 2015. Considering the average of the last 20 closing share prices of the month of March, 2015 (average of €55.88), the performance criteria have been achieved and all of the performance options of the first tranche vested for Alexandre Bompard as of March 31, 2015, i.e., 67,160 performance options. The gross amount of €2,390,896 (excluding employer contributions) was paid in April, 2015.

The valuation of the gross amounts at the grant date and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the performance options granted in 2013 is €243,579 for the March 31, 2016 maturity date and €351,832 for the March 31, 2017 maturity date. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €20.28 (average of the 20 share prices preceding October 22, 2013) per share, volatility of 30% and a EURIBOR SWAP risk-free interest rate. The price of €55.88 shows very strong stock market performance between October 2013, the grant date of the plan, and March 2015. The price rose by more than 175%, from €20.28 in October 2013 to €55.88 in July 2015. At the same time, the capitalization of the Company grew by €596 million, from €337 million in October 2013 to €933 million in March 2015.

The value of a performance option on the vesting date will correspond to the unrealized gain between the share price on the vesting date and the reference price. These amounts have not yet been vested in the corporate officer, considering the performance and presence conditions.

These multi-year variable compensation schemes are not capped.

Mr. Alexandre Bompard announced to the Board of Directors, on May 29, 2015, his decision to reinvest the amounts net of fees and taxes paid as multi-year variable compensation in 2015 in Fnac Groupe shares. Shares acquired in this manner will be registered shares and held for at least two years.

The amount of 4,320,932 euros, corresponding to all multi-year variable compensation paid in 2015 after levies and taxes, was invested in Groupe Fnac shares on 4 December 2015.

Attendance fees

Attendance fees payable to Alexandre Bompard for his service in 2015 on Groupe Fnac's Board of Directors totaled €28,733.

In March 2015, he was paid €28,733 in attendance fees for 2014.

Benefits in kind

In 2015, Alexandre Bompard had the use of a company car which represented a benefit in kind of €6,637. This benefit amounted to €6,556 in 2014. In 2015, Alexandre Bompard was covered by a supplementary unemployment plan and education annuity plan, the 2015 premiums for which were paid and amounted to €14,787 (including €2,445 for 2014) and €2,808, respectively. These premiums are subject to social security and employer contributions and are therefore considered as benefits in kind. In 2014, the premiums paid for unemployment insurance and the education annuity plan totaled €13,827 (including €4,090 for 2013) and €2,844, respectively.

Total compensation

The amounts paid in total compensation and the elements composing it, as detailed above, for fiscal year 2015 and 2014, totaled €11,512,766 and €1,809,275, respectively, and break down as follows, respectively: fixed compensation of €900,000 and €900,000, annual variable compensation of €902,056 and €867,329, multi-year variable compensation of €9,657,746 and €0, payment of attendance fees of €28,733 and €18,720 and, finally, in-kind benefits of €24,231 and €23,226 euros. In addition, the amounts due in 2015 and paid in 2016 as annual variable compensation and attendance fees are €931,500 and €28,733.

Supplementary pension plan

The Board of Directors authorized Alexandre Bompard's membership in the supplementary defined contribution pension plan that exists for all Groupe Fnac executives in France.

Premiums in 2015 and 2014 amounted to €10,472.40 and €10,337.04 respectively. This commitment endorsed by Article L. 225-42-1 of the French Commercial Code was renewed by the Board of Directors on February 17, 2016 subject to the suspensive condition of the renewal of Alexandre Bompard's term of office during the General Meeting of June 17, 2016.

Non-compete commitment

The Board of Directors has signed a limited non-compete agreement with Alexandre Bompard limited to the specialized retail sector for cultural and/or technological and entertainment products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil. This non-compete agreement is limited to two years starting at the end of his term of office. As a compensation for this commitment, Alexandre Bompard will receive a gross allowance representing 80% of his fixed monthly compensation, for a period of two years from the effective end of his term of office. The Board of Directors is entitled to waive implementation of this clause.

No amount is due for either 2015 or 2014. This commitment endorsed by Article L. 225-42-1 of the French Commercial Code was renewed by the Board of Directors on February 17, 2016 subject to the suspensive condition of renewal of Alexandre Bompard's term of office during the Annual General Meeting on June 17, 2016.

With the exception of the non-compete agreement, there is no arrangement to pay Alexandre Bompard any severance package, any allowance or any benefits in the event of his resignation or change of function.

Fixed and variable compensation for 2016

On 17 February 2016, the Board of Directors, following recommendation by the Nomination and Remuneration Committee, decided to keep the Chairman and Chief Executive Officer's fixed and variable compensation unchanged for 2016, at the fixed annual sum of €900,000 and variable compensation representing between 0 and 105% of this fixed amount. The structure of variable compensation broken down to 80% of financial targets and 20% of qualitative targets was renewed, as well as the nature of these targets.

3.3.2 Compensation of corporate officers – attendance fees

The General Meeting determines the total amount of attendance fees to be paid to the members of the Board of Directors.

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors determines the allocation of attendance fees according to the actual attendance of members at meetings of the Board and the specialized committees held during the year in question.

The General Meeting of April 17, 2013, set the overall annual amount of attendance fees to be paid to members of the Board of Directors at €300,000 until a further decision is made.

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors on February 26, 2015, determined the allocation of attendance fees in 2014 to members of the Board and specialized Committee meetings held during 2014.

Sixty percent of this amount was allocated to members of the Board of Directors, divided into a fixed portion equivalent to 30% and a variable portion equivalent to 70%; the variable portion is awarded according to the Board members' attendance at meetings.

The balance, i.e., 40% of this sum, was divided in the following way: 20% (i.e., 50% of the envelope allocated to the committees) for the Audit Committee, 12% (i.e., 30% of the overall envelope allocated to the committees) for the Nomination and Remuneration Committee and 8% (i.e., 20% of the overall envelope allocated to the committees) for the Corporate, Social and Environmental Responsibility Committee. The allocation of that amount is strictly committee attendance-based.

The Chairman of the Board of Directors and the Chairs of the Committees receive a 50% higher fee for their attendance at each meeting.

A total €271,810 was paid in fiscal year 2015, of the total annual amount of attendance fees of €300,000 approved by the Combined Ordinary and Extraordinary Meeting of April 17, 2013, for fiscal year 2014, as follows:

Names	Amount paid in 2014 for 2013	Amounts paid in 2015 for 2014
Patricia Barbizet	€27,634	€27,686
Alexandre Bompard	€18,720	€28,733
Stéphane Boujnah	€34,491	€43,114
Carole Ferrand	€27,634	€34,543
Antoine Gosset-Grainville	€25,234	€27,686
Alban Gréget	€11,520	€22,733
Nonce Paolini	€34,491	€32,829
Arthur Sadoun	€13,920	€13,400
Brigitte Taittinger-Jouyet	€13,920	€17,400
Jacques Veyrat	€23,063	€23,686
TOTAL	**€230,629**	**€271,810**

The total amount of attendance fees for the 2015 fiscal year is €274,381.

The Directors do not receive any other compensation, except for Alexandre Bompard, Chairman and CEO, as indicated in section 3.3.1 of the Registration Document.

3.4 Profit-sharing, collective incentive schemes and long-term incentive schemes

3.4.1 Profit-sharing agreements and incentive schemes

3.4.1.1 Profit-sharing agreements in France

For companies with 50 or more employees and taxable income of more than 5% of its equity, it is compulsory to implement a profit-sharing agreement in accordance with Article L. 3322-2 of the French Labor Code. Accordingly, the Group entered into a new profit-sharing agreement on June 21, 2013 for a fixed period of three years.

3.4.1.2 Collective incentive schemes in France

Collective incentive schemes are optional schemes whose purpose is to establish a closer link, by means of a calculation formula, between employees as a whole and the Company's results and performance, through the payment of immediately available bonuses, in accordance with Article L. 3312-1 of the French Labor Code. As a result, incentive scheme agreements have been entered into for a number of French entities of the Group. Each agreement includes its own formula for calculating the incentive bonus. Some agreements that expired at the end of 2015 will need to be renegotiated in 2016.

3.4.1.3 Group savings schemes

Companies that implemented a profit-sharing agreement must implement a company savings scheme in accordance with Article L. 3332-3 of the French Labor Code. A company savings scheme was entered into within the Group on April 15, 2002, for one year, renewable by tacit consent. This scheme allows Group employees having more than three months' seniority to allocate, immediately and in full, the sums paid to them under profit sharing and incentive schemes to acquire shares in corporate investment funds (FCPE).

3.4.2 Long-term incentive plan

The main executives of the Group benefit from annual long-term variable compensation, the first plans of which were implemented in 2013. The different vesting periods of the plans run at the latest up to February 2019.

In 2015, following the recommendation of the Nomination and Remuneration Committee, on February 26, 2015, the Board of Directors decided to grant bonus shares to some employees of the Group (132 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The duration of this plan is four years, a two-year vesting period (March 2015 to February 2017) and a two-year conservation lock-in period for French residents (March 2017 - February 2019) and a four-year vesting period (March 2015 to February 2019) for foreign residents. The vesting of the bonus shares is subject to a presence condition and to the achievement of a performance condition measured by the average closing price of the Groupe Fnac share on February, 2017. If this price is below a predefined price, no bonus share will vest. The 2015 bonus share plan (detailed in section 7.2.4 of this Registration Document) provides for the early exercise of shares, particularly in the following cases: a change in control of the Company, a public purchase offering concerning the securities of the Company, in the case of a public exchange offering on the Company's shares, in the event of a merger or split, or a public re-purchase offer.

On the recommendation of the Nomination and Remuneration Committee, this same Board of Directors decided to grant performance options to certain Group executives in order to link them to the Company's stock market performance.

These options will be vested in stages, at the end of two successive vesting periods (March 2015 - September 2017 and March 2015 - September 2018), subject to the beneficiary's presence in the Group at the end of the period in question, and will be subject to the achievement of a performance condition defined for the Groupe Fnac share for each of the two periods. The number of remaining options in the 2015 plan at the end of the fiscal year is 164,954 performance options.

Each of the 2013, 2014 and 2015 share subscription option plans (detailed in section 7.2.4 of this Registration Document) provide for the early exercise of options in the following cases, in particular:

1. the filing of a public tender offer for the Company's shares declared in compliance with the AMF (as mentioned in section 3.5.2.8 of this Registration Document);
2. taking control of the Company consists of: (i) a change of control as defined in Article L. 233-3 of the Commercial Code, (ii) a change in the majority of the members of the Board of Directors all at the same time on the initiative of a new shareholder or new shareholder acting in concert or(iii) the direct or indirect holding by a company of a fraction of the Company's voting rights that is greater than 30% along with, for a period of nine months, a change in more than 20% of the members of the Board of Directors.

3.5 Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company

Pursuant to Article L.225-37 par. 6 of the French Commercial Code, as amended by Law No. 2008-649 of July 3, 2008, the conditions for the preparation and organization of the work of the Board of Directors and the internal control and risk management procedures instituted by the Company are reiterated below, specifically detailing the procedures relating to the development and treatment of the accounting and financial information for the consolidated financial statements and parent company financial statements. The first part of this report was presented to the Nomination and Remuneration Committee on February 12, 2016, and the second part was discussed by the Audit Committee on February 15, 2016.

The entire report was approved by the Board of Directors at its meeting of February 17, 2016 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

3.5.1 Composition of the Board of Directors

3.5.1.1 Current composition of the Board

The Board is composed of Directors with broad and diversified experience, especially in terms of corporate strategy, finance, economics, retail, manufacturing industry, accounting, and the management and control of commercial and financial companies. The statutory term of office for a Director is three years and is renewable.

In order to avoid a mass renewal of members of the Board of Directors and encourage a seamless process for replacing Directors, a staggered renewal of the Board of Directors was defined by the Board of Directors' internal regulations and adopted at its meeting of April 17, 2013. Lots were drawn to create three groups, the first two groups with three Directors and the third group with four Directors. The Directors concerned are required to resign their office prior to the Annual General Meeting called to approve the 2013 and 2014 financial statements respectively. The final group of four Directors will see its term of office expire at the Annual General Meeting called to approve the 2015 financial statements.

The Board is currently composed of ten Directors:

							Membership of a committee		
Name	**Age**	**Nationality**	**Independent Dir.**	**Office**	**Start of first term**	**Expiration of current term**	**Audit**	**Nomination and Remuneration**	**Corporate Social and Environmental**
Alexandre Bompard	43 years	French		Chairman and CEO	2013	2016			X
Patricia Barbizet	60 years	French		Vice Chair	2013	2016		X	
Carole Ferrand	45 years	French		Independent Director	2013	2017	X		
Antoine Gosset-Grainville	49 years	French	X	Independent Director	2013	2016		X	
Alban Gréget	39 years	French		Independent Director	2013	2017			X
Nonce Paolini	66 years	French	X	Independent Director	2013	2018		X	
Arthur Sadoun	44 years	French	X	Independent Director	2013	2018			X
Brigitte Taittinger-Jouyet	56 years	French	X	Independent Director	2013	2017			X
Jacques Veyrat	53 years	French	X	Independent Director	2013	2016	X		

The Board created three committees whose role is to assist it in its mission: the Audit Committee, the Nomination and Remuneration Committee and the Corporate Social and Environmental Committee.

A detailed list of Directors is provided above in section 3.1.1 of this Registration Document.

3.5.1.2 Composition of the Board

Pursuant to the provisions of the Law of January 27, 2011 (amending Article L. 225-37 of the French Commercial Code) on the balanced representation of men and women on Boards of Directors and Supervisory Boards and on gender equality at work, which governs the drafting of this report, the principle of balanced representation of men and women has been taken into account on the Board in accordance with the law. Accordingly, it can be seen that women now represent 33% of the members of the Board of Directors, thus exceeding the minimum proportion of 20% required by law.

3.5.2 Conditions for the preparation and organization of the work of the Board of Directors

3.5.2.1 Internal regulations of the Board of Directors

The Board of Directors assumes the missions and exercises the powers granted to it by law and the Company's bylaws.

It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly conferred at General Meetings and within the limits of the corporate purpose, it concerns itself with all issues affecting the Company's operations and regulates the Company's affairs.

The Board carries out the audits and verifications it deems necessary.

The conditions for the preparation and organization of the work of the Board of Directors are defined by law, the Company's bylaws, the Board's internal regulations and the work of the Board of Directors' specialized committees. The Board has drawn up internal regulations for each of the committees.

In accordance with the law and its internal regulations, the Board of Directors meets at least four times per year. To enable the Directors to prepare as well as possible for the issues that are to be reviewed in meetings, a comprehensive dossier that includes the necessary information for each subject on the agenda is sent to them in a timely manner ahead of the meeting.

A code of conduct for securities trading has been adopted by the Board of Directors reiterating their regulatory obligations, particularly those relating to the prevention of insider trading by company officers, and it defines the rules imposed on Directors restricting them from dealing in the Company's or Group's shares, by stipulating the establishment of "blackout periods":

* Directors must abstain from directly or indirectly trading in shares or listed financial instruments of the Company or Group for 30 calendar days prior to each of the periodic publications concerning the consolidated financial statements up to the stock market trading day on which the corresponding official press release is published. This obligation of neutrality and confidentiality is not a replacement for the legal or regulatory rules on insider dealing that every Director is required to comply with at the time of his or her decision to trade and irrespective of the date of this trade outside the blackout periods;
* the same obligations apply to Directors where they have knowledge of privileged information for any financial instrument listed on a regulated market whose issuer has confidential relations with the Group. The internal regulations consequently require any dealings on these securities to be declared.

The internal regulations define the frequency and conditions for Board meetings and provide for the possibility of taking part in them using video or teleconference facilities.

They also establish the principle of regular evaluation of the Board's functioning and define the procedures for allocating attendance fees.

The internal regulations impose an obligation on the Directors to inform the Chairman of the Board of Directors of any conflict of interest, even if potential, between their duties to the Company and their private interests and/or other duties, and the Directors are not allowed to take part in the vote on any item that concerns them directly or indirectly.

3.5.2.2 Executive management

During the Groupe Fnac Board of Directors meeting of April 17, 2013, it was decided to maintain the uniqueness of the functions of the Chairman of the Board and Chief Executive Officer. Indeed, Alexandre Bompard has been ensuring the execution of business for the Group since January 2011 and therefore has in-depth experience. This arrangement best meets the need for a responsive Board and management in complex environmental conditions. It also encourages dynamic dialog between management and the Board of Directors, as the Board can attest. Alexandre Bompard is assisted by an Executive Committee (described in section 3.1.1.3) in charge of the functional and operational divisions, thus enabling him to maintain efficiency in governance. In order to ensure there is a balance of powers in the Board when the offices of Chairman and Chief Executive Officer are merged, the Board of Directors has decided to limit the powers of the Chairman and Chief Executive Officer as described in section 3.5.2.3 below.

3.5.2.3 Limitations imposed by the Board of Directors on the powers of the Chief Executive Officer

As regards the Board of Directors' legal mission to determine the strategic guidelines for the Company's activity and supervise their implementation, and without prejudice to the legal provisions concerning authorizations that have to be granted by the Board, the internal regulations of the Board of Directors require certain decisions made by the Chief Executive Officer to be submitted to the Board of Directors for prior approval, due to the type of decision or its significance.

At its meeting of February 26, 2015, the Board of Directors renewed its decision of June 24, 2013 to require transactions to be submitted for its prior approval if they exceeded the following thresholds:

* any investment or divestment, including an acquisition or sale or exchange of interests in any companies currently existing or to be created, that exceeds €25 million;
* any borrowing (or series of borrowings) or lending of money of any kind or early repayment of a loan that exceeds €40 million.

The Board decided that these authorizations and thresholds should be set for a period of two years expiring on February 26, 2017.

On February 17, 2016, the Board of Directors also renewed, for a duration of one year, the authorization granted to the Chairman and Chief Executive Officer to issue any deposit or guarantee of any kind that does not exceed an overall annual limit of €25 million.

The Board also ensures that sufficient information is available about any strategic or significant operation falling outside the strategy announced by the Company so that it can be approved in advance by the Board of Directors.

3.5.2.4 Compliance with a corporate governance code

The Company refers to the AFEP-MEDEF "Corporate Governance Code of listed companies" revised in November 2015.

3.5.2.5 Independence of Directors

To assess whether a Director qualifies as independent and to prevent potential risks of conflicts of interest between the Director and management, the company or the group, the Board has adopted the criteria defined in the AFEP-MEDEF Code, which are as follows:

* not being or having been in the past five years a Company employee or officer, or an employee or Director of any company that has consolidated the Company, or of a company consolidated by the Company;

* not being an officer of a company in which the Company is, directly or indirectly, a Director or for in a Company employee designated in that capacity or an officer (current or within the last five years) is a Director;
* not being a significant customer, supplier, investment banker, or commercial banker of the Company or its Group, or for which the Company or its Group represents a significant proportion of its business, nor being directly or indirectly associated with any such person;
* not being a close family relation of an officer;
* not having been the Company's Statutory Auditor during the past five years;
* not having been a member of the Company's Board for more than twelve years as of the date on which his or her current office was bestowed on him or her.

Considering these criteria, the following are considered to be Independent Directors: Brigitte Taittinger-Jouyet, Antoine Gosset-Grainville, Nonce Paolini, Arthur Sadoun and Jacques Veyrat.

It should be noted that, in 2015, a regulated agreement was entered into with BDGS Associés, a law firm specializing in competition law and in market operations, especially cross-border transactions, one of its founding partners being Director Antoine Gosset-Grainville. BDGS Associés was appointed to act in the Darty acquisition project due to its recognized expertise in international mergers and acquisitions involving listed companies. However, the lead law firm is Simpson Thatcher & Bartlett LLP based in London. Given the fact that Darty is listed on the London Stock Exchange, the acquisition project is mainly subject to British law. Other specialist law firms are also involved in specific aspects: financing, retirees and pension funds, competition, etc. Antoine Gosset-Grainville is not actually working on the Darty acquisition project at BDGS Associés. Consequently, due to the legal form of BDGS Associés as a French Limited Legal Partnership (AARPI), he is not liable for the actions taken by BDGS Associés in this project. Furthermore, strict "Chinese walls" procedures have been put in place at BDGS Associés. Lastly, the fees charged by BDGS for its services to Fnac in 2015 represent 1.4 million euros, only a small percentage of the total legal fees. In light of these elements, the Board of Directors ruled that the independence of the Board member was not in question.

Accordingly, five Directors out of nine on the Board may be classified as Independent Directors.

3.5.2.6 Work of the Board and its specialized committees

Work of the Board of Directors in 2015 through to April 4, 2016

Work of the Board of Directors in 2015

The Board met nine times in 2015 with an average attendance rate of 90%, all chaired by the Chairman & Chief Executive Officer.

Dates	Directors present (attendance rate)
January 20	10/10 (100%)
February 26	10/10 (100%)
May 29	9/10 (90%)
July 10	10/10 (100%)
July 30	8/10 (80%)
September 28	10/10 (100%)
October 22	10/10 (100%)
November 20	8/9 (88%)
December 21	5/9 (55%)

On January 20, the Board devoted most of its work to:

* examining the works of the Audit Committee carried out during the year 2014;
* reviewing business progress in the fourth quarter of 2014 and reviewing the 2015 budget strategy.

On February 26, the Board devoted most of its work to:

* examining the works of the Audit Committee concerning the approval of the financial statements;
* reviewing and approving the parent company and consolidated financial statements for the fiscal year ended December 31, 2014, and approving the 2015 budget;
* reviewing the work of the Nomination and Remuneration Committee of Monday, February 23, 2015 (including in particular the remuneration of the Chairman and Chief Executive Officer for fiscal years 2014 and 2015, reviewing a long-term incentive arrangement for certain Group executives, setting the method for allocating the attendance fees, and a proposal to renew Directors' terms of office);
* assessing the operation and work of the Board and its committees;
* reviewing the work of the Corporate Social and Environmental Responsibility Committee of Monday, February 23, 2015;
* approving the Chairman's Report on governance and internal control procedures;
* approving the draft report on stock subscription options.

On May 29, the Board provided an update on the Group's activities and prepared the General Meeting of that date.

The meeting on July 20 was called for a discussion on the alternative strategies relating to possible growth operations outside the Groupe Fnac.

At its July 30 meeting, the Board considered the work of the Audit Committee, which had met on July 28, heard from the Statutory Auditors, reviewed the report of work conducted in the first half of 2015 and approved the interim financial statements and report. The Board also examined the terms and conditions of a possible acquisition of the Company Darty plc.

During the September 28 meeting, The Board approved the conditions of the possible acquisition of the Darty Company plc. A presentation of the Fnac 2020 strategic plan was also made to the Board who approved its strategic points.

At its meeting on October 22, the Board considered the work of the Group to the end of September 2015, which approved the Company's management forecasts. A progress report on the merger operation with Darty was also presented to the Board.

During its November 20 meeting, the Board of Directors examined all of the conditions under which the acquisition of the Darty Company plc could take place and validated the conditions for announcing this offer. The Board also approved the financing conditions relating to this possible acquisition and particularly the terms of the bank documentation relating to the revolving credit of €400 million which would be granted to the Groupe Fnac and to some of its subsidiaries as well as to a bridge loan in a maximum amount of €465 million which would be granted to Groupe Fnac.

Finally, during the December 21 meeting, the Board approved the repayment conditions for the perpetual deeply subordinated notes (TSSDI) issued by Groupe Fnac on April 24, 2013 and completely subscribed to by Kering BV, now called Kering Netherlands, the annual interest rate having been brought from 8% to 5%

Work of the Board of Directors from January 1 to April 4, 2016

The Board of Directors met three times between January 1, 2016 and April 4, 2016:

* during its meeting on January 20, 2016, the Board examined the business market for the fourth quarter 2015 as well as the budget orientations for 2016;
* at its meeting on February 17, 2016, the Board of Directors:
  - after recognizing the works of the Audit Committee in 2015, the 2016 audit plan and the 2015 mapping of risks, approved the annual financial statements and reports for the year 2015, and approved this report,
  - reviewed and approved the 2016 budget,
  - Granted and annual envelope to the Chairman and Chief Executive Officer for issuing sureties, endorsements and guarantees,
  - conducted the annual review of regulated agreements,
  - considered the work of the Nomination and Remuneration Committee on February 12, 2016 and decided on the variable compensation for 2015 of the Chairman & Chief Executive Officer and the amount and terms of his fixed and variable compensation for fiscal 2016,
  - set the allocation of the attendance fees paid for fiscal 2015,
  - considered the work of the Corporate Social and Environmental Responsibility Committee of February 15, 2016, and approved the social and environmental information to appear in the Management Report,
  - approved the Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company,
  - approved the Board's Management Report;
* at its meeting on Monday, April 04, 2016, the Board of Directors:
  - approved the Board's report on the resolution projects as well as the resolution projects at the Combined General Meeting,
  - called by the Combined General Meeting for June 17, 2016.

Board of Directors' assessment

Pursuant to its internal regulations, at the end of its three-year term, the Board of Directors conducted a formalized assessment of its operation during the meeting of April 4, 2016 based on a questionnaire that each Director completed before the meeting and which the Chairman and Chief Executive Officer considered during this same meeting.

Audit Committee

Formed at the end of June 2013, the main role of the Audit Committee, within the limit of the operations of the Board of Directors, is to examine the annual and interim financial statements, verify the relevance, continuity and reliability of the accounting methods in force in the Company and the main subsidiaries, to ensure the monitoring of the financial information development process, and ensure that the Group's internal control and risk management procedures are being implemented. In the exercise of its duty, it heard the Report of the Statutory Auditors and was able to question them. The Committee is informed of the main issues identified by the Internal Audit Department.

It reports regularly to the Board and submits opinions and recommendations to the Board for matters within its sphere of expertise. Minutes of the Committee's meetings are written and approved.

The Committee can call on experts from outside the Company and interview anyone it chooses.

It reviews the fees for the Statutory Auditors every year and assesses their independence.

The Audit Committee of Groupe Fnac is comprised of two Directors: Ms. Carole Ferrand and Mr. Jacques Veyrat, Independent Director, Mr. Stéphane Boujnah, Chairman of the Committee and Independent Director, having resigned his office of Director effective November 15, 2015.

The current composition of this Committee was maintained by the Board of Directors at its meeting on October 22, 2015, Mr. Jacques Veyrat took the Chairmanship of the Audit Committee. The Board of Directors conducted a discussion aimed at enlarging the Board of Directors by one or more new Directors including one independent member who could join the audit Committee. This composition was ratified going forward, by the Board of Directors at its meeting of February 17, 2016 subject to the renewal of the directorship of Jacques Veyrat by the General Meeting of June 17, 2016.

All the members of the Audit Committee have recognized expertise in financial or accounting matters, together contributing their knowledge in executive, operational and financial management gained in the course of their professional careers in banks and companies (see section 3.1.1 "Personal information regarding the members of the Board of Directors" of the Registration Document).

Work of the Audit Committee in 2015 through to February 15, 2016

Work of the Audit Committee in 2015

In 2015, The Audit Committee met four times.

Dates	Directors present (attendance rate)
February 24	2/3 (67%)
April 20	3/3 (100%)
July 28	3/3 (100%)
October 20	2/3 (67%)

The first meeting was held on February 24, 2015 and was mainly devoted to:

* the presentation of the financial results of Groupe Fnac as at December 31, 2014;
* a review of the preparation of the parent company and consolidated financial statements as at Wednesday, December 31, 2014;
* a review of the independence of the Statutory Auditors, the fees they were paid, and the services they rendered that were directly connected with their assignment;
* an examination of the draft of the Chairman's Report on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company.

The Committee's meeting on April 20, 2015, was mainly devoted to:

* the examination of the draft press release on first quarter 2015 revenue;
* review of the Registration Document.

The Committee's meeting on July 28, 2015, was mainly devoted to:

* the presentation of Groupe Fnac statements as of June 30, 2015 and the review of the semi-Annual Financial Report;
* the examination of the closing works and the consolidated financial statements as of June 30, 2015 presented by the Statutory Auditor.

The Committee's meeting on October 20, 2015, was mainly devoted to:

* a summary of assessment of the audit assignments conducted in 2015;
* a review of the Group's key outstanding legal, tax and industrial disputes and audits in progress;
* the presentation of the new organization of internal control in France;
* the review of the draft financial release from the third quarter of 2015.

Finally, during its meeting on February 15, 2016, the Committee mostly devoted its time to the following points:

* a review of the risk mapping;
* the 2015 results for the self-assessment of major Fnac rules
* the proposed audit plan for 2016;
* approval of the 2016-2018 Business Plan per cash generating unit (CGU) serving as the base for impairment tests and goodwill at December 31, 2015;
* the presentation of the financial results of Groupe Fnac as at December 31, 2015;
* a review of the closing work on the consolidated and statutory financial statements and their notes as at December 31, 2015;
* a review of the independence of the Statutory Auditors, the fees they were paid, and the services they rendered that were directly connected with their assignment;
* a review of the draft of the Chairman's Report on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to assist the Board in the composition of the Company and Group's executive management bodies and in the regular assessment of all compensation and benefits to the Group's corporate officers and executive managers.

The Nomination and Remuneration Committee is composed of three Directors: Nonce Paolini, Chairman of the Committee and Independent Director, Patricia Barbizet, Director, and Antoine Gosset-Grainville, Independent Director.

The composition of the Committee was ratified going forward, by the Board of Directors at its meeting of February 17, 2016 subject to the renewal of the directorship of Patricia Barbizet by the General Meeting of June 17, 2016.

In accordance with the criteria of the AFEP-MEDEF Code, Independent Directors thus comprise two thirds of the Nomination and Remuneration Committee.

Work of the Nomination and Remuneration Committee in 2015 and through March 30, 2016

In 2015, the Committee met once, with an attendance rate of 100%.

On February 23, 2015, the Committee met to examine the statement of variable elements of compensation for the Chairman and Chief Executive Officer for 2014 and the conditions for his fixed and variable compensation for 2015. It examined the conditions for the compensation of the Group's senior executives and the principles of long-term incentive plans. The Committee also proposed the renewal of members of the Board of Directors and its committees. At the same meeting, the Committee conducted the annual assessment of the independence of members of the Board of Directors, each Director a member of the Nomination and Remuneration Committee taking no part in the decision concerning him or herself, and a review of the financial or accounting expertise of members of the Audit Committee. Other items on the agenda for that meeting were the allocation of attendance fees for 2014 and the definition of the allocation method for attendance fees for 2015 and a review of the Board's draft report on corporate governance.

On Friday, February 12, 2016, the Committee met to examine the statement of variable elements of compensation for the Chairman and Chief Executive Officer for 2015 and the conditions for his fixed and variable compensation for 2016. The conditions of the compensation for the main executives of the Group were studied. The Committee also proposed the renewal of members of the Board of Directors and its committees. At the same meeting, the Committee conducted the annual assessment of the independence of members of the Board of Directors, each Director a member of the Nomination and Remuneration Committee not taking part in the decision concerning himself or herself, and a review of the financial or accounting expertise of members of the Audit Committee. Other items on the agenda for that meeting were the allocation of attendance fees for 2015 and the definition of the allocation method for attendance fees for 2016 and a review of the Board's draft report on corporate governance.

On March 30, 2016, the Committee met to study the principles of the long term incentive schemes implemented by the Group.

The Nomination and Remuneration Committee reported on its work and recommendations to the Board of Directors.

Compensation policy for corporate officers

Attendance fees paid to members of the Board of Directors

Attendance fees paid in 2015 for 2014

The General Meeting determines the total amount of attendance fees to be paid to the members of the Board of Directors.

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors determines the allocation of attendance fees according to the actual attendance of members at meetings of the Board and the specialized committees held during the year in question.

The General Meeting of April 17, 2013, set the overall annual amount of attendance fees to be paid to members of the Board of Directors at €300,000 until a further decision is made.

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors on February 26, 2015, determined the allocation of attendance fees in 2015 to members of the Board and specialized Committee meetings held during 2014.

Of the 60% for the Board of Directors, 30% was a fixed component and 70% a variable component. The variable component was allocated based on members' attendance rate at Board of Directors' meetings.

The component of 40% of the specialized committees was distributed as follows: 20% to the Audit Committee, 12% to the Nomination and Remuneration Committee, and 8% to the Corporate Social and Environmental Responsibility Committee. These component allocations are strictly committee attendance-based.

The Chairman of the Board of Directors and the Chairs of the Committees receive a 50% higher fee for their attendance at each meeting.

For fiscal year 2014, in accordance with the Board of Directors decision of February 26, 2014, a total of €271,810 was paid in 2015. This compensation to Board of Directors members is disclosed in detail in section 3.3.2 of this Registration Document.

Attendance fees paid in 2016 for 2015

In line with the allocation for 2014 in 2015, 60% of the total €300,000 was allocated to the Board of Directors on February 26, 2015, and 40% to the members of specialized committees.

Of the 60% for the Board of Directors, 30% was a fixed component and 70% a variable component. The variable component was allocated based on members' attendance rate at Board of Directors' meetings.

The component of 40% of the specialized committees was distributed as follows: 20% to the Audit Committee, 12% to the Nomination and Remuneration Committee, and 8% to the Corporate Social and Environmental Responsibility Committee. These component allocations are strictly committee attendance-based.

The Chairman of the Board of Directors and the Chairs of the Committees receive a 50% higher fee for their attendance at each meeting.

The Board of Directors meeting of February 17, 2016 allocated a total €274,381 to Board of Directors and committee members to be paid in 2016 for 2015.

Other compensation

The compensation and benefits awarded to the Chief Executive Officer were decided by the Board of Directors at its meeting held on February 26, 2015, on the recommendations of the Nomination and Remuneration Committee. The annual and multi-year variable compensations were structured so as to strengthen the link between the compensation paid and the Group's performance. Identical to 2014, in addition to a fixed compensation, a mechanism for annual variable compensation was established, 80% of which is based on financial targets. The Board of Directors used four financial criteria for 2015. These were based on the Group's performance indicators in terms of the generation of free cash flow, current operating income, Group revenues and the increase in the Group's market share. If the targets are achieved, the variable portion amounts to 105% of the Chairman and Chief Executive Officer's fixed compensation.

The Chief Executive Officer also benefits from a multi-year variable compensation designed to link him to the Company's performance through the performance of the Groupe Fnac share.

The Board of Directors, on February 26, 2015, granted an equivalent in bonus shares settled in cash and performance options also settled in cash to Alexandre Bompard.

This equivalent in bonus shares will vest on February 28, 2017, provided that a presence condition is met and a stock market performance of the Groupe Fnac share (average of the share closing price of Groupe Fnac in February 2017) is achieved. The value of the equivalent in bonus shares is measured by this average. If this average in February 2017 is lower than a predefined price, there will be no payment. The related payment, in cash, will be processed subject to attendance on February 28, 2017.

The performance options will be vested in progressive stages, in tranches, at the end of two successive vesting periods (March 1, 2015 - September 30, 2017 and March 1, 2015 – September 30, 2018) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to the achievement of a performance condition defined for the Groupe Fnac share for each of the two periods. These options will be paid in cash. If the Groupe Fnac share price measured for each vesting date is below a predefined price, no payment will be made.

In the event of his departure, the Chief Executive Officer does not benefit from a specific severance package.

The individual compensation of the Chief Executive Officer is detailed in section 3.3.1 of the Registration Document.

Corporate Social and Environmental Responsibility Committee

The role of the Corporate Social and Environmental Responsibility Committee is to review the corporate, social and environmental policies conducted by the Company

After explaining the Group's CSR strategy, it reports on the previous year's actions and results and presents the strategy for the current year.

It covers social dialog, equal opportunity, gender parity, youth and senior employment, diversity, environmental impact management, cultural initiatives and social inclusion.

The Committee also ensures that the disclosures in section 2 "Social and Environmental Responsibility" of this document have been audited by an independent body to certify their compliance with Article L. 225-102-1- par. 5 and 6.

The Committee is composed of three Directors: Brigitte Jouyet-Taittinger (Chair and Independent Director), Arthur Sadoun (Independent Director) and Alban Greget (Director).

The current composition of this Committee was maintained by the Board of Directors at its meeting on February 17, 2016.

In accordance with the AFEP-MEDEF Code, two-thirds of the Committee's members are Independent Directors.

Work of the Corporate Social and Environmental Responsibility Committee in 2015 and through to February 15, 2016

The Corporate Social and Environmental Responsibility Committee met once in 2015, and once so far in 2016.

On February 23, 2015, the Committee reviewed the Group's general CSR policy, the report of actions and results for 2014, and the goals and strategy for 2015. It also verified that the Group had met its data publications obligations under Article L. 225-102-1 par. 5 and 6.

On February 15, 2016, the Committee reviewed the Group's general CSR policy, the report of actions and results for 2015, and the goals and strategy for 2016. It also verified that the Group had met its data publications obligations under Article L. 225-102-1 par. 5 and 6.

All information relating to the Group's CSR policies and its social and environmental performance is disclosed in section 2 "Social and Environmental Responsibility" of this document.

3.5.2.7 Shareholder participation

Every shareholder is entitled to participate in General Meetings under the conditions prescribed by law. The methods for participating are detailed in the provisions of Article 22 of the bylaws and are reiterated in section 7.1.2.5 of the Registration Document.

3.5.2.8 Factors likely to have an impact in the event of a public tender offer

No factor other than those relating to (i) the current capital structure (Artémis Group currently holds 38.66% of the capital and voting rights of Groupe Fnac), (ii) the cases for early repayment of the loan agreement (as described in section 4.2.2.2 "Financing under the Loan Agreement"), and (iii) the authorizations given by the General Meeting to increase the capital, as expressly described in the Registration Document, is likely to have a significant impact in the event of a public tender offer, or have the effect of delaying, deferring or preventing a change of control.

In the case of a public tender offer giving the right to early exercise of warrants issued by the Company, the dilutive impact of the exercise of all options held at December 31, 2015 would be 3.82% (as stated in section 7.2.4).

To the Company's knowledge, there is no agreement between shareholders that could place restrictions on the transfer of shares or the exercise of voting rights.

3.5.3 Internal control and risk management procedures instituted by the Company

This section of the Chairman of the Board of Directors' Report on the risk management and internal control procedures instituted by Fnac is based on the AMF's reference framework published on July 22, 2010.

This reference framework takes into account changes in the laws and regulations that have occurred since it was first published in 2007, including the Law of July 3, 2008 and Ordinance of December 8, 2008 and the recommendations from the AMF report published on November 18, 2015.

AMF's reference framework takes into account not only the aforesaid French and EU laws and regulations, but also the best practices and international guidelines on internal control and risk management including ISO 31000: 2009 and COSO II.

3.5.3.1 General principles of risk management

The AMF defines risk as the possibility of an event occurring the consequences of which might impact the persons, assets, environment and objectives of the Company or its reputation.

Risk management includes themes that encompass more than just financial risks: strategic, operational, market, reputation or compliance risks. Risk management is a management tool that contributes to:

* creating and protecting the Company's value, assets and reputation;
* preserving the perpetuity of the company's short, medium and long term activities;

* securing the Company's decision-making process and other processes to achieve the goals.
* encouraging consistency between the Company's actions and its values;
* mobilizing the Company's workforce around a shared approach to managing the main risks.

Components of risk management

Fnac's risk management procedures provide an organizational framework, a three-step risk management process and ongoing management of these procedures.

An organizational framework

This organizational framework includes:

* an organization that defines the roles and responsibilities of those concerned, establishes clear and coherent procedures and standards;
* a risk management policy that formalizes the goals of the procedures.

Organization of risk management at country level

Managing the exposure to decentralized risks is the responsibility of the country CEO and local managers, who are closest to the risks associated with the activities they exercise or supervise:

* monthly performance reviews help to detect the appearance or occurrence of risks;
* Country Security Departments are responsible for the security of the Company's tangible and intangible assets and for the security and safety of everyone at all the Group's sites, and implement all human, organizational and technical means to handle risks of an accidental or intentional nature;
* the Support Services Departments, in their role of securing and driving progress, may identify risks and propose an action plan for their containment.

Organization of risk management at Group level

* The Internal Audit Department organizes, for management, the process of mapping the Group's major internal and external risks based on an institutionalized approach of identifying and assessing risks.
* The procedures for risk prevention distribute a set of rules and best practices aimed at controlling risks under its responsibility, the network of Country Security Directors also relies on this set of rules and best practices.
* The Legal Department identifies and analyzes the Group's material legal risks and the insurable risks to be included in the Group's financial statements.
* Preparation of the strategic plan by the Strategy Department provides the opportunity to assess the major external risks and update the mapping of the Group's major risks. In accordance with the guidelines, this is sent to the Internal Audit Department.

Risk management policy

Fnac instituted its risk management policy in 2011, which is based on the COSO II guideline. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

A three-step risk management process

* Identifying risks: with respect to Fnac activities, risk identification is carried out on an ongoing basis. Risk identification helps to categorize and centralize major risks either with the Risk Prevention Department, or the Internal Audit Department depending on the type of risk.
* Risk analysis: within Fnac activities, this process is performed and formalized at least once a year, when the Internal Audit Department carries out its own risk assessment. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, HR-related, legal or reputation nature) and assess the likelihood of their occurrence, as well as the required level of risk management.
* Handling risk: the last step of the risk management process includes identifying the action plan(s) best suited to the Company.

Managing risk management procedures

The risk management system is subject to regular monitoring and review, which allows for ongoing improvements.

The Audit Committee meets at least once a year to examine the risk mapping prepared by the Group's Audit Department and monitor the progress of dedicated action plans.

3.5.3.2 Links between risk management and internal control

The risk management and internal control procedures are complementary to the management of the Group's activities:

* the risk management procedures aim to identify and analyze the main risks. Such risks are addressed and are the subject of action plans. These plans may propose a change to the organization, the implementation of projects and the introduction of controls. These controls to be implemented are in line with internal control procedures and may be reviewed in light of the risk mapping;

* the internal control procedures rely on the risk management procedures to identify the main risks to be contained;
* the audit plan relies on the risk mapping to test the assessment of the level of control of identified risks.

The coordination and balance between the two systems depend on their shared underlying control environment, and, more specifically, the Company's specific risk and control culture and ethical values.

3.5.3.3 General internal control principles

Definition and objectives of internal control

The internal control system at Fnac encompasses a number of appropriate resources, policies, practices, procedures and initiatives whose purpose is to ensure that the required measures are taken to address:

* the activities, efficiency of its operations and efficient use of resources;
* the risks likely to have a material impact on the Company's assets or its ability to meet its objectives, whether of an operational, financial or compliance nature.

Internal control is defined as a process conducted by executive management under the control of the Board of Directors, and implemented by the Directors and all employees. Irrespective of its quality and extent of application, it cannot entirely guarantee that the objectives in the following areas will be achieved:

* compliance with applicable laws and regulations;
* implementation of instructions and strategy adopted by executive management;
* proper functioning of internal processes, including those contributing to protecting the assets;
* reliability of financial information.

Limits of internal control

The following limitations inherent in any internal control system affect the probability that the Company will achieve its established objectives in particular:

* human errors or malfunctions that occur when decisions are taken or implemented;
* deliberate collusion between several persons making it possible to elude the control system in place;
* deliberate fraud by the management;
* where the implementation, or even maintenance, of a control would be more burdensome than the risk which it is supposed to alleviate;
* moreover, when endeavoring to achieve the above-mentioned objectives, companies are confronted with events and hazards that are outside of their control (unforeseen changes in markets and competition, unforeseen change in the geopolitical situation, errors in forecasting or estimating the impact of such changes on the organization, etc.).

Components of internal control

The quality of the internal control system depends on the following components:

* a control environment based on rules of conduct and integrity upheld by the executive management and communicated to all employees;
* the existence of a clear and appropriate definition of roles and responsibilities;
* a system for categorizing, analyzing and managing the main risks;
* ongoing monitoring of the internal control system, and regular review of its performance.

Fnac's internal control environment

This environment is structured around the principles and values shown in the internal codes or charters governing the behavior and ethics of all employees and is based on the management of human resources guaranteeing the competence, ethics and involvement of employees.

Principles and values

* The business code of conduct, which was first distributed in 2005 and then redistributed in 2009 to all employees, was updated and supplemented in 2013. It sets forth the ethical principles and the main rules of conduct and behavior expected of Fnac employees.
* A "Suppliers gifts and benefits charter" distributed in 2006 sets forth the rules concerning the various gifts and enticements from suppliers and third parties.
* A Fnac Values Charter, distributed in 2012 as the result of an internal collective process, specifies four key values: Commitment, Passion, Respect and Innovation.
* An Internal Control Charter, issued in 2010, was updated and supplemented in 2013. It defines the role, as set forth by the AMF framework, of each individual involved in internal control.
* A code of conduct for securities trading, circulated in 2013, in compliance with AMF instructions, defines the obligations incumbent on persons holding privileged information.

* A charter relating to the appropriate use of IT systems was first released in 2008, then re-issued in 2012, for computer systems users to raise awareness and increase user responsibility for the rights and duties incumbent on them.

These codes and charters have been validated by the Group's executive management. They are available on the Group's intranet site so that each employee can refer to them.

* "Fnac's Essential Rules", distributed in 2012, set forth the fourteen main operational and administrative cycles of Fnac's activities, the key rules of internal control related to legal or regulatory compliance, and how to achieve such objectives while efficiently allocating resources. In addition to these rules, there is a "Store Best Practices" corpus and a "Risk Prevention in management" glossary, which was also updated in 2012.

Human resources policy

The human resources policy contributes to internal control, in particular by delegations of power and responsibilities, descriptions of functions, an employee assessment system and investments in training.

* Given the size of Groupe Fnac, the size of its workforce, the diversity of its activities, and the geographical dispersion of its different entities, it is necessary to delegate powers and responsibilities for the business to operate effectively. Responsibilities are delegated to appropriate people and entities, along with all the powers and resources they need to carry them out, in compliance with applicable regulations. Official job descriptions exist for key functions. The descriptions refer to the necessary controls for the supervision of the activity and also serve as a framework for the individual assessment system. The identification and description of key skills (managerial and business specific) for the Group allows for the gradual implementation of a shared system for managing skills.

* Training, a component of annual plans, is focused on business-specific skills, combining specific know-how and management expertise. It is provided from the time new recruits first join the Group and continues throughout their careers ensuring their individual development.

* All Group managers and employees benefit from an Annual Meeting to appraise their performance and skills and take into account their training and professional development needs. Group Human Resources is responsible for Group senior executives (recruitment, international mobility, career management and training). Succession plans are in place for the principal Group management positions.

* An employee opinion survey is conducted every two years.

* Compensation policies are managed and controlled by Group Human Resources for principal management functions and by Country Human Resources for other functions, in accordance with the main defined goals.

* Group Human Resources deploys and coordinates the Group's Corporate Social and Environmental Responsibility Committee policy.

Organization

The organization of the Group's internal control involves persons in the entire chain of responsibility, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Corporate Social and Environmental Responsibility Committee, and the Statutory Auditors.

The allocation of responsibilities and division of functions ensures control and provides the basis on which the respective roles of the various decision-making bodies are built.

Executive Committee

The Executive Committee determines the Group's main strategic policies and their impact on the major financial and management equilibrium. It examines the work of internal and external auditors. It decides which directions to take and which action plans to follow.

It is chaired by the Chairman and Chief Executive Officer, and its other members in 2015 were the Director of Strategy, the Managing Director for Northern Europe (France-Belgium-Switzerland), the Managing Director for Brazil and Portugal, the Director of the Products Division, the Director of Operations, the Director of Information Systems and Digitalization, the Chief Financial Officer, the Communications Director, the Brand, Marketing and E-commerce Director, and the Human Resources Director.

The Strategy Director runs and coordinates all Executive Committee projects.

Investment Committees

Since 2008, the Group Investment Committee has examined and authorized all investment decisions on major projects and projects related to:

* the creation of directly owned or franchised stores;

* the acquisition or disposal of companies or businesses.

The Group Investment Committee is chaired by the Group's Chairman and Chief Executive Officer and its permanent members are the Groupe Chief Financial Officer and the Financial Control Director. Country projects are presented by the country CEO assisted by his Chief Financial Officer and the experts involved in the projects (e.g. the Property Department for a real estate project).

The IT Investment Committee has examined and authorized all investment decisions on major IT projects since 2012.

The IT Investment Committee is chaired by the Group Chief Financial Officer and its permanent members are the Director for Information Systems and Digitalization and the Financial Control Director. Country projects are presented by the country CEO, assisted by his Chief Financial Officer.

Operational managers and employees

Management is the operational agent for internal control and is essential to the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Fnac manager. This responsibility begins at the first level of supervision. The delegation of powers and responsibilities is the first step in making the principal participants more aware of these internal controls.

As part of their delegated powers and formalized responsibilities, each Director and manager defines, implements and manages the internal control system. In particular, store, subsidiary and entity Directors are responsible for maintaining a satisfactory level of internal control on the assets and cash flows of the unit or company they manage.

Employees must be aware of the internal control systems in respect of the objectives they have been assigned, and must comply with the control principles and rules, and can be a source of improvement and malfunction detection. They are informed of the existing measures when they sign their employment contracts and by the internal regulations of the legal entities to which they are attached.

Other internal control participants

* The Legal Department advises and assists the operational departments and subsidiaries on major legal questions.
* The Tax Department, which was created in 2012, advises and assists the operational departments and subsidiaries on major tax questions.
* The Financial Control Department is in charge of implementing and ensuring compliance with the procedures for reporting and preparing the consolidated financial statements.
* The Human Resources Department advises and ensures that internal practices comply with labor laws and regulations.
* The channel for risk prevention conducts specific risk analyses and proposes action plans on security, safety and the environment.

Supervisory and internal control assessment bodies

* The Board of Directors contributes to the general control environment through the skills of its members. It is regularly informed of major internal control and risk management methodologies and describes them in its Activity Report.
* Part of the Audit Committee's responsibility is "to implement and ensure the relevance of internal controls; identify and hedge risks of the Company, in particular of its financial or commercial, tangible or intangible assets, staff, customer or third party risks of any type arising from the activities of the Company and/or its subsidiaries".
* Part of the Nomination and Remuneration Committee's responsibility is "to evaluate the independence of the members of the Board of Directors, propose the appointment of its members, executive management and the specialized committees, and examine and propose to the Board all elements and conditions for the compensation of members of executive management and the Group's senior executives".
* Part of the Corporate Social and Environmental Responsibility Committee's responsibility is "to examine the principal risks and opportunities for the Group in corporate social and environmental matters".
* The Internal Audit Department, through its mandate, contributes to the assessment of the internal control system and draws up recommendations for the improvement of its practices. The Internal Audit Department is in charge of managing and coordinating risk management, in particular through annual mapping of risks and monitoring of action plans. It is also in charge of the central administration and analysis of internal control pursuant to the Law of Financial Security and the AMF's reference framework set out in the section below, "Oversight of the system". The Internal Audit Committee, which is linked to the Group Chief Financial Officer, reports the main results of its assessments to the executive management and the Audit Committee.
* The Statutory Auditors review the internal control systems to certify the financial statements by identifying strengths and weaknesses, assessing the risk of material misstatement and, if necessary, making recommendations.

System for managing main risks

The risk management system described above in section 3.5.3.1 "General principles of risk management" is structured as described above in section 3.5.3.2 "Links between risk management and internal control" with the internal control system in order to contribute to its ongoing assessment and improvement.

Oversight of the system

The ongoing oversight of the internal control system and the regular review of how it is functioning comprise three types of tasks: annual self-assessment exercises, internal audit assignments and observations made by the Statutory Auditors.

Self-assessment

Those in charge are asked to apply the internal control system to assess the level of internal control achieved through key controls for the proper functioning of their activities.

This approach helps to:

* raise awareness among operational and functional managers of the internal control procedures for which they are responsible;
* provide a structured and objective framework for analyzing risks and sharing internal control best practice;
* launch action plans and, if necessary, improvement plans.

The internal control analysis strategy is based on the following principles:

* an annual self-assessment of Fnac's Essential Rules, through questionnaires filled in by key operational staff in each Fnac country organization. In 2015, 14 cycles were self-assessed. The questionnaire for the "Finance, Accounting and Management" cycle sent to country Chief Financial Officers takes into account AMF's reference framework and, in particular, its application guide.

  These questionnaires help operational staff to assess the quality of internal control procedures for which they are responsible. They standardize the level of internal control across all activities and have them benefit from best practices. They enable the launch of improvement action plans based on the results obtained;
* an annual self-assessment of "Essential" in-store controls, which is based on "Store Best Practices", is managed and coordinated by the finance network of country organizations. In 2015, all stores in France and abroad were self-assessed.

Internal audit

In 2015, the Audit Department continued to strengthen its system for assessing organizations' internal control and risk control. The main actions undertaken concern:

* Internal Control Committees for all French and foreign subsidiaries. The purpose of these committees includes:
  - formalizing feedback from operational managers concerning identified and/or proven risks, and
  - ensuring that control activities are implemented and that they cover the subsidiary's risks.

  Fifteen Internal Control Committees met between January and December with the country and subsidiary CEOs and CFOs, and the Legal Department, Tax Department, Financial Control Department and Internal Audit Department;
* around twenty on-site audit missions were carried out, both in France and abroad, including audits of store operational cycles and audits of the cycles of the main support functions at the head offices of subsidiaries (product procurement and overheads, HR, marketing, etc.).

Statutory Auditors

As part of their mandate of certifying the financial statements, the Statutory Auditors included internal control in their assessment.

3.5.3.4 Description of internal control procedures relating to the preparation of accounting and financial information

General principles of organizing accounting and financial internal control

Definition and objectives

Accounting and financial internal control includes the processes that provide accounting data: financial information production, account-closing processes and communication actions.

The accounting and financial internal control system aims to ensure:

* compliance with accounting regulations and proper implementation of the principles on which the financial statements are prepared;
* implementation of the instructions given by the executive management in respect of financial information;
* the preservation of assets;
* the quality of information reported for the preparation of published financial statements and the reliability of their centralized treatment for group consolidation with a view to the distribution and use of that information for management purposes;
* the control of production of financial, accounting and management items.

Scope

The scope of application of internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all subsidiaries included in the consolidated accounts.

Organization and management process of the accounting and finance function

Organization

Group financial and accounting information is prepared by the Group Finance Department.

In 2015, the Group Finance Department supervised the Financial Control Department, the France Finance Department, the Legal and Insurance Department, the Tax Department, the Investor Relations and Financing Department, the Risk Prevention channel, the Corporate Development Department, the Property and Expansion Department and the Internal Audit Department and the Public Affairs Department.

Standards

Accounting standards

The Group has a body of accounting rules and policies which must be applied to all consolidated subsidiaries to ensure that the financial information reported is consistent and reliable.

These accounting rules, which are regularly updated and were last updated in the 2013 fiscal year, take into account changes in accounting regulations and standards.

* The accounting standards establish the principles required for the consistent treatment of operations. They specify, in particular, the recording methods pursuant to International Financial Reporting Standards (IFRS).
* The single centralized chart of accounts and budgetary and closure procedures ensure consistency in the treatment of data.

Management standards

Management standards not only specify the rules applying to the valuation of certain major nominal and income statement accounts, but also the controls and validations applying to key processes.

The Financial Control Department is responsible for improving the quality of formalization and updating such rules.

Management process

The production and analysis of financial and accounting information is based on a set of management procedures, such as:

* medium-term plans that measure the consequences of the strategic directions on the Group's major financial and management axes. Such plans are also used annually by the Group to assess the values in the use of assets relating to the various cash-generating units;
* annual budgets, which are drafted in two stages based on information exchanged between the operational departments and the Group and country executive management: a budget detailing the major financial balances and operational action plans is drawn up in the fourth quarter of the fiscal year and endorsed in the following first quarter, taking into account, where applicable, events that have occurred in the interim;
* the annual budgets are updated at least twice a year to ascertain whether the budgetary targets have been met and, if necessary, to revise them by taking into account results to date and changes in the internal and external environment;
* the reporting that is carried out each month on the basis of monthly result closures performed by all entities dependent on the Group, allows rapid reporting of financial information and regular monitoring of operational performance. The Financial Control Department, based on the controls delegated to country or subsidiary Chief Financial Officers, monitors its consistency and reliability and whether it complies with the applied accounting treatments.

  The Chairman and CEO, the Group Chief Financial Officer, and the zone, country or subsidiary CEOs, meet regularly with the managers of the various activities to assess the development of business, based on financial and operational aspects;
* the Financial Control Department oversees, on a regular basis, off-balance sheet commitments of consolidated legal entities, including as part of the statutory consolidation processes or with regard to how they are required to list all their commercial or financial commitments and monitor them over the fiscal years.

Information systems

Financial and accounting information systems implemented in the Group have the purpose of meeting the requirements of compliance, security, reliability, availability and traceability of information.

* Financial management and accounting data is managed with one and the same information system in all Group activities to ensure consistent treatment, comparison and control of accounting and financial information.
* Consolidation data is collected in a single consolidation tool, interfaced with the accounting information system.

To reinforce internal control of systems, the Organization and Information Systems Department has strengthened the segregation of duties and has improved right of access controls through an annual review.

Preparation of accounting and financial information

Operational bookkeeping processes

All bookkeeping processes, including sales, purchases and inventory management, fixed assets, payroll and cash are the subject of specific monitoring procedures and accounting validation and authorization rules.

Consolidation of accounts

The statutory consolidation of accounts is performed at the end of June and December using the single consolidation application that allows financial information of consolidated subsidiaries to be transmitted in real time after a comprehensive validation process of consolidation files by their Statutory Auditors, CEOs and CFOs, who sign a representation letter, thus ensuring the quality of financial information transmitted.

The Financial Control Department conducts the consolidation process.

Financial communication

The Investor Relations and Financing Department, which reports to the Group Chief Financial Officer, is responsible for the task of establishing a precise timetable for releasing the latest financial information on the Group's activities to the financial markets.

This timetable is in line with the requirements of market authorities. Managers verify, with help from the Legal Department, that the information is released within the required time and in compliance with the laws and regulations it monitors on an ongoing basis.

All material information communicated to the financial community accurately and transparently reflects the situation of the Group's activity, and is released in accordance with the principle of equality of information between shareholders.

Statutory Auditors

As part of their ongoing assignment, the Statutory Auditors audit the annual and interim accounts and financial statements of consolidated entities. The Group's annual consolidated financial statements are prepared under the supervision of the Financial Control Department under the responsibility of the Group Chief Financial Officer after validation by the entities' Finance Departments. The Chairman and CEO and the Group Chief Financial Officer certify that the consolidated financial statements are true and present a fair view by signing a representation letter addressed to the Statutory Auditors.

Ivry, Wednesday, February 17, 2016

Alexandre Bompard

Chairman, Chief Executive Officer

3.6 Statutory Auditors' Report prepared in accordance with Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Groupe Fnac SA

Fiscal year ended December 31, 2015

To the Shareholders,

As Statutory Auditors of Groupe Fnac SA and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly as regards corporate governance.

Our task is to:

* report to you on the information contained in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information; and
* certify that the report reflects those other items of information required by Article L. 225-37 of the French Commercial Code, specifying that we are not responsible for verifying the truth of these other items of information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information

Professional standards require that we perform the necessary checks to assess whether the information provided in the Chairman's Report in respect of internal control and risk management procedures relating to the preparation and treatment of accounting and financial information is true and fair. These tests and examinations primarily consist of:

* obtaining an understanding of the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information on which the information presented in the Chairman's Report is based and of the existing documentation;
* reviewing the work that has given rise to the preparation of this information and the existing documentation;
* determining whether any major deficiencies in internal control concerning the preparation and treatment of the financial and accounting information that we may have noticed in the context of our assignment are reported appropriately in the Chairman's Report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and treatment of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We hereby attest that the Chairman's Report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, February 29, 2016

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

3.7 Special Statutory Auditors' Report on the regulated agreements and commitments

General Meeting to approve the financial statements for the fiscal year ended on Thursday, December 31, 2015

To the Shareholders,

As Statutory Auditors of your Company, we are presenting our report on regulated agreements and commitments.

Based on the data that we have been given, it is our responsibility to inform you of the features, principal terms, the justifying reasons of interest to the Company, and the agreements and commitments we were told about, or that we may have discovered in the course of our assignment; we are not required to express an opinion as to their utility or suitability or to investigate whether other agreements and commitments exist. According to Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the appropriateness of entering into these agreements and commitments, with a view to approving them.

In addition, it is our task to inform you, where appropriate, of the data stipulated in Article R. 225-31 of the French Commercial Code regarding the execution of agreements and commitments in the course of the last fiscal year that were already approved by the General Meeting.

We have applied the procedures we considered necessary with regard to the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) with regard to this mission. These procedures consisted of checking the consistency of the data we were given against the basic documents from which they were drawn.

Agreements and commitments submitted for approval to the General Meeting

Agreements and commitments authorized during the last fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments which were previously authorized by your Board of Directors.

Consulting services agreement with the firm BDGS

Person concerned

Antoine Gosset-Grainville, Director, Groupe Fnac SA and partner in the firm, BDGS.

Nature and subject

By a decision dated July 10, 2015, the Board of Directors of your company previously authorized the consulting services agreement between the company Groupe Fnac SA and the firm BDGS for monitoring the acquisition process of the Darty group.

Terms

The amount of fees relating to the consulting services of the firm BDGS recognized for the year ended December 31, 2015, fees established on the basis of the time spent by the attorneys and application of the per category fee rates, totaled €1,389,694 before taxes. At this stage, it is not possible to give a complete budget estimate considering the significance and complexity of the developments that will take place during the fulfillment of this operation.

Reasons justifying the company's interest

The Board of Directors has expressed the need to surround itself with the best expertise, in matters of market transactions and the law of competition, essential to the success of the Darty acquisition transaction under conditions of optimal legal safety. The BDGS firm was chosen due to its recognized expertise in these domains.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in past fiscal years, which continued to be executed during the last fiscal year

Pursuant to Article L. 225-30 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments that have already been approved by the General Meeting in previous years continued during the last fiscal year.

Inclusion of Alexandre Bompard, Chairman and Chief Executive Officer, in a supplementary pension plan

Person concerned

Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

Nature and subject

In a decision dated July 30, 2013, the Board of Directors of your Company gave prior authorization for the membership of Alexandre Bompard in the supplementary defined-contribution pension plan for all Groupe Fnac executives in France.

Terms

Alexandre Bompard has a supplementary defined-contribution pension identical to the one given to all Groupe Fnac executives in France.

Payments made for this membership came to a total of €10,472.40 in fiscal year 2015.

Agreements and commitments approved in past years, which were not exercised during the last fiscal year

We have also been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years, which have not given rise to execution during the last fiscal year.

Agreement on removal from the tax consolidation group between Kering SA, Groupe Fnac SA and its French subsidiaries

Persons concerned

Kering SA, holding over 10% of the voting rights in Groupe Fnac SA until June 18, 2013, and Jean-François Palus, Director of Groupe Fnac SA until June 20, 2013 and a Director of Kering SA. Subsequently Patricia Barbizet, Director of Kering SA, was appointed Director of Groupe Fnac SA.

Nature and subject

On January 1, 2013, Kering SA turned over slightly more than 5% of the capital of Groupe Fnac SA to the Dutch company KERNIC MET BV. This disposal brought about the exit of Groupe Fnac SA and its French subsidiaries held at 95% or more from the Kering SA tax consolidation group, effective January 1, 2013.

In a decision dated April 17, 2013, the Board of Directors of your Company gave prior authorization to the agreement for the exit of Groupe Fnac SA and its French subsidiaries from the tax consolidation group of Kering SA.

Terms

The exit of these companies from the tax consolidation group of Kering SA has given rise to the signature of an agreement of removal from tax consolidation concluded between Kering SA and Groupe Fnac SA and its French subsidiaries. The agreement primarily provides that the tax deficits, net long-term capital losses and tax credits accrued during the period of belonging to the consolidated Kering Group will remain posted to the consolidated Kering Group.

Non-compete commitment for Alexandre Bompard, Chairman and Chief Executive Officer

Person concerned

Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

Nature and subject

In a decision dated July 30, 2013, the Board of Directors of your Company gave prior authorization to a non-compete agreement concluded between your Company and its Chairman and Chief Executive Officer, Alexandre Bompard.

Terms

This commitment, limited to a term of two years starting from the end of Alexandre Bompard's term of office, covers the retail sector specializing in cultural and/or technological and leisure products for the mass market in France, Belgium, Spain, Switzerland, Portugal and Brazil.

In return for this commitment, Alexandre Bompard will receive a gross compensation payment amounting to 80% of his fixed monthly compensation for a period of two years to be counted from the effective end of his term of office, although it is specified that the Board of Directors may waive implementation of this clause.

Paris La Défense and Neuilly sur Seine, February 29, 2016

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

4

Comments on the period

4.1 Analysis of business activities and consolidated results

4.1.1 Key financial information

The financial information below is taken from the consolidated financial statements for the fiscal years ended December 31, 2014 and 2015, prepared in accordance with IFRS as adopted by the European Union, presented in section 5.2 "Notes to the consolidated financial statements for the year ended December 31, 2015" in this Registration Document.

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the fiscal years ended December 31, 2014 and 2015 in section 5.1 "Consolidated financial statements for the years ended December 31, 2015 and 2014" and in section 5.2 "Notes to the consolidated financial statements for the year ended December 31, 2015" in this Registration Document; (ii) the breakdown of the Group's cash and equity capital shown in section 4.2 "Cash and capital resources" in this Registration Document; and (iii) the information on trends and forecasts presented in section 4.3 "Recent events and outlook" in this Registration Document.

Key income statement data for the Group

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Revenues	3,875.8	3,895.1	(0.5%)
Gross margin	1,145.8	1,143.9	0.2%
Current operating income	85.0	77.1	10.2%
Operating income	75.7	68.0	11.3%
Net income from continuing operations	48.3	41.4	16.7%
Net income, Group share	47.8	41.8	14.4%
(as a % of revenues)			
Gross margin	29.6%	29.4%	0.2 pt
Current operating margin	2.2%	2.0%	0.2 pt
Other financial data not derived from the audited financial statements			
EBITDA * (a)	145.7	147.3	(1.1%)
EBITDAR * (b)	278.3	276.6	0.6%

* *Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".*

(a) *EBITDA is defined as current operating income before net expense for depreciation, amortization and provisions for fixed operating assets.*

(b) *EBITDAR is defined as EBITDA before rental payments.*

Selected segment information

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Revenues				
France	2,783.6	71.8%	2,771.7	71.2%
Iberian Peninsula	657.3	17.0%	659.1	16.9%
Brazil	136.8	3.5%	174.9	4.5%
Other countries	298.1	7.7%	289.4	7.4%
TOTAL	**3,875.8**	**100.0%**	**3,895.1**	**100.0%**
Current operating income				
France	53.2	62.6%	47.5	61.6%
Iberian Peninsula	24.1	28.4%	23.6	30.6%
Brazil	(0.5)	(0.6%)	(0.9)	(1.2%)
Other countries	8.2	9.6%	6.9	8.9%
TOTAL	**85.0**	**100.0%**	**77.1**	**100.0%**

Key balance sheet data for the Group

(€ million)	At December 31, 2015	At December 31, 2014	Change
Non-current assets	606.0	603.7	2.3
Current assets	1,306.6	1,288.9	17.7
Shareholders' Equity [(a)]	564.3	595.4	(31.1)
Non-current liabilities	77.7	69.4	8.3
Current liabilities	1,270.6	1,227.8	42.8
Financial Debt (excluding bank overdrafts)	0.5	0.5	0.0
Cash and cash equivalents (including bank overdrafts)	544.6	535.6	9.0

(a) In 2015 includes repayment of 67.9 million euros TSSDI.

Key cash flow statement data for the Group

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Net income from continuing operations	48.3	41.4	6.9
Income and expense with no impact on cash	43.5	57.1	(13.6)
Financial interest income and expense	5.9	5.6	0.3
Net tax charge payable	16.8	18.1	(1.3)
Cash flow from operations before tax, dividends and interest	**114.5**	**122.2**	**(7.7)**
Change in working capital requirements	44.2	12.5	31.7
Net cash flows from operating activities	**142.3**	**121.1**	**21.2**
Purchase of non-current tangible and intangible assets	(58.1)	(48.7)	(9.4)
Net cash flows from investing activities	**(63.1)**	**(50.0)**	**(13.1)**
Net cash flows from financing activities	(71.7)	2.7	(74.4)
Net change in cash	**9.0**	**74.0**	**(65.0)**

4.1.2 General overview

4.1.2.1 Introduction

The following table provides a breakdown of the Group's 2015 revenues by geographical region and category of products and services.

	Fiscal year ended December 31, 2015							
	Consumer electronics		Publishing products		Services		Total	
	(€ million)	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of revenues from all regions)*
France	1,581.1	56.8%	1,026.0	36.9%	176.5	6.3%	2,783.6	71.8%
Iberian Peninsula	393.9	59.9%	243.8	37.1%	19.6	3.0%	657.3	17.0%
Brazil	100.0	73.1%	33.4	24.4%	3.4	2.5%	136.8	3.5%
Other countries	163.6	54.9%	124.6	41.8%	9.9	3.3%	298.1	7.7%
TOTAL	**2,238.6**	**57.8%**	**1,427.8**	**36.8%**	**209.4**	**5.4%**	**3,875.8**	**100.0%**

Operating segments

The Group manages its operations based on the following geographical segments:

* **France** *(71.8% of Group revenues in 2015, and 62.6% of Group current operating income in 2015).* "France" is the leading segment in terms of its contribution to Group revenues with €2,783.6 million in 2015. the Group's activity in France at the end of 2015 mainly comprised 86 directly operated stores, 38 stores operated as a franchise (including the stores in Morocco, Qatar and Ivory Coast) and its websites, primarily fnac.com. Online activities accounted for 17.1% of Fnac's revenues in France in 2015.
* **Iberian Peninsula** *(17.0% of Group revenues in 2015, and 28.4% of Group current operating income in 2015).* The Group's activity in the Iberian Peninsula is derived from directly-operated store networks (26 in Spain and 22 in Portugal at the end of 2015), one franchise (a store opened in November 2015 in Spain) and website sales on fnac.es and fnac.pt. In 2015, sales on fnac.es and fnac.pt accounted for 9.4% of Fnac's Iberian Peninsula revenues.
* **Brazil** *(3.5% of Group revenues in 2015, and -0.6% of Group current operating income in 2015).* The Group's activity in Brazil is based on 12 directly-operated stores and the fnac.com.br website. The Group generated revenues of €136.8 million in Brazil in 2015, with sales via the website representing 23.4% of Fnac's revenues in Brazil.
* **Other countries** *(7.7% of Group revenues in 2015, and 9.6% of Group current operating income in 2015).* "Other countries" include the Group's activities in Belgium and Switzerland, where the Group directly owned nine and five stores, respectively, at the end of 2015. The Group also operates a website in Belgium (fnac.be).

Product and service categories

In each geographical region where it operates, the Group analyzes its sales by category of products and services. This analysis focuses on three main categories:

* **Consumer Electronics** *(57.8% of Group revenues in 2015).* The Consumer Electronics category generated revenues of €2,238.6 million in 2015. This includes two sub-categories of products:
  - "*Microcomputing*" includes sales of the following products: desktop computers, laptops, tablets, software, printers, e-readers, phones and office accessories, and connected products as a whole. Microcomputing accounted for 67.9% of revenues from the consumer electronics category in 2015,
  - "*Retail Electronics*" includes sales of the following products: cameras and photography accessories, televisions and video accessories such as DVD players, Blu-Ray players and other accessories (home cinema), and audio items and accessories (MP3 players, headphones, docking stations and related accessories) and household appliances ("House & Design"). The "Retail Electronics" sub-category generated 32.1% of consumer electronics revenues in 2015;

* **Editorial Products** *(38.8% of Group revenues in 2015).* The Editorial Products category generated revenues of €1,427.8 million in 2015. It includes two sub-categories of products:
  - *"Books, Games & Toys and Stationery"* includes physical books, e-books, and stationery products, as well as the games & toys offered in the "Fnac Kids" Department. The sub-category "Books, Games & Toys and Stationery" accounted for 57.7% of Editorial Products revenues in 2015,
  - *Discs and Gaming* includes music (CDs), videos (DVDs and Blu-Ray discs), gaming including video games (new and used) and consoles, as well as derivative products (gadgets, t-shirts, musical instruments, and so on). This sub-category accounted for 42.3% of Editorial Products revenues in 2015;
* **Services** *(5.4% of Group revenues in 2015)*. The Services category, which includes the "services" and "other income" line items, generated revenues of €209.4 million in 2015, and is primarily composed of the following:
  - services relating to goods sold, such as the sale of extended warranties, after-sales service, and deliveries and installations,
  - rental services for consumer electronics and delivery services,
  - ticketing and gift boxes,
  - sales of membership cards for the Group's loyalty program,
  - the invoicing of shipping costs to internet customers,
  - commissions received through Marketplace, and partnerships with suppliers,
  - royalties from stores operated under franchise,
  - income from unused Fnac gift cards, starting in 2015.

4.1.2.2 Key factors affecting the Group's business

General economic conditions in the countries where the Group operates

Because economic conditions influence consumer spending, demand for the products and services sold by the Group can be heavily affected, either positively or negatively, by general economic conditions in the regions and countries in which it operates.

Generally speaking, consumers in Europe are still affected by a difficult economic environment and higher tax burdens, which have reduced the disposable income available to purchase products and services such as those offered by the Group (see section 6.1 "Strategic and economic risks" of this Registration Document). Consumer spending is still sluggish in France and other countries.

The Brazilian economy was faced with a particularly difficult year in 2015 with a sharp and unexpected downturn in some of its economic indicators (GDP, inflation, unemployment, public deficit). The consumer confidence indicator also plummeted.

Competitive environment

On the markets, the Group is facing competition from traditional retailers, some of whom are developing an online offer using their same commercial brand name, and from internet pure players. These are companies that compete on the basis of price and an increasingly broad product offering (see section 6.1 "Strategic and economic risks" of this Registration Document). In recent years the Group has also seen new forms of competition emerge, such as from manufacturers, ISPs or digital platforms, which are fueling a phenomenon of disintermediation in the sector (see section 1.3.2 "Markets" in this Registration Document).

Although the market share of pure players across all internet channels is still in the minority on Fnac's markets, these pure players are exerting strong competitive pressure. This pressure has intensified price competition in Fnac's markets, which may adversely affect the Group's revenue growth, but may also offer opportunities to the extent that pricing pressure affects all players in the market. In 2015, the Group continued to win market share in the main regions in which it operates: France and the Iberian Peninsula. (See section 1.3.1.4 "Leadership positions in its markets" in this Registration Document).

The Group has also strengthened its omnichannel presence. In France, the value of orders placed on the fnac.com website and collected or initiated in stores accounted for 46% of revenues, an increase of 11 points over 2014.

Number of stores in 2015

The following table shows the growth in the number of stores over the period:

	2015		2014	
Number of stores	**Owned**	**Franchise**	**Owned**	**Franchise**
France [a]				
"Traditional" format [a]	71	3	71	1
"Suburban" format	14		14	
"Proximity" format	1	15		10
"Connect" format		2		
"Travel" format		18		16
FRANCE	**86**	**38**	**85**	**27**
Iberian Peninsula				
"Traditional" format	40		40	
"Proximity" format	6	1	5	
"Travel" format	2		2	
IBERIAN PENINSULA	**48**	**1**	**47**	**0**
Brazil				
"Traditional" format	11		11	
"Travel" format	1		1	
BRAZIL	**12**	**0**	**12**	**0**
Other countries				
"Traditional" format	14		13	
OTHER COUNTRIES	**14**	**0**	**13**	**0**
TOTAL	**160**	**39**	**157**	**27**

(a) Includes three franchise stores, in Morocco (opened in 2011), Qatar and Ivory Coast (opened in 2015).

The Group opened three directly owned stores and twelve stores under franchise in 2015.

It also opened two Fnac outlets at the universities of Lisbon in Portugal and Madrid in Spain.

The financial results of directly owned stores are fully consolidated in the Group's financial statements. The Group analyzes the change in its revenues over a given period on including basis which includes all stores, as well as a constant-store basis, i.e. the revenues generated by stores that, as of January 1 of a given financial year, were in operation for the full twelve months of the previous financial year.

The Group recognizes goods sold to stores operated under franchise as product revenues, and royalties on revenues generated by franchise stores through business with their clients is recognized as services revenues.

Unless otherwise indicated, all financial data in this section include the full scope of consolidation and are presented on a current exchange rate basis.

Traffic, average checkout value, checkout transactions and number of loyalty program members

The Group's revenues are a function of the number of checkout transactions and average checkout values. Checkout transactions depend on customer traffic (visits to a store or website) and the sales conversion rate.

In France, customers who are members of Fnac's loyalty program make purchases more often and generate higher checkout values than non-members. Members of the loyalty program receive promotional offers that create a strong incentive to make purchases from the Group. The number of members (6.2 million at the end of 2015) increased by 11% while the proportion of revenues they generated increased by 2 pts over the full year to 59.8%.

Seasonality

The Group's business is highly seasonal and is characterized by a substantial increase in store traffic and website traffic as the end-of-year holidays draw near (see section 6.2 "Operational risks" of this Registration Document). In 2015, the Group generated 35.8% of its consolidated revenues for the year in the fourth quarter which was identical to the fourth quarter share in 2014.

Fluctuations in foreign exchange rates

The impact of fluctuations in foreign exchange rates is limited and primarily consists of the impact of exchange rate fluctuations on results after translating the local-currency results of the Group's subsidiaries in Switzerland and Brazil into euros (see section 6.3 "Market risks" of this Registration Document).

The Group saw its revenues decrease by 0.5% in 2015 at current exchange rates. At constant exchange rates, revenues were down by 0.2%[1].

The foreign exchange risk incurred on purchases made by the Group is relatively low as the Group's subsidiaries make the vast bulk of their sales and generate the vast bulk of their costs in the local currency, i.e. primarily in euros.

Factors influencing the gross profit margin

The Group's gross profit margin is a function of a number of factors, including:

* the average cost of goods purchased from suppliers, which represents the largest component of cost of sales. To optimize its costs in this area, the Group uses pooled purchasing arrangements under which purchases of some products sold in "Other countries" are pooled with purchases for the Group's stores in France;
* the Group's pricing policy, which may result in lower margins on certain products in order to offer lower prices or discounts to customers, whether in response to competition, to drive traffic by offering popular products at attractive prices, or in the context of promotional offers for loyalty program members or the entire customer base;
* the relative contributions of different product and service categories, some of which generate higher gross profit margins than others. For example, editorial products generally have higher gross profit margins than consumer electronics. In the consumer electronics segment, the sale of accessories allows the Group to partially offset the lower gross profit margins earned on its main products;
* the relative contributions of the Group's different geographical regions, some of which generate higher margins than others, as purchasing terms are primarily a function of sales volumes;
* the product/service mix, because the gross profit margin for services is generally higher than that for products. For most services, the Group acts as an agent and records the full commission in both revenues and gross margin;
* the relative contributions of the Group's two main sales channels. Over the relevant period, the gross profit margin of the Group's internet business was lower than the gross profit margin of its stores. This is primarily due to the proportion of categories sold and a marketing strategy designed to meet the higher level of competition online.

Continuation of the "Fnac 2015" strategic plan

The continuation of the "Fnac 2015" strategic plan is having a significant impact on the Group's income (see section 4.1.3.1 "Impact of the 'Fnac 2015' strategic plan" in this Registration Document) thanks to the rollout of new product categories, omnichannel development and the expansion of new store formats.

4.1.2.3 Significant events during the fiscal year

Fnac-Darty merger

After several weeks of negotiation, on November 20, 2015, the Boards of Directors of Groupe Fnac SA ("Fnac") and Darty plc ("Darty") announced the terms of a recommended pre-conditional offer by Fnac for the acquisition of the entire issued and to-be-issued capital of Darty ("the Proposed Acquisition") in accordance with Rule 2.7 of the UK's "City Code on Takeovers and Mergers" (the "Code") (the "2.7 Announcement").

Fnac believes that the business combination of Fnac and Darty constitutes a valuable strategic and financial opportunity for both groups by creating a leader in the electronics, editorial and home appliances retail market in France, as well as developing a strong presence in Europe. The combination, based on a compelling industrial rationale, would present a number of attractive features:

* two leading brands, benefiting from very strong recognition in their respective customer bases;
* an enlarged product offering, including consumer electronics, editorial products and white goods;
* a complementary and streamlined store network;
* enhanced omnichannel potential through two efficient and complementary websites; and
* greater international exposure in Europe, with a presence spanning seven countries and combined revenues of over €7 billion.

This merger offers significant potential for synergies. In accordance with Rule 28 of the Code (the UK's "City Code on takeovers and

[1] Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

mergers”), Fnac has appointed Ernst & Young LLP (“EY”) to issue a report on the value of synergies presented in the Quantified Financial Benefits Statement (“QFBS”).

According to the QFBS, the proposed merger would result in a significant financial benefit for the combined entity, largely through synergies (before tax) of at least €85 million per annum. This figure is based on Fnac’s intention to maintain two distinct store networks for Fnac and Darty.

It does not include revenue synergies that could be generated by the merger. Nor does it include the impact of potential undertakings that Fnac may have to make in the course of the merger review by the French and Belgian competition authorities. The date of effective closure of the transaction will depend largely on the timetable for the review of the merger by the competition authorities. Assuming the deal is closed by September 2016 at the latest, 10% of these synergies should be generated in the final months of 2016, 60% in 2017, 95% in 2018 and 100% from 2019.

Non-recurring costs to implement these synergies, including supplementary capital investments, are estimated at around €65 million.

According to the QFBS, the total of €85 million of annual synergies would be composed as follows:

* almost half the savings identified are expected to come from purchasing synergies in brown goods, consumer electronics and small domestic appliances, which are segments in which Fnac and Darty are both present;
* the other half of savings identified are expected to come mainly from optimizing logistics and transport, integrating certain back-office functions at the head offices in the UK, France and Belgium, and savings on the purchase of services.

These estimated synergies, established in accordance with the Code’s rules, strengthen Fnac’s conviction that the Proposed Acquisition represents a unique opportunity to create value for both groups and their respective shareholders.

Under the terms of the Proposed Offer, Darty shareholders will be entitled to receive 1 Fnac share for 37 Darty shares. Fnac will also offer Darty shareholders a partial alternative in cash up to a total maximum of 66.7 million pounds sterling.

Fnac has received support from shareholders representing 23.63% of Darty’s capital.

The Boards of Directors of Fnac and Darty have expressed their opinion that the Proposed Offer will be of benefit to both companies and that it represents a unique opportunity for value creation for Darty and Fnac shareholders alike.

The terms of the Proposed Acquisition, which should be implemented via a Scheme of Arrangement and the Steinhoff Offer appear in detail in section 1.3.4 "Offer to acquire Darty plc".

Redemption of the perpetual deeply subordinated notes

On December 30, 2015, Groupe Fnac announced the repayment of the perpetual deeply subordinated notes (“TSSDI”) issued in favor of Kering on June 19, 2013. A total of €67.9 million was paid to Kering based on a nominal amount of €60 million and a capitalized coupon of 5% per annum, pursuant to the terms of the initial subscription agreement signed on April 24, 2013 and amended on December 30, 2015.

Launch of a new store concept

Fnac continued its offensive on the connected objects and telephony market with the launch of Fnac Connect in the first half of 2015. This is a new store concept entirely devoted to these two product families.

The Fnac Connect concept for its shops is a dedicated “boutique” format (80 to 100m^2) or a corner in a Fnac store (a shop-in-shop), offering the very latest products. After the success of Fnac’s flagship “Telephony and Connected Objects” store on the Champs-Élysées in Paris, which opened in June 2014, the Group opened a Fnac Connect shop on March 19, 2015 in Angoulême and a second shop at Beaucaire (Gard) in August 2015.

The Fnac Connect concept was selected by the French Design Institute for the official “Janus du Commerce” award which is sponsored by the Industry, Commerce and Foreign Trade ministries.

At the end of 2015, the Group had two Fnac Connect shops in France and 35 dedicated shop-in-shops in the store network.

Growth drivers

Expanding the store network in France

The Group is continuing to build its presence in the regions with six new proximity-format stores, most of them operated under franchise:

A franchised store was opened in Aubenas (Ardèche) on March 19, 2015. Following on from Belleville-sur-Saône and Crest, this is the third Intermarché “Culture & Loisirs” store to switch to Fnac. Fnac Aubenas has a floor area of 750m^2 and 16 employees.

A franchised store was opened in Ajaccio, Corsica on April 30, 2015. Fnac Ajaccio has a floor area of $966m^2$ and 17 employees.

Fnac opened a new store in Dole (Jura) on June 30, 2015 within the Intermarché network. This was a first: whereas the three preceding openings were to replace an existing "Culture & Loisirs" outlet, Fnac Dole is the first new store creation within the Intermarché network. It has a floor area of $520m^2$ and 11 employees.

On October 20, 2015, Fnac opened a directly operated proximity-format store in Meaux.

Fnac opened a franchised store in Nevers (Bourgogne) on November 5, 2015. It has a floor area of $625m^2$ and 12 employees.

On November 26, 2015, Fnac opened a proximity-format store under franchise in Montpon-Ménestérol (Dordogne), in the Intermarché mall, to replace "Culture and Loisirs". It has a floor area of $600m^2$ and 10 employees. The Montpon-Ménestérol store is the fifteenth proximity-format store to open in France.

The Group also opened two new "Travel" format stores in November – at Metz station and Roissy Charles de Gaulle airport in Paris (Terminal 2C).

Expanding the store network abroad

On August 17, 2015 Fnac opened its fifth store in the French-speaking part of Switzerland, in Conthey (Valais canton). It has a floor area of $1,400m^2$ and around 40 employees. The store offers the latest product categories such as "Fnac Connect" which offers a wide range of connected objects and SIM-free phones, or the "Kids" section (games and toys).

Two new stores were opened in Spain. On November 20, a store was opened in Saragossa, in the Puerto Venecia shopping mall. It has a floor area of $1,150m^2$ and offers Fnac's full catalogue of cultural products.

Fnac Spain opened its first franchised store at Pamplona on November 24.

The Group also opened two new Fnac stores at the universities of Lisbon in Portugal and Madrid in Spain.

Meanwhile, the Group continued its strategy of expansion into new regions.

Fnac opened its first store in Doha, Qatar on May 19, 2015. This is a franchised store in partnership with Darwish Holding, a pioneer in distribution and retail in the Middle East. By teaming up with Darwish Holding, Fnac gets the benefit of its expertise in franchising and in the distribution of consumer electronics as Darwish Holding is the Qatar distributor for over 30 prestigious consumer electronics brands. Fnac Doha is located on a single level in the Lagoona Mall shopping center. It has a floor area of $1,348m^2$ and 34 employees.

Given strong growth potential in Africa and a real appetite for cultural products and consumer electronics in many African countries, Fnac announced the commencement of its development on this continent by opening two franchised stores in Abidjan on September 7, 2015. To this end, it has joined forces with the Prosuma Group, a major distribution company in Ivory Coast. For its initial venture on this continent, Fnac chose to launch in a fast-growing French-speaking country. These two new stores will offer a full range of Fnac's products and services: books, CDs, DVDs, gaming, ticketing, microcomputers, telephony, connected objects, audio, photo, TV, games and toys. The first store opened in Abidjan on November 26 in the new extension of the prestigious Cap Sud shopping mall. The second store is due to open in February 2016.

Launch of FnacPLAY, Fnac's video-on-demand service

As the leader in the physical video markets in France, on October 26, 2015 Fnac announced the launch of FnacPLAY, its video-on-demand service, designed in partnership with VOD Factory, the leading French independent VOD publisher.

Building on its presence on the e-books and music streaming markets, Fnac is stepping up its multi-channel strategy with this addition to its digital cultural offer. The brand is strengthening its position across the video broadcasting chain while furthering its commitment to promote the availability of cultural works to the greatest number of people. Fnac customers can now have easy access, at any time, high quality video content from all broadcast channels, for rental or purchase.

Other significant events

In May 2015, Alexandre Bompard informed the Board of Directors of his decision to reinvest in Groupe Fnac shares all the multi-year variable remuneration net of tax and social security contributions that he receives in 2015. He confirmed that his intention is to strengthen his links with the Group by a stake in its capital, align his own interests even more closely with those of shareholders, and emphasize his confidence in the Group's continuing transformation. The shares would be acquired on the market and held in registered form for a minimum of two years.

This plan was implemented on December 4, 2015 when Alexandre Bompard purchased 80,750 Groupe Fnac shares at a price of €53.51 (see section 3.3.1).

4.1.3 Comparison of the Group's annual results for 2014 and 2015

The table below shows the Group's consolidated income statement for the years ended December 31, 2015 and December 31, 2014, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	Change
Revenues	**3,875.8**	**100.0%**	**3,895.1**	**100.0%**	**(0.5%)**
Gross margin	**1,145.8**	**29.6%**	**1,143.9**	**29.4%**	**0.2%**
Personnel expense	(564.4)	(14.6%)	(555.2)	(14.3%)	(1.7%)
Other current operating income and expenses	(496.4)	(12.8%)	(511.6)	(13.1%)	3.0%
Current operating income	**85.0**	**2.2%**	**77.1**	**2.0%**	**10.2%**
Other non-current operating income and expense	(9.3)	(0.2%)	(9.1)	(0.2%)	(2.2%)
Operating income	**75.7**	**2.0%**	**68.0**	**1.7%**	**11.3%**
(Net) financial expense	(13.1)	(0.3%)	(12.1)	(0.3%)	(8.3%)
Income tax	(14.3)	(0.4%)	(14.5)	(0.4%)	1.4%
Net income from continuing operations for the fiscal year	**48.3**		**41.4**		**16.7%**
Net income from discontinued operations	0.0		0.0		–
Consolidated net income	**48.3**		**41.4**		**16.7%**
Group share	*47.8*		*41.8*		
share attributable to non-controlling interests	*0.5*		*(0.4)*		

4.1.3.1 Impact of the "Fnac 2015" strategic plan

In 2015, the Group continued to benefit from actions implemented under the Fnac 2015 strategic plan:

* the new product families boosted revenues significantly, with a contribution of 15% compared to 11% in 2014; this increase reflected the successful deployment of the stationery corners in France, market share gains in telephony and connected objects, and a strong performance from other families deployed in 2014 (Games & Toys, House & Design);
* the number of Group loyalty program members continued to increase, from 5.6 million at the end of 2014 to 6.2 million at the end of 2015, 11% higher, reflecting the attractiveness of the service offers proposed to program members;
* the Group continued to build up its network, opening three directly owned stores (out of a total of 160 directly owned stores at the end of 2015), and 12 stores under franchise (out of a total of 39 franchise stores at the end of 2015);
* the Group continued its cost-savings policy, generating over €50 million of savings in 2015.

4.1.3.2 Revenues

The Group saw only a very limited drop in its revenues (-0.5%).

The foreign currency impact was a negative 0.3 percentage points due to the Brazilian real's fall against the euro, partially offset by the appreciation of the Swiss franc. At constant exchange rates, the Group's revenues were almost stable at -0.2%[(1)].

Openings of new directly owned stores and store closures in 2014 and 2015 boosted revenues by 0.4 percentage points in 2015. At constant exchange rates and on a same-store basis, the Group's revenues were down 0.6%[(1)].

Although macroeconomic conditions improved in 2015 in the Group's main countries in Europe, the consumer environment was sluggish on Group markets and they continued to decline.

The stabilization of Group revenues for the second consecutive year reflects the successful deployment of the transformation plan and continuing market share gains.

The table below provides a breakdown of revenues for the years ended December 31, 2015 and December 31, 2014, by geographical region.

(1) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014		Change at current forex	Change at constant foreign exchange rates	Change at constant foreign exchange rates and scope	Change at constant foreign exchange rates, scope and stores
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*				
France	2,783.6	71.8%	2,771.7	71.2%	0.4%	0.4%	0.4%	0.7%
Iberian Peninsula	657.3	17.0%	659.1	16.9%	(0.3%)	(0.3%)	(0.3%)	(3.0%)
Brazil	136.8	3.5%	174.9	4.5%	(21.8%)	(7.5%)	(7.5%)	(8.1%)
Other countries	298.1	7.7%	289.4	7.4%	3.0%	(1.8%)	(1.8%)	(3.2%)
TOTAL	**3,875.8**	**100.0%**	**3,895.1**	**100.0%**	**(0.5%)**	**(0.2%)**	**(0.2%)**	**(0.6%)**

The table below provides a breakdown of revenues for the years ended December 31, 2015 and December 31, 2014 by category of products and services.

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014		Change at current forex	Change at constant foreign exchange rates	Change at constant foreign exchange rates and scope	Change at constant foreign exchange rates, scope and stores
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*				
Consumer electronics	2,238.6	57.8%	2,184.8	56.1%	2.5%	3.1%	3.1%	2.6%
Publishing products	1,427.8	36.8%	1,512.3	38.8%	(5.6%)	(5.6%)	(5.6%)	(6.0%)
Services	209.4	5.4%	198.0	5.1%	5.7%	5.8%	5.8%	5.9%
TOTAL	**3,875.8**	**100.0%**	**3,895.1**	**100.0%**	**(0.5%)**	**(0.2%)**	**(0.2%)**	**(0.6%)**

The increase in revenues from Consumer Electronics is the result of higher sales in the “Microcomputing” sub-category, particularly a sharp increase in SIM-free phones, while the Hardware sector has been held back by the lack of new products on the tablet market. Sales of Connected Products, a high-potential category, saw sharp growth, especially in the fourth quarter when they doubled. The “Retail Electronics” sub-category decreased due to the decline of the Photo sector and the slowdown in TV sales following the historic peak in sales in 2014 in time for the football world cup. The Audio sector continues to be dynamic with growing sales.

The decline in revenues from Editorial Products is mainly due to the fall in revenues in the “Discs and Gaming” sub-category which is negatively affected by the structural decline in video and audio discs (a consequence of the digitalization phenomenon). The Gaming sector is suffering from the previous year’s high sales for the renewal of gaming consoles from the end of 2013 and the success of video games released in 2014. The sub-category “Books, Games & Toys and Stationery” was up slightly. The Books sector continues to hold up well. Sales in the Games & Toys and Stationery categories posted a significant improvement.

The proportion of new products (House & Design, Games & Toys, Stationery, Telephony and Connected Products) accounted for 15.2% of the Group’s revenues from merchandise, representing an increase of 4 percentage points over 2014.

Growth in revenues from services is explained by the increase in Marketplace commissions and royalties on the development of franchising and by income from unused Fnac loyalty cards in the amount of 4.1 million euros.

Online business now accounts for 15.0% of Group sales, an increase of 0.9 percentage points.

The development of the omnichannel strategy continued in all regions with the establishment of new functionalities, the development of the Marketplace and B to B sales.

4.1.3.3 Gross margin and gross profit margin

The Group’s gross margin came to €1,145.8 million in 2015, an increase on the total of €1,143.9 million in 2014.

The gross profit margin was 29.6% in 2015, compared to 29.4% in 2014.

The gross profit margin was some 20 basis points higher in 2015 despite the dilutive effect of the development of franchising and the product mix. The increase in the gross profit margin in the second half was due to good management of sales and marketing at the end of the year and gains achieved on inventory impairments. The methods of impairment for editorial products which are returned to suppliers have been amended to take account of this economic situation. This change in assessment had a favorable impact of 5.5 million euros on the current operating result of Groupe Fnac. This resulted in a 0.1% change in the operating margin.

4.1.3.4 Personnel expenses

Personnel expenses amounted to €564.4 million (14.6% of revenues) for 2015, compared to €555.2 million (14.3% of revenues) for 2014, an increase of 0.3%.

This adjustment included a change to the provision regarding the components of multi-year variable compensation indexed to the share price. In 2015, payroll costs included an expense of €30.4 million compared to €18.4 million in 2014, related to the application of IFRS 2 regarding all share-based transactions involving Groupe Fnac shares. (see section 5, note 7).

Initiatives to improve the operating efficiency of the personnel structures continued in all geographic areas.

4.1.3.5 Other current operating income and expenses

Other current operating income and expenses amounted to a net expense of €496.4 million (12.8% of revenues) for 2015, compared to €511.6 million (13.1% of revenues) for 2014, a decrease of 3.0%.

This was due to the initiatives introduced to reduce running costs in accordance with the goals of the "Fnac 2015" strategic plan. The Group also registered a gain in 2015 on the sale of a finance lease on the Wissous logistics unit in the amount of €4.8 million.

Rental expense increased by 2.6%, from €129.3 million in 2014 to €132.6 million in 2015. This increase, recognized in France, was largely due to a favorable historic base resulting from the reversal of the lease on the stores closed in 2014.

Net allocations to amortization, depreciation and impairment on non-current operating assets were down 13.7% in 2015 compared to 2014, from €70.2 million in 2014 to €60.6 million in 2015.

4.1.3.6 Current operating income

Current operating income amounted to €85.0 million for 2015, compared to €77.1 million in 2014, an increase of 10.2%.

"Current operating profitability" came to 2.2% in 2015 compared to 2.0% in 2014.

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*
France	53.2	62.6%	47.5	61.6%
Iberian Peninsula	24.1	28.4%	23.6	30.6%
Brazil	(0.5)	(0.6%)	(0.9)	(1.2%)
Other countries	8.2	9.6%	6.9	8.9%
Current operating income	**85.0**	**100.0%**	**77.1**	**100.0%**

4.1.3.7 EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Fiscal year ended December 31, 2015		Fiscal year ended December 31, 2014	
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*
Current operating income	85.0	2.2%	77.1	2.0%
Net depreciation and amortization charges [(a)]	60.6	1.6%	70.2	1.8%
EBITDA [(c)]	**145.7**	**3.8%**	**147.3**	**3.8%**
Rents [(b)]	132.6	3.4%	129.3	3.3%
EBITDAR [(c)]	**278.3**	**7.2%**	**276.6**	**7.1%**

(a) Net depreciation and amortization charges correspond to the net depreciation and amortization charges and provisions on fixed operating assets.
(b) Rents correspond to property rental expense.
(c) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

4.1.3.8 Other non-current operating income and expense

This item shows a net expense of €9.3 million in 2015 compared to a net expense of €9.1 million in 2014.

The following table summarizes the breakdown of this item in 2015 and 2014.

	Fiscal year ended December 31, 2015 *(€ million)*	Fiscal year ended December 31, 2014 *(€ million)*
Non-current operating expenses	**(10.7)**	**(12.7)**
Costs connected with Darty acquisition	(5.5)	
Restructuring costs	(3.2)	(12.7)
Other risks	(2.0)	
Non-current operating income	**1.4**	**3.6**
Litigation and disputes	1.4	3.6
TOTAL	**(9.3)**	**(9.1)**

The total expense of €9.3 million in 2015 consisted mainly of the following:

* €5.5 million in costs incurred for the acquisition of Darty;
* restructuring costs of €3.2 million in France and abroad;
* other expenses related to operating risks amounting to €2.0 million;
* net proceeds from litigation and disputes in the amount of €1.4 million.

The total expense of €9.1 million in 2014 consisted mainly of the following:

* restructuring costs of €12.7 million in France and abroad;
* net proceeds from litigation and disputes in the amount of €3.6 million.

4.1.3.9 Operating income

The Group's operating income came to €75.7 million for the 2015 financial year compared to €68.0 million for 2014. This increase was due to the improvement in current operating income.

4.1.3.10 Net financial expense

In 2015, net financial income/expense comprised a financial expense of €13.1 million, versus €12.1 million in 2014.

The composition of the Group's net financial expense in 2015 and 2014 was as follows:

	Fiscal year ended December 31, 2015 *(€ million)*	Fiscal year ended December 31, 2014 *(€ million)*	Change *(%)*
Cost of net financial debt	(0.6)	(0.3)	(100.0%)
Other financial income and expenses	(12.5)	(11.8)	(5.9%)
Net financial expense	**(13.1)**	**(12.1)**	**(8.3%)**

The cost of net financial debt of €0.6 million was slightly higher than in 2014. There was little change to the Group's financial structure in 2015.

Other financial income and expense were €0.7 million higher in 2015 than 2014. This increase is largely due to the increase in the cost of consumer credit.

4.1.3.11 Income tax

All of Fnac's French companies are included in the Groupe Fnac tax consolidation group apart from Tick&Live and Fnac Acces.

Income tax includes income tax paid, or for which a provision is recorded for the fiscal year, together with any potential tax reassessments paid or provisioned during the fiscal year. The Group recognized a corporate income tax expense of €14.3 million for 2015, compared to €14.5 million for 2014, a decrease of €0.2 million.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Pre-tax income	**62.6**	**55.9**
Current tax expense	(7.8)	(8.9)
Tax charge related to the Corporate Value-Added Tax (CVAE)	(9.0)	(9.2)
Deferred tax income/(expense)	2.5	3.6
TOTAL TAX CHARGE	**(14.3)**	**(14.5)**
Effective tax rate	**22.84%**	**25.94%**

4.1.3.12 Net income from continuing operations

Net income from continuing operations amounted to a profit of €48.3 million for 2015, compared to a profit of €41.4 million for 2014.

Adjusted for non-current items net of tax, the Group's share of net income from continuing operations excluding non-current items amounted to €56.5 million in 2015 compared to €49.7 million the previous year, €6.8 million higher.

4.1.3.13 Net income, Group share

Net income, Group share, for the consolidated entity came to €47.8 million in 2015 compared to €41.8 million in 2014.

4.1.3.14 Net earnings per share

The weighted average number of Groupe Fnac ordinary shares used to calculate net earnings per share was 16,659,746 for 2015 compared to 16,595,610 for 2014.

At December 31, 2015, net earnings per share amounted to €2.87. It came to €2.53 the previous year.

Excluding non-current items, net earnings per share from continuing operations came to €3.39 in 2015 compared to €3.00 in 2014, an increase of 13.0%.

4.1.4 Breakdown of revenues and current operating income by geographical region for 2015 and 2014

4.1.4.1 Comparison of results for 2015 and 2014 for France

The following table shows the key items in the income statement for France for the years ended December 31, 2015 and December 31, 2014.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Revenues	2,783.6	2,771.7	0.4%
Current operating income	53.2	47.5	12.0%
Operating profitability	1.9%	1.7%	0.2pt

Revenues in France

Revenues amounted to €2,783.6 million for 2015 compared to €2,771.7 million for 2014, an increase of 0.4%. The Group opened a new directly owned store in Meaux. In 2014, the Group closed two directly owned stores (Villiers-en-Bière and Portet-sur-Garonne). On a same store basis, the Group's revenues grew by 0.7%[1].

[1] Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

The development of franchising gathered pace with 11 openings in 2015: 5 proximity-format, 2 travel retail, 2 Fnac Connect and 2 stores in new regions (Abidjan and Doha).

Business gained momentum in the second half, with sales up 0.9%, compared to a decline of 0.3% in the first half.

In a sluggish consumer environment, this performance was buoyed by the successful rollout of the transformation plan. It also shows the solidity of the Fnac model and the teams' adaptability, especially in the aftermath of the terrorist attacks in November 2015.

The Group continued to gain market share in 2015.

The number of Fnac loyalty club members in France increased by 17.6%, in 2015, from 3.6 million at the end of 2014 to 4.2 million at the end of 2015.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

During the period, revenues generated by Consumer Electronics increased. This growth was largely due to very good performance in the "Microcomputing" sub-category, which benefits from the sharp increase in sales of SIM-free phones and the upward trend for connected products, which were boosted by the deployment of the new in-store Fnac Connect concept. The hardware sector is still suffering from a lack of new products on the tablet market. The "Retail Electronics" sub-category dipped slightly due to the downturn in the Photo and TV-Video sectors. Television sales were lower following the historic peak in sales in 2014 in time for the football world cup. The Audio sector continues to be dynamic with further sales growth in 2015.

Revenues from Editorial Products were down, heavily impacted by the "Discs and Gaming" sub-category, which suffered from weak editorial impetus and structural decline in the markets for CDs and DVDs. The Gaming sector also suffered from the previous year's high caused by the launch of the new-generation consoles at the end of 2013. The growth of the "Books, Games & Toys and Stationery" sub-category was largely due to good performance in Games & Toys and Stationery. Games & Toys benefited from a full year of the new outlets that had opened in 2014, while Stationery was boosted by the deployment of around twenty new Stationery spaces in 2015. After a dynamic first half in terms of new publications, the Books sector had a weaker second half and ended up slightly lower over the year.

Services posted growth for the period, particularly helped by the expansion of the Marketplace. The decline in services linked to sales of consumer electronics was due to the technical impact of accounting for extended guarantees. The Group also benefited from gains arising from customers not spending their Fnac gift cards.

Online activities continued to grow at a steady pace, representing 17.1% of Fnac's sales in France in 2015 and a contribution of 1.2 percentage points to increased revenues.

Current operating income in France

Current operating income for France amounted to €53.2 million in 2015, compared to €47.5 million in 2014. This increase reflects higher sales, combined with stability of the margin and effective implementation of a savings program. The Group also registered a gain in 2015 on the sale of a finance lease on the Wissous logistics unit in the amount of €4.8 million. Furthermore, the change in assessing impairment in value in inventories of editorial products favorably impacted current operating income for France in the amount of €3.5 million.

Current operating profitability came to 1.9% in 2015, up around 20 basis points compared to 2014.

Operating income in France

Operating income in France amounted to €45.8 million in 2015 versus €40.9 million in 2014.

4.1.4.2 Comparison of results for 2015 and 2014 in the Iberian Peninsula

The following table shows the key items in the income statement for the Iberian Peninsula for the years ended December 31, 2015 and December 31, 2014.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Revenues	657.3	659.1	(0.3%)
Current operating income	24.1	23.6	2.1%
Operating profitability	3.7%	3.6%	0.1pt

Revenues in the Iberian Peninsula

Revenues in the Iberian Peninsula amounted to €657.3 million in 2015 compared to €659.1 million in 2014, a slight decrease of 0.3%. The trend improved during the year with a downturn in activity in the first half (-0.7%) and a stable second half.

The Group opened two new stores in Spain (one directly owned and one under franchise). In 2014, the Group opened four stores in the fourth quarter (three in Portugal and one in Spain) and closed one store in Spain. On a same-store basis, revenues declined by 3,0% in 2015[1].

In Spain, the improvement in macroeconomic conditions gradually fed through to our markets. However, they continued to rely heavily on promotional activity.

In Portugal, consumer trends on our markets were unfavorable throughout the year. But this enabled Fnac Portugal to strengthen its leadership and post increasing sales thanks mainly to the success of the strategy to expand into the new formats.

The distribution of revenues by product categories is broken down in note 4.1 “Operating segment data” of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from Consumer Electronics were down. The “Microcomputing” sub-category remained relatively stable, despite historically high BtoB Hardware sales, as this was offset by good results for the Telephony sector. Sales in the “Retail Electronics” sub-category were down, suffering from a difficult Iberian market in the Photo and Audio sectors. The TV sector suffered from the historic peak in sales in 2014 in time for the football world cup.

Revenues from Editorial Products were slightly lower. The decline in the “Discs and Gaming” sub-category was due to the ongoing impact of dematerialization and the absence of any major new products. The Gaming sector was down only slightly despite historically high sales linked to the introduction of new-generation consoles. Revenues from the “Books, Games & Toys and Stationery” sub-category were up, thanks to good performances for Stationery and the Kids sections. Sales of Books also increased in 2015.

Services were sharply higher, mainly due to sales of services and insurance for consumer electronics, Marketplace commissions, and the proceeds from unused Fnac gift cards.

Online sales benefited from the increasing influence of the Marketplace and the deployment of new omnichannel functionalities. It represented 9.4% of Fnac’s sales in the Iberian Peninsula in 2015.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula came to €24.1 million in 2015 compared to €23.6 million in 2014. This increase was due to the margin holding up well in euros, and the continuation of the optimization plans in 2014 and 2015.

Operating profitability came to 3.7% compared to 3.6% in 2014.

Operating income in the Iberian Peninsula

Operating income in the Iberian Peninsula amounted to a profit of €22.4 million for 2015, compared to a profit of €20.5 million for 2014.

4.1.4.3 Comparison of results for 2015 and 2014 in Brazil

The following table shows the key items in the income statement for Brazil for the years ended December 31, 2015 and December 31, 2014.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Revenues	136.8	174.9	(21.8%)
Current operating income	(0.5)	(0.9)	44.4%
Operating profitability	(0.4%)	(0.5%)	0.1pt

Revenues in Brazil

Revenues in Brazil amounted to €136.8 million for 2015 compared to €174.9 million for 2014, a decrease of 21.8%. At constant exchange rates, revenues were 7.5% lower[1].

On a same-store and constant exchange basis, revenues were down by 8.1% in 2015; this includes the opening in 2014 of a Travel format store in Sao Paulo airport[1].

In a context of economic recession and the continuing decline in consumer confidence, market conditions were difficult in Brazil in 2015. Fnac Brazil held up well, benefiting from its premium position and the growth of its online channel. The stores suffered from a decline in traffic and the growth of online activity.

(1) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 “Glossary of Alternative Performance Indicators”.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from Consumer Electronics in local currency were lower in 2015. The "Microcomputing" sub-category was stable thanks to good performance in the Telephony sector (continuing the sales strategy focused on SIM-free smartphones), while the Hardware sector continued to fall with the decline in sales of tablets. The "Retail Electronics" sub-category fell due to the sharp decline in the TV-Video sector which suffered from the historic peak in sales in 2014 in time for the football world cup in Brazil.

Revenues from Editorial Products in local currency were down due to a decline in the "Discs and Gaming" sub-category, which was impacted by reduced traffic in the stores and a lack of new products. Gaming also suffered from some major power supply blackouts affecting players on the consoles market in the first half, combined with a historically high level of sales due to the launch of the new-generation consoles in 2014. The sub-category "Books, Games & Toys and Stationery" was also down.

Services revenues continued to rise in local currency due to the expansion of the Ticketing business, transport costs charged to customers, and the proceeds of unused Fnac gift cards.

Online activities continued to grow, representing 23.4% of Group sales in 2015, a 2.8bp increase in total share.

Current operating income in Brazil

Current operating income in Brazil in 2015 withstood the sharply deteriorating market context. Losses were limited to €0.5 million in 2015 compared to a loss of €0.9 million in 2014. A lower gross margin in terms of value was offset by ongoing savings plans in personnel expenses and other current operating income and expenses. Tax credits also had a favorable impact on results.

Current operating profitability came to a negative 0.4% compared to a negative 0.5% in 2014.

Operating income in Brazil

Fnac Brazil's operating income produced a loss of €0.2 million in 2015 compared to a profit of €1.5 million in 2014.

4.1.4.4 Comparison of results for 2015 and 2014 for other countries

The following table shows the key items in the income statement for other countries for the years ended December 31, 2015 and December 31, 2014.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Change
Revenues	298.1	289.4	3.0%
Current operating income	8.2	6.9	18.8%
Operating profitability	2.8%	2.4%	0.4pt

Revenues in Other Countries

Revenues in other countries, i.e. Belgium and Switzerland, amounted to €298.1 million for 2015 compared to €289.4 million for 2014, an increase of 3.0%. At constant exchange rates, this represented a decline of 1.8%[(1)].

The Group opened a new directly owned store in Conthey, Switzerland. On a same-store basis, revenues declined by 3.2% in 2015[(1)].

Market conditions were difficult in Switzerland as the appreciation of the Swiss franc led to less traffic at stores near the country's borders and fiercer competition. For its part, Fnac Belgium benefited from the increasing influence of its website and the progressive deployment of omnichannel functionalities.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues for Consumer Electronics were higher at constant exchange rates. The "Retail Electronics" sub-category was stable thanks to solid performance from the Audio sector, which offset the difficulties encountered in TV sales (following the historic peak in sales in 2014 in time for the football world cup) and in the Photo sector. The "Microcomputing" sub-category was boosted by strong progress in Telephony while Hardware saw a limited decline despite the slowdown on the tablet market.

(1) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

Revenues from Editorial Products were down at constant exchange rates, mainly due to the decline in all sectors of the "Discs and Gaming" sub-category. The "Books, Games & Toys and Stationery" sub-category suffered a limited decline as strong growth in Stationery and Games & Toys largely offset the downturn in Books which saw less traffic after the revaluation of the Swiss franc.

Services increased at constant exchange rates, buoyed by sales of services and insurance for Consumer Electronics and the proceeds of unused Fnac gift cards.

Current operating income in other countries

Current operating income in other countries amounted to €8.2 million in 2015 compared to €6.9 million in 2014. This increase reflects higher revenues and ongoing savings derived from the performance plan.

Current operating income profitability increased from 2.4% in 2014 to 2.8% in 2015.

Operating income in other countries

Operating income in other countries amounted to a profit of €7.7 million in 2015, compared to €5.1 million in 2014.

4.1.5 Accounting principles affected by IFRS

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book values of certain assets and liabilities, income and expenses, and information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Amounts in future financial statements could differ from the current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main estimates made by management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory and revenues from ordinary activities, plus the assumptions used to calculate obligations relating to employee benefits, share-based payments, and deferred tax. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

For a description of the assumptions used by the Group in the preparation of its financial statements, see note 2.3.2 "Use of estimates and judgment" to the annual financial statements included in section 5.1 "Group Consolidated Financial Statements" in this Registration Document.

4.2 Group cash and equity

4.2.1 General overview

Groupe Fnac's main cash requirements stem from its working capital requirements and operating investments. Careful control of its working capital requirements and operating investments enabled the Group, not only to post surplus cash since its listing on the stock market in June 2013, but also to repay, on December 31, 2015 the perpetual deeply subordinated notes it had issued in 2013.

4.2.2 Financial resources

4.2.2.1 Overview

In 2015, the Group had the following financing sources:

* *available cash.* Cash and cash equivalents amounted to €544.7 million at December 31, 2015 (versus €535.6 million at December 31, 2014);
* *operating activities,* which generated positive net cash flows of €142.3 million at December 31, 2015 (versus €121.1 million at December 31, 2014);
* *debt.* Given its cash surplus throughout 2015, the Group did not use debt to finance its operations.

The composition of the Group's financial debt is as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Gross financial debt	0.6	0.5
Cash and cash equivalents	(544.7)	(535.6)
Net financial debt	**(544.1)**	**(535.1)**

4.2.2.2 Financial debt

Financial debt as of December 31, 2015

The Group's gross debt at December 31, 2015 stood at €0.6 million.

(€ million)	At December 31, 2015	At December 31, 2014
Finance lease agreement liabilities	0.5	0.5
Bank overdrafts	0.1	0.0
TOTAL	**0.6**	**0.5**

The table below sets out the Group's gross debt by currency as of December 31, 2015.

(€ million)	At December 31, 2015	At December 31, 2014
Euro	0.5	0.5
Swiss franc	0.1	0.0
TOTAL	**0.6**	**0.5**

The table below sets out the maturities of the Group's financial debt as of December 31, 2015.

	As of 31 December 2015					
(€ million)	Total	N+1	N+2	N+3	N+4	N+5
Long-term borrowings and financial debt	**0.3**	**0.0**	**0.2**	**0.1**	**0.0**	**0.0**
Finance lease liabilities	0.3		0.2	0.1		
Short-term borrowings and financial debt	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2				
Bank overdrafts	0.1	0.1				
Other financial liabilities	0.0					
TOTAL	**0.6**	**0.3**	**0.2**	**0.1**	**0.0**	**0.0**

Financing of the Group after admission of the Company's shares to trading on Euronext Paris

In the first half of 2013, the Group obtained two new sources of external financing following the admission of the Company's shares to trading on Euronext Paris.

* On April 19, 2013, Fnac SA entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate consisting of Crédit Agricole Corporate and Investment Bank, Société Générale, Crédit Lyonnais, Natixis, Banque Fédérative du Crédit Mutuel (Groupe Crédit Mutuel – CIC), BNP Paribas, Banco Espirito Santo, Caixabank SA and Arkéa Corporate and Institutional Banking, under which certain Fnac SA subsidiaries (Fnac Paris, CODIREP and Relais Fnac) will act as borrowers (the "Loan Agreement").
* At the same time, on April 24, 2013 the Company also entered into an issuance and subscription agreement (the "Subscription Agreement") involving the issue of sixty perpetual deeply subordinated notes (TSSDI) with a nominal value of €1 million each, i.e. a total nominal amount of €60 million.

On July 24, 2014, Groupe Fnac signed an amendment to the revolving credit facility with the lending syndicate. The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in case of changes in the stake of Artémis in the capital of Groupe Fnac. The maturity of the credit facility was extended to July 24, 2017 (versus April 18, 2016 initially). The early repayment clause if the stake of Artémis in the equity of Groupe Fnac should fall below 38.8% before April 18, 2015 and 25% before April 18, 2016 is maintained in its original form without extension until the new maturity of the credit facility.

On December 30, 2015, Groupe Fnac announced the repayment of the perpetual deeply subordinated notes ("TSSDI") issued in favor of Kering on June 19, 2013. A total of €67.9 million was paid to Kering based on a nominal amount of €60 million and a capitalized coupon of 5% per annum, pursuant to the terms of the initial subscription agreement signed on April 24, 2013 and amended on December 30, 2015.

Financing under the Loan Agreement

A. Overview of the Loan Agreement

The purpose of the Loan Agreement is to enable the financing of the working capital requirements of Fnac SA and its subsidiaries.

The maturity of the Loan Agreement is three years as from the date of the amendment to the Loan Agreement (July 24, 2014).

Drawdowns on the Loan Agreement are made in euros, and bear interest at a contractually determined rate, which is equal to the total of:

* a base rate determined on the basis of Euribor; and
* a margin of 3.50% per annum, reviewable every six months if applicable, as a function of the average rent-adjusted leverage ratio.

The Loan Agreement provides for an undrawn commitment fee equal to 40% of the applicable margin, as calculated on the undrawn and uncancelled amounts.

B. Guarantees relating to the Loan Agreement

The obligations of Fnac SA and the other borrowers under the Loan Agreement are guaranteed by the following securities:

* a first-demand guarantee issued by Fnac SA for the purpose of guaranteeing the obligations of the other Group borrowers;
* a first-ranking pledge over the shares that Fnac SA owns in its main French subsidiaries, and in its Spanish subsidiary; and
* a pledge over certain business assets owned by Fnac Paris, CODIREP and Relais Fnac, in their capacity as borrowers, in order to guarantee their respective obligations.

C. The Group's main restrictive covenants under the Loan Agreement

The Loan Agreement includes customary covenants for this kind of financing, and specifically the following clauses:

* ***Financial covenants*** – The credit facility entered into by Groupe Fnac includes several financial covenants, which are defined for each full and half year.
  - The Group's Rent-Adjusted Debt Ratio (as defined below), tested on a half-yearly basis, must remain below the thresholds set in the Loan Agreement, which range between 1.55 and 3.20. For the purposes of this covenant, the "Rent-Adjusted Debt Ratio" is defined as"Adjusted Total Debt" (i.e. the Group's long-term borrowings and financial debt and short-term borrowings and financial debt, minus the Group's cash and cash equivalents, plus five times total rent excluding rental charges for the Group's operating leases as shown on the Group's latest consolidated financial statements), divided by "Consolidated EBITDAR" (i.e. the Group's current operating income plus net allocations to amortization, depreciation and impairment on non-current operating assets, plus rents excluding rental charges for the Group's operating leases as shown in the Group's latest consolidated financial statements).

- The level of shareholders' equity, tested on a half-yearly basis, must remain above the thresholds set in the Loan Agreement, which range between €365 and €440 million.

- The level of cash, tested on an annual basis, must remain above the thresholds set in the Loan Agreement, which range between €290 and €300 million.

As of December 31, 2015, all financial covenants were complied with.

* ***General restrictive covenants*** – These involve covenants including but not limited to certain restrictions relating to the granting of pledges or guarantees, to the execution of merger or restructuring transactions, to the disposal or purchase of assets and to the Group's debt.

* ***Restrictive covenants specific to the Company*** – The Company also undertakes to comply with the following specific covenants:

  - retaining 100% of the share capital and voting rights in Fnac SA;(1)

  - not granting any security or allowing any security to remain on its assets and on the shares that the Company owns in Fnac SA;

  - paying any dividends or making any other kind of payment relating to its share capital, and making any payment in relation to the perpetual deeply subordinated notes only to the extent that (A) such distribution and/or payment in any fiscal year does not exceed 50% of the distributable earnings for the previous fiscal year, and (B) no event of default under the Loan Agreement has occurred or will be triggered by such distribution/payment; and

  - making available to Fnac SA (whether in the form of a capital increase by Fnac SA or a subordinated inter-company loan) all net proceeds received in connection with any funds raised by the Company in the capital markets or any financial debt subscribed by the Company, subject in all cases to receipt of the net proceeds in question.

* ***Early repayment in the event of a change of control*** – The Loan Agreement requires the early repayment of all the amounts due to all the lenders and the cancellation of any remaining amounts available under the revolving credit facility in the following cases:

  - a person or a group of persons acting in concert (within the meaning of Article L. 233-10 of the French Commercial Code) other than Artémis and/or any of its subsidiaries, gains control (within the meaning of Article L. 233-3 of the French Commercial Code) of the Company;

  - Artémis ceases to own, directly or indirectly (through one or more of its subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code) at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of the signing of the Loan Agreement, or (ii) 25% of the Company's share capital or voting rights at any time after that date until April 18, 2016 (which corresponds to the initial maturity of the Loan Agreement). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) until after the initial maturity of the Loan Agreement (i.e. April 18, 2016) not to trigger an early repayment event and cancellation of unused commitments available under the Loan Agreement by sole reason of the Triggering Event. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase, any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company; or

  - Kering ceases to own, directly or indirectly (through one or more of its wholly owned subsidiaries, directly or indirectly) 100% of the perpetual deeply subordinated notes before the initial maturity of the Loan Agreement, it being noted that, pursuant to a separate agreement, Kering has agreed (for itself and its subsidiaries) that, until after the initial maturity date of the Loan Agreement (i.e. April 18, 2016), it will not trigger any mandatory early repayment event under the Loan Agreement due to breaching this obligation.

* ***Mandatory early repayment*** – Under the terms of the Loan Agreement, lenders have the right to declare that all or part of the amounts outstanding under the Loan Agreement shall become immediately due and payable, and specifically in the event of non-compliance with any of the covenants listed above, of default, of non-payment, or of the occurrence of events that are likely to have a material adverse effect on the financial situation or in certain cases business of the Company, of Fnac SA, of one of the other borrowers or of the Group as a whole, or on the ability of the Company, Fnac SA, or one of the other borrowers to perform any of their obligations under the Loan Agreement and the other finance documents.

Financing under the perpetual deeply subordinated notes

The Perpetual deeply subordinated notes (TSSDI) Subscription Agreement includes the following terms and conditions:

* ***Nature and form:*** the TSSDIs are perpetual deeply subordinated notes issued in accordance with Articles L. 228-38 *et seq*. of the French Commercial Code.

* ***Subscriber:*** Kering BV, a company incorporated under Dutch law and a wholly owned direct and indirect subsidiary of Kering.

(1) Except for the shares held by subsidiaries or Directors of Fnac SA to represent the minimum number of shareholders of a limited company (société anonyme).

* ***Maturity:*** subject to mandatory repayment events, amortization events and the right to voluntary early repayment provided for in the Subscription Agreement (and described below), the perpetual deeply subordinated notes have no stated maturity.
* ***Ranking and subordination:*** the principal and interest amounts due under the perpetual deeply subordinated notes constitute direct, unsecured, unconditional obligations of the Company, and shall rank pari passu with any other existing or future perpetual deeply subordinated notes issued by the Company, except that repayment is subordinated to prior payment by the Company of all the amounts due by the Company under any participatory loans granted to it, and any participatory shares that it has issued, together with any other ordinary subordinated notes, regardless of their form (security, loan or other) and with its non-subordinated notes, regardless of their form (security, loan, or other) and in accordance with the provisions of Article L. 228-97 of the French Commercial Code. In the event that the Company is liquidated, the perpetual deeply subordinated notes have priority only over payment of amounts due to holders of the Company's equity securities.
* ***Interest:*** 8% per annum (5% coupon capitalized per annum when repayment made on December 30, 2015).
* ***Payment of interest:*** interest is payable only in the event that one of the events listed below occurs:
  - in full, in the event that any full cash repayment of the perpetual deeply subordinated notes occurs, but only after repayment of all the amounts due to the lenders under the Loan Agreement; and
  - within five business days following the Company's decision to undertake any of the following:

(i) distribution of a dividend, premium or reserves,

(ii) amortization or reduction of its share capital (which is not caused by losses and which gives rise to a payment to shareholders), or

(iii) purchase by the Company of its own shares at a premium.

Interest is therefore payable in full or in part, and in any event, within the limit of an amount that enables the performance of the perpetual deeply subordinated notes and the Groupe Fnac share to be equalized on a certain date, on the understanding that the Company will under no circumstances be required to make any payment in connection with the perpetual deeply subordinated notes if such payment would result in an event of default under the Loan Agreement.

In addition, if at a given date "T", the performance of the Groupe Fnac share (FFGS (T)) exceeds the performance of the perpetual deeply subordinated notes (TSSDI (T)), the principal amount of the perpetual deeply subordinated notes will be amortized, in addition to the payment of all interest accrued and capitalized, in an amount of "X" for each perpetual deeply subordinated note, so that it equalizes the performance of the Groupe Fnac share and the performance of the perpetual deeply subordinated notes at said date "T".

* ***Capitalization of interest:*** unpaid interest will be capitalized annually on each anniversary of the Execution Date, and will itself bear interest, at the interest rate, in accordance with Article 1154 of the French Civil Code.
* ***Mandatory full repayment in cash:*** the Company will be required to repay the principal and accrued and capitalized interest on all the perpetual deeply subordinated notes outstanding, after the repayment of all the amounts due under the Loan Agreement, in the event of a takeover of the Company or a merger, demerger or winding-up process performed with the approval, or on the recommendation of, the Board of Directors.
* ***Voluntary full repayment in cash:*** the Company may decide at any time during the term of the perpetual deeply subordinated notes to repay them in full, after it has repaid all the amounts due to the lenders under the Loan Agreement and has cancelled all the lenders' commitments under said Loan Agreement, in an amount equal to that of the remaining principal amounts still due, plus accrued and capitalized interest.

On December 30, 2015, Groupe Fnac announced the repayment of the perpetual deeply subordinated notes ("TSSDI") issued in favor of Kering on June 19, 2013. A total of €67.9 million was paid to Kering based on a nominal amount of €60 million and a capitalized coupon of 5% per annum, pursuant to the terms of the initial subscription agreement signed on April 24, 2013 and amended on December 30, 2015. This repayment is proof of the Group's strengthening financial profile since its listing on the stock market as a result of the successful implementation of the Fnac 2015 transformation plan.

Financing of the Group for the acquisition of Darty plc

In connection with the proposed merger with Darty, on November 20 the Group signed a financing package composed of a revolving credit facility and a bridge to capital markets. These two facilities, which were syndicated with a pool of European banks in December 2015, are described in section 1.3.4 "Proposed acquisition of Darty plc".

4.2.3 Breakdown of cash flows

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Net cash flows from operating activities	142.3	121.1
Net cash flows from investment activities	(63.1)	(50.0)
Net cash flows from financing activities	(71.7)	2.7
Impact of fluctuations in foreign exchange rates	1.5	0.2
Net change in cash	**9.0**	**74.0**

4.2.3.1 Net cash flows from operating activities

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Cash flow from operations before tax, dividends and interest	114.5	122.2
Change in working capital requirements	44.2	12.5
Income tax paid	(16.4)	(13.6)
Net cash flows from operating activities	**142.3**	**121.1**

Cash flow from operating activities in 2015 came to €142.3 million compared to €122.1 million in 2014. The increase of €21.2 million was largely due to the improvement in the working capital requirement which continues to be favorable (reduction of €44.2 million). Cash flow from operations before tax, dividends and interest was down €7.7 million compared to 2014.

4.2.3.2 Cash flow from operations before tax, dividends and interest

Cash flow from operations before tax, dividends and interest was down €7.7 million compared to 2014, reflecting the decrease in EBITDA and the increase in non-cash non-current items, most of which relate to costs incurred for the acquisition de Darty.

4.2.3.3 Change in working capital requirements

As a percentage of revenues, the working capital requirement was 12.1% in 2015 compared to 10.2% in 2014 (see details of WCR in section 5.2, note 21 to the consolidated financial statements).

In 2015, the working capital requirement amounted to a charge of €467.3 million. The change in the Group's working capital requirement generated a surplus of €44.2 million (versus €12.5 million at December 31, 2014). This improvement is mainly due to the continuing reduction in inventories and rigorous management of supplier payables.

4.2.3.4 Income tax paid

As of January 1, 2013, Groupe Fnac created its own tax group for all the French subsidiaries except for Tick&Live and Fnac Acces.

Corporate income tax paid increased by €2.8 million; it was stable in France and higher in the Iberian Peninsula.

4.2.3.5 Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for purchases and disposals of property, plant, and equipment and intangible assets (net operating investments), as well as acquisitions and disposals of subsidiaries net of cash acquired or transferred, acquisitions of other financial investments, and interest and dividends received (net financial investments).

Operating and financial investments made by the Group in 2015 amounted to €63.1 million (versus €50 million in 2014).

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Net operating investments excluding finance leases	(57.6)	(48.7)
Net financial investments	(5.5)	(1.3)
Cash flows from investing activities	**(63.1)**	**(50.0)**

(Net) operating investments

The Group's net operating investments in 2015 amounted to €57.6 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
France	(47.1)	(42.8)
Iberian Peninsula	(7.6)	(9.2)
Brazil	(0.5)	(0.6)
Other countries	(3.7)	(1.5)
Purchases of tangible and intangible non-current assets excluding investment in finance leases and excluding changes in payables and receivables relating to non-current assets	**(58.9)**	**(54.1)**
Change in debt and receivables relating to non-current assets	0.8	5.4
Purchases of tangible and intangible non-current assets excluding finance leases and including changes in receivables and payables relating to assets	**(58.1)**	**(48.7)**
Operating investments in finance leases	(0.2)	0.0
Purchase of tangible and intangible non-current assets including investments in finance leases and including changes in receivables and payables relating to assets	**(58.3)**	**(48.7)**
Disposal of non-current tangible and intangible assets	0.5	0.0
Net operating investments	**(57.8)**	**(48.7)**
Net operating investments excluding finance leases	**(57.6)**	**(48.7)**

Net operating investments, i.e. purchases of property, plant and equipment and intangible assets minus disposals of property, plant and equipment and intangible assets and including changes in receivables and payables on assets, used €57.8 million in 2015. Gross operating expenditure (i.e. purchases of property, plant and equipment and intangible assets) used €58.9 million, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

In 2014, net operating investments accounted for €48.7 million. Gross capital expenditure (i.e. purchases of property, plant, and equipment and intangible assets) used €54.1 million and was primarily related to store openings, extensions, remodeling and renovation, and website maintenance and development.

Investments in 2015

In 2015, the Group's total gross operating investments came to €58.9 million, compared to €54.1 million in 2014 in line with the target of €55 to 60 million. The investments were mainly for the opening of new sales outlets (in France, Switzerland and Spain), the creation of new sections and merchandising, and the development of the fnac.com, fnac.be, and ticketing websites for a total amount of €34.4 million. These also include operating investments excluding points of sale in the amount of €24.5 million corresponding to logistics and IT investments for support functions such as HR, Finance, Marketing, etc.

The table below shows gross operating investments by geographical area for 2015 and 2014:

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2015					
Sub-total for investments in stores and internet websites	25.3	5.3	0.3	3.5	34.4
Sub-total for operating investments excluding points of sale	21.8	2.3	0.2	0.2	24.5
TOTAL OPERATING INVESTMENTS*	**47.1**	**7.6**	**0.5**	**0.5**	**58.9**
December 31, 2014					
Sub-total for investments in stores and internet websites	25.1	6.9	0.4	1.3	33.7
Sub-total for operating investments excluding points of sale	17.7	2.3	0.2	0.2	20.4
TOTAL OPERATING INVESTMENTS*	**42.8**	**9.2**	**0.6**	**1.5**	**54.1**

* *Purchases of tangible and intangible non-current assets excluding investment in finance leases and excluding impact of changes in payables and receivables relating to non-current assets.*

Main investments planned

At the date of the approval stamp on this Registration Document, no significant financial investments were required under covenants or other firm undertakings towards third parties. Our strategy in terms of setting up future Group stores is detailed in section 1.3.3.4.

The Group expects that in 2016, gross operating investments should be in line with levels seen in prior years. The priorities for 2016 are as follows:

* to continue to introduce new product families and new sales concepts in stores;
* to open new sales outlets;
* to continue to roll out the omnichannel strategy and develop cutting-edge IT solutions for our websites, mobile apps and stores.

These investments will be financed through the Group's operating cash flow and cash on hand.

The Group plans to continue its controlled investment policy with a total budget of €60 to 65 million in 2016.

(Net) financial investments

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Purchases of subsidiaries net of cash acquired	(2.7)	(2.7)
Disposals of subsidiaries net of cash transferred	0.0	0.0
Acq of other financial assets	(4.2)	(0.2)
Disposal of other financial assets	0.1	0.8
Interest and dividends received	1.3	0.8
(Net) financial investments	**(5.5)**	**(1.3)**

The Group's net financial investments represented an outflow of €5.5 million in 2015 compared to an outflow of €1.3 million in 2014.

In 2015, acquisitions of subsidiaries net of acquired cash of €2.7 million mainly included the payment of the third and final instalment for the acquisition of Datasport in the amount of €1.8 million, and the payment of €0.9 million for the acquisition of Eazieer.

Acquisitions of other financial assets totaling €4.2 million mainly included the payment of €3.3 million to set up the Revolving Credit Facility and Bridge Facility to finance the acquisition of Darty plc.

They also included the payment of €0.7 million to set up options to hedge the exchange risk related to the payment of the partial cash alternative of 66.7 million pounds sterling for shareholders of Darty plc.

Interest paid and dividends received mainly include the proceeds of financial investments.

Net financial investments realized in 2014 principally included payment for the second instalment for the acquisition of Datasport for €2.7 million.

4.2.3.6 Net cash flows from financing activities

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Increase/Decrease in capital and other transactions with shareholders	(66.0)	8.5
Increase/decrease in other financial debt	(0.2)	(0.3)
Interest and equivalent payments	(5.5)	(5.5)
Net cash flows from financing activities	**(71.7)**	**2.7**

Net cash flows from financing activities generated a net expense of €71.7 million in 2015 compared to net income of €2.7 million in 2014.

At December 31, 2015, the net decrease in capital and other shareholder transactions of €66 million represented (i) a payment of €67.9 million for the repayment of the perpetual deeply subordinated notes which had been issued in 2013 for €60 million plus interest of €7.9 million, and (ii) a capital increase of 92,164 shares, representing €1.9 million including additional paid-in capital, created to serve the exercise of options in the first instalment of the performance option plan paid via equity instruments, which was put in place in 2013.

Interest and equivalents correspond mainly to the commission for the non-use of the €250 million credit facility.

As of December 31, 2014, the capital increase represented the share of the capital increase of the company Tick&Live (formerly Kyro), underwritten by the Fimalac Group, under the terms of the partnership between Groupe Fnac and the Fimalac Group to develop Ticketing solutions. The Fimalac Group thus acquired a 50% stake in Tick&Live (formerly Kyro).

4.2.3.7 Free cash flow from operations

The table below shows the trend in the Group's free cash flow from operations for the periods indicated. Free cash flow from operations is equal to net cash flows from operating activities minus net operating investments.

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Cash flow from operations before tax, dividends and interest	**114.5**	**122.2**
Change in working capital requirements	44.2	12.5
Income tax paid	(16.4)	(13.6)
Net cash flows from operating activities	**142.3**	**121.1**
Operating investments net of disposals, excluding finance leases	(57.6)	(48.7)
Free cash flow from operations [(a)]	**84.7**	**72.4**

(a) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

The Group generated free cash flow from operations of €84.7 million in 2015 compared to €72.4 million in 2014. This increase was largely due to higher net cash flow from operating activities.

4.2.3.8 Net change in cash

The net change in cash for 2015 and 2014 was as follows:

(€ million)	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014
Net cash at January 1	**535.1**	**460.9**
Free cash flow from operations [b]	84.7	72.4
Investment in finance leases	(0.2)	0.0
Interest paid net of interest and dividends received	(4.2)	(4.7)
Purchases and disposals of subsidiaries net of cash acquired or transferred	(2.7)	(2.7)
Purchase and disposal of other financial investments (net)	(4.1)	0.6
Increase/Decrease in capital and other transactions with shareholders	(66.0)	8.5
Other [a]	1.5	0.1
Net change in cash	**9.0**	**74.2**
Net cash at December 31	**544.1**	**535.1**

(a) Mainly includes the impact on net cash of translation differences.
(b) Table of reconciliation of alternative performance indicators with the accounts presented in Section 8.9 "Glossary of Alternative Performance Indicators".

4.3 Recent events and outlook

4.3.1 The Group's objectives

The Group's 2015 results confirm its successful transformation, implemented as part of the Fnac 2015 strategic plan.

In 2016, Fnac is well positioned to continue gaining market shares in a still uncertain consumer environment. It intends in particular to accelerate the development of its store network in France and abroad, continue its strategy to enhance its product offerings, particularly online, and intensify its initiatives in the books and ticketing markets.

The Group will continue its policy of improving operating efficiency and has set a "standalone" goal to reduce costs by 30 to 40 million euros for 2016. It is also continuing its initiatives to maximize cash generation through a controlled investment policy within a total package of around 60 million euros and by optimizing working capital requirements.

In the longer term, the Group confirms its current operating profitability target of above 3%, after finalizing the transformation of its business model in now-more-stable market and economic conditions.

These objectives are not projections or estimates of future Group profits, but represent strategic targets under its action plan. The targets are based on data, assumptions and estimates that the Group considers to be reasonable. These data, assumptions and estimates may change or be modified over time as a result of uncertainties relating to the economic, financial, competitive and regulatory environment in which the Group operates. Moreover, one or more of the risks, described in section 6 "Risk Factors" of this Registration Document, could have an impact on the Group's business, results, financial situation or outlook and therefore jeopardize the achievement of the objectives described above. The Group gives no assurance and cannot guarantee that the objectives described in this section will be achieved.

4.3.2 Recent events

La Fnac partners with Izneo publishers

On January 28, 2016, it was announced that Fnac had acquired 50% of Izneo, the digital graphic novel distribution and retail platform. This strategic partnership will enable Fnac, the leading distributor of graphic novels in France, to ramp up the development of its digital cultural product offering.

Fnac's 50% stake equals the combined stake of the other shareholder publishers: Ankama, Bamboo, Bayard, Casterman, Dargaud, Dupuis, Gallimard, Jungle and Le Lombard.

Acquisition of Eazieer

On February 2, 2015, France Billet, a subsidiary of Fnac and market leader in France on the ticketing market, announced the acquisition of Eazieer to support its development in ticketing technologies and services.

Eazieer is a Marseille-based start-up at the forefront of ticketing services, particularly in Customer Relationship Management (CRM), which works with entities in the culture, sports and event sectors.

With the integration of Eazieer, France Billet will be able to offer its customers innovative and flexible CRM support suited to the requirements of ticketing operations.

Offer to acquire Darty plc

On March 17, 2016, Fnac announced that it had been informed of the ruling granting unconditional approval of the Proposed Acquisition from the Belgian Competition authorities without requiring a commitment, stating that the proposal did not impair fair competition in Belgium, thus satisfactorily meeting one of the preliminary conditions of the Proposed Acquisition. The other preliminary condition is contingent upon authorization by the French Competition authorities.

Furthermore, on March 23, 2016, Fnac announced that it had learned of the French Competition authorities' decision to proceed to Phase II of the review of the Proposed Acquisition of Darty by Fnac. In this regard, Fnac expressed its certainty that it will on a domestic scale market, grouping in-store sales with on-line sales. The French Competition authorities agreed to address the issue of defining relevant markets during Phase II of the review and to evaluate active competitive pressures, especially from operators on the internet.

On April 11, 2016, Groupe Fnac SA ("Fnac") noted the publication of an Offer Document by Conforama Investissement 2 SAS ("Conforama") concerning the proposed acquisition of Darty plc ("Darty"). Fnac also noted that Conforama agreed, in its Agreement of Cooperation with Darty, to keep its Offer open for at least 60 days from April 11, 2016, as long as the Offer is registered and has not become or been declared independent of contributions.

The terms of the Proposed Acquisition, which should be implemented via a Scheme of Arrangement and the Steinhoff Offer appear in detail in section 1.3.4 (Offer to acquire Darty plc).

Fnac and Vivendi announce a strategic partnership as Vivendi takes an equity stake in Fnac

On April 11, 2016, Fnac Group SA ("Fnac") and Vivendi SA ("Vivendi") announced a strategic partnership based on a project to cooperate in cultural sectors, as Vivendi takes a minority equity stake in Fnac.

Fnac and Vivendi, recognized respectively as the expert in distribution of cultural products and an industrial group involved in media and content, have historically kept their commitment to cultural subsidiaries as a core part of their business. Like other global groups, they now want to develop a strategic partnership and an innovative project as a creator of long-term value based on a number of vectors:

* the development of cultural content with an omnichannel approach;
* strengthened cooperation on "live" events and ticketing internationally;
* privileged access for the two groups' customers to extended digital services;
* acceleration in Fnac's international development, particularly in Southern Europe and Africa.

Vivendi's stake in Fnac will give Fnac additional resources to implement its development plans and external growth.

Vivendi is irrevocably committed to subscribing to a restricted capital increase in the amount of €159 million at a price of €54.0 per share (the Fnac closing price last April 8). At the end of the capital increase, Vivendi will hold approximately 15% of the capital and voting rights in Fnac.

As part of this equity stake, Fnac is committed to appointing two directors to represent Vivendi on Fnac's Board of Directors.

The restricted capital increase is mostly subject to ratification by shareholders at Fnac's next General Meeting and AMF approval of its admission prospectus.

This partnership, which aligns with Fnac's 2015 business continuity plan, confirms and reinforces Fnac's attractiveness.

Artémis will retain its position as lead shareholder with 33% of capital and reaffirms its full support for Fnac's strategic development.

5

Financial statements

5.1 Groupe Fnac's consolidated financial statements as of December 31, 2015 and 2014

Consolidated income statement for the fiscal years ended December 31, 2015 and 2014

(€ million)	Notes	2015	2014
INCOME FROM ORDINARY ACTIVITIES	**5**	**3,875.8**	**3,895.1**
Cost of sales		(2,730.0)	(2,751.2)
Gross margin		**1,145.8**	**1,143.9**
Personnel expenses	6-7	(564.4)	(555.2)
Other current operating income and expenses		(496.4)	(511.6)
Current operating income	**8**	**85.0**	**77.1**
Other non-current operating income and expense	9	(9.3)	(9.1)
Operating income		**75.7**	**68.0**
(Net) financial expense	10	(13.1)	(12.1)
Pre-tax income		**62.6**	**55.9**
Income tax	11	(14.3)	(14.5)
Share of profit from equity associates		0.0	0.0
Net income from continuing operations		**48.3**	**41.4**
Group share		47.8	41.8
share attributable to non-controlling interests		0.5	(0.4)
Net income from discontinued operations		**0.0**	**0.0**
Group share		0.0	0.0
share attributable to non-controlling interests		0.0	0.0
Consolidated net income		**48.3**	**41.4**
Group share		47.8	41.8
share attributable to non-controlling interests		0.5	(0.4)
Net income, Group share		**47.8**	**41.8**
Earnings per share *(€)*	12.1	2.87	2.53
Diluted earnings per share *(€)*	12.1	2.82	2.50
Net income from continuing operations, Group share		**47.8**	**41.8**
Earnings per share *(€)*	12.1	2.87	2.53
Diluted earnings per share *(€)*	12.1	2.82	2.50
Net income from continuing operations, Group share, excluding non-current items		**56.5**	**49.7**
Earnings per share *(€)*	12.2	3.39	3.00
Diluted earnings per share *(€)*	12.2	3.33	2.97

Consolidated comprehensive income statement

(€ million)	Notes	2015	2014
Net income		**48.3**	**41.4**
Translation difference		(11.2)	0.2
Items that may be reclassified subsequently to profit or loss		**(11.2)**	**0.2**
Revaluation of net liabilities for defined benefit plans[a]		(3.7)	(4.9)
Items that may not be reclassified subsequently to profit or loss		**(3.7)**	**(4.9)**
Other comprehensive income items, after tax	**13**	**(14.9)**	**(4.7)**
Total comprehensive income		**33.4**	**36.7**
Group share		32.9	37.1
share attributable to non-controlling interests		0.5	(0.4)

(a) Net of taxes.

Consolidated statement of financial position for the years ended December 31, 2015 and 2014

Assets

(€ million)	Notes	At December 31, 2015	At December 31, 2014
Goodwill	14	332.4	332.4
Intangible non-current assets	15	71.4	68.1
Tangible non-current assets	16	156.5	163.2
Non-current financial assets	18	8.2	6.9
Deferred tax assets	11.2	37.4	33.0
Other non-current assets and liabilities		0.1	0.1
Non-current assets		**606.0**	**603.7**
Inventories	19	466.9	469.4
Trade receivables	20	104.1	129.7
Tax receivables due	11.2	6.2	6.2
Other current financial assets	21	12.0	4.9
Other current assets	21	172.7	143.1
Cash and cash equivalents	25	544.7	535.6
Current assets		**1,306.6**	**1,288.9**
Assets held for sale		**0.0**	**0.0**
TOTAL ASSETS		**1,912.6**	**1,892.6**

Liabilities

(€ million)	Notes	At December 31, 2015	At December 31, 2014
Share capital	22	16.7	16.6
Equity-related reserves		496.7	494.9
Translation reserves		(13.5)	(2.3)
Other reserves		57.4	79.5
Shareholders' equity, Group share	**22**	**557.3**	**588.7**
Shareholders' equity – Share attributable to non-controlling interests		7.0	6.7
Shareholders' equity		**564.3**	**595.4**
Long-term borrowings and financial debt	26	0.3	0.3
Provisions for pensions and other equivalent benefits	23	77.4	69.1
Deferred tax liabilities	11.2	0.0	0.0
Non-current liabilities		**77.7**	**69.4**
Short-term borrowings and financial debt	26	0.3	0.2
Other current financial liabilities	21	6.0	2.5
Trade payables	21	817.0	767.7
Provisions	24	13.8	34.8
Tax liabilities payable	11.2	13.7	13.3
Other current liabilities	21	419.8	409.3
Current liabilities		**1,270.6**	**1,227.8**
Liabilities relating to assets held for sale		**0.0**	**0.0**
TOTAL LIABILITIES		**1,912.6**	**1892.6**

Consolidated cash flow statement for the years ended December 31, 2015 and 2014

(€ million)	Notes	2015	2014
Net income from continuing operations		**48.3**	**41.4**
Income and expense with no impact on cash		43.5	57.1
Cash flow	**30.1**	**91.8**	**98.5**
Financial interest income and expense		6.1	5.7
Dividends received		(0.2)	(0.1)
Net tax charge payable	11.1	16.8	18.1
Cash flow from operations before tax, dividends and interest		**114.5**	**122.2**
Change in working capital requirement	21	44.2	12.5
Income tax paid		(16.4)	(13.6)
Net cash flows from operating activities	**30.1**	**142.3**	**121.1**
Purchase of non-current tangible and intangible assets		(58.1)	(48.7)
Disposal of non-current tangible and intangible assets		0.5	0.0
Purchases of subsidiaries net of cash acquired		(2.7)	(2.7)
Acquisition of other financial assets		(4.2)	(0.2)
Disposal of other financial assets		0.1	0.8
Interest and dividends received		1.3	0.8
Net cash flows from investing activities	**30.2**	**(63.1)**	**(50.0)**
Increase/Decrease in capital and other transactions with shareholders		(66.0)	8.5
Increase/Decrease in other financial debt		(0.2)	(0.3)
Interest and equivalent payments		(5.5)	(5.5)
Net cash flows from financing activities	**30.3**	**(71.7)**	**2.7**
Impact of fluctuations in exchange rates		1.5	0.2
Net change in cash		**9.0**	**74.0**
Cash and cash equivalents at the beginning of the financial year	**30**	**535.6**	**461.6**
Cash and cash equivalents at the end of the financial year	**30**	**544.6**	**535.6**

Change in consolidated shareholders' equity as of December 31, 2015 and 2014

							Shareholders' equity		
(Before appropriation of earnings) *(€ million)*	**Number of shares outstanding** [(a)]	**Share capital**	**Equity-related reserves**	**Undated deeply subordinated notes (TSSDI)**	**Translation reserves**	**Other reserves and net income**	**Group share**	**Non-controlling interests**	**Total**
As of December 31, 2013	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.5)**	**(19.4)**	**549.6**		**549.6**
Total comprehensive income					**0.2**	**36.9**	**37.1**	**(0.4)**	**36.7**
Capital increase/(decrease)						1.5	1.5	7.1	8.6
Treasury shares						(0.1)	(0.1)		(0.1)
Valuation of share-based payments						0.6	0.6		0.6
Dividends paid						0.0	0.0		0.0
As of December 31, 2014	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.3)**	**19.5**	**588.7**	**6.7**	**595.4**
Total comprehensive income					**(11.2)**	**44.1**	**32.9**	**0.5**	**33.4**
Capital increase/(decrease)	92,164	0.1	1.8				1.9		1.9
Change in scope							0.0	(0.2)	(0.2)
Repayment of perpetual deeply subordinated notes				(60.0)		(7.9)	(67.9)		(67.9)
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						1.6	1.6		1.6
Dividends paid						0.0	0.0		0.0
As of December 31, 2015 [(a) (b)]	**16,687,774**	**16.7**	**496.7**	**0.0**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**

(a) Nominal value of shares of 1 euro.

(b) Number of shares of capital stock as of Thursday, December 31, 2015: 16,687,774.

5.2 Notes to the consolidated financial statements for the year ended December 31, 2015

NOTE 1 General information

1.1 General information

Groupe Fnac, the Group's parent company, is a French *société anonyme* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Groupe Fnac is subject to all legislation governing commercial companies in France, including the provisions of the French Commercial Code *(Code de commerce)*.

The consolidated financial statements as of December 31, 2015 reflect the accounting position of the Company and its subsidiaries and its interests in associated companies and joint ventures.

On February 17, 2016, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2015. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 Publication background

Groupe Fnac, composed of Groupe Fnac and its subsidiaries (collectively herein "Groupe Fnac"), is the leader in the leisure and entertainment retail market in France and a major player on markets in other countries where it operates such as Spain, Portugal, Brazil, Belgium and Switzerland. Groupe Fnac also has franchise operations in Morocco, Qatar and Ivory Coast.

The admission of Groupe Fnac's securities for trading on the NYSE Euronext regulated market in Paris requires the drafting of consolidated financial statements according to IFRS standards. The methods for preparing these financial statements are described in note 2 "Accounting principles and policies".

Groupe Fnac's consolidated financial statements are presented in millions of euros.

NOTE 2 Accounting principles and policies

2.1 General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, Groupe Fnac's consolidated financial statements for fiscal year 2015 have been prepared as of the closing date of the financial statements in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/internal_market/accounting/ias_fr.htm) and which are mandatorily applicable at that date, and are presented with comparative data for fiscal year 2014 prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB. The Group's financial statements, therefore, have been prepared in compliance with the standards and interpretations as published by the IASB.

The international standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as the interpretations of the IFRIC (International Financial Reporting Interpretation Committee).

The consolidated financial statements presented do not take into account the standards and interpretations which at the end of the reporting period were still in the drafting and review stage with the IASB (International Accounting Standards Board) and IFRIC, or standards whose application was not mandatory in 2015.

2.2 IFRS guidelines applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2015

* IFRIC Interpretation 21, published May 2013 – Levies Charged by Public Authorities.
* Amendments issued in the Annual Improvements to IFRS 2011-2013 Cycle, published in December 2013.

Interpretation IFRIC 21, adopted by the European Union on June 17, 2014, was applied early by the Group in the financial statements for the year ended December 31, 2014. Note 2.22 discloses the impact of this application.

2.2.2 Standards, amendments and interpretations published by the IASB and which are non-mandatory for reporting periods beginning on or after January 1, 2015

* Amendments to IAS 19 – Employee Contributions adopted by the European Union on January 9, 2015, and applicable to reporting periods beginning on or after February 1, 2015.
* Amendments issued in the Annual Improvements to IFRS 2010-2012 Cycle adopted by the European Union on December 17, 2014 and applicable to reporting periods beginning on or after February 1, 2015.

* Amendments to IAS 16 and IAS 38 – Classification of Acceptable Methods of Depreciation and Amortization, published in May 2014, and mandatory for application in 2016.
* Amendments to IFRS 11 – Accounting for acquisitions of interests in joint arrangements.
* Amendments issued in the Annual Improvements to IFRS 2012-2014 Cycle.

The texts listed above, published by the IASB, are either not applicable or have no significant impact on the financial statements at December 31, 2015.

2.2.3 Main standards, amendments and interpretations published by the IASB, not yet adopted by the European Union

* IFRS 9 – Financial Instruments, and Amendments to IFRS 9, IFRS 7 and IAS 39 establish accounting and financial reporting principles for financial assets and financial liabilities. They will replace the existing principles in IAS 39 - Financial Instruments.
* IFRS 15 – Revenue from Contracts with Customers provides the model for recognition of revenue and will replace IAS 18 – Revenue from Ordinary Operating Activities.
* IFRS 16 – Lease agreements.
* Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses.
* Amendments to IAS 7 – Statement of Cash Flows.
* Amendments to IAS 1 – Disclosure Initiative, applicable to reporting periods beginning on or after January 1, 2016.
* Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization, and applicable to reporting periods beginning on or after January 1, 2016.
* Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The impact of the application of these standards and amendments, published by the IASB and not yet adopted by the European Union, on Groupe Fnac's financial statements is currently being assessed. The Group will mainly be impacted by the implementation of IFRS 15, IFRS 16 and IFRS 9. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant or currently being assessed.

2.2.4 Options taken on first-time adoption of IFRS

Groupe Fnac prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with the provisions of IFRS 1 – First-time adoption of international financial reporting standards.

In accordance with the option provided for by IFRS 1, Groupe Fnac chose to prepare its first IFRS financial statement on January 1, 2010 based on accounting values for its assets and liabilities as presented in the consolidated financial statements of the Kering Group, after eliminating the adjustments used in the Kering Group's consolidation.

As a consequence, Groupe Fnac has kept the options offered by IFRS 1 identical to those applied by the Kering Group:

* business combinations: only business combinations that took place after January 1, 1999 were restated in accordance with IFRS 3;
* employee benefits: Groupe Fnac's cumulative actuarial gains and losses were recognized on the transition date and offset against the Kering Group's opening shareholders' equity on its transition to IFRS;
* cumulative currency translation adjustments: Groupe Fnac's foreign exchange translation adjustments were reset at zero and offset against the Kering Group's opening consolidated reserves on its transition to IFRS. Consequently, the foreign exchange translation adjustments shown in shareholders' equity are those arising since January 1, 2004;
* share-based payments: in accordance with the option allowed by IFRS 2, for share-based payment plans, Groupe Fnac opted to apply this standard only to plans issued by the Kering Group after November 7, 2002 that had not been vested as of January 1, 2005;
* financial assets and liabilities recognized prior to the transition date, either at fair value on the income statement or available for sale, were designated on the Kering Group's transition date (January 1, 2005).

2.3 Framework for the preparation and presentation of the consolidated financial statements

2.3.1 Valuation bases

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

* certain financial assets and liabilities, valued at fair value;
* fair value of defined benefit plan assets;
* the proportion of securities held by a subsidiary or associated company, valued at fair value at the moment of loss of control or significant influence;
* non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgment

The preparation of the consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book value of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Depending on changes in these assumptions, the items shown in the Group's future financial statements may differ from current estimates. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main estimates made by Groupe Fnac's management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, Groupe Fnac uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities. The main assumptions and estimates used by Groupe Fnac are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate
Notes 2.10 and 17	Impairment tests on non-financial assets	CGU business combination level for impairment test Main assumptions used for the construction of utility values (discount rates, infinite growth rates, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Notes 2.16 and 23	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent
Notes 2.9 and 19	Inventories	Prospects for inventory disposal for calculating impairment
Notes 2.13 and 11	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 24	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based remuneration plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)

2.3.3 Cash flow statement

The Group's cash flow statement has been prepared in accordance with IAS 7, using the indirect method based on consolidated net comprehensive income and is broken down into three categories:

* cash flow from operating activities (including taxes);
* cash flow from investing activities (in particular, acquisitions and sales of equity interests and non-current assets, excluding finance leases);
* cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buy-backs, dividend payments).

The acquisition of an asset as part of a finance lease agreement has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities (including ad hoc companies) over which Groupe Fnac exercises control.

Entities are fully consolidated where Groupe Fnac:

* has power over the entity in which is it invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it is invested; and
* has the ability to exercise its power over the entity in which it is invested so as to affect the return it obtains from it.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has:

* power over more than half of the voting rights by virtue of an agreement with other investors;
* power to govern the financial and operating policies of the entity under an agreement;
* power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
* power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are eliminated in their entirety.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Associates

Groupe Fnac has no interests in joint ventures or associates.

2.4.3 Business combinations

Groupe Fnac applies IFRS 3 revised – Business combinations.

Business combinations are recognized using the acquisition method:

* the cost of an acquisition is measured at the fair value of the transferred asset, including any subsequent price adjustment, at the date of taking control. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
* any difference between the transferred asset (acquisition price) and the fair value of the identified assets acquired and liabilities assumed on the date of taking control is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at the acquisition date. Impacts subsequent to this period are recognized directly in income, as is any change to an estimate.

For any assumption of control involving less than 100% of share capital, the remaining component (non-controlling interest) is measured:

* either at fair value: in which case, goodwill is recorded proportionate to the non-controlling equity interest (using the "full goodwill" method);
* or as a proportion of the identifiable net assets of the acquired entity: in which case, only the goodwill representing the acquired portion is recognized (using the "partial goodwill" method).

Costs directly attributable to the acquisition are recognized as expenses in the period in which they are incurred.

Earn-out payments and other price adjustments relating to a business combination are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

If a business combination is undertaken in stages, the Group's prior stake in the acquired business is remeasured at fair value at the point of taking control, and recognized in the income statement. To calculate goodwill at the point of taking control, the fair value of the transferred asset (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as equity prior to taking control is recycled through the income statement.

2.5 Translation of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in Groupe Fnac are valued using the currency of the main economic environment in which the entity operates ("functional currency"). Groupe Fnac's financial statements are presented in euros, which is Groupe Fnac's presentation currency.

2.5.2 Translation of foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate in force on the date of the transaction.

Monetary amounts in foreign currencies are converted on each balance sheet date using the closing rate of exchange. The currency translation differentials resulting or arising from the settlement of these monetary amounts are recognized as an income or expense for the period.

Non-monetary amounts in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-monetary amounts in foreign currencies valued at fair value are converted at the rate on the date when the fair value was determined. When a profit or loss on a non-monetary item is recognized directly in other items of comprehensive income, the "foreign exchange" component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of foreign-exchange hedging in the form of derivatives is described in the "Derivative Instruments" section of note 2.11.3 "Derivative Instruments".

2.5.3 Foreign currency translation of the financial statements of foreign subsidiaries

Groupe Fnac's consolidated financial statements are presented in euros. The financial statements of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the Company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

* the statement of financial position is translated into euros based on the closing exchange rate at period end;
* the income statement is translated into euros based on the average exchange rate over the reporting period provided it is not called into question by significant changes in the rates;
* any difference resulting from the translation of the statement of financial position at the period-end rate and the translation of the income statement at the average rate over the period is recognized in other items of comprehensive income as a gain/(loss) on translation.

2.5.4 Net investment in an activity abroad

Foreign exchange translation adjustments recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit and loss on the date of loss of control.

Foreign exchange translation adjustments relating to loans in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit and loss on disposal of the net investment.

2.6 Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

From the acquisition date, goodwill is allocated to cash generating units (CGUs) and CGU groups defined by Groupe Fnac. The CGUs or CGU groups to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value might arise. The impairment test for fiscal 2015 is described in section 5.2, note 17.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in Groupe Fnac's operating income.

2.7 Intangible non-current assets

Intangible non-current assets mainly consist of software valued at its acquisition or production cost and agreement fees on signing a property lease.

Software acquired for current operations or developed internally by Groupe Fnac that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

Groupe Fnac's lease rights are qualified by Groupe Fnac as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 Tangible non-current assets

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the item.

Subsequent costs are included in the book value of the asset or recognized separately, if appropriate, if it is likely that the future economic benefits associated with the item will go to Groupe Fnac and that the cost of the asset can be reliably assessed. All other current maintenance and repair costs are recognized in expenses for the year in which they are incurred.

The depreciation method used by Groupe Fnac for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is eight to twenty years for fixtures and fittings on land and buildings, and three to ten years for equipment.

Property, plant and equipment are subject to an impairment test whenever an indication of loss of value is identified; for example, a planned closure, reduction in the workforce, or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. In cases when the recoverable value of the asset in isolation cannot be accurately determined, Groupe Fnac determines the recoverable value of the CGU to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease contracts that transfer to Groupe Fnac almost all the risks and benefits inherent in ownership of an asset are classified as finance lease agreements.

Goods rented by virtue of agreements qualified as finance lease agreements are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are impaired over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on Groupe Fnac virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary leases are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15, and mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full as profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the operation has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on Groupe Fnac the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 Inventories

Inventory is valued at the lower of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost method.

Inventories include all purchase costs and other costs incurred to get inventories to their place of sale in their existing condition (mainly parafiscal taxes, transport costs, provision for unknown discount between the last inventory date and the balance sheet date). The advantages obtained from suppliers counted as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

Groupe Fnac may need to record an impairment on inventories:

* based on likelihood of disposal;
* if they are partially damaged;
* if they are completely obsolete;
* if their sale price is less than their net realizable value.

2.10 Impairment of assets

Goodwill, intangible assets with an unlimited useful life and CGUs or CGU groups containing these elements are annually subject to an impairment test in the second half of the year.

In addition, whenever events or circumstances indicate that there could be loss of value on goodwill, other intangible assets, property, plant and equipment, and CGUs or CGU groups, an impairment test is performed. Such events or circumstances may be linked to significant unfavorable changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a CGU or CGU group is less than the net book value.

The recoverable value of an asset or a CGU or CGU group is the higher of its fair value less costs to sell and its value in use.

The value in use is determined in relation to future cash flow projections, taking account of the time value and specific risks related to the asset or the CGU or CGU group. Future cash flow projections are based on medium-term plans and budgets. These plans are constructed on a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. These values are determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

If the recoverable value of the asset or CGU or CGU group is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a CGU or CGU group, loss of value is assigned primarily to goodwill if applicable and is recorded on the line "Other non-current operating income and expenses" on the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

On the partial disposal of a CGU, the goodwill value assigned corresponding to the partial exit is valued on the basis of the relative values of the activity disposed of and the portion of the CGU retained, unless another method is more relevant.

2.11 Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet at their fair value, as assets (positive fair value) or liabilities (negative fair value).

All these instruments are disclosed in section 5.2, note 28.

2.11.1 Financial assets

Pursuant to IAS 39, financial assets are classified in one of the following four categories:

* financial assets valued at fair value on the income statement;
* loans and receivables;
* assets held to maturity;
* assets available for sale.

The classification determines the accounting treatment of these instruments. Financial assets are classified by Groupe Fnac on the date of initial accounting, according to the objective for which they were acquired. Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which Groupe Fnac is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

1. Financial assets valued at fair value on the income statement

These are financial assets held by Groupe Fnac to realize a profit on disposal in the short term, or financial assets deliberately classified in this category.

These assets are valued at fair value; changes in their value are recorded in the income statement.

2. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are determined or determinable and that are not listed on an active market and not held for the purposes of a transaction or available for sale.

These assets are valued at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value and the amortized cost are equivalent to the amount of the original invoice unless the effective tax rate has a significant impact.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Receivables related to equity interests, deposits and guarantees, loans and current receivables and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other current financial assets.

3. Assets held to maturity

Assets held to maturity are non-derivative financial assets, other than loans and debts, with a fixed term whose payments are determined or determinable, that Groupe Fnac has the intention and capacity to hold through to maturity. These assets are valued at fair value initially, then at amortized cost using the effective interest rate method.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity appear in non-current financial assets.

4. Assets available for sale

Assets available for sale are non-derivative financial assets that do not come under the abovementioned categories. They are valued at fair value. The recognized underlying capital gains or losses are accounted for in other items of comprehensive income until their disposal. However, if there is objective evidence of impairment of an asset available for sale, the cumulative loss is recognized in income.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques using reliable and observable market data. If it is impossible to reasonably estimate the fair value of a security, it is valued at historic cost. These assets are subject to impairment tests in order to assess their degree of recoverability.

This category mainly includes unconsolidated equity interests and transferable securities that do not come under the other financial asset definitions. They appear in non-current financial assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IAS 39. For Groupe Fnac, financial loans and debts, supplier debts and other debts are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial asset to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at market interest rates. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Hedging relationships are detailed in the section on "Derivative instruments".

Financial liabilities designated at fair value on options, other than liabilities derivatives, are valued at fair value. Fair value adjustments are accounted for in the income statement. Transaction costs connected with the establishment of these financial liabilities are accounted for immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, Groupe Fnac may need to use various financial instruments to reduce its exposure to foreign exchange risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification, and they are valued at their fair value on the transaction date. The change in fair value of derivative instruments is always recorded on the income statement except in the case of cash flow hedges and net investment hedges.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risk:

* cash flow hedges are used to cover the risk of changes in cash flow attached to recognized assets or liabilities or a highly probable prospective transaction which would affect the consolidated income statement;
* fair value hedges are used to cover the risk of a change in fair value of a recognized asset or liability or a firm commitment not yet recognized which would affect the net consolidated income;
* net investment hedges are used to cover the foreign exchange risk for activities abroad.

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

* a hedging relationship is clearly identified, formalized and documented from the date of its inception;
* the effectiveness of the relationship of the hedge is demonstrated both prospectively and retrospectively. The income obtained in this way must be in a confidence interval between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship:

* for cash flow and net investment hedges:
  - the effective portion of the change in fair value of the hedging instrument is recorded directly against other items of comprehensive income. These amounts are reclassified on the income statement symmetrically to the method of accounting for the hedged items, i.e. principally under gross margin for commercial hedge transactions and under financial income for financial hedge transactions,
  - the ineffective portion of the hedge is recognized in the income statement;
* for fair value hedges, the hedged component of the items is recognized on the balance sheet at its fair value. The change in this fair value is recorded in the income statement and is offset, unless ineffective, by recognition in the income statement of the symmetrical changes in fair value of the financial instruments used as hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the balance sheet comprise liquid assets, money market UCITS, short-term investments and other liquid and readily convertible instruments with negligible risk of fluctuation in value and maturing within three months or less of the acquisition date.

Investments for a term of over three months and restricted or pledged bank accounts are not included in cash. Bank overdrafts appear under financial liabilities on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest not yet due on assets appearing under cash and cash equivalents and bank overdrafts. The cash flow statement is explained in detail in note 25.

2.11.5 Definition of the Group's consolidated net financial debt

Net financial debt includes:

* cash and cash equivalents: This item consists of trading securities (money-market and short-term money-market UCITS), easily accessible or disposable very-short-term risk-free deposits and investments maturing in less than three months, as well as cash in current accounts at banks. All the elements in this item are considered cash equivalents as they are easily convertible into a known amount of cash with

negligible risk of change of value. These current financial assets, recognized at fair value through income, are held with a view to meeting short-term cash requirements (section 5.2, note 25);

* short-term credit and bank overdrafts: this item includes mainly credit balances at banks (section 5.2, note 26).

2.12 Share-based payments

2.12.1 Shareholders' equity instruments allocated by Groupe Fnac

Share-based transactions payable in cash

Performance-compensation plans, which are eventually paid in cash, were allocated by Groupe Fnac to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is valued on the allotment date, then revalued on each balance sheet date. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the commitment calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a liability to personnel. The change in the fair value of the amount payable is recorded in the income statement for each financial year.

Share-based transactions paid in equity instruments

Performance-remuneration plans, which are eventually paid in equity instruments, were allocated by Groupe Fnac to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is irreversibly valued on the allotment date. The mathematical models used for these valuations are described in note 7.2 and note 7.3.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.12.2 Shareholders' equity instruments allocated by the Kering Group

Bonus shares and share purchase and subscription options in Kering securities were allocated by the Kering Group to employees of Groupe Fnac. The impact of these allotments on the year ended December 31, 2015 is detailed in note 7.5.

2.13 Taxes

Income tax for the fiscal year consists of due and deferred tax.

Deferred tax is calculated according to the variable carryforward balance sheet method on all timing differences between the net book value on the consolidated balance sheet and the tax value of assets and liabilities, except for goodwill, which is not tax deductible. The valuation of deferred tax is based on the way Groupe Fnac expects to recover or pay the book value of the assets and liabilities using the enacted or anticipated tax rate on the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carryforward of tax losses and tax credits.

A deferred tax asset is recognized only if it appears probable that the Group will obtain sufficient profits in the future to make the tax deferral useful.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering the deferred tax assets is reviewed periodically per tax entity and may lead to discontinuing previously recognized deferrals. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income at that stage is projected over rolling two-year periods. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless Groupe Fnac is in a position to control the date when the timing difference will reverse, and if it is probable that it will not reverse in the foreseeable future.

Corporate value-added tax (CVAE), a levy assessed on a company's added value, in Groupe Fnac's opinion meets the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

The treatment of taxation uncertainty

In the event of uncertainty over taxation, Groupe Fnac exercises its judgment over whether each tax uncertainty should be treated separately or whether some uncertainties should be treated together when calculating taxable income (tax loss), tax bases, loss carry-forwards, unused tax credits, and tax rates.

2.14 Treasury stock and other shareholders' equity instruments

Groupe Fnac may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recorded as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 25.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

Shareholders' equity also includes perpetual deeply subordinated notes (TSSDI) classified as equity instruments given the discretionary nature of their remuneration and the lack of obligatory redemption. The Group exercised its discretion to redeem perpetual deeply subordinated notes on December 30, 2015 (see section 5.2, note 22.2).

2.15 Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the expenditure of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, Groupe Fnac assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with Groupe Fnac's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects the current assessments of the time value of the money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before the balance sheet date. The restructuring costs recorded in provisions correspond mainly to employment costs (redundancy payments, early retirement, lack of notice periods etc.), and compensation for breaking contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Groupe Fnac companies contribute to various types of benefits for their employees.

For defined-contribution plans, Groupe Fnac has no obligation to make supplementary payments over and above the contributions already paid to a fund if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected credit unit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately in other items of comprehensive income for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan, is recognized immediately in the income statement even if the rights to the benefit have not been vested by the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Reductions, payments and costs of past services are recognized in current operating income. The provision recognized on the balance sheet corresponds to the present value of the liabilities thus calculated, after deducting the fair value of the plans' assets.

2.17 Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current assets held for sale and discontinued operations requires particular accounting and specific presentation of the assets (or group of assets) held for sale and discontinued operations that were or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value is recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of sale. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on Groupe Fnac's balance sheet, with no restatement for past years.

A discontinued operation that was sold or held for sale is defined as a component of an entity having a cash flow that can be identified separately from that of the rest of the entity and which represents a line of activity or a principal, distinct region. Over the reported periods, the income from these activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

2.18 Recognition of income from ordinary activities

Income is mainly derived from the sale of merchandise and delivery of services provided by the stores and trading websites of the Group, the sale of merchandise by franchises, and franchise fees, which are recognized in net revenues when the services are provided. As from the 2015 fiscal year, proceeds from non-use of loyalty cards and gift vouchers are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Income from ordinary activities is valued at the fair value of the amount received in exchange for the goods and services sold, excluding taxes, net of discounts and rebates and after elimination of intra-group sales.

In accordance with IFRIC 13 – Customer Loyalty programs, the benefits granted to customers through loyalty programs are counted separately from the original sale. The benefits are valued at their fair value and accounted for as a deduction from the original sale, after applying a redemption rate corresponding to the probability of use of the benefits by the members, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered.

Sales of goods are recognized when a Groupe Fnac entity transfers to the purchaser the risks and benefits inherent in ownership of the item, generally at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be recognized as a reduction from the proceeds of ordinary operations, in order to allow for any return of merchandise that could take place after the balance sheet date.

The provision of services, such as sales of extended warranties or services related directly to the sale of the goods, is recognized in the period when the services are rendered. If an entity of the Group acts as an agent in the sale of these services, the revenues are recognized at the time of the sale, and correspond to the margin generated or the commission received. This mainly concerns ticket sales, the sale of gift boxes, certain extended warranties and web sales generated on behalf of suppliers (Marketplace).

2.19 Operating income

Operating income includes all the income and costs directly related to Groupe Fnac operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

Other non-current operating income and expenses, excluding current operating income, includes:

* restructuring costs and costs relating to headcount reductions;
* impairment losses on capitalized assets identified primarily in impairment tests on cash generating units (CGUs) and goodwill;
* gains or losses linked to changes in consolidation scope (acquisition or disposal);
* major litigation not arising from the Group's operating activities.

2.20 Earnings per share

Net earnings per share are calculated by dividing the Group share of consolidated net profit by the weighted average number of shares in circulation during the financial year.

Diluted net earnings per share are calculated by dividing the Group share of consolidated net profit for the year by the average number of shares in circulation together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net earnings excluding non-current items per share are calculated by adjusting the Group share of consolidated net profit for non-current items for their amount net of tax and non-controlled interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expenses" on the income statement.

2.21 Operating segments

In accordance with IFRS 8 – Operating segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman & CEO and the Executive Committee members who constitute Groupe Fnac's principal decision-making body.

An operating segment is a distinct component of Groupe Fnac, engaged in activities likely to generate income and incur expenses, whose operating results are regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to common performance indicators for all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographic regions composed of several countries in which Groupe Fnac conducts its operations through stores:

* France: this sector comprises the activities of Groupe Fnac on French territory, as well as activities managed from French territory, which include the franchises in Morocco, Qatar and Ivory Coast;
* Iberian Peninsula: this segment consists of Groupe Fnac activities in Spain and Portugal;
* Brazil: this segment consists of Groupe Fnac activities in Brazil;
* Other countries: this segment consists of Groupe Fnac activities in Belgium and Switzerland.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by Groupe Fnac for its consolidated financial statements.

2.22 Early application of interpretation IFRIC 21

Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was applied early in the financial statements for the period ended December 31, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013.

For Groupe Fnac, the fiscal impact of these changes concerns social security and solidarity contributions and the taxation of retail space.

Only Groupe Fnac's French companies are impacted by this interpretation.

The impact of this change in accounting methods is:

(€ million)	**2015**	**2014**
Impact on other current income and expenses	(0.7)	1.2
Impact on Group share of reserves	11.0	9.8
Total impact on Group shareholders' equity	**10.3**	**11.0**
Impact on tax liabilities (excluding income tax)	(10.3)	(11.0)

NOTE 3 Highlights

3.1 Changes in scope of consolidation

In 2015, the Group created the companies SwissBillet in Switzerland and Belgium Ticket in Belgium to pave the way for the future development of ticketing solutions.

The Group created the company Fnac Acces in 2015 to support the development of a new store format.

3.2 Other significant events

On September 30, 2015, Groupe Fnac announced that it had submitted a proposal to the Board of Directors of Darty plc ("Darty") for the potential acquisition of Darty. The terms of this proposal are disclosed in section 4, note 4.1.2.3 of this document.

On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million. These securities had been issued in April 2013 in the amount of €60 million.

NOTE 4 Operating segments

The information on operating segments follows the same accounting rules as those used for the consolidated financial statements, described in the notes to the financial statements.

The assessment of the performance of each operating segment, as used by the main operating decision-maker, is based on current operating income.

Non-cash income and expenses mainly include current and non-current provisions and reversals of amortizations and provisions for non-current assets, and provisions for contingencies and expenses.

Acquisitions of intangible assets and property, plant and equipment correspond to acquisitions of non-current assets including changes in debt on non-current assets. They do not include capital investments on a finance lease agreement.

Non-current segment assets consist of goodwill and other intangible and tangible non-current assets and of other non-current assets. Segment assets consist of non-current segment assets, inventory, trade receivables, customer loans and other current assets. Segment liabilities consist of the financing for customer loans, trade payables, and other current liabilities.

4.1 Information per operating segment

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
2015					
Income from ordinary activities	**2,783.6**	**657.3**	**136.8**	**298.1**	**3,875.8**
Consumer electronics	1,581.1	393.9	100.0	163.6	2,238.6
Publishing products	1,026.0	243.8	33.4	124.6	1,427.8
Services	176.5	19.6	3.4	9.9	209.4
Operating income	**45.8**	**22.4**	**(0.2)**	**7.7**	**75.7**
Income and expense with no impact on cash [(a)]	29.1	11.3	(4.9)	8.0	43.5
Purchase of tangible and intangible non-current assets [(b)]	47.1	6.8	0.5	3.7	58.1
Segment assets	**987.9**	**171.9**	**60.5**	**83.8**	**1,304.1**
Segment liabilities	**890.2**	**251.9**	**18.4**	**76.3**	**1,236.8**

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
2014					
Income from ordinary activities	**2,771.7**	**659.1**	**174.9**	**289.4**	**3,895.1**
Consumer electronics	1,510.5	397.7	124.1	152.5	2,184.8
Publishing products	1,092.1	244.3	46.9	129.0	1,512.3
Services	169.1	17.1	3.9	7.9	198.0
Operating income	**40.9**	**20.5**	**1.5**	**5.1**	**68.0**
Income and expense with no impact on cash [(a)]	45.4	12.3	(4.1)	3.5	57.1
Purchase of tangible and intangible non-current assets [(b)]	37.6	8.7	0.8	1.6	48.7
Segment assets	**1,001.1**	**167.3**	**69.3**	**68.3**	**1,306.0**
Segment liabilities	**851.6**	**237.2**	**25.8**	**62.4**	**1,177.0**

(a) Income and expense with no impact on cash include:
- *current and non-current amortization, depreciation & impairment, as well as impairment of non-current assets;*
- *current & non-current provisions for contingencies and losses and reversals;*
- *provisions, reversals and discounting of provisions for pensions & other equivalent benefits;*
- *non-disbursable income & expense related to stock options and equivalent items;*
- *proceeds from disposal of operating & financial assets;*
- *deferred tax charges and reversals.*

(b) Purchase of tangible and intangible non-current assets excluding finance leases including changes in receivables and payables relating to assets

4.2 Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	At December 31, 2015	At December 31, 2014
Goodwill	332.4	332.4
Intangible non-current assets	71.4	68.1
Tangible non-current assets	156.5	163.2
Other non-current assets and liabilities	0.1	0.1
Non-current segment assets	**560.4**	**563.8**
Inventories	466.9	469.4
Trade receivables	104.1	129.7
Other current assets	172.7	143.1
Segment assets	**1,304.1**	**1,306.0**
Non-current financial assets	8.2	6.9
Deferred tax assets	37.4	33.0
Tax receivables due	6.2	6.2
Other current financial assets	12.0	4.9
Cash and cash equivalents	544.7	535.6
Assets held for sale	0.0	0.0
TOTAL ASSETS	**1,912.6**	**1,892.6**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	At December 31, 2015	At December 31, 2014
Trade payables	817.0	767.7
Other current liabilities	419.8	409.3
Segment liabilities	**1,236.8**	**1,177.0**
Shareholders' equity, Group share	557.3	588.7
Shareholders' equity – Share attributable to non-controlling interests	7.0	6.7
Long-term borrowings and financial debt	0.3	0.3
Non-current provisions for pensions and other similar benefits	77.4	69.1
Short-term borrowings and financial debt	0.3	0.2
Other current financial liabilities	6.0	2.5
Current provisions	13.8	34.8
Tax liabilities payable	13.7	13.3
Liabilities relating to assets held for sale	0.0	0.0
TOTAL LIABILITIES	**1,912.6**	**1,892.6**

NOTE 5 Income from ordinary activities

(€ million)	**2015**	**2014**
Net sales of goods	3,666.4	3,697.1
Net sales of services	156.2	162.2
Other revenue	53.2	35.8
TOTAL SALES	**3,875.8**	**3,895.1**

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, phone services, gift boxes, "NES" extended warranties, and Marketplace).

Other income mainly includes reinvoicing of shipping costs and commissions, and the proceeds from non-use of loyalty cards and gift vouchers.

In 2015, the basis for recognizing proceeds from the non-use of Fnac gift vouchers was changed. Those proceeds are now recognized at the time that the card or voucher is issued. Previously, the proceeds were recognized as income only when the Fnac card expired. This change in estimation had a positive impact of €4.1 million on Groupe Fnac sales and margin.

NOTE 6 Personnel expenses

Payroll costs mainly included fixed and variable remuneration, social security contributions, expenses related to employee profit-sharing and other incentives, the cost of training, and expenses related to employee benefits recognized in current operating income (note 23).

(€ million)	**2015**	**2014**
France	(440.4)	(431.6)
Iberian Peninsula	(70.1)	(68.8)
Brazil	(12.7)	(15.2)
Other countries	(41.2)	(39.6)
TOTAL	**(564.4)**	**(555.2)**

In 2015, payroll costs included an expense of €30.4 million, versus €18.4 million in 2014, related to the application of IFRS 2 regarding all share-based transactions involving Groupe Fnac shares.

The average paid workforce for Groupe Fnac's activities, in full-time equivalent, was composed as follows:

	2015	**2014**
France	7,746	7,944
Iberian Peninsula	2,806	2,762
Brazil	684	737
Other countries	688	705
TOTAL	**11,924**	**12,148**

The total paid workforce as of December 31, for Groupe Fnac's activities was as follows:

	At December 31, 2015	At December 31, 2014
France	8,480	8,812
Iberian Peninsula	3,962	3,940
Brazil	727	819
Other countries	917	907
TOTAL	**14,086**	**14,478**

NOTE 7 Performance-based remuneration plans

The fair value of all performance-based payment plans was measured using the Black & Scholes method based on random payouts at future share prices assuming 30% price volatility of Fnac shares. Share price projections use a stochastic method based on geometric Brownian motion.

7.1 Value units plan

The total IFRS 2 expense recognized as of December 31, 2015 for the value units plan granted in 2013 and 2014 amounted to €19.1 million.

2014 plan

On the recommendation of the Nomination and Remuneration Committee, on February 26, 2014, the Board of Directors decided to award value units to certain Group employees (125 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The value units will be vested on February 28, 2016 (and February 28, 2017 for Executive Board members) subject to presence and performance conditions. The value per unit is based on an average of Groupe Fnac share prices. If the share price of Groupe Fnac in February 2016 is lower than a predefined price, there will be no payment. The associated cash payment will be effective in April 2016 and February 2017.

The total IFRS 2 expense recognized as of December 31, 2015 for the value units plan amounted to €6 million.

The main features of this plan are summarized below:

Main features	2014-2017 value units plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	2 years/3 years
Vesting date	February 28, 2016 and February 28, 2017
Number of beneficiaries	125
Number of beneficiaries as of Dec. 31, 2015	107
Performance condition	Yes

Number of value units	2014-2017 value units plan
Awarded	170,048
In the process of being vested as of January 1, 2015	**168,754**
Vested in 2015	0
Cancelled in 2015	14,449
In the process of being vested as of December 31, 2015	**154,305**

2013 plan

Part of the 2013 value units plan matured on July 31, 2015. The value units of Plan beneficiaries who were in service on July 31, 2015 were vested, subject to performance conditions (Fnac average July 2015 share price €55.07), at that price. Those amounts were paid in cash in October 2015 to beneficiaries in service on July 31, 2015, totaling €22.7 million including employer contributions. Some Executive Committee members received two-thirds of the value units outright, with the remaining third conditional on being in service on July 31, 2016.

The total IFRS 2 expense recognized as of December 31, 2015 for the value units plan amounted to €13.1 million.

Main features	2013-2016 value units plan
Date of Board of Directors' meeting	July 30, 2013
Vesting period	2 years/3 years
Vesting date	July 31, 2015 and July 31, 2016
Number of beneficiaries at inception	112
Number of beneficiaries as of Dec. 31, 2015	95
Performance condition	Yes

Number of value units	2013-2016 value units plan
Allocated	456,018
In the process of being vested as of January 1, 2015	**417,211**
Vested in 2015	321,288
Cancelled in 2015	13,688
In the process of being vested as of December 31, 2015	**82,235**

7.2 Performance share plan

The total IFRS 2 expense recognized as of December 31, 2015 for the performance share plans granted in 2013, 2014 and 2015 amounted to €9.4 million.

2015 plan

On the recommendation of the Nomination and Remuneration Committee, on February 26, 2015, the Board of Directors decided to award performance-based options to certain Group executives with the aim of retaining them and aligning their interests with those of the Company and its shareholders. Settlement will be made in cash or equity instruments depending on the beneficiary.

The main features are summarized below:

These options will be vested gradually, in tranches, at the end of two successive vesting periods (March 2015 –September 2017, and March 2015 –September 2018), provided the beneficiary is in service at the Group at the end of the vesting period in question, and provided the Fnac share price performs as specified in each of the two periods. The options must be exercised between the October 1 and 20 following the end of the vesting period.

The total IFRS 2 expense recognized as of December 31, 2015 for the 2015 performance share plan amounted to €0.8 million.

Main features	2015-2018 performance share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries	12
Performance condition	Yes

Number of stock options	2015-2018 performance share plan
In the process of being vested as of January 1, 2015	**0**
Awarded	164,954
Vested in 2015	0
Cancelled in 2015	0
In the process of being vested as of December 31, 2015	**164,954**

2014 plan

The total IFRS 2 expense recognized as of December 31, 2015 for the 2014 performance share plans amounted to €2.6 million.

The main features are summarized below:

Main features	2014-2017 performance share plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	€23.60
Number of beneficiaries	9
Performance condition	Yes

Number of stock options	2014-2017 performance share plan
Awarded	366,406
In the process of being vested as of January 1, 2015	**366,406**
Vested	0
Cancelled	0
In the process of being vested as of December 31, 2015	**366,406**

2013 plan

The first tranche of the 2013 performance share plan was vested on March 31, 2015. Given its average closing price over the last 20 trading days in March 2015 (average €55.88) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on March 31, 2015.

The main features of this plan are summarized below:

These options were exercised between April 20 and May 19, 2015 or cashed in April 2015 for the Chairman & Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2015 for the 2013 performance share plan amounted to €6.0 million.

Main features	2013-2017 performance share plan
Date of Board of Directors' meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	€20.28
Number of beneficiaries	9
Performance condition	Yes

Number of stock options	2013-2017 performance share plan
Awarded	656,536
In the process of being vested as of January 1, 2015	**656,536**
Vested in 2015	159,324
Cancelled in 2015	33,544
In the process of being vested as of December 31, 2015	**463,668**

7.3 Awarding of bonus shares:

2015 plan

On the recommendation of the Nomination and Remuneration Committee, on February 26, 2015, the Board of Directors decided to award bonus shares to certain employees of the Group (132 beneficiaries) in order to link their compensation to the Company's share price performance. Settlement will be made in cash or equity instruments depending on the beneficiary.

The main features are summarized below:

The plan is for a four-year period (March 2015-February 2019). Permanent vesting is conditional on 2 years' service for French residents (March 2015-February 2017) and 4 years' service for foreign residents (March 2015-February 2019), and is conditional on the Group's share price performance as measured in February 2017. French residents are also required to hold their awarded shares for a period of 2 years (March 2017-February 2019: the "lock-in period").

The total IFRS 2 expense recognized as of December 31, 2015 for the 2015 performance share plan amounted to €1.9 million.

Main features	Bonus share plan 2015-2019
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Foreign residents	4 years (March 2015 – February 2019)
Lock-in period	
French residents	2 years (March 2017 – February 2010)
Number of beneficiaries	132
Number of beneficiaries at Dec. 31, 2015	130
Performance condition	Yes

Number of bonus shares	Bonus share plan 2015-2019
Awarded	82,494
Vested in 2015	0
Cancelled in 2015	1,440
In the process of being vested as of December 31, 2015	**81,054**

7.4 Analysis of sensitivity to fluctuations in Fnac share price

A share price of €54.30 has been used to measure the fair value of the Group's value units plan and performance share plan obligations. The impact of a €1 change upwards or downwards in its share price on the fair value of its obligations is €0.3 million.

7.5 Kering bonus share allotment plans and share purchase and subscription plans

Bonus shares and share purchase and subscription options in Kering securities were allocated by the Kering Group to employees of Groupe Fnac. In accordance with the transitional provisions of IFRS 2 on plans paid in equity instruments, only plans issued after November 7, 2002, which were not vested as of January 1, 2005 were subject to valuation.

In 2015, no amounts were invoiced by the Kering Group to Groupe Fnac for these plans. A total of €3.3 million was reinvoiced in 2013 by the Kering Group to Groupe Fnac for plans definitively allotted to Groupe Fnac employees.

At December 31, 2015, there were no further non-eligible plans (prior to November 7, 2002). The main features of these plans are summarized below:

	2005/2 plan	2007/1 plan	2011/2 plan	2012/2 plan
Stock-option and bonus share plans	**Subscription options**	**Purchase options**	**Bonus shares**	**Bonus shares**
Date of award	05/19/2005	05/14/2007	05/19/2011	04/27/2012
Expiration date	05/18/2015	05/13/2015	N/A	N/A
Vesting period	(a)	(a)	(b)	(b)
Number of beneficiaries	112	46	43	38
Number originally awarded	47,610	49,050	5,110	3,685
Number outstanding as of 12/31/2014	2,570	19,760	4,230	2,975
Number outstanding as of 01/01/2015	**2,570**	**19,760**	**4,230**	**2,975**
Number cancelled in 2015		3,560		
2015 adjustments	32			
Number exercised in 2015	2,602	15,250		
Number of shares awarded			4,230	
Number expired in 2015		950		
Number outstanding as of 12/31/2015	**0**	**0**	**0**	**2,975**
Number exercisable as of 12/31/2015				
Exercise price *(€)*	78.01	127.58		
Weighted average price of the options exercised & shares remitted *(€)*	185.63	171.22		

The exercise of share purchase options and the delivery of bonus shares do not give rise to a capital increase.

For all these plans, the lock-in period is four years from the date of allotment.

(a) Twenty-five percent of the options are vested per full year of presence in the Group except in the case of retirement (vesting of all rights) and resignation (all rights forfeited). In the event of dismissal for serious misconduct or gross negligence, all rights are forfeited including after the end of the lock-in period.

(b) The shares are vested four years after their allotment except in the case of resignation or dismissal for serious misconduct or gross negligence (all rights forfeited). The number of shares definitively allotted is subject to the share's performance on the stock market. There is no lock-in period.

The valuation of services rendered by the beneficiaries is assessed on the plans' allotment date:

* for share purchase and subscription plans, using a Black & Scholes type method with a trinomial algorithm and thresholds for exercising the options, in particular taking account of the number of options that could potentially be exercised at the end of the vesting period;
* for bonus share allotment plans, using a Black & Scholes type method with Monte Carlo algorithm having two underlyers.

NOTE 8 Current operating income

Current operating income represents the main indicator for monitoring the operating performance of Groupe Fnac. It is composed as follows:

(€ million)	**2015**	**2014**
France	53.2	47.5
Iberian Peninsula	24.1	23.6
Brazil	(0.5)	(0.9)
Other countries	8.2	6.9
Current operating income	**85.0**	**77.1**

Other current operating income and expenses amounted to a net expense of €496.4 million in 2015 (compared to a net expense of €511.6 million in 2014).

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and advertising costs. In 2015, current operating income included gains on the sale of leases to the logistics firm Wissous in the amount of €4.8 million.

NOTE 9 Other non-current operating income and expense

(€ million)	**2015**	**2014**
Non-current operating expenses	**(10.7)**	**(12.7)**
Costs connected with Darty acquisition	(5.5)	0.0
Restructuring costs	(3.2)	(12.7)
Other risks	(2.0)	0.0
Non-current operating income	**1.4**	**3.6**
Litigation and disputes	1.4	3.6
TOTAL	**(9.3)**	**(9.1)**

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

The total expense of €9.3 million in 2015 consisted mainly of the following:

* €5.5 million in costs derived from the acquisition of Darty;
* restructuring costs of €3.2 million in France and abroad;
* other expenses connected with operating risks in the amount of €2.0 million;
* net proceeds from litigation and disputes in the amount of €1.4 million.

The total expense of €9.1 million in 2014 consisted mainly of the following:

* restructuring costs of €12.7 million in France and abroad;
* net proceeds from litigation and disputes in the amount of €3.6 million.

NOTE 10 (Net) financial expense

Net financial expenses break down as follows:

(€ million)	2015	2014
Cost of net financial debt	**(0.6)**	**(0.3)**
Income from cash and cash equivalents	1.1	0.7
Financial expense at amortized cost	(1.7)	(1.0)
Other financial income and expenses	**(12.5)**	**(11.8)**
Origination and unused line of credit fees	(5.5)	(5.4)
Impact of discounting net debt related to defined benefit plans	(1.4)	(1.9)
Cost of consumer credit	(5.6)	(4.8)
Other net financial expenses	0.0	0.3
TOTAL	**(13.1)**	**(12.1)**

As of December 31, 2015, financial income was composed of a financial expense of €13.1 million, compared with a financial expense of €12.1 million for the same period the previous year.

The cost of Group debt in 2015 was largely unchanged from 2014 at €0.6 million. The Group's financial structure changed little during fiscal 2015.

Other financial income and expenses are principally composed of:

* the share of the cost of the €250 million revolving credit facility spread over three years, for a total expense of €5.5 million;
* expenses for the cost of consumer credit totaling €5.6 million in 2015 (compared to an expense of €4.8 million in 2014);
* the effect of discounting assets and liabilities for the Group's post-employment benefits for a total expense of €1.4 million in 2015 (versus €1.9 million in 2014).

NOTE 11 Tax

11.1 Breakdown of the income tax expense from continuing operations

11.1.1 Income taxes

(€ million)	2015	2014
Pre-tax income	**62.6**	**55.9**
Tax charge payable excluding the corporate value-added tax (CVAE)	(7.8)	(8.9)
Tax charge related to the corporate value-added tax (CVAE)	(9.0)	(9.2)
Deferred tax income/(expense)	2.5	3.6
Total tax charge	**(14.3)**	**(14.5)**
Effective tax rate	**22.84%**	**25.94%**

11.1.2 Rationalization of the income tax rate

(as a % of income before taxes)	2015	2014
Tax rate applicable in France	**38.00%**	**38.00%**
Impact of the taxation of foreign subsidiaries	(12.49%)	(15.68%)
Theoretical tax rate	**25.51%**	**22.32%**
Impact of items taxed at a lower rate	(1.24%)	(1.59%)
Impact of permanent timing differences	(2.03%)	3.97%
Impact of unrecognized timing differences	(13.74%)	(14.51%)
Impact of unrecognized tax-loss carry-forwards	3.64%	2.95%
Impact of the corporate value-added tax	10.71%	12.76%
Other	(0.01%)	0.04%
Effective tax rate	**22.84%**	**25.94%**

The income tax rate applicable in France is the basic rate of 33.33% increased by the social security contribution of 3.3%, and an exceptional increase of 10.7% for French companies with revenues in excess of €250 million, taking it to 38%.

11.1.3 Current tax rate

Excluding non-current items, the Group's tax rate is as follows:

(€ million)	2015	2014
Pre-tax income	62.6	55.9
Non-current items	(9.3)	(9.1)
Current income before tax	**71.9**	**65.0**
Total tax charge	(14.3)	(14.5)
Tax on non-current items	0.7	2.4
Current tax charge	**(15.0)**	**(16.9)**
Current tax rate	**20.92%**	**26.00%**

As of January 1, 2013, Groupe Fnac assembled its own tax consolidation group to include all its French subsidiaries excluding Tick&Live (ex Kyro) and Fnac Acces.

11.2 Changes in balance sheet items

11.2.1 Current tax

(€ million)	At December 31, 2014	On income	WCR cash flows	Changes in scope of consolidation	At December 31, 2015
Tax receivables due	6.2				6.2
Tax liabilities payable	(13.3)				(13.7)
Taxes payable	**(7.1)**	**(16.8)**	**16.4**	**0.0**	**(7.5)**

(€ million)	At December 31, 2013	On income	WCR cash flows	Changes in scope of consolidation	At December 31, 2014
Tax receivables due	13.1				6.2
Tax liabilities payable	(16.8)				(13.3)
Taxes payable	**(3.7)**	**(18.1)**	**13.6**	**1.1**	**(7.1)**

11.2.2 Deferred taxes

(€ million)	At December 31, 2014	On income	Items recognized in shareholders' equity	Foreign exchange & other differences	At December 31, 2015
Net deferred tax assets	33.0	2.5	1.9	0.0	37.4
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**33.0**	**2.5**	**1.9**	**0.0**	**37.4**

(€ million)	At December 31, 2014	On income	Items recognized in shareholders' equity	Foreign exchange & other differences	At December 31, 2015
Provisions for pensions and other equivalent benefits	19.3	0.3	1.9	0.2	21.7
Recognized tax losses and tax credits	9.9	2.9			12.8
Other assets & liabilities	3.8	(0.7)		(0.2)	2.9
Net deferred tax assets (liabilities)	**33.0**	**2.5**	**1.9**	**0.0**	**37.4**

(€ million)	At December 31, 2013	On income	Items recognized in shareholders' equity	Foreign exchange & other differences	At December 31, 2014
Net deferred tax assets	28.1	3.6	2.2	(0.9)	33.0
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**28.1**	**3.6**	**2.2**	**(0.9)**	**33.0**

(€ million)	At December 31, 2013	On income	Items recognized in shareholders' equity	Foreign exchange & other differences	At December 31, 2014
Provisions for pensions and other equivalent benefits	18.1	(1.0)	2.2		19.3
Recognized tax losses and tax credits	6.9	3.0			9.9
Other assets & liabilities	3.1	1.6		(0.9)	3.8
Net deferred tax assets (liabilities)	**28.1**	**3.6**	**2.2**	**(0.9)**	**33.0**

In 2015 and 2014, recognized tax losses and tax credits of €12.8 million and €9.9 million, respectively, were included in the overall Groupe Fnac scope of consolidation.

11.3 Unrecognized deferred tax

The change in tax losses and unused tax credits is as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Non-activated tax losses	54.8	73.0
Non-activated timing differences	18.5	33.3
TOTAL UNRECOGNIZED TAX BASES	**73.3**	**106.3**

The change in non-activated timing differences mainly reflects the reduction in the provision for risks (note 24).

As of December 31, 2015, there were no unrecognized deferred taxes for timing differences relating to shareholdings in subsidiaries.

11.4 Tax loss changes and timing

(€ million)	Total	Of which non-capitalized	Of which capitalized
As of December 31, 2014	**100.8**	**73.0**	**27.8**
Losses generated during the financial year	9.6		
Losses deducted and time-barred during the financial year	(3.6)		
Changes in scope of consolidation and foreign exchange rates	(14.6)		
As of December 31, 2015	**92.2**	**54.8**	**37.4**
Tax-loss carry-forwards with a maturity of	**0.0**	**0.0**	**0.0**
Of less than 5 years	0.0		
Over 5 years	0.0		
Indefinite tax-loss carry-forwards	92.2	54.8	37.4
TOTAL	**92.2**	**54.8**	**37.4**

NOTE 12 Earnings per share

Net earnings per share are calculated based on the weighted average number of shares outstanding less the weighted average number of shares held by the consolidated companies.

In 2015, Groupe Fnac held an average of 12,325 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2015, Groupe Fnac liquidated its position and did not hold any treasury shares.

Net diluted earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of dilutive potential ordinary shares. Dilutive potential shares correspond to the shares granted to employees as part of transactions for which payment is based on shares settled with equity instruments.

For 2015, instruments issued by Groupe Fnac had a dilutive effect of 316,591 shares.

The number of shares that could potentially become dilutive during a subsequent fiscal year was 321,708.

12.1 Earnings per share

Earnings per share as of December 31, 2015

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**47.8**	**47.8**	**0.0**
Weighted average number of ordinary shares issued	16,659,746	16,659,746	16,659,746
Weighted average number of treasury shares	(12,325)	(12,325)	(12,325)
Weighted average number of ordinary shares	**16,647,421**	**16,647,421**	**16,647,421**
Basic earnings per share *(€)*	**2.87**	**2.87**	**0.00**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**47.8**	**47.8**	**0.0**
Convertible and exchangeable instruments			
Diluted net income, Group share	**47.8**	**47.8**	**0.0**
Weighted average number of ordinary shares	16,647,421	16,647,421	16,647,421
Potentially diluting ordinary shares	316,591	316,591	316,591
Weighted average number of diluted ordinary shares	**16,964,012**	**16,964,012**	**16,964,012**
Diluted earnings per share *(€)*	**2.82**	**2.82**	**0.00**

Earnings per share as of December 31, 2014

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**41.8**	**41.8**	**0.0**
Weighted average number of ordinary shares issued	16,595,610	16,595,610	16,595,610
Weighted average number of treasury shares	(41,931)	(41,931)	(41,931)
Weighted average number of ordinary shares	**16,553,679**	**16,553,679**	**16,553,679**
Basic earnings per share *(€)*	**2.53**	**2.53**	**0.00**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**41.8**	**41.8**	**0.0**
Convertible and exchangeable instruments			
Diluted net income, Group share	**41.8**	**41.8**	**0.0**
Weighted average number of ordinary shares	16,553,679	16,553,679	16,553,679
Potentially diluting ordinary shares	173,758	173,758	173,758
Weighted average number of diluted ordinary shares	**16,727,437**	**16,727,437**	**16,727,437**
Diluted earnings per share *(€)*	**2.50**	**2.50**	**0.00**

12.2 Earnings per share from continuing operations excluding non-current items

Non-current items pertain to the line item “Other non-current operating income and expenses” in the income statement for its amount net of tax and non-controlling interests.

(€ million)	2015	2014
Net income from continuing operations attributable to ordinary shareholders	**47.8**	**41.8**
Other non-current operating income and expense	(9.3)	(9.1)
Taxes on other non-current operating income and expenses	0.7	2.4
Non-controlling interests in other products and non-current expense	(0.1)	(1.2)
Net income excluding non-current items	**56.5**	**49.7**
Weighted average number of ordinary shares issued	16,659,746	16,595,610
Weighted average number of treasury shares	(12,325)	(41,931)
Weighted average number of ordinary shares	**16,647,421**	**16,553,679**
Basic earnings per share excluding non-current items *(€)*	**3.39**	**3.00**
Net income excluding non-current items	**56.5**	**49.7**
Convertible and exchangeable instruments		
Diluted net income, Group share	**56.5**	**49.7**
Weighted average number of ordinary shares	16,647,421	16,553,679
Potentially diluting ordinary shares	316,591	173,758
Weighted average number of diluted ordinary shares	**16,964,012**	**16,727,437**
Diluted earnings per share excluding non-current items *(€)*	**3.33**	**2.97**

NOTE 13 Other comprehensive income items

Other comprehensive income items mainly comprise:

* profit and loss from the conversion of the financial statements of operations outside France;
* items relating to the assessment of employee benefit obligations: revaluation of net liabilities for defined benefit plans.

The amount of these items before and after related income tax effects and adjustments for reclassification of results are as follows:

(€ million)	Gross	Tax	Net
Translation differences	(11.2)		(11.2)
Items that may be reclassified subsequently to profit or loss	**(11.2)**	**0.0**	**(11.2)**
Revaluation of net liabilities for defined benefit plans	(5.6)	1.9	(3.7)
Items that may not be reclassified subsequently to profit or loss	**(5.6)**	**1.9**	**(3.7)**
Other items of comprehensive income as of December 31, 2015	**(16.8)**	**1.9**	**(14.9)**

(€ million)	Gross	Tax	Net
Translation differences	0.2		0.2
Items that may be reclassified subsequently to profit or loss	**0.2**	**0.0**	**0.2**
Revaluation of net liabilities for defined benefit plans	(7.1)	2.2	(4.9)
Items that may not be reclassified subsequently to profit or loss	**(7.1)**	**2.2**	**(4.9)**
Other items of comprehensive income as of December 31, 2014	**(6.9)**	**2.2**	**(4.7)**

NOTE 14 Goodwill

(€ million)	Gross	Impairment	Net
Goodwill as of January 1, 2014	**411.5**	**(79.5)**	**332.0**
Acquisitions	0.4		0.4
Foreign exchange fluctuations	0.1	(0.1)	0.0
Other changes			0.0
Goodwill as of December 31, 2014	**412.0**	**(79.6)**	**332.4**
Acquisitions			0.0
Foreign exchange fluctuations	(1.1)	1.1	0.0
Other changes			0.0
Goodwill as of December 31, 2015	**410.9**	**(78.5)**	**332.4**

At comparable exchange rates, goodwill in 2015 remained unchanged.

In 2014, changes in net goodwill reflected valuation adjustments due to the entry of Datasport group into the scope of consolidation in 2013.

Goodwill was allocated to cash generating units as follows:

Asset impairment tests performed in 2015 showed a value in use that was higher than the net asset value for each tested CGU. No additional impairment of goodwill was therefore necessary.

(€ million)	At December 31, 2015	At December 31, 2014
France	317.1	317.1
Brazil	0.0	0.0
Other countries	15.3	15.3
of which Belgium	*15.3*	*15.3*
TOTAL	**332.4**	**332.4**

NOTE 15 Intangible non-current assets

Gross value as of December 31, 2015

(€ million)	At December 31, 2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Software	351.2	14.5	(0.2)	(0.9)	8.8	373.4
Other intangible non-current assets	18.4	7.7	0.0	0.0	(1.6)	24.5
TOTAL	**369.6**	**22.2**	**(0.2)**	**(0.9)**	**7.2**	**397.9**

Amortization and impairment as of December 31, 2015

(€ million)	At December 31, 2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Software	(298.1)	(22.7)	0.2	0.9	(4.4)	(324.1)
Other intangible non-current assets	(3.4)	(0.2)	0.0	0.0	1.2	(2.4)
TOTAL	**(301.5)**	**(22.9)**	**0.2**	**0.9**	**(3.2)**	**(326.5)**

Net values as of December 31, 2015

(€ million)	At December 31, 2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Software	53.1	14.5	(22.7)	0.0	0.0	4.4	49.3
Other intangible non-current assets	15.0	7.7	(0.2)	0.0	0.0	(0.4)	22.1
TOTAL	**68.1**	**22.2**	**(22.9)**	**0.0**	**0.0**	**4.0**	**71.4**

Gross value as of December 31, 2014

(€ million)	At December 31, 2013	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Software	333.5	15.3	(1.7)	0.1	4.0	351.2
Other intangible non-current assets	15.9	5.2	0.0	0.0	(2.7)	18.4
TOTAL	**349.4**	**20.5**	**(1.7)**	**0.1**	**1.3**	**369.6**

Amortization and impairment as of December 31, 2014

(€ million)	At December 31, 2013	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Software	(276.4)	(23.4)	0.8	0.0	0.9	(298.1)
Other intangible non-current assets	(3.4)	(0.6)	0.0	0.0	0.6	(3.4)
TOTAL	**(279.8)**	**(24.0)**	**0.8**	**0.0**	**1.5**	**(301.5)**

Net values as of December 31, 2014

(€ million)	At December 31, 2013	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Software	57.1	15.3	(23.4)	(0.9)	0.1	4.9	53.1
Other intangible non-current assets	12.5	5.2	(0.6)	0.0	0.0	(2.1)	15.0
TOTAL	**69.6**	**20.5**	**(24.0)**	**(0.9)**	**0.1**	**2.8**	**68.1**

NOTE 16 Tangible non-current assets

Gross value as of December 31, 2015

(€ million)	At December 31, 2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Fixtures, fittings and commercial facilities	625.1	26.6	(30.4)	(4.0)	29.4	646.7
Technical and telecommunications equipment	161.2	4.4	(4.8)	(1.4)	0.5	159.9
Other property, plant and equipment	40.3	5.8	(0.8)	0.1	(5.0)	40.4
TOTAL	**826.6**	**36.8**	**(36.0)**	**(5.3)**	**24.9**	**847.0**

Amortization and impairment as of December 31, 2015

(€ million)	At December 31, 2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Fixtures, fittings and commercial facilities	(506.9)	(31.7)	30.2	4.0	(26.8)	(531.2)
Technical and telecommunications equipment	(138.3)	(7.6)	4.8	1.5	0.1	(139.5)
Other property, plant and equipment	(18.2)	(2.3)	0.8	0.1	(0.2)	(19.8)
TOTAL	**(663.4)**	**(41.6)**	**35.8**	**5.6**	**(26.9)**	**(690.5)**

Net values as of December 31, 2015

(€ million)	At December 31, 2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2015
Fixtures, fittings and commercial facilities	118.2	26.6	(31.7)	(0.2)	0.0	2.6	115.5
Technical and telecommunications equipment	22.9	4.4	(7.6)	0.0	0.1	0.6	20.4
Other property, plant and equipment	22.1	5.8	(2.3)	(0.0)	0.2	(5.2)	20.6
TOTAL	**163.2**	**36.8**	**(41.6)**	**(0.2)**	**0.3**	**(2.0)**	**156.5**

Gross value as of December 31, 2014

(€ million)	At December 31, 2013	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Fixtures, fittings and commercial facilities	647.0	21.6	(16.7)	0.7	(27.5)	625.1
Technical and telecommunications equipment	157.8	5.1	(2.7)	0.1	0.9	161.2
Other property, plant and equipment	39.6	6.8	(0.4)	0.0	(5.7)	40.3
TOTAL	**844.4**	**33.5**	**(19.8)**	**0.8**	**(32.3)**	**826.6**

Amortization and impairment as of December 31, 2014

(€ million)	At December 31, 2013	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Fixtures, fittings and commercial facilities	(513.2)	(39.0)	15.9	(0.7)	30.1	(506.9)
Technical and telecommunications equipment	(132.1)	(8.5)	2.7	(0.1)	(0.3)	(138.3)
Other property, plant and equipment	(17.8)	(1.2)	0.4	0.0	0.4	(18.2)
TOTAL	**(663.1)**	**(48.7)**	**19.0**	**(0.8)**	**30.2**	**(663.4)**

Net values as of December 31, 2014

(€ million)	At December 31, 2013	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	At December 31, 2014
Fixtures, fittings and commercial facilities	133.8	21.6	(39.0)	(0.8)	0.0	2.6	118.2
Technical and telecommunications equipment	25.7	5.1	(8.5)	0.0	0.0	0.6	22.9
Other property, plant and equipment	21.8	6.8	(1.2)	(0.0)	0.0	(5.3)	22.1
TOTAL	**181.3**	**33.5**	**(48.7)**	**(0.8)**	**0.0**	**(2.1)**	**163.2**

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2015, disposals of non-current assets were mainly related to the closure of the Fnac Montparnasse store, following the sub-leasing of part of the store to Uniqlo.

In 2014, disposals of tangible non-current assets related primarily to the closure of the Xanadu store in Spain.

NOTE 17 Impairment tests on non-financial assets

The principles of impairment of non-financial assets are detailed in note 2.10.

The main goodwill items are broken down in note 15.

17.1 Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions adopted by Groupe Fnac for the CGUs with goodwill not fully impaired as of December 31, 2015 are as follows:

	Discount*		Perpetual growth	
	2015	**2014**	**2015**	**2014**
France	9.4%	10.8%	1.0%	1.0%
Belgium	9.7%	11.0%	1.0%	1.0%

* Weighted average cost of share capital.

17.2 Impairment tests of main values

17.2.1 Determining the recoverable value of CGUs

The recoverable value of each CGU was determined based on its value in use. Value in use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the CGU. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans for three years ahead. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows.

17.2.2 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2015 in the event of a reasonable change in base assumptions and in particular in the event of a change of plus or minus 0.5 percentage points in the discount rate and plus or minus 0.5 percentage points in the growth rate to infinity did not result in any additional impairment on the Group's CGUs.

Sensitivity analyses performed as of December 31, 2015 in the event of reasonable change in EBITDA assumptions and in particular in the event of a drop of 1 to 10 percentage points of total EBITDA did not result in any additional impairment of the Group's CGUs.

17.3 Impairment recognized during the financial year

Asset impairment tests performed in 2015 did not lead to the recognition of impairment losses for any of the Group's CGUs in that year.

NOTE 18 Non-current financial assets

Non-current financial assets consist of the following items:

(€ million)	At December 31, 2015	At December 31, 2014
Equity investments	1.0	0.1
Deposits and guarantees	7.2	6.8
TOTAL	**8.2**	**6.9**

Equity investments increased by €0.9 million due to the acquisition of Eazieer.

NOTE 19 Inventories

(€ million)	At December 31, 2015	At December 31, 2014
Gross sales inventory	483.9	492.3
Impairment	(17.0)	(22.9)
Net value	**466.9**	**469.4**

Changes in impairment	At December 31, 2015	At December 31, 2014
At January 1	**(22.9)**	**(25.2)**
(Allocations) & reversals	5.7	2.3
Foreign exchange differences	0.2	0.0
At December 31	**(17.0)**	**(22.9)**

Groupe Fnac may need to record an impairment on inventories:

* based on likelihood of disposal;
* if they are partially damaged;
* if they are completely obsolete;
* if their sale price is less than their net realizable value.

In 2015, the impairment procedure for publishing products subject to supplier return were amended to adjust to current conditions. This change in estimation had a positive impact of €5.5 million on Groupe Fnac's current operating income.

NOTE 20 Trade receivables

(€ million)	At December 31, 2015	At December 31, 2014
Gross trade receivables	109.7	136.6
Impairment of trade receivables	(5.6)	(6.9)
Net value	**104.1**	**129.7**

Changes in impairment	At December 31, 2015	At December 31, 2014
At January 1	**(6.9)**	**(6.0)**
(Allocations) & reversals	1.3	(0.9)
Foreign exchange differences	0.0	0.0
At December 31	**(5.6)**	**(6.9)**

An impairment on trade receivables is recognized if their carrying value is higher than the estimated recoverable value. The assessment of recoverable value varies by sales channel.

(€ million)	At December 31, 2015	At December 31, 2014
Receivables not in arrears	99.5	126.5
Arrears not exceeding one month	4.3	3.4
Arrears of between one and six months	1.5	1.4
Arrears of over six months	4.4	5.3
Impairment of trade receivables	(5.6)	(6.9)
Net value	**104.1**	**129.7**

NOTE 21 Current assets and liabilities

(€ million)	At December 31, 2014	WCR cash flows	Other cash flows	Change in scope	Foreign exchange & other differences	At December 31, 2015
Inventories (1)	469.4	3.2			(5.7)	466.9
Trade receivables due (2)	129.7	(11.6)			(14.0)	104.1
Trade receivables payable (3)	(14.8)	(1.8)			(0.1)	(16.7)
Net trade receivables (4)=(2)+(3)	**114.9**	**(13.4)**	**0.0**	**0.0**	**(14.1)**	**87.4**
Trade payables due (5)	(767.7)	(43.8)			(5.5)	(817.0)
Trade payables receivable and provisions (6)	54.8	1.5			(0.4)	55.9
Net trade payables (7)=(5)+(6)	**(712.9)**	**(42.3)**	**0.0**	**0.0**	**(5.9)**	**(761.1)**
Social security liabilities (8)	(135.3)	(15.9)			(0.2)	(151.4)
Tax payables and receivables (excluding income tax) (9)	(1.7)	17.7			(7.5)	8.5
Liabilities relating to commercial operations (10)	(107.8)	(3.7)			6.6	(104.9)
Deferred income and expense (11)	(29.4)	4.6			0.3	(24.5)
Other (12)	3.9	5.6			2.3	11.8
Other operating WCR (Σ 8 to 12)	**(270.3)**	**8.3**	**0.0**	**0.0**	**1.5**	**(260.5)**
Operating WCR (Σ 1 to 12)	**(398.9)**	**(44.2)**	**0.0**	**0.0**	**(24.2)**	**(467.3)**
Other current assets and liabilities	2.4		3.7		(0.1)	6.0
Payables and receivables for operating non-current assets	(35.9)		(0.8)		10.9	(25.8)
Tax receivables and payables due	(7.1)		(0.4)			(7.5)
Current assets and liabilities [(a)]	**(439.5)**	**(44.2)**	**2.5**	**0.0**	**(13.4)**	**(494.6)**

(a) Excluding current provisions, borrowings and short-term liabilities, and cash and cash equivalents.

Because of the nature of its business activities, Groupe Fnac's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or assets. The "Marketing liabilities" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

NOTE 22 Shareholders' equity

22.1 Share capital

As of December 31, 2015, share capital amounted to €16,687,774. It consists of 16,687,774 fully paid-up shares with a par value of €1. Compared to fiscal 2014, share capital is up by 92,164 fully paid-up shares, representing €1.9 million, issue premium included, to service the exercise of the 1st tranche of options under the performance share plan settled in shareholders' equity instruments, introduced in 2013.

22.2 Appropriation of earnings

No dividend was paid in 2015 in respect of the 2014 fiscal year.

22.2 Repayment of perpetual deeply subordinated notes

On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million. These securities had been issued in April 2013 in the amount of €60 million.

NOTE 23 Employee benefits and similar payments

According to the laws and practices specific to each country, Groupe Fnac employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined-contribution plans or defined-benefit plans.

Under the defined-contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a company to an employee upon retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in Groupe Fnac have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

Groupe Fnac has no obligations in respect of medical costs.

23.1 Changes during the fiscal year

Changes in the value of the accrued benefits under the defined-benefit plans are as follows:

(€ million)	2015	2014
Discounted value of the commitment as of January 1	**79.2**	**69.1**
Cost of services provided during the period	5.4	4.1
Contributions paid by the members	0.6	0.4
Financing interest expense	1.6	2.2
Cost of past services	(0.1)	0.0
Revaluation of liabilities	5.6	7.0
Reductions	(2.5)	(1.7)
Benefits paid	(2.6)	(2.1)
Change in scope	0.0	0.0
Fluctuations in foreign currency exchange rates	1.1	0.2
Discounted value of the commitment as of December 31	**88.3**	**79.2**

The breakdown of the discounted value of the accrued benefit by type of plan and by country as of December 31, 2015 is as follows:

(€ million)	At December 31, 2015	At December 31, 2014
End-of-career allowances – France	73.7	66.8
Long-service awards – France	1.8	1.9
Supplementary pension plans (LPP) – Switzerland	12.8	10.5
Discounted value of the commitment as of December 31	**88.3**	**79.2**

Changes in the fair value of the assets of defined-benefit plans are as follows:

(€ million)	2015	2014
Fair value of the defined benefit scheme assets as of January 1	**10.1**	**10.5**
Contributions paid by the employer	2.0	1.5
Contributions paid by the members	0.6	0.4
Financial interest on assets	0.2	0.3
Benefits paid	(2.7)	(2.0)
Actual return on assets	0.1	(0.5)
Other	(0.1)	(0.2)
Change in scope	0.0	0.0
Fluctuations in foreign currency exchange rates	0.7	0.1
Fair value of the defined benefit plans as of December 31	**10.9**	**10.1**

Groupe Fnac expects to pay out an estimated €1.8 million in 2016.

As of December 31, 2015, 75.2% of the funds of funded defined-benefit plans were invested in debt instruments.

The reconciliation of the balance sheet data and the actuarial obligation of the defined-benefit plans is as follows:

(€ million)	2015	2014	2013	2012	2011
Discounted value of the commitment	88.3	79.2	69.1	74.5	64.0
Fair value of the defined benefit plan assets	(10.9)	(10.1)	(10.5)	(11.3)	(12.7)
Shortfall/(excess)	**77.4**	**69.1**	**58.6**	**63.2**	**51.3**
Net provisions recognized under liabilities on the balance sheet	**77.4**	**69.1**	**58.6**	**63.2**	**51.3**
of which provisions – continuing operations	*77.4*	*69.1*	*58.6*	*63.2*	*49.9*
of which provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*0.0*	*1.4*

(€ million)	2015	2014
End-of-career allowances – France	70.2	62.9
Long-service awards – France	1.8	1.9
Supplementary pension plans (LPP) – Switzerland	5.4	4.3
Net provisions recognized under liabilities on the balance sheet	**77.4**	**69.1**

23.2 Expenses recognized

The total expense of €4.2 million in 2015 (versus €4.7 million in 2014) recognized in defined-benefit plans can be broken down as follows:

(€ million)		2015	2014
Cost of services provided		5.3	4.3
Other costs		0.1	0.1
Net financial cost		1.4	1.9
Cost of past services taken to income		(0.1)	0.0
Decreases and payments		(2.5)	(1.6)
Total expense		**4.2**	**4.7**
Including recognized	*as operating expenses*	*2.8*	*2.8*
	as net financial expense	*1.4*	*1.9*
	as discontinued operations	*0.0*	*0.0*

For the 2015 fiscal year, total net accrued defined-benefit liability was revalued to a loss of €5.6 million (a loss of €7.1 million in 2014).

The aggregate amount of the revalued net liabilities for accrued defined benefits recognized as other comprehensive income since January 1, 2004 reached €20.3 million as of December 31, 2015 (versus €14.4 million as of December 31, 2014).

23.3 Actuarial assumptions

The main actuarial assumptions used to calculate Groupe Fnac's obligations are as follows:

	2015	2014
Discount rate	1.00 - 2.05%	1.25 - 1.70%
Expected rate of increase in salaries	1.50%	1.50 - 2.00%

Pursuant to amended IAS 19R, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

Compared with the actuarial assumptions presented in the above table, the sensitivity analyses conducted show that a drop of 50 basis points from the euro zone discount rate is not material and represents less than 1% of the Group's total shareholders' equity.

The sensitivity analysis given the assumed discount rates plus or minus 0.50% is provided in the following table:

(€ million)	End-of-career allowances – France	Long-service awards – France	Supplementary pension plans (LPP) – Switzerland	Total
Discount rate + 50 basis points	78.4	1.8	13.7	93.9
Discounted value of the 2015 commitment	73.7	1.8	12.8	88.3
Discount rate + 50 basis points	69.4	1.7	11.9	83.0

NOTE 24 Provisions

(€ million)	At December 31, 2014	Allocation	Reversal used	Reversal unused	Foreign exchange differences	Other	At December 31, 2015
Provisions for restructuring	11.5	1.5	(10.5)	(0.6)			1.9
Provisions for litigation and disputes	20.4	4.6	(4.7)	(8.2)	(2.5)		9.6
Other provisions	2.9	1.4	(1.0)	(0.5)	(0.5)		2.3
Current provisions	**34.8**	**7.5**	**(16.2)**	**(9.3)**	**(3.0)**	**0.0**	**13.8**
TOTAL	**34.8**	**7.5**	**(16.2)**	**(9.3)**	**(3.0)**	**0.0**	**13.8**
Impact on income		**(7.5)**		**9.3**			**1.8**
• current operating income		(2.2)		2.7			0.5
• other non-current operating income and expense		(5.3)		6.6			1.3

In 2015, reversals of unused provisions mainly reflect the status of disputes and litigation. Provisions for litigation and disputes mainly concern litigation with third parties and disputes with tax authorities in different countries (note 31.6).

(€ million)	At December 31, 2013	Allocation	Reversal used	Reversal unused	Foreign exchange differences	Other	At December 31, 2014
Provisions for restructuring	17.3	7.7	(7.4)	(6.2)	0.1		11.5
Provisions for litigation and disputes	22.3	3.8	(0.7)	(8.5)	0.4	3.1	20.4
Other provisions	2.1	0.9	(2.4)	(0.8)		3.1	2.9
Current provisions	**41.7**	**12.4**	**(10.5)**	**(15.5)**	**0.5**	**6.2**	**34.8**
TOTAL	**41.7**	**12.4**	**(10.5)**	**(15.5)**	**0.5**	**6.2**	**34.8**
Impact on income		**(12.4)**		**15.5**			**3.1**
• current operating income		(1.0)		0.9			(0.1)
• other non-current operating income and expense		(11.4)		14.6			3.2

NOTE 25 Cash and cash equivalents

25.1 Breakdown by cash flow category

This item is broken down as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Cash	256.0	159.1
Cash equivalents	288.7	376.5
TOTAL	**544.7**	**535.6**

As of December 31, 2015, cash equivalents comprised SICAVs (open-ended investment funds) and three interest-paying current accounts. The SICAVs also included €6.0 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of Groupe Fnac's share listing. The composition of cash equivalents has remained relatively unchanged since December 31, 2014.

The items that Groupe Fnac recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with Groupe Fnac procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2015, these analyses did not lead to changes in the accounting classification already adopted.

25.2 Breakdown by currency

(€ million)	At December 31, 2015	%	At December 31, 2014	%
Euro	532.3	97.7%	516.0	96.3%
Swiss franc	12.2	2.2%	16.5	3.1%
Other currencies	0.2	0.0%	3.1	0.6%
TOTAL	**544.7**	**100.0%**	**535.6**	**100.0%**

NOTE 26 Financial debt

26.1 Breakdown of debt by repayment maturity

(€ million)	At December 31, 2015	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.3**		**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.3		0.2	0.1			
Short-term borrowings and financial debt	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.1	0.1					
TOTAL	**0.6**	**0.3**	**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
%		**50.0%**	**33.3%**	**16.7%**	**0.0%**	**0.0%**	**0.0%**

(€ million)	At December 31, 2014	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.3**		**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.3		0.2	0.1			
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.0						
TOTAL	**0.5**	**0.2**	**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
%		**40.0%**	**40.0%**	**20.0%**	**0.0%**	**0.0%**	**0.0%**

As of December 31, 2015, Groupe Fnac's financial debt was composed primarily of debts on finance lease agreements.

26.2 Breakdown by repayment currency

(€ million)	At December 31, 2015	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	At December 31, 2014	%
Euro	0.5	0.3	0.2	83.3%	0.5	100.0%
Swiss franc	0.1		0.1	16.7%	0.0	0.0%
TOTAL	**0.6**	**0.3**	**0.3**		**0.5**	

26.3 Gross debt by category

Groupe Fnac's gross debt is as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Finance lease liabilities	0.5	0.5
Bank overdrafts	0.1	0.0
TOTAL	**0.6**	**0.5**

NOTE 27 Exposure to market risk, interest rate risk, currency risk and share price fluctuations

As of December 31, 2015, the breakdown of the exposure to various market risks was as follows:

27.1 Exposure to interest rate risk

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturities for 2015		
(€ million)	At December 31, 2015	Less than one year	One to five years	More than five years
Investment securities and cash	444.4	444.4		
Floating-rate financial assets	**444.4**	**444.4**	**0.0**	**0.0**
Other financial liabilities	0.6	0.3	0.3	0.0
Floating-rate financial debt	**0.6**	**0.3**	**0.3**	**0.0**

		Maturities for 2014		
(€ million)	At December 31, 2014	Less than one year	One to five years	More than five years
Investment securities and cash	485.1	485.1		
Floating-rate financial assets	**485.1**	**485.1**	**0.0**	**0.0**
Other financial liabilities	0.5	0.2	0.3	0.0
Floating-rate financial debt	**0.5**	**0.2**	**0.3**	**0.0**

Interest rate risk sensitivity analysis

Based on the above, and in terms of Groupe Fnac's net exposure, an interest rate change of 50 basis points would have an impact over a full year of €1.2 million on Groupe Fnac's consolidated income before tax as of December 31, 2015.

(€ million)	Impact income
As of December 31, 2015	
Increase of 50 basis points	1.2
Decrease of 50 basis points	(1.2)

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

27.2 Exposure to foreign exchange risk

Groupe Fnac uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks. The Group had no outstanding forward exchange instruments on December 31, 2015 or December 31, 2014.

In addition, Groupe Fnac may have to implement single-option strategies (purchase of options or tunnels) to hedge future exposure.

In accordance with IAS 39, these derivatives are analyzed in respect of hedge accounting eligibility criteria. As of December 31, 2015, Groupe Fnac did not hold any derivatives eligible for hedge accounting. These foreign exchange derivatives are recognized on the balance sheet at their market value at the accounting year end.

Groupe Fnac's foreign exchange derivatives managed for hedging purposes are not documented as part of the IAS 39 hedge accounting model and are therefore recognized as derivatives whose change in fair value impacts financial income.

As of December 31, 2015, these derivatives included the introduction of a hedge per option, as part of the hedging of the alternative partial payment in cash of €66.7 million to Darty shareholders. At acquisition, the hedge per option was reflected in the recognition of €0.7 million on the asset side of the balance sheet. As of December 31, 2015, the change in the fair value of this asset had a negative impact of €0.2 million on net financial income.

(€ million)	At December 31, 2015	Euro	US dollar	Pound sterling	Swiss franc	Other
Hedging derivatives at fair value through profit or loss	**97.9**	**0.0**	**0.0**	**97.9**	**0.0**	**0.0**
Futures & swap futures	97.9			97.9		0.0

Groupe Fnac's balance sheet exposure to non-euro currencies as of December 31, 2015 was as follows:

(€ million)	At December 31, 2015	BRL	Swiss franc
Exposed trade receivables	25.4	25.2	0.2
Other exposed financial assets	11.5	0.2	11.3
Exposed trade payables	44.6	29.6	15.0
Exposed financial debt	0.0		
Gross balance sheet exposure	**(7.7)**	**(4.2)**	**(3.5)**
Hedging instruments	0.0		
Gross exposure after management	**(7.7)**	**(4.2)**	**(3.5)**

Trade receivables and payables in currencies exposed to foreign-exchange risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's currency risk management policy consists of the mitigation of currency risk inherent to the Group entities' business activities through fixing pricing policies and gross margins on the Group's imports and exports at the latest when an entity makes a commitment, and by prohibiting any currency speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Groupe Fnac entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-significant as of the accounting year end.

Based on market data at the accounting year end, foreign exchange derivatives would have little impact in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (the US dollar, the Swiss franc and the Brazilian real).

27.3 Exposure to share price fluctuation risk

As part of current operations, the Group deals in the shares issued by Groupe Fnac. As of December 31, 2015, no derivative instrument was used to hedge equity risk in the sense of IAS 39.

27.4 Other market risks – credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by Groupe Fnac. In general, Groupe Fnac does not consider itself to be exposed to a particular credit risk on its financial assets.

27.5 Liquidity risk

Management of the liquidity risk of Groupe Fnac and each of its subsidiaries is closely and periodically assessed by Groupe Fnac using its financial reporting procedures.

The analysis below sets forth the contractual obligations related to financial liabilities and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at the accounting year end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule.

This analysis excludes cash amounting to €256.0 million and cash equivalents amounting to €288.7 million as of December 31, 2015.

Cash flow relating to foreign exchange derivatives is not significant.

	At December 31, 2015				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.6	(0.6)	(0.3)	(0.3)	
Trade payables	817.0	(817.0)	(817.0)		
TOTAL	**817.6**	**(817.6)**	**(817.3)**	**(0.3)**	**0.0**

	At December 31, 2014				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.5	(0.5)	(0.2)	(0.3)	
Trade payables	767.7	(767.7)	(767.7)		
TOTAL	**768.2**	**(768.2)**	**(767.9)**	**(0.3)**	**0.0**

NOTE 28 Accounting classification and market value of financial instruments

	At December 31, 2015	Breakdown by accounting classification				
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	8.2	8.2		1.0	7.2	
Current assets						
Trade receivables	104.1	104.1				104.1
Cash and cash equivalents	544.7	544.7	544.7			
Non-current liabilities						
Long-term borrowings and financial debt	0.3	0.3				0.3
Current liabilities						
Short-term borrowings and financial debt	0.3	0.3				0.3
Trade payables	817.0	817.0				817.0

	At December 31, 2014	Breakdown by accounting classification				
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	6.9	6.9		0.1	6.8	
Current assets						
Trade receivables	129.7	129.7				129.7
Cash and cash equivalents	535.6	535.6	535.6			
Non-current liabilities						
Long-term borrowings and financial debt	0.3	0.3				0.3
Current liabilities						
Short-term borrowings and financial debt	0.2	0.2				0.2
Trade payables	767.7	767.7				767.7

As of December 31, 2015, valuation methods adopted for financial instruments are as follows:

* for financial instruments recorded as assets on the balance sheet, the carrying amounts are reasonable estimates of their fair value;
* for financial instruments recognized as liabilities on the balance sheet, and more specifically other borrowings, the valuation method was determined based on other valuation methods such as the discounted value of cash flows, taking into account Groupe Fnac's credit risk and interest rate conditions at the accounting year end.

Groupe Fnac has three separate categories of financial instruments based on its two valuation methods (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the characteristics of the financial instruments recognized in the balance sheet at fair value through profit or loss at the accounting year end:

* **Level 1 category:** financial instruments quoted in an active market;
* **Level 2 category:** financial instruments whose valuation at fair value calls for valuation techniques based on observable market parameters;
* **Level 3 category:** financial instruments whose fair value measurement calls for valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transactions in the markets on the same instrument or on observable market data available at the close of the accounting period) or on parameters that are only partially observable.

Groupe Fnac financial instruments are all level 2 category.

NOTE 29 Net financial debt

The Group's net financial debt can be analyzed as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Gross financial debt	0.6	0.5
Cash and cash equivalents	(544.7)	(535.6)
Net financial debt	**(544.1)**	**(535.1)**

NOTE 30 Cash flow statement

Net cash from bank overdrafts stood at €544.6 million as of December 31, 2015 and corresponds to the cash and cash equivalents listed in the cash flow statement.

(€ million)	At December 31, 2015	At December 31, 2014
Balance sheet cash and cash equivalents	**544.7**	**535.6**
Bank overdrafts	0.1	0.0
Cash and cash equivalents in the cash flow statement	**544.6**	**535.6**

Total cash and cash equivalents were up by €9 million on December 31, 2015 compared to December 31, 2014.

(€ million)	2015	2014
Net cash flows from operating activities	142.3	121.1
Net cash flows from investment activities	(63.1)	(50.0)
Net cash flows from financing activities	(71.7)	2.7
Cash flows from discontinued operations	0.0	0.0
Impact of fluctuations in foreign exchange rates	1.5	0.2
Net change in cash	**9.0**	**74.0**

30.1 Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

(€ million)	2015	2014
Cash flow from operations before tax, dividends and interest	114.5	122.2
Change in working capital requirements	44.2	12.5
Income tax paid	(16.4)	(13.6)
Net cash flows from operating activities	**142.3**	**121.1**

In 2015, the working capital requirement amounted to -€467.3 million. In 2015, the change in the Group's working capital requirement generated a surplus of €44.2 million (versus €12.5 million as of December 31, 2014). This improvement is mainly due to continuing rigorous management of inventories and trade payables.

Income tax paid increased by €2.8 million, unchanged in France and up in the Iberian Peninsula.

The composition of cash flow from operations before tax, dividends and interest was as follows:

(€ million)	2015	2014
Net income from continuing operations	**48.3**	**41.4**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	43.6	57.9
Current proceeds from the disposal of operating assets	(0.2)	1.1
Non-current proceeds from the disposal of operating assets	1.0	(0.1)
Deferred tax income and expense	(2.5)	(3.6)
Discounting of provisions for pensions & other similar benefits	1.4	1.9
Other items without impact on cash	0.2	(0.1)
Cash flow	**91.8**	**98.5**
Financial interest income and expense	6.1	5.7
Dividends received	(0.2)	(0.1)
Net tax charge payable	16.8	18.1
Cash flow from operations before tax, dividends and interest	**114.5**	**122.2**

30.2 Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for purchases and disposals of property, plant, and equipment and intangible assets (net operating investments), as well as acquisitions and disposals of subsidiaries net of cash acquired or transferred, acquisitions of other financial investments, and interest and dividends received (net financial investments).

Operating and financial investments made by the Group in 2014 amounted to €63.1 million (versus €50 million in 2014).

(€ million)	2015	2014
Net operating investments excluding finance leases	(57.6)	(48.7)
Net financial investments	(5.5)	(1.3)
Cash flows from investing activities	**(63.1)**	**(50.0)**

The Group's net operating investments in fiscal 2015 amounted to €57.6 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	2015	2014
Purchase of non-current intangible assets	(22.2)	(20.5)
Purchase of non-current tangible assets excluding non-current assets under finance leases	(36.6)	(33.5)
Change in advances & installment on non-current assets	(0.1)	(0.1)
Change in debt for non-current assets	0.8	5.4
TOTAL NON-CURRENT ASSET PURCHASES	**(58.1)**	**(48.7)**
Disposal of non-current assets	0.5	0.0
TOTAL PURCHASES AND DISPOSALS OF NON-CURRENT ASSETS	**(57.6)**	**(48.7)**

The Group's net financial investments represented an outflow of €5.5 million in 2015 (versus an outflow of €1.3 million in 2014).

(€ million)	2015	2014
Purchases of subsidiaries net of cash acquired	(2.7)	(2.7)
Disposals of subsidiaries net of cash transferred	0.0	0.0
Acq of other financial assets	(4.2)	(0.2)
Disposal of other financial assets	0.1	0.8
Interest and dividends received	1.3	0.8
(Net) financial investments	**(5.5)**	**(1.3)**

In 2015, acquisitions of subsidiaries net of cash inflows, in the amount of €2.7 million, mainly included the disbursement of the third and final tranche of the Datasport acquisition price in the amount of €1.8 million, and the €0.9 million disbursement to acquire Eazieer.

Acquisitions of other financial assets amounting to €4.2 million mainly included the payment of €3.3 million as part of the new Revolving Credit Facility and Bridge Facility set up to finance the acquisition of Darty plc.

They also included a €0.7 million payment to set up hedging per option designed to hedge the foreign exchange risk connected with the alternative partial payment in cash in the amount of €66.7 million to the shareholders of Darty plc.

Interest paid and dividends received mainly included the proceeds from financial investments.

Net financial investments realized in 2014 principally included payment for the second tranche of the acquisition price for Datasport for €2.7 million.

30.3 Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's equity and borrowing.

(€ million)	2015	2014
Increase/Decrease in capital and other transactions with shareholders	(66.0)	8.5
Increase/decrease in other financial debt	(0.2)	(0.3)
Interest and equivalent payments	(5.5)	(5.5)
Net cash flows from financing activities	**(71.7)**	**2.7**

Net cash flows from financing activities amounted to a net outflow of €71.7 million in 2015 (versus an inflow of €2.7 million in 2014).

As of December 31, 2015, the net decrease in equity and other transactions with shareholders in the amount of €66 million reflected, partly, a €67.9 million repayment of perpetual deeply subordinated notes issued in 2013 in the amount of €60 million, plus €7.9 million accrued interest, and partly a capital increase of 92,164 shares representing €1.9 million, issue premium included, to service the exercise of the first tranche of options under the performance share plan settled in shareholders' equity instruments, introduced in 2013.

Interest and equivalent payments correspond mainly to the commission on the unused €250 million line of credit.

As of December 31, 2014, the capital increase represented the share of the capital increase of the company Tick&Live (formerly Kyro), underwritten by the Fimalac Group, under the terms of the partnership between Groupe Fnac and the Fimalac Group to develop ticketing solutions. The Fimalac Group thus acquired a 50% stake in Tick&Live (formerly Kyro).

Interest and equivalent payments correspond mainly to the commission on the unused €250 million line of credit.

NOTE 31 Contingent liabilities, unrecognized contractual commitments and contingent risks

31.1 Contractual obligations

The table below sets out all of Groupe Fnac's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	At December 31, 2015
Operating lease agreements	126.1	238.2	25.3	389.6
Irrevocable purchase obligations	16.4	5.1		21.5
TOTAL COMMITMENTS GIVEN	**142.5**	**243.3**	**25.3**	**411.1**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	At December 31, 2014
Operating lease agreements	121.5	235.6	37.7	394.8
Irrevocable purchase obligations	14.3	2.6		16.9
TOTAL COMMITMENTS GIVEN	**135.8**	**238.2**	**37.7**	**411.7**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreement" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to non-cancellable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

Finance leases

The discounted value of future lease payments included in "Borrowings and other financial liabilities" and relating to capitalized assets that meet the IAS 17 definition of finance lease agreements is as follows:

(€ million)	At December 31, 2015	At December 31, 2014
Less than one year	(0.2)	(0.2)
One to five years	(0.3)	(0.3)
Over five years	0.0	0.0
Financial expenses included	0.0	0.0
Discounted value of future lease payments	**(0.5)**	**(0.5)**

31.2 Pledges and charges on real estate

Groupe Fnac subsidiaries pledged, to the lending syndicate which granted the €250 million credit facility, the businesses as a going concern *(fonds de commerce)* of the Saint-Lazare, La Défense, Parly2, Vélizy, Boulogne-Billancourt, Nantes, Strasbourg, Toulouse Wilson and Marseille Bourse stores. Fnac SA also pledged to the same banks its shares in Fnac Paris, Relais Fnac, Fnac Périphérie, Codirep, France Billet, SFL and Fnac Spain.

31.3 Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	Less than one year	One to five years	Over five years	At December 31, 2015	At December 31, 2014
Amount of unused line of credit at period-end		1,115.0		1,115.0	250.0
Amount of used line of credit at period-end				0.0	0.0
Other guarantees received	25.4	4.6	11.9	41.9	40.2
TOTAL COMMITMENTS RECEIVED	**25.4**	**1,119.6**	**11.9**	**1,156.9**	**290.2**
Commitment relating to the acquisition of Darty plc	98.1			98.1	0.0
Rent guarantees and real estate securities	4.6	3.0	19.2	26.8	30.2
Other commitments	53.1	2.4		55.5	49.2
TOTAL COMMITMENTS GIVEN	**155.8**	**5.4**	**19.2**	**180.4**	**79.4**

As of December 31, 2015, the €1,115.0 million credit facility included:

* €865 million, corresponding to two financial instruments negotiated in November 2015 to set up a new combined Group (see section 1.3.4 "Offer to acquire Darty plc"). These two new financial instruments will undergo the first financial covenant tests on the financial statements ending December 31, 2016;
* €250 million syndicated revolving credit facility entered into by Groupe Fnac in 2013 and amended in 2014.

The latter includes several financial covenants, which are defined for each full and half year. As of December 31, 2015, all financial covenants were complied with:

* the solvency ratio (adjusted net financial debt of five times the property rental costs minus leasing expenses in relation to EBITDAR, calculated twice a year over a 12-month period) must be lower than or equal to 1.65 as of December 31, 2015;

* the equity ratio (the amount of the Group's equity, tested twice a year) must be higher than €425.0 million as of December 31, 2015;
* the liquidity ratio (consolidated net cash flow), tested once a year, must be higher than €295 million as of December 31, 2015.

The commitment relating to the acquisition of Darty plc corresponds to an alternative partial payment in cash to Darty shareholders totaling €66.7 million. This commitment is covered by a hedge per option reflecting a maximum commitment of €98.1 million.

To Groupe Fnac's knowledge, no other commitments were given, nor were there any other material contingent liabilities.

31.4 The Group's dependency on patents, licenses and supply agreements

Groupe Fnac is not heavily dependent on patents, licenses or supply agreements.

31.5 Proceedings and litigation

Groupe Fnac's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

It should be noted in this regard that the Brazilian subsidiary underwent a tax audit in 2015 which resulted in the notification of a tax reassessment due to:

* lack of filing of Sintegra return (electronic file including operational data);
* unjustified tax credits.

After consulting its legal counsel, the company contests these reassessments and considers them unjustified. However, a provision was recognized in the December 31, 2015 financial statements, corresponding to a reasonable estimate of the risk incurred.

According to their experts, none of the disputes in which Groupe Fnac companies or businesses are involved threatens Groupe Fnac's normal and foreseeable course of business or its planned development.

Groupe Fnac is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at year-end. No litigation is material at the Company or Groupe Fnac level, when considered on a stand-alone basis.

Groupe Fnac has no knowledge of any other litigation or arbitration that in the recent past could have or may have had a significant impact on the financial position, business or earnings of Groupe Fnac.

NOTE 32 Related party transactions

32.1 Related party having control over Groupe Fnac

As of December 31, 2015, the Artémis group owned 38.66% of Groupe Fnac's share capital and voting rights.

The main transactions during the fiscal year between all Groupe Fnac consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

* reinvoicing by the Kering Group of IT services in the amount of €1.6 million;
* in 2013, Groupe Fnac created an issue of perpetual deeply subordinated notes for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million;
* in 2015, a previously authorized regulated agreement was entered into with BDGS, a legal firm specializing in market operations, especially cross-border transactions, and in competition law, one of its founding partners being Director Antoine Gosset-Grainville. The firm is tasked with overseeing the Darty acquisition process, which will have heavy repercussions in France including the preparation of a Prospectus, and will be subject to antitrust regulations that require notification to the French and Belgian competition authorities. Fees for this service amounted to €1.4 million in fiscal year 2015.

In 2014, the main transactions between Groupe Fnac and the Kering Group were as follows:

* reinvoicing by the Kering Group of IT services in the amount of €2.3 million.

NOTE 33 Remuneration of Directors

Short-term benefits

The remuneration of Groupe Fnac's Executive Board members and main senior executives recognized as an expense is as follows:

(€ million)	2015 [(a)]	2014 [(a)]
Short-term benefits	7.4	7.2
Severance packages	0.1	0.7
Tax on high remuneration	0.0	0.4

(a) Amounts including employee-related costs.

Long-term benefits

In 2015, two multi-year variable compensation plans based on value units and performance options partially matured.

In accordance with IFRS 2, the instruments that had matured and the service and performance conditions attached to those instruments were updated. At the same time, the turnover ratios of the 2014 value units plan were reviewed to take account of the duration of service remaining. The volatility ratio of the Fnac share price was also remeasured. The obligations measured in accordance with IFRS 2 of these multi-year compensation plans amounted to €22.9 million in 2015 and €13.8 million in 2014. Final vesting of these plans is subject to performance and presence conditions. All these instruments are disclosed in section 5, note 7.

* The value units plan introduced in 2013 and partially unlocked at the end of July 2015 resulted in a payment in October 2015. The average closing price of Groupe Fnac shares in July 2015 of €55.07 fully meets the performance criteria, and the value units were valued at that exit price and paid to the beneficiaries in service within the Group on July 31, 2015. For Executive Committee members, only two-thirds of this amount was paid, as one-third is conditional on being in service on July 31, 2016. The amount paid in 2015 was €15.1 million including employer contributions.
* The first tranche of the 2013 performance share plan was vested on March 31, 2015. Given its average closing price over the last 20 trading days in March of 2015 (average €55.88) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on March 31, 2015. These options were exercised between April 20 and May 19, 2015 or cashed in April 2015 for the Chairman & Chief Executive Officer. The amount paid in April 2015 to the Chairman & Chief Executive Officer was €2.9 million including employer contributions (see section 3.3.1).

NOTE 34 Events occurring after the close of the fiscal year

On January 28, 2016, Fnac and Izneo announced that the distributor had taken an equity stake in the digital graphic novel distribution and viewing provider. This strategic partnership will permit Groupe Fnac, the leading graphic novel distributor in France, to accelerate the development of its digital cultural offering.

Fnac has taken a 50% equity stake, matching all the publisher shareholders put together: Ankama, Bamboo, Bayard, Casterman, Dargaud, Dupuis, Gallimard, Jungle and Le Lombard.

NOTE 35 List of subsidiaries consolidated as of December 31, 2015

The Group's subsidiaries are as follows:

Fully consolidated: F

Consolidated under the equity method: E

	At December 31, 2015		At December 31, 2014	
Company	Method	% interest	Method	% interest
Fnac				
Groupe Fnac	F	100	F	100
France				
Fnac	F	100	F	100
Fnac Paris	F	100	F	100
Relais Fnac	F	100	F	100
Codirep	F	100	F	100
Fnac Périphérie	F	100	F	100
Fnac Acces	F	100	Creation	
Fnac Direct	F	100	F	100
Fnac Appro Groupe	F	100	F	100
Fnac Logistique	F	100	F	100
Attitude	F	100	F	100
MSS	F	100	F	100
Alizé – SFL	F	100	F	100
Fnac Tourisme	F	100	F	100
France Billet	F	100	F	100
Tick&Live (ex Kyro)	F	50	F	50
Fnac Jukebox	F	98	F	100
Monaco				
Fnac Monaco	F	100	F	100
Spain				
Fnac Espana	F	100	F	100
Portugal				
Fnac Portugal	F	100	F	100
Brazil				
F.Brasil	F	100	F	100
Belgium				
Fnac Belgium	F	100	F	100
Belgium Ticket	F	100	Creation	
Switzerland				
Fnac Suisse	F	100	F	100
SwissBillet	F	100	Creation	

NOTE 36 Exchange rates used for the translation of companies earning in foreign currency

The following exchange rates were used for the translation of Groupe Fnac companies earning in foreign currency:

	2015		2014	
Per €1	closing rate	average rate	closing rate	average rate
Swiss franc	1.08	1.07	1.20	1.21
Brazilian real	4.31	3.69	3.22	3.12

5.3 Parent company financial statements

Asset balance sheet

(€ million)	Notes	Gross value	Depreciation, amortization, provisions	At December 31, 2015 Net value	At December 31, 2014 Net value
Non-current assets					
Equity investments		838.4	(164.0)	674.4	510.4
Other non-current financial assets [(a)]		0.0	0.0	0.0	60.0
Non-current financial assets	**3**	**838.4**	**(164.0)**	**674.4**	**570.4**
Tangible and intangible non-current assets	4	0.0	0.0	0.0	0.0
TOTAL NON-CURRENT ASSETS		**838.4**	**(164.0)**	**674.4**	**570.4**
Current assets					
Receivables [(b) (c)]	5	100.0	0.0	100.0	64.2
Marketable securities	6	6.7	(0.2)	6.5	6.0
Cash at bank and in hand [(c)]	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**106.7**	**(0.2)**	**106.5**	**70.2**
TOTAL ASSETS		**945.1**	**(164.2)**	**780.9**	**640.6**
(a) At least one year:				*-*	*-*
(b) More than one year:				*-*	*-*
(c) Related to affiliates:				*62.0*	*45.6*

Liabilities balance sheet

(€ million)	Notes	At December 31, 2015	At December 31, 2014
Shareholders' equity			
Share capital		16.7	16.6
Additional paid-in capital		496.7	494.9
Reserves	7	1.7	0.7
Retained earnings		26.3	(0.6)
Net profit (loss) for the period		174.7	27.9
TOTAL SHAREHOLDERS' EQUITY		**716.1**	**539.5**
Other shareholders' equity		**0.0**	**60.0**
Provisions	**8**	**0.0**	**0.0**
Debt			
Debenture loans [(a)]		0.0	0.0
Other financial liabilities [(a) (c)]		0.0	0.0
Other debts [(b) (c)]	9	64.8	41.1
TOTAL LIABILITIES		**780.9**	**640.6**
(a) At least one year:		*-*	*-*
(b) More than one year:		*5.8*	*6.8*
(c) Related to affiliates:		*28.1*	*17.9*

Income statement

(€ million)	Notes	2015	2014
Operating income		29.0	19.0
Operating costs		(32.7)	(24.9)
Operating income (loss)	**11**	**(3.7)**	**(5.9)**
Dividends		0.0	9.3
Interest on perpetual deeply subordinated notes		(7.9)	0.0
Reversal of financial impairment		164.0	0.0
Other financial income and expenses		1.8	2.3
Net financial income	**12**	**157.9**	**11.6**
Income before tax and non-recurring items		**154.2**	**5.7**
Non-recurring income	13	(5.6)	(0.7)
Employee profit-sharing		0.0	0.0
Income tax	14	26.1	22.9
NET INCOME FOR THE PERIOD		**174.7**	**27.9**

Cash flow statement

(€ million)	Notes	2015	2014
Net income		174.7	27.9
Income and expense with no impact on cash		(164.0)	(0.0)
Cash flow		**10.7**	**27.9**
Change in working capital		(9.4)	(28.0)
Change in cash flow from operating activities	**15**	**1.2**	**(0.1)**
(Purchases)/Disposals of operating non-current assets		0.0	0.0
Change in non-current financial assets		60.0	0.0
Change in cash flow from investment activities	**15**	**60.0**	**0.0**
Net change in financial debt		(2.6)	0.0
Capital increases/decreases		(58.1)	0.0
Dividends paid by Groupe Fnac		0.0	0.0
Change in cash flow from financing activities	**15**	**(60.7)**	**0.0**
Change in cash position		**0.5**	**(0.1)**
Cash at opening		**6.0**	**6.1**
Cash at closing		**6.5**	**6.0**

Change in equity and other shareholders' equity

(Before appropriation of earnings) *€ million*	**Number of shares outstanding**	**Share capital**	**Issue premiums, mergers, other shareholders' equity**	**Reserves and retained earnings**	**Net profit (loss) for the period**	**Shareholders' equity**	**Other shareholders' equity (perpetual deeply subordinated notes (TSSDI))**
As of December 31, 2013	**16,595,610**	**16.6**	**494.9**	**(1.0)**	**1.1**	**511.6**	**60.0**
Approp. of 2013 earnings				1.1	(1.1)	(0.0)	
Capital increase						0.0	
Capital reduction						0.0	
Dividends paid						0.0	
Exercise of stock options						0.0	
Regulatory provisions						0.0	
Profit/Loss 2014					27.9	27.9	
As of December 31, 2014	**16,595,610**	**16.6**	**494.9**	**0.1**	**27.9**	**539.5**	**60.0**
Approp. of 2014 earnings				27.9	(27.9)	0.0	
Capital increase						0.0	
Capital reduction						0.0	
Dividends paid						0.0	
Exercise of stock options	92,164	0.1	1.8			1.9	
Interest on perpetual deeply subordinated notes (TSSDI)						0.0	
Repayment of perpetual deeply subordinated notes (TSSDI)					(7.9)	(7.9)	(60.0)
Regulatory provisions						0.0	
2015 result excl. interest on perpetual deeply subordinated notes (TSSDI)					182.6	182.6	
As of December 31, 2015	**16,687,774**	**16.7**	**496.7**	**28.0**	**174.7**	**716.1**	**0.0**

5.4 Accounting notes

NOTE 1 Highlights of the financial year

Fnac-Darty merger

On September 30, 2015, Groupe Fnac announced that it had submitted a proposal to the Board of Directors of Darty plc ("Darty") for the potential acquisition of their company. The terms of this proposal are disclosed in section 4, note 4.1.2.3 of this document.

Repayment of perpetual deeply subordinated notes

On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million. These securities had been issued in April 2013 in the amount of €60 million.

Other significant events

In May 2015 Alexandre Bompard informed the Board of Directors of his decision to reinvest the entire variable multi-year compensation, net of all taxes and social contributions, that he will receive in 2015, in Groupe Fnac shares. Alexandre Bompard has thus indicated his desire to strengthen his links with the Group by taking an equity stake, further aligning his interests with those of its shareholders and reaffirming his confidence in the Group's continuing transformation. The shares will be purchased at market prices and held in registered form for a minimum period of two years.

On December 4, 2015, Alexandre Bompard completed this reinvestment, purchasing 80,750 Groupe Fnac shares at €53.51 per share.

Value units plan

Part of the 2013 value units plan matured on July 31, 2015. Plan beneficiaries who were in service on July 31, 2015 received, subject to performance conditions (average Fnac share price in July 15 of €55.07), their value units at that price. Those amounts were paid in cash in October 2015 to beneficiaries in service on July 31, 2015, totaling €14.7 million including employer contributions. Some Executive Committee members received two-thirds of the value units outright, with the remaining third conditional on being in service on July 31, 2016.

Performance share plan

On the recommendation of the Nomination and Remuneration Committee, on February 26, 2015, the Board of Directors decided to award value units to certain Group executives with the aim of retaining them and aligning their interests with those of the Company and its shareholders. Settlement will be made in cash or equity instruments depending on the beneficiary.

These options will only be definitively vested in progressive stages, in tranches, at the end of two successive vesting periods (March 2015 –September 2017, and March 2015 – September 2018) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for Groupe Fnac shares for each of the two periods. The options must be exercised between the October 1 and 20 following the end of the vesting period.

The first tranche of the 2013 performance share plan was vested on March 31, 2015. Given its average closing price over the last 20 trading days in March of 2015 (average €55.88) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on March 31, 2015. These options were exercised between April 20 and May 19, 2015 or cashed in April 2015 for the Chairman & Chief Executive Officer. The amount paid in April 2015 to the Chairman & Chief Executive Officer was €2.9 million including employer contributions (see section 3.3.1).

Awarding of bonus shares

On the recommendation of the Nomination and Remuneration Committee, on February 26, 2015, the Board of Directors decided to award performance options to certain group employees (132 beneficiaries) in order to link them to the Company's performance through an increase in the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

It has been set up as a 4-year plan (March 2015-February 2019). Permanent vesting is conditional on 2 years' service for French residents (March 2015-February 2017) and 4 years' service for foreign residents (March 2015-February 2019), and is also conditional on Group share price performance as measured in February 2017. French residents are also required to hold their awarded shares for a period of 2 years (March 2017-February 2019: the "lock-in period").

NOTE 2 Accounting principles and policies

The 2015 financial statements have been prepared in accordance with Regulation 2014-03 of the French accounting standards Board (ANC) as approved by the Ministerial Order of September 8, 2014 relating to the French general accounting plan *Plan Comptable Général*.

General accounting conventions were applied in accordance with the principle of prudence, in accordance with basic assumptions (going concern, consistency of accounting policies from one year to the next, independence of fiscal years) and in accordance with the general rules of preparation and presentation of annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The main methods used are as follows:

2.1 Non-current financial assets

Equity investments

Investments classified as "Equity investments" are those whose holding is deemed useful to the Company's operations, particularly because it influences or controls the issuing company.

The costs of acquiring equity investments are recognized as an expense in accordance with the option provided by Article 321-10 of the French general accounting plan.

At fiscal year-end, the gross value of the investments is compared to the value in use for the Company, which is determined based on the estimated economic value of the subsidiary and the grounds for the original transaction. This value in use is determined according to a multi-criteria analysis, taking into account projected future cash flows, re-estimated assets, the share of consolidated or revalued shareholders' equity and other methods as required.

When this value is lower than gross value, an impairment is provisioned and recognized as net financial income.

2.2 Receivables and payables

Receivables and payables are recognized at nominal value. Where appropriate, receivables are provisioned to take account of any resulting recovery difficulties.

2.3 Transferable securities and cash at bank and in hand

Transferable securities are recognized in the balance sheet at their acquisition price.

Acquisition costs of transferable securities are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Chart of Accounts applicable to transferable securities.

Potential impairment provisions are determined by comparing that value with the probable trading value or average share price from the previous month in the case of listed securities.

Treasury shares

Treasury shares acquired under a liquidity contract are recorded in transferable securities.

As of December 31, 2015, Groupe Fnac did not hold any treasury shares.

SICAV

SICAV shares are recognized at cost. They are estimated at fiscal year-end at their net asset value. Any unrealized capital loss is subject to an impairment provision. Any unrealized capital gain is not taken into account.

2.4 Perpetual deeply subordinated notes

Pursuant to Notice No. 28 of the association of chartered accountants published in October 1994, deeply subordinated notes issued by Groupe Fnac are reported in "Other equity". Their redemption is controlled exclusively by the issuer and their remuneration is due even in the absence or insufficiency of earnings.

On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million. These securities had been issued in April 2013 in the amount of €60 million.

The interest payable amounting to €7.9 million is shown on a separate line under financial income.

2.5 Tax consolidation

Groupe Fnac notified the French tax authorities in writing on March 15, 2013 that it and all of its subsidiaries had opted for the tax consolidation plan applicable to groups implemented by Article 68 of the 1988 finance law. The tax consolidation agreement took effect on January 1, 2013.

The tax consolidation agreement entered into July 1, 2013 between Groupe Fnac and its subsidiaries and sub-subsidiaries is effective as from January 1, 2013. As of December 31, 2015 it covered 15 companies.

Under this plan, Groupe Fnac acts as a corporate income tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Corporate income tax is broken down as follows:

* the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred had it not been consolidated for tax purposes;
* Groupe Fnac takes immediate account of tax savings or expenses resulting from the difference between the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on taxable income as a whole.

2.6 Operating income (loss)

Operating income results from income and expenses related to the Company's current activities.

2.7 Net financial income

Net financial income mainly consists of interest expense on Group current accounts, interest income from subordinated loans, and interest on perpetual deeply subordinated notes.

2.8 Non-recurring income

Non-recurring income includes income and expenses, which, by their nature, occurrence or material character, do not fall within the Company's current operations.

2.9 Performance-based remuneration plans

The Company applies Regulation CRC 2008-15 dated December 4, 2008 relating to the accounting treatment of stock options (subscription and purchase) and bonus shares granted to employees. This regulation stipulates that whenever it is probable that the Company will deliver existing shares to plan beneficiaries, a liability should be recognized on the basis of the probable outflow of resources.

Performance-based remuneration plans comprise a value units plan, which is provided in cash, and a performance-based share plan, which may be provided as stock options or in cash, depending on the beneficiary.

These plans result in the recognition of a personnel expense spread over the vesting period.

NOTE 3 Net non-current financial assets

(€ million)	At December 31, 2014	Increase	Decrease	At December 31, 2015
Gross value				
Equity investments				
Fnac SA	838.4		0.0	838.4
Other non-current financial assets				
Loans	60.0	0.0	(60.0)	0.0
Gross value	**898.4**	**0.0**	**(60.0)**	**838.4**
Impairment				
Fnac SA equity investments	(328.0)	0.0	164.0	(164.0)
Impairment	**(328.0)**	**0.0**	**164.0**	**(164.0)**
Net value	**570.4**	**0.0**	**104.0**	**674.4**

Equity investments

As of December 31, 2015, the Groupe Fnac company held 46,421,807 out of 46,421,808 Fnac SA shares for a gross value of €838.4 million. To take into account changes in the Group's market capitalization, the net value of Fnac SA shares in Groupe Fnac was revalued at €674.4 million.

Other non-current financial assets

Other non-current financial assets consisting, in 2014, of the intragroup loan granted to Fnac SA in the amount of €60 million was repaid in full on December 31, 2015 by the subsidiary Fnac SA. This repayment was made at the same time as the repayment of the perpetual deeply subordinated notes by Groupe Fnac.

NOTE 4 Tangible and intangible non-current assets

As of December 31, 2015, Groupe Fnac had no tangible or intangible non-current assets.

NOTE 5 Receivables

(€ million)	At December 31, 2015	At December 31, 2014
Current accounts from tax consolidation	0.0	0.0
Current accounts of subsidiary	39.5	43.6
Income tax	28.0	18.5
Group customers	22.5	2.1
Group customers – accrued income	0.0	0.0
Issue premiums on bonds	0.0	0.0
Other	1.3	0.0
Prepaid expenses	8.7	0.0
TOTAL	**100.0**	**64.2**
Related to affiliates:	*62.0*	*45.7*

The amount of €28.0 million in 2015 for "Income tax" mainly consists of tax credits.

The negative current account reflects receivables against the subsidiary Fnac SA.

Prepaid expenses include fees and commissions on financial instruments negotiated in late November 2015 to finance the new combined Group as part of the offer to acquire Darty plc (see section 1.3.4 "Offer to acquire Darty plc").

NOTE 6 Transferable securities and cash at bank and in hand

(€ million)	At December 31, 2015	At December 31, 2014
Treasury shares	0.0	0.0
Sicav	6.0	6.0
Foreign exchange risk hedging instruments	0.7	0.0
Impairment	(0.2)	0.0
Marketable securities	**6.5**	**6.0**
Bank deposit and fund transfers	0.0	0.0
Cash and cash equivalents	**0.0**	**0.0**
Cash liabilities	**6.5**	**6.0**
Related to affiliates:	*0.0*	*0.0*

Transferable securities comprise SICAVs for €6.0 million.

In 2015, Groupe Fnac introduced a hedge per option, as part of the hedging of the alternative partial payment in cash of €66.7 million to Darty shareholders. At acquisition, the hedge per option was reflected in the recognition of €0.7 million on the asset side of the balance sheet. As of December 31, 2015, the change in the fair value of this asset led to the recognition of an impairment in the amount of €0.2 million.

NOTE 7 Reserves

(€ million)	At December 31, 2015	At December 31, 2014
Legal reserve	1.7	0.7
Regulatory reserves	0.0	0.0
Other reserves	0.0	0.0
Reserves	**1.7**	**0.7**
Regulatory provisions	0.0	0.0
TOTAL	**1.7**	**0.7**

NOTE 8 Provisions

As of December 31, 2015 Groupe Fnac had no significant provisions.

NOTE 9 Other payables

(€ million)	At December 31, 2015	At December 31, 2014
Current accounts from tax consolidation	23.3	16.4
Current accounts of subsidiary	0.0	0.0
Dividends to be paid	0.0	0.0
Tax and social security payable	25.7	22.0
Miscellaneous liabilities	15.8	2.7
TOTAL	**64.8**	**41.1**
Related to affiliates:	*28.1*	*17.9*

Miscellaneous liabilities mainly include invoices connected with the submission of the offer to acquire Darty plc (see section 1.3.4 “Offer to acquire Darty plc”).

NOTE 10 Other off-balance-sheet commitments

Retirement package

Commitments for retirement benefits totaled €0.5 million as of December 31, 2015.

Individual training entitlement

From January 1, 2015, Individual Training Entitlement was replaced by the Personal Training Account.

Other commitments

As part of the merger with Darty, on November 20 the Group signed a financing package consisting of a renewable credit facility and a "bridge to capital markets". Both facilities, offered on a syndicated basis by a pool of European banks in December 2015, are disclosed in section 1.3.4 "Offer to acquire Darty plc".

Additionally, as part of the Darty acquisition, Groupe Fnac has agreed to pay up to £66,686,321 to Darty shareholders in cash. To protect itself against the resulting currency risk, a hedge per option subscription has been established, guaranteeing an exchange rate. As a result, Groupe Fnac's maximum commitment is €98,068,119.

NOTE 11 Operating income (loss)

(€ million)	2015	2014
Group royalties	28.9	18.7
Payroll expenses	(26.9)	(20.2)
Purchasing, external costs and income and other taxes	(5.8)	(4.7)
Net amortization and depreciation and provisions	0.0	0.0
Other income (expenses)	0.1	0.3
TOTAL	**(3.7)**	**(5.9)**

NOTE 12 Net financial income

(€ million)	2015	2014
Net financial expenses		
Charges and interest on debt owed to non-Group entities	(0.4)	0.0
Interest on Group current accounts	0.0	(0.1)
Interest on perpetual deeply subordinated notes	(7.9)	0.0
Reversal of financial impairment	164.0	0.0
Interest on the subordinated loan	2.4	2.6
Other financial income and expenses	(0.2)	9.1
TOTAL	**157.9**	**11.6**
Related to affiliates:	*166.4*	*11.8*
Interest on Group current accounts:	*0.0*	*(0.1)*
Dividends:	*0.0*	*9.3*

In 2015, net financial income of €157.9 million mainly consisted of a reversal of the impairment of the securities of the subsidiary Fnac SA, interest expense on perpetual deeply subordinated notes in the amount of €7.9 million, and interest income on a subordinated loan in the amount of €2.4 million granted to the subsidiary Fnac SA.

In 2014, net financial income of €11.6 million mainly consisted of dividends paid out by Fnac SA in the amount of €9.3 million, and interest income on a subordinated loan in the amount of €2.6 million granted to the subsidiary Fnac SA.

NOTE 13 Non-recurring income

(€ million)	2015	2014
Income from disposals of operating non-current assets	0.0	0.0
Sales of securities, impairment and related transactions	0.0	0.0
Litigation, disputes and restructuring	(0.1)	0.0
Other extraordinary income/(expenses)	(5.5)	(0.7)
TOTAL	**(5.6)**	**(0.7)**

In 2015, non-recurring income was a net expense in the amount of €5.6 million, of which €5.5 million was to acquire Darty.

NOTE 14 Income tax

(€ million)	2015	2014
Tax consolidation surplus/shortfall	26.1	22.9
Tax losses to be paid to subsidiaries (tax consolidation)	0.0	0.0
Tax on dividends	0.0	0.0
Other	0.0	0.0
TOTAL	**26.1**	**22.9**

In 2015 Groupe Fnac generated no income tax, and the profit from tax consolidation amounted to €26.1 million.

NOTE 15 Cash flow statement

The change in cash from operating activities was €1.2 million as of December 31, 2015.

NOTE 16 Other Information

16.1 Remuneration paid to corporate officers

For fiscal 2015, the gross amount paid to the sole corporate officer, including benefits in kind, amounted to €11,512,766, of which €900,000 was fixed annual compensation, €902,056 variable annual compensation, €9,657,746 variable multi-year compensation, €28,733 attendance fees, and €24,231 benefits in kind.

16.2 Average workforce

In 2015 Groupe Fnac's average number of employees was ten.

16.3 Related party transactions

As of December 31, 2015, the Artémis Group owned 38.66% of Groupe Fnac's share capital and 38.66% of its voting rights.

In 2013, Groupe Fnac created an issue of perpetual deeply subordinated notes for a total par value of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. On December 30, 2015, the Group repaid perpetual deeply subordinated notes, as well as accrued interest, totaling €67.9 million.

In 2015, a previously authorized regulated agreement was entered into with BDGS, a legal firm specializing in market operations, especially cross-border transactions, and in competition law, one of its founding partners being Director Antoine Gosset-Grainville. The firm is tasked with overseeing the Darty acquisition process, which will have heavy repercussions in France including the preparation of a Prospectus, and will be subject to antitrust regulations that require notification to the French and Belgian competition authorities. Payments made for this membership came to a total of €1.4 million in fiscal year 2015.

16.4 Trade payables and payment schedules

As of December 31, 2015, trade payables and related accounts amounted to €9.4 million, of which €4.8 million were intra-group liabilities.

None of these amounts are overdue.

NOTE 17 Information regarding post-balance-sheet events

No particular event has occurred since the close of fiscal year 2015.

NOTE 18 Table of subsidiaries and shareholdings

(€ million)	Share capital	Shareholders' equity excluding capital & income	Share of capital held	Book value of securities held		Outstanding loans made by the Company	Guarantees and endorsements given by the Company	Last published net revenues	Profit (loss) for previous year	Dividends received during the year
				Gross	Net					
Subsidiaries more than 50% owned										
Fnac SA	325.0	186.4	99.99%	838.4	674.4	0.0	0.0	2,341.3	12.1	0.0

NOTE 19 Five-year financial results

	2015	2014	2013	2012	2011
Results for the last five fiscal years					
Capital at year end					
Share capital *(€)*	16,687,774.0	16,595,610.0	16,595,610.0	545,718,719.0	6,131,671.0
Number of ordinary shares in circulation	16,687,774.0	16,595,610.0	16,595,610.0	6,131,671.0	875,953.0
Maximum number of future shares to be created					
by conversion of bonds					
by the exercise of stock options					
Operations and earnings for the year *(€ thousand)*					
Income from ordinary activities	28,896.0	18,679.7	8,174.0	0.0	0.0
Earnings before tax, employee profit-sharing, amortization, depreciation and provisions	(15,409.5)	5,020.6	(9,034.7)	(5,920.8)	170,373.6
Employee profit-sharing payable for the year	(13.1)	(7.7)	0.0	0.0	0.0
Income tax (expense)/credit	26,108.2	22,912.3	10,200.0	0.0	(707.3)
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	174,684.5	27,920.2	1,165.3	(331,968.2)	172,571.4
Distributed earnings	0.0	0.0	0.0	0.0	0.0
Data per share *(€)*					
Earnings after tax, employee profit-sharing, and before amortization, depreciation and provisions	0.64	1.68	0.07	(0.97)	194.50
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	10.47	1.68	0.07	(54.14)	197.01
Dividend:					
net dividend per share	0.0	0.0	0.0	0.0	23.44
Staff					
Average number of employees during the year	10.0	11.0	5.0	0.0	0.0
Total payroll for the year *(€ thousand)*	21,753.9	14,848.3	9,581.0	24.3	31.9
Amount paid for employee benefits for the year *(€ thousand)*	5,193.3	5,318.7	3,599.8	0.0	0.0

5.5 Material change in financial or commercial position

To the best of the Groupe Fnac's knowledge, no event likely to have a significant influence on the Group's activity, financial position and assets has occurred since December 31, 2015.

5.6 Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2015

To the Shareholders,

In execution of the mission entrusted to us by your General Meetings, we are presenting our report for the financial year ended December 31, 2015, regarding:

* audit of the annual financial statements of Groupe Fnac SA, as attached to this report;
* justification of our assessments;
* verifications and specific information stipulated by law.

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

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes the examination of evidence supporting the amounts and disclosures in the financial statements using sample-testing techniques or other selection methods. It also involves an assessment of the appropriateness of the accounting principles used and of the significant estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We certify that, with regard to French accounting rules and principles, the financial statements are regular, accurate, and reflect a faithful image of the results of the operations of the past financial year as well as the Company's financial position and assets as of the end of that year.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention.

Note 2.1 to the financial statements explains the accounting rules and methods relating to the valuation of equity investments. In the course of our assessment of the accounting rules and principles followed by your Company, we have checked the suitability of the accounting methods specified above and ascertained their correct application.

The assessments thus given are based on our approach to auditing the consolidated financial statements, taken as a whole, and have thus contributed to forming our opinion expressed in the first part of this report.

III. Specific verifications and information

We have also proceeded, in accordance with professional standards applicable in France, with the specific verifications stipulated by law.

We have no observations to make as to the fair presentation and consistency with the financial statements of the information given in the Board of Directors' Management Report and in the documents provided to shareholders on the financial position and annual accounts.

As regards the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code on the compensation and considerations paid to corporate executives and the undertakings granted to them, we have checked their concordance with the accounts or with the data serving to establish these, and, where called for, with the items obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fairness of this information.

In accordance with the law, we have made certain that you have been provided in the Management Report with the various information relating to the identity of shareholders and voters.

Paris La Défense and Neuilly-sur-Seine, February 29, 2016

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

5.7 Statutory Auditors' Report on the consolidated financial statements

Fiscal year ending Thursday, December 31, 2015

To the Shareholders,

In execution of the mission entrusted to us by your General Meetings, we are presenting our report for the financial year ended December 31, 2015, regarding:

* audit of the consolidated financial statements of the company Groupe Fnac SA, as attached to this report;
* justification of our assessments;
* specific verification provided for by law.

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

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes the examination of evidence supporting the amounts and disclosures in the financial statements using sample-testing techniques or other selection methods. It also involves an assessment of the appropriateness of the accounting principles used and of the significant estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We hereby certify that the consolidated financial statements for the financial year in question present a true and fair view of the net assets, financial position and income of the whole formed by the consolidated entities, in accordance with IFRS guidelines, as adopted by the European Union.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

* During the second half of the financial year, your Company systematically tested goodwill for impairment, and also assessed whether there was any evidence of impairment of long-term assets, in accordance with the procedures set out in note 2.10 to the consolidated financial statements. We have reviewed the procedures for implementing these impairment tests together with the forecasted cash flows and assumptions used, and have verified that note 17 in the annex to the consolidated financial statements provides appropriate disclosures;
* Your company proceeds with the evaluation, and if necessary, the impairment of inventory according to the methods described in note 2.9 in the consolidated financial statements. We have ascertained the appropriateness of the method, and the reasonable nature of the assumptions used to assess and measure inventory impairment;
* Notes 2.12 and 2.16 in the Notes to the Consolidated Financial Statements specify the evaluation methods of share-based payments and employee retirement benefits and other long-term employee benefits. These commitments have been measured by outside actuaries. Our work consisted in reviewing the data used, assessing the assumptions made, and verifying that notes 7 and 23 in the Notes to the Consolidated Financial Statements provide appropriate disclosures.

The assessments thus given are based on our approach to auditing the consolidated financial statements, taken as a whole, and have thus contributed to forming our opinion expressed in the first part of this report.

III. Specific verification

We have also proceeded, in accordance with the professional standards applicable in France, with the specific verification provided by the law of information relating to the Group data in the Management Report.

We have no comment to make on its fair presentation, and on its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, February 29, 2016

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

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Risk factors

Risk management is an integral part of the Group's strategy and operations. There are several levels of organization, detailed in section 3.5 "Report of the Chairman of the Board of Directors on the conditions governing the preparation and organization of the Board's work and the internal control and risk management procedures instituted by the Company" of this Registration Document.

The Group reviewed the risks likely to have a material adverse effect on its operations, financial position or earnings (or its ability to reach its targets) and does not believe there to be any other material risks, excluding those mentioned herein.

6.1 Strategic and economic risks

The Group operates in markets that are rapidly evolving, and more recently, declining. It may encounter difficulties in adapting to the changes affecting its markets.

The Group operates in markets that are undergoing massive change, primarily due to the expansion of the internet and the resulting changes in consumer purchasing patterns, such as the digitalization of physical consumer media. The spread of this new media has given rise to a spectacular boom in e-commerce, which has shaken up the *status quo* in every market and in every country in which Fnac operates, by significantly changing modes of consumption, consumer behavior (and customer-attraction and retention tools), as well as distribution methods (see section 1.3.2.2 "Internet Revolution"). The boom in e-commerce has especially spawned new web-only retailers ("pure players") to the detriment of traditional retailers like Fnac. They are generating intense competition in prices and they offer a very wide range of products, all constituting a serious threat to traditional retailers. Specifically, the development of e-commerce has reduced prices and margins in the Group's markets.

In the consumer electronics market, the growth of the internet has coincided with deflation and a low point in the innovation cycle, which limits the turnover of goods sold.

Each of these elements could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Adapting the Group to new developments and to the shrinkage of its principal markets lies at the heart of the "Fnac 2015" strategic plan. The aim is to especially extend the brand's territory to leisure, to integrate digitalization in the existing product universe, to develop product ecosystems, to create new fast-growing product lines and to adapt its sales models to customers' new expectations, by focusing on an omnichannel approach to distribution.

The Group's markets are experiencing fierce competition.

The retail markets for consumer electronics and editorial products are highly competitive (see section 1.3.2.2 "Competitive Environment"). The Group competes with traditional, international and local retailers, including some that are developing online sales platforms. The Group is also in competition with *pure players* in e-commerce. Some of these are established in countries where they can benefit from more favorable tax structures than the Group and are open 24/7. Some pure players operate globally and promote intense price rivalry to drive up their sales and market share. Their pricing can be more competitive because they have a lighter cost structure and none of the constraints associated with a store-based model, along with the offer of an increasingly large product range. Over the past few years, new competitors such as manufacturers, internet service providers (ISPs) and digital platforms also have emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as the Group in the marketing and supply chain. Finally, piracy is undermining the attractiveness of the legitimate editorial products offered by the Group and constitutes a source of unfair competition.

In addition, the decline in the markets in which the Group operates also tends to strengthen competition by reducing available revenue for the various players.

More intense competition could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Monitoring and reacting to the competitive environment and its changes take place at the country level and are overseen at the Group level by the Strategy Department as part of an approach aimed at anticipating competition, conducting strategic reviews of geographical locations and identifying development or arbitrage opportunities.

The Group's inability to open on Sundays in tourist areas could present a strategic and economic risk.

Negotiations are currently in process with social partners to allow stores situated in tourist areas to open on Sundays. These negotiations are critical for Fnac to save it from losing market share in the face of competition from other players. The risk is loss of business on its opening days, which may instead be transacted on Sundays, as well as the loss of the extra business that would be generated by Sunday opening.

The difficulties facing Fnac's markets have been and could continue to be exacerbated by an unfavorable macroeconomic or political environment, including those due to economic problems in the euro zone.

The performance of the Group's markets is closely linked to levels of disposable household income. The Group's revenues are affected by the economic conditions in the countries in which it operates, which are primarily euro zone countries. The economic downturn in the euro zone has had, and continues to have, an adverse effect on the economies of countries comprising the Group's main markets. France, Spain, Portugal and Belgium accounted for over 93% of Fnac's consolidated revenues in 2015. In addition, their policies of budget austerity, a higher tax burden and a simultaneous decrease in disposable household income for discretionary consumption, which includes the type of technical and editorial products marketed by Fnac, have all contributed to shrinking Fnac's markets.

While the potential economic recovery within the euro zone represents an opportunity for the Group, such a recovery may not occur, or may occur slowly, and economic growth could return at slower rates than those observed in the past, assuming it returns at all, and could have a negative impact on household consumption, which could have a significant negative impact on the Group's operations, financial position, earnings and outlook.

Risks related to the merger of Fnac and Darty.

On November 20, 2015, Fnac and Darty agreed on financial terms for the merger of their two groups. Fnac is now awaiting authorization of the deal from the French Competition Authorities, the Belgian Competition Authorities having unconditionally authorized the Proposed Acquisition on March 17, 2016. This initial phase presents a risk both to the decision that may be taken by the French Competition authority and the measures that may be requested under anti-trust actions. Therefore, the shareholders could decide against completion of the Proposed Acquisition.

Under the terms of the cooperation agreement between Fnac and Darty, Fnac agreed to a fee of €12,000,000 payable to Darty should the Proposed Acquisition not be carried out primarily because it proves impossible to obtain (i) certain regulatory authorizations or (ii) the approval of Fnac shareholders or (iii) should the Board of Directors of Fnac retract its recommendation to carry out the Proposed Acquisition.

Furthermore, the Proposed Acquisition may not take place, because in view of the Steinhoff Offer, the Darty Board indicated that it no longer intended to recommend or proceed with the Proposed Acquisition. These assumptions would give Fnac the right to terminate the cooperation agreement without being subject to the aforementioned termination fee.

The main aim of the merger project is to create value for the new entity, especially through synergies in purchasing, logistics optimization, pooling back-office functions, and savings on buying services. (See section 1.3.4.3, Potential synergies of the Proposed Acquisition).

However, the synergies on which the project is based may not materialize as anticipated, the timetable for execution of the project may not be adhered to, and the restructuring of the organizations could present a structural operational risk as well as a risk of loss of efficiency and deflect attention from the management of current business.

Additionally, action plans have been adopted specifically to support change management and maintain a constructive dialogue with the staff representative bodies – as for all operations of this kind, they are key elements for the success of the project.

6.2 Operational risks

The legal and regulatory environment applicable to the Group's markets or to its products and services in the countries where it operates may develop in ways that are unfavorable to the Group and expose it to compliance risk.

Because of its in-store and online retail activities, the Group is exposed to changes in the legal and regulatory environment in the countries in which it operates. In particular, the Group's activities are subject to controls, investigations and regulations relating to consumer protection, competition, e-commerce, intermediation in consumer credit and insurance, personal data protection, information technology, book prices (digital and physical), contractual warranties for customers, and store safety and accessibility.

The Group's operations in France are primarily subject to the 2008 Economic Modernization Act (*loi de modernisation de l'économie*, or LME) which regulates payment terms in particular. Therefore, with some exceptions (such as books), under the terms of Article L. 441-6 of the French Commercial Code, the payment terms may not exceed 45 days from month-end or 60 days from the invoice issue date in the event of an agreement between the parties. In the absence of an agreement between the parties, the terms cannot exceed 30 days from receipt of the goods or performance of the services.

The Group's business is also affected by environmental regulations that may have an adverse impact on the Group or increase the restrictions that apply to the products it sells (such as obligations to dispose of or recycle consumer electronics and household appliances) or to the methods and cost of transporting its products or increase the cost that it incurs for the rental of retail space.

Compliance with these laws and regulations could have a significant negative impact on the Group's operations (particularly in terms of lower prices, lower margins and loss of market share), financial position, earnings and outlook.

Monitoring and taking account of statutory requirements is done at the country level by the local Finance Department with the support of the Group's advisory network, under the supervision of the Group's Legal and Finance Departments.

The Group's business is highly seasonal in nature.

The Group's revenues and current operating income are significantly higher during the last quarter of the year, particularly as the holiday season approaches. In the fourth quarter of 2015, the Group generated over 36% of its annual revenues. The Group undergoes a period of intense business activity that involves tight inventory management and large shifts in its liquidity, and it must therefore step up its use of external service providers, particularly in logistics. As business activity includes a large share of fixed costs, revenues in the last quarter helped to create profitability that was greater than in other quarters. Working capital requirements increase for the first quarter, are stable between the second and third quarters, and decrease for the fourth quarter of a given year. Any unexpected events or failures that may occur at the end of the year or during the launch of products in high demand, such as natural disasters, weather events, supply delays, strikes, acts of terrorism, work stoppages, the blocking or destruction of the Group's logistical warehouses, or the failure, overload or disruption of its websites, could have a material adverse effect on the Group's image, operations, earnings and financial position.

The Group's entire operational set-up is designed to anticipate, prepare for and safeguard this major sales period.

The Group may not be able to maintain positive brand perception and recognition, including with regard to its customer loyalty program.

The Group's past success is partly due to strong customer awareness and the excellent reputation of the Fnac brand. Against a backdrop where its franchise network is growing and there is increasingly intense competition, the Group's ability to maintain positive consumer awareness of the brand and the distinctive features it represents, plus get core customers to join its loyalty program, is key to ensuring the Group's future success, including on social media sites, which encourage customers to share their opinions, comments and experiences. The Group has developed a customer loyalty program through which it strengthens the loyalty of a solid customer base that generates around half of its revenues, and that significantly contributes to the distinctiveness of the Group's brand image. This program may be imitated by the Group's competitors which would weaken its distinctiveness, or it could be perceived as less attractive than competing programs, and consequently be abandoned by certain Fnac customers. Furthermore, any deterioration in labor relations within the Group, including strikes, could expose the Group to reputational risk and undermine its image or the service level within the Group's store network. Finally, the Group's image could be tarnished by the occurrence of exceptional events, such as bringing its liability into play due to selling a given product or breaching an applicable law.

The Group continuously monitors the image and presence of its brand (including on social media), regularly tests new product offerings and its external communications both upstream and downstream, and monitors the quality of its customer service.

The Group's business may be affected by a deterioration in its labor relations, including with its unions.

The Group is constantly adapting its human resources and organizational structure (see section 1.3.3 "Fnac 2015' Strategic Plan"); this requires the Group to maintain good relations with its employees, unions and employee representative bodies. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group is a responsible employer, and it pays particular attention to adapting its systems to prevailing issues in terms of human resources, as presented in chapter 2 of this Registration Document, in particular section 2.3.3 "Employee Relations".

The activities of the Group could be impacted by acts of terrorism.

Following the Paris terrorist attacks of 2015, the subsequent state of emergency instigated by French authorities, the raising of the terror alert level in several other Eurozone countries, notably Belgium, along with the pre-existing risk in countries where the Group is present, notably Ivory Coast, a new major critical risk was identified at the Group level. This risk concerns both the threat to the safety of the Group's employees, customers and service providers, and the threat to the goods necessary for its business to function. An unanticipated risk of an attack on the safety of people and goods in our Group would do great harm to Fnac's brand image, and its business could be severely damaged especially through a decrease in store traffic. Additionally, the Group, in conjunction with the Risk-Prevention Department, has therefore taken steps to strengthen the security of stores located in sensitive areas and has also reinforced its links with the authorities. In addition, store employees have been informed about crisis management and a telephone helpline has been set up for employees to access psychological support.

System failures or shortcomings, viruses or hacking could result in service interruptions in the Group's information systems or change client data in Groupe databases.

Most of the Group's operations rely on information systems developed or administered by internal resources or outside contractors. Any fragility or failure of these systems could disrupt business operations and potentially have major repercussions on the Group's sales and financial results, particularly with regard to websites and ordering and payment systems, and especially during peak end-of-year business activity.

These information systems are constantly changing and are difficult to address as a single entity. Together with the development of portable technology and cybercrime, this makes information system security an additional challenge especially with regard to hacking, both for data relating to the business and for personal client data.

The Group's Information Systems Department ensures that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents and arrange emergency plans. From the point of view of security, the Department is underpinned by the network of country IT managers to help safeguard the security of the information systems and the data they contain by appropriate governance, shared standards, and the dissemination of the charter for the proper usage of IT tools to employees to raise their awareness of these risks and regular checks as well as verification of the reliability of external IT contractors by obtaining contractual guarantees that would ensure the confidentiality and security of processed data, in the form of PCI DSS compliance of service providers processing banking data, and by the performance of security audits of external contractors. Therefore, as part of the phishing risk, audits were carried out in order to implement appropriate action plans, to include crisis simulation exercises, the toughening password policy and data encapsulation of PCs.

The Group could be affected by a deterioration in its relations with certain suppliers, franchises, partners or service providers or by difficulties obtaining supplies.

The Group offers a wide range of products and is supplied by a large number of suppliers. In France in particular, the amount of purchases from the top ten suppliers represented around 46% of the total purchases made in 2015. A major portion of the Group's operations depends on its capacity to negotiate in good conditions and maintain contracts and business relations with its suppliers, especially those (e.g. Apple and Microsoft) for whose products there is no substitute as far as customers are concerned. Any deterioration in the Group's relationships with its main suppliers, the imposition of stricter conditions by suppliers (especially with respect to payment terms), or the non-renewal or early termination of its main supply agreements may have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's activities also depend on its relations with its partners, for example regarding consumer credit or the development of its marketing range (Finaref, Disney, etc.) and its relations with service providers who play a key role in its operations such as IT resources, transport, delivery and payroll management.

In this respect, since its flotation in June 2013, the Group now only benefits from the provision of IT services directly from Kering, for a transition period of up to four years.

Any significant failure, deterioration, sudden termination or non-renewal of the Group's contractual relationships with its partners and contractors could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's sales policy is designed to develop strategic partnerships offering long-term relationships with key franchisees, suppliers, partners and contractors in its primary markets.

As regards the franchises, the terms of the franchise agreement strive for a balance between respect for the reciprocal rights and obligations of each of the parties over a long period of seven years, which is conducive to the establishment of a relationship of trust and partnership.

As regards the contracts of suppliers, partners and providers existing at the time of the Group's IPO, no supplier has invoked the change of control clause to request the amendment or early termination of the contract in force.

Agreements with suppliers are negotiated periodically and the Group strives not to accept, to the extent possible, any change of control clauses.

The Group could be affected by a deterioration of its relationships with its property owners.

The Group's success is due in particular to its ability to develop and manage a store network that meets its requirements as well as its customers' expectations. The Group may be exposed to the risk of non-renewal of its leases or face conflicts with its property owners at the time of a lease renewal.

In order to improve its operating profitability, the Group has decided to renegotiate its rents, optimize the management of its retail space and optimize the terms under which its rents are indexed. No guarantee can be given regarding the Group's capacity to successfully implement its strategy for the optimization, usage and allocation of its retail space (including the deployment of any new product universe), control its rents or maintain and develop a network of stores in the best locations and on acceptable terms.

The Group's property portfolio is constantly monitored to ensure its optimal use and anticipate any necessary adjustments to preserve a portfolio of prime-quality sites negotiated in the best market conditions.

The Group could be exposed to significant financial risks if its insurance coverage proves to be inadequate.

The Group is exposed to risks that are inherent to its business. Although the Group has taken out a third-party liability and business interruption insurance policy, legal proceedings for third-party liability or business interruption could lead to substantial damages, some of which may not be covered by insurance. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents resulting from fires, explosions, water damage, theft, natural events causing damage to the Group's own property (buildings, furniture, equipment, merchandise or computer systems) or following a business interruption at its premises, nor that it will be able to maintain this insurance on acceptable terms in the future. The Group's operations, earnings, financial position and outlook could be materially adversely affected if the Group's insurance coverage proves to be inadequate or unavailable in the future (see section 6.5 "Insurance").

Changes to the assumptions used to determine the book value of some assets, mainly as a result of an unfavorable market environment, could cause a depreciation of these assets, especially certain intangible assets like goodwill.

Goodwill represents the amount paid by the Group in a business combination that exceeds the fair value of the identifiable net assets on the date of acquisition. Goodwill is allocated to each cash-generating unit in each country. Goodwill is tested for impairment annually at the level of the groups of cash-generating units that correspond to operating segments, during the second half of the year or whenever events or circumstances indicate that the book value of those units may not be recoverable.

The recoverable value of groups of cash-generating units is determined on the basis of their value-in-use, which is in turn determined on the basis of certain assumptions. These assumptions primarily include the discount rate, growth rate and change in sales prices and direct costs during the period in question. Management determines discount rates using pre-tax discount rates that reflect the rate of return expected by the market for investments with a similar risk level. Growth rates are based on the Group's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical data regarding these changes and on estimates of future changes in the market.

If business operations and forecasts change, the estimated recoverable value of goodwill or the assets themselves may decline significantly and require impairment.

Details of assumptions and the study of the impacts of the sensitivity of the impairment tests are detailed in note 17 to the consolidated financial statements.

No assurance can be given as to the absence of significant impairment charges in the future, especially if market conditions continue to deteriorate.

The Group is exposed to tax risks and could have to bear the costs and obligations related to current or future tax inspections.

As an international group, Fnac is subject to the tax laws of several countries and conducts its activity while respecting a variety of regulatory obligations. Given that tax laws and regulations in the various countries in which the Group operates sometimes do not provide clear-cut and definitive guidance, the Group's structure, conduct of its business and tax regime is based on its own interpretation of local and French tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant French and local tax authorities or that the tax laws and regulations in some of these countries will not be subject to change and varying interpretations, which could adversely affect the Group's effective tax rate, cash flow, earnings, financial position and outlook.

Should the Group be subject to tax audits, as is currently the case in France and Brazil, or be the subject of future tax adjustments, it may be unable to provide the necessary evidence or defend its position or interpretation of the relevant law or regulation before the tax authorities. The financial statements on provisions for the risks related to tax disputes are presented in notes 24 and 31.6 of section 5.2 "Notes to the consolidated financial statements". However, the Group cannot rule out the possibility that tax inspections will lead to reassessments resulting in amounts payable to the relevant tax authorities that could exceed the amount of the existing provisions, even though these have been valued based on the recommendations of external consultants attributing to the Group an unfavorable effective tax rate, cash position, earnings, financial situation and outlook.

The Group's intellectual and industrial property rights may be challenged.

The Group owns or uses intellectual and industrial property rights, including trademarks, logos and domain names that it uses in its business. Over the past few years, the Group has set up a monitoring system for its portfolio of brands and domain names in order to defend its rights. However, the Group cannot be certain that the measures undertaken to protect its intellectual and industrial property rights will be effective or that third parties will not infringe, misappropriate or terminate its intellectual or industrial property rights. Given the importance of recognizing the Group's brands, particularly the Fnac brand, any infringement or misappropriation could have a material adverse effect on the Group's image, operations, financial position or earnings.

The main shareholder of the Company holds a significant percentage of the Company's shares and can influence decisions made by the Company.

After the distribution by Kering of the Company's shares to its shareholders and the admission to trading of the Company's shares on Euronext Paris, the Artémis Group holds 38.66% of the Company's share capital and voting rights and 3 of the 9 members of the Board of Directors have ties to it. As such, depending on the participation rate at the Company's General Meetings, the Artémis Group can influence the adoption or rejection of resolutions submitted for approval by Company shareholders at such meetings and/or at Extraordinary General Meetings, in particular with respect to the appointment or removal of members of the Board of Directors, approval of the annual financial statements and dividend distributions, authorizations related to capital increases, mergers, contributions, or any other decision requiring shareholder approval.

6.3 Market risks

The Group has set up an organizational structure which enables it to manage market risks on a centralized basis. Within the Group, risk management is the responsibility of the "Group Treasury Department." The Group believes that monitoring market risk at the Group level allows for more effective risk management.

Currency risk

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

The Group makes the vast majority of its sales and incurs the vast majority of its costs in the accounting currency of each country.

Exposure to currency risk is detailed in section 5.2, note 27.2 to the consolidated financial statements.

Under the terms of the takeover of Darty plc, Fnac is offering Darty shareholders a partial alternative in cash up to a maximum of 66.7 million pounds sterling. The Group has put in place an options structure to hedge the exchange risk of this deal. This is described in section 4.2.3.5 "Net cash flows from investing activities".

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 27.1 to the consolidated financial statements.

Liquidity risk

Group financing

On April 19, 2013, the Group entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate, for a three-year period. The purpose of this facility is to finance the Group's working capital requirement.

The credit facility contains clauses customary for this type of financing, namely financial commitments, general restrictive covenants, the Group's own restrictive covenants, and events of default.

On July 24, 2014, the Group signed an amendment to the revolving credit facility with the lending syndicate. The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in case of changes in the stake of Artémis in the capital of Groupe Fnac.

All of these clauses are detailed in section 4.2.2.2 “Financing under the Loan Agreement” of this Registration Document.

For the proposed acquisition of Darty, the Group has negotiated finance facilities with a syndicate of European banks for a total of €865 million. This includes a revolving credit facility of €400 million intended to finance the working capital requirement of the combined entity and a bridge-to-capital-markets loan of €465 million. The latter is for a period of one year from November 19, 2015, the date of signing the loan agreement, with an option to extend for six months. It may be used specifically to finance the cash component of the deal for a maximum amount of £66.7 million and to refinance the 7-year bond debt of €250 million issued by Darty plc on February 28, 2014.

Groupe Fnac could be exposed to a liquidity risk if the effective completion of the takeover occurs later than the maturity date of the bridge financing or if the Group finds it is unable to issue new financial securities before the expiration of the bridge financing due to conditions in the financial markets.

Risks related to the early repayment clauses are described in the section “Financial risk” below.

At Thursday, December 31, 2015, all financial covenants were being complied with (see section 5.2, note 31.4 to the consolidated financial statements).

Centralized cash management

Fnac SA has entered into centralized cash management agreements for an unlimited term with some of its French subsidiaries and with its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group’s cash management in order to encourage coordination and optimization of the utilization of cash surpluses or coverage of aggregate cash requirements within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their investment program with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group’s Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group’s Brazilian subsidiary has a specific loan that was granted by Fnac SA.

Exposure to liquidity risk is detailed in section 5.2, note 27.5 to the consolidated financial statements.

Credit and/or counterparty risks

Credit risk: due to its great number of customers, the Group does not consider it is exposed to a significant concentration of credit risk. However, the development of its franchise and BtoB activities could, in the future and despite requiring guarantees or insurance policies, have an unfavorable effect on the Group’s cash flow, earnings, and financial position.

Generally, Groupe Fnac is not exposed to a particular credit risk on its financial assets.

Volatility of the market price of the Company’s shares

Stock markets experience significant fluctuations which are not always related to the results of operations of the companies whose shares are being traded. These market fluctuations may have a material adverse effect on the market price of the Group’s shares.

The market price of the Group’s shares could also be materially affected by many factors that affect the Group, its competitors, general economic conditions, or the specialty retail market (in particular the entertainment and consumer electronics segments). The market price of the Company’s shares could fluctuate significantly, particularly in response to factors such as:

- substantial block trades of shareholdings in a market of low daily trading volumes or changes in the reported financial results of the Group or its competitors;
- announcements made by the Group’s competitors or other companies with similar businesses and/or announcements relating to the specialty retail market (particularly the retailing of entertainment products and consumer electronics) or to the financial and operating performance of these companies;
- adverse political, economic or regulatory developments in the countries and markets in which the Group operates;
- announcements relating to changes in the Group’s shareholder base;
- announcements relating to changes in the Group’s officers or key employees; and
- announcements relating to the Group’s scope of consolidation (acquisitions, disposals, etc.).

6.4 Financial risk

Artémis Group Agreement – A reduction in the Artémis Group's interest in the Company could have an impact on the Group's financing conditions.

Kering's main shareholder, the Artémis Group, holds approximately 38.66% of the Company's share capital and voting rights after Kering's distribution of Company shares to Kering shareholders and the admission to trading of the Company's shares on Euronext Paris. The Loan Agreement stipulates early repayment of the sums made available by the pool of lenders and the cancelation of the credit facility in the event that Artémis (through one or more of its subsidiaries), directly or indirectly, ceases to hold at least (i) 38.8% of the capital or voting rights of the Company before April 18, 2015 (the second anniversary of the date the Loan Agreement was signed in April 2013) or (ii) 25% of the capital or voting rights of the Company at any time after that date through to April 18, 2016. In a separate agreement, Artémis is committed (on its own and its subsidiaries' account) through to April 18, 2016 (initial maturity date of the Loan Agreement signed in April 2013) not to trigger an early repayment event and cancelation of the credit facility under the Loan Agreement solely due to the occurrence of the Trigger Event. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase, directly or indirectly (through one or more of its subsidiaries) any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or to other securities of the Company. Any reduction of the Artémis Group's shareholding in the Company prior to the maturity of the Loan Agreement (for example, if Groupe Fnac were to decide to undertake a share capital increase in which Artémis did not participate) would trigger an early repayment event under the Loan Agreement, which could have an immediate material adverse effect on the Group.

The Artémis Group's equity undertaking in the capital of Groupe Fnac was not changed after renegotiation of the loan agreement signed on July 24, 2014. The associated early repayment clause has been maintained in its initial form without extension through to the new maturity date of the loan agreement (July 24, 2017 instead of the initial date of April 18, 2016).

More generally, including after the expiration of the Loan Agreement, a reduction by Artémis of its interest in the Company could adversely affect the Group's ability to secure financing and the conditions of such financing, which could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

The Group may not be able to comply with the restrictive covenants under the Loan Agreement.

The Group may be unable to comply with some of its obligations under the Loan Agreement, particularly the restrictive covenants, due to circumstances affecting the Group's markets or operations. Failure to meet any of the stipulations, especially those of the covenants, could constitute a default under the terms of the Loan Agreement, and entitle the agent of the Loan Agreement (Société Générale) who could, and must if so requested by the lenders, (i) terminate with immediate effect the undertakings of each lender, (ii) declare early repayment of all the amounts due under the Loan Agreement (including accrued interest on these amounts and any other amounts payable under the Loan Agreement), and (iii) redeem the sureties pledged by members of the Group. In the event that all amounts under the Loan Agreement are declared immediately due and payable, the Group may lack sufficient cash to make such payments and it is possible that the assets pledged by the borrowers, and their other assets, where applicable, would not be sufficient to ensure its full repayment. This situation could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets. At December 31, 2015, all financial covenants were being complied with (see section 5.2, note 31.4 to the consolidated financial statements).

The Group's undertakings under the Loan Agreement could reduce its flexibility to conduct its business.

The Loan Agreement includes covenants that significantly reduce the Group's flexibility to conduct its business, including but not limited to restrictions on the granting of security interests or guarantees, restrictions on mergers and restructuring transactions, restrictions on certain investments or asset disposals and restrictions on changing the financial structure of the Group including its indebtedness. The resulting inability to change its corporate structure or business could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

6.5 Insurance

General overview

All the policies taken out by the Group are on conditions tailored to the scale and type of the Group's risks.

The Group's insurance policy is coordinated by the Group's Legal and Insurance Department, whose role is to identify risks, quantify their impact and reduce them by:

* recommending preventive measures for risks that can be eliminated or reduced by these means; or
* scheduling financing arrangements, including transfer to the insurance company of risks of an exceptional nature where the potential impact is high and the frequency is low.

This requires each Group subsidiary to provide the Group Legal and Insurance Department with information aimed at identifying and quantifying risks and to implement appropriate resources to ensure business continuity in the event of an incident. Based on this information, the Group Legal and Insurance Department negotiates with the major players in the insurance and reinsurance industry in order to find the cover best suited to the Group's risk coverage requirements.

Risk prevention policy

The aim of the risk prevention, precaution and protection policy, which is implemented at the subsidiary level, is to identify, assess and reduce the exposure, occurrence and intensity of incidents, through:

* audits of the main operational facilities;
* appraisals of value-at-risk;
* following the recommendations of security professionals;
* internal control procedures;
* staff training; and
* implementation of appropriate emergency plans.

The Group's insurance policy

The Group's policy of transferring material risks to insurance companies is primarily determined by:

* the best economic balance between risk cover, premiums and deductibles; and
* the offer and constraints in the insurance market, and applicable local regulations.

Under its insurance policy, the Group favors the "all risks with exceptions" approach, which is determined by assessing the financial consequences for the Group of potential claims, specifically in terms of:

* third-party liability: personal injury or damage to property caused to third parties due to products, installations and equipment;
* property damage resulting from fire, explosion, water damage, riots, terrorism, war or other causes; and
* operating losses following direct damage.

For the franchises, the Group has adopted the principle of absorbing claims that are small in terms of cost (especially for All-Risks and Third-party Liability). This contributes to setting up preventive actions to reduce the incidence of claims.

The setting up of insurance coverage is based on determining the level of coverage required to cope with the reasonably estimated occurrence of the risk of liability, damage or other risks for each facility and company concerned. This appraisal takes into account assessments made by insurers, as underwriters of the Group's risks.

Uninsured risks are those for which no coverage is offered on the insurance market or where insurance is offered at a cost that is disproportionate to the potential benefits of such insurance.

As is the case for comparable groups, these risks are managed within the Group's general approach to risk management.

The main insurance programs which the Group has taken out pool the purchase of insurance coverage, to which all of the Group's subsidiaries adhere. This coverage is underwritten by international insurance brokers that specialize in the coverage of major risks with reputable insurers.

Main insurance programs

The main insurance programs taken out by the Group to cover the risks it faces in its operations are described below. Where necessary, they may be supplemented by local programs specific to the country in question:

Damages and operating losses: The principal purpose of this policy is to insure the Group especially against damage resulting from fire, explosions, water damage, theft, natural disasters affecting property (buildings, furniture, equipment, merchandise, IT installations) and those for which the Group is liable, and against consequential operating losses, for an estimated necessary period of time before normal business can be resumed. The total amount of the damage covered under these policies varies according to the risk and the geographical area under consideration. This amount is accordingly capped at €370 million per loss.

Third-party liability: This policy chiefly covers operating risks and post-delivery or post-service risks of physical injury or material damage caused to third parties due to the activity of any of its subsidiaries or products sold by the Group. The amount of damages covered in this respect is capped for the Group for an insured period expiring December 31, 2016. Thus the amount of damages covered during this period Is 75 million euros per claim.

Transport of merchandise: These policies cover the business activities of the stores, subsidiaries and the fnac.com website, especially the risk of damage, theft, loss or major events (excluding acts of war) during transportation conducted by Group subsidiaries, from the delivery of merchandise by suppliers through to delivery in store or to the intended recipient. The amount of damages compensated under this policy in 2015 is commensurate with the risks run. Accordingly, the amount of the damage indemnified under the policy is capped at €10 million per claim.

Insurance costs borne by the Company: The costs borne by the Company for all the insurance policies during the past year amounted to approximately €1.9 million.

6.6 Risk management

The Group closely associates risk management with internal control. The Group's risk management and internal control systems rely on a series of resources, procedures, and actions aimed at ensuring that proper measures are taken to identify, analyze and control:

* risks that could have a significant impact on the Company's assets or the realization of its objectives, whether operational, financial or related to compliance with laws and regulations; and
* the activities, efficiency of its operations and efficient use of resources.

For more information on risk management and internal control procedures (including with respect to the Group's subsidiaries), see the report on risk management and internal control procedures in section 3.5 of the Registration Document.

6.6.1 The risk management system

The implementation of the risk management system at Fnac is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.6.1.1 Organization

Managing the exposure to decentralized risks at the country level is the responsibility of the Managing Director in each country and local executives who are closest to the risks relating to the operations they conduct or oversee.

Managing the exposure to centralized risks at "Group" level relies on work carried out on risk mapping, identification and assessment, carried out by the Internal Audit, Financial Control, Risk Prevention, Legal and Strategy Departments.

A Fnac risk management policy was formalized in 2011 and is based on the COSO II guidelines. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

In addition, the Group has a dedicated Security, Safety & Risk Prevention division whose objectives at Group level are to harmonize procedures, reduce risks, and optimize security costs by promoting synergies and raising the awareness of all Fnac personnel.

6.6.1.2 Procedure

The risk management procedure is organized into three chronological steps:

* risk identification – At Fnac, risk identification is an ongoing process. It allows key risks to be identified and centralized, based on type, either by the Risk Prevention Department or by the Internal Audit Department;
* risk assessment – At Fnac, this approach is also documented at least once a year during a risk self-assessment process headed by the Internal Audit Department. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, human, legal or reputational nature) and assess the likelihood of their occurrence, as well as the required level of risk management;
* risk processing – During this final step, the most appropriate action plan(s) is/are identified.

6.6.1.3 Oversight

The risk management system is subject to regular monitoring and review, which allows for ongoing improvements. Risk management is overseen by Groupe Fnac's Audit Committee.

That Committee meets at least once a year to review the risk map prepared by the Group's executive management, and check the progress of dedicated action plans.

The Group also conducts regular internal audits to assess and improve the effectiveness of its risk management systeMs. The Group's Internal Audit Department consists of one Director and two internal auditors.

6.6.2 Risk mapping

Under its risk management and internal control procedures, the Group maps the principal risks to which it is exposed. The Group assesses the potential impact of each risk that is identified. The risk maps are updated regularly and allow the Group to define and monitor the various action plans that are implemented to reduce or manage these risks. The risks identified in the most recent Group risk map are described in the previous parts of this section 6 on "Risk Factors".

7

Information on the Company, capital and shareholders

7.1 The Company

7.1.1 History and development

7.1.1.1 Company name

The name of the Company is “Groupe Fnac”.

7.1.1.2 Place of registration and registration number

The Company is registered under No. 055 800 296 with the Créteil Business and Trade Registry.

7.1.1.3 Date of incorporation and term

Date of incorporation

The Company was incorporated on December 15, 1917.

Term of the Company

The term of the Company is January 1, 2100, unless it is dissolved early or extended.

7.1.1.4 Registered headquarters, legal form and applicable law

Registered headquarters

The headquarters of Groupe Fnac are located at 9, rue des Bateaux-Lavoirs, ZAC Port d’Ivry, 94200 Ivry-sur-Seine, France (telephone: +33 1.55.21.57 93).

Legal form and applicable law

Groupe Fnac is a French joint stock company *(société anonyme)* specifically governed by the provisions of Book II of the French Commercial Code.

Previous corporate form

The Company was initially incorporated as a joint stock company (société anonyme). It was transformed into a simplified stock company by a unanimous resolution of the shareholders on June 4, 2002. On September 26, 2012, the Company’s partners approved the transformation of the Company into a French joint stock company (société anonyme) with Board of Directors.

7.1.2 Articles of incorporation and bylaws

The Company’s bylaws were written pursuant to the laws and regulations governing French joint stock companies with a Board of Directors. The principal stipulations below are taken from the Company’s bylaws, as adopted by the Company’s Ordinary and Extraordinary Shareholders’ Meeting of April 17, 2013.

They were amended:

* under the terms of the Twentieth Resolution passed by the Ordinary and Extraordinary Shareholders’ Meeting of the Company on May 29, 2015 no double voting rights, as instituted by Law 2014-384 of March 29, 2014, were granted;
* under the terms of the Twenty-Third Resolution passed by the Ordinary and Extraordinary Shareholders Meeting of May 29, 2015, in order to harmonize Article 22 of the bylaws with the new legal provisions resulting from the Decree of December 8, 2014 which from then on provided for (i) a “record date” two days before the General Meeting instead of three, and (ii) proof that the securities of a voting shareholder are registered in an account and no longer in the bearer shares register.

7.1.2.1 Corporate purpose

Article 2 of the Company’s bylaws provides that its purpose is to:

* create, operate and develop commercial or industrial establishments in the sectors of the distribution of cultural, educational, musical, leisure, electronic and computer products and services, services for individuals and companies, or personal, home and office equipment, directly or indirectly by setting up subsidiaries or acquiring interests, throughout the world;
* acquire, administer and sell financial securities or interests of any type in any entity with a lawful purpose, irrespective of the legal form, including unincorporated entities, throughout the

world and for any length of time or duration, and carry out any transaction on these financial securities or interests, directly or indirectly by setting up subsidiaries or acquiring interests;

* carry out any transactions, including of a financial, investment or real estate nature, relating directly or indirectly or being necessary or practical for any reason, including being related or ancillary, to the above.

To this end, the Company may act, directly or indirectly, on its own behalf or on behalf of third parties, either alone or in a partnership, association or company with any other company, individual or enterprise and carry out any transaction that comes within the scope of its purpose.

7.1.2.2 Fiscal year

From January 1 to December 31 of each year.

7.1.2.3 Administrative, management, supervisory bodies and executive management

Board of Directors

Internal rules of the Board of Directors

The Board of Directors has internal rules whose purpose is to specify the operating procedures of the Company's Board of Directors.

Members of the Board of Directors (Article 12 of the Bylaws and Article 1 of the Board's internal rules)

The Board is composed of at least three and no more than eighteen members, subject to exceptions allowed by applicable law, including in the case of a merger.

A person cannot be appointed Director if, having passed the age of 70, his or her appointment has the effect of increasing the proportion of Board members of that age above one-third of total members. If, because a Director has reached the age of more than 70, the above proportion of one-third is exceeded, the oldest Director shall be deemed to have resigned at the conclusion of the next Annual General Meeting.

The Directors are appointed for a term of three years under the conditions set forth by law by the General Meeting. The Directors are eligible for re-election and may be dismissed at any time by a General Meeting. In the event that one or more Directors' seats are vacant, the Board may make provisional appointments of Directors, in compliance with the law, which will be subject to ratification at the next Annual General Meeting. A Director appointed under these conditions to replace another Director remains in office during the time remaining on his predecessor's term of office. The Board members' terms of office may be arranged in such a way as to allow for a renewal of members as regularly as possible.

The Board must ensure balance within its membership and within the committees of Board members that it establishes, by taking the necessary measures to ensure that its duties and those of its committees are fulfilled with the required independence and objectivity.

The proportion of independent members, where possible, must be at least one-third within the Board of Directors, at least two thirds within the Audit Committee and at least half within the Nomination and Remuneration Committee and the Corporate, Social and Environmental Responsibility Committee. Independent member qualification is not a value judgment on the qualities and competences of Board members.

Whenever a member's term of office is renewed or a new member is appointed to the Board and at least once a year prior to the publication of the Company's Annual Report, the Board assesses the independence of each of its members (or nominees). During this assessment, the Board, following the opinion of the Nomination and Remuneration Committee, examines the qualification of each of its members (or nominees), on a case-by-case basis, with respect to the criteria below, particular circumstances and the situation of the interested party in relation to the Company. Shareholders are informed of the assessment's conclusions through the Annual Report and, where necessary, the General Meeting is also informed thereof when electing new Board members.

The assessment of independence of each Board member must include the following criteria:

* in the past five years, the member is not nor has been a Company employee or corporate officer, or an employee or Director of any company that has consolidated the Company, or of a company consolidated by the Company;
* the member is not an officer of a company in which the Company is, directly or indirectly, a Director or in which an employee designated as such or an officer of the Company (current or within the last five years) is a Director;
* the member is not a significant customer, supplier, investment banker or commercial banker of the Company, or for which the Company represents a significant proportion of its business, nor being directly or indirectly associated with any such person;
* the member has no close family relationship with a corporate officer;
* the member has not the Company's Statutory Auditor during the past five years;
* the member has not been on the Company's Board for more than twelve years as of the date on which the member was appointed to the current office.

For Board members holding ten per cent or more of the Company's capital or voting rights, or representing a legal entity holding such an interest, the Board, upon recommendation of the Nomination and Remuneration Committee, shall assess the qualification of independence by taking into account the composition of the Company's capital and whether there is any potential conflict of interest.

The Board may hold that a member of the Board, even though he or she meets the above criteria, should not be deemed independent due to his or her particular situation or that of the Company, due to its shareholding structure or on any other ground. Conversely, the Board may hold that a Board member who does not meet the above criteria is nonetheless independent.

Chairman of the Board of Directors (Article 14 of the Bylaws and Article 1 of the Board's internal rules)

The Board elects individuals from among its members to serve as Chairman and Vice Chairman, for terms not exceeding their term of office as a Board member. Their duties include calling and chairing Board meetings. The Chairman is eligible for re-election and may be dismissed at any time by the Board of Directors. At no time may he or she be more than 65 years of age.

Committees of the Board of Directors (Article 15 of the Bylaws and Article 1 of the Board's internal rules)

The Board may decide to set up permanent or temporary committees from among its members in order to facilitate the operations of the Board and to provide effective assistance in preparing its decisions. These committees are charged, under the responsibility of the Board, with examining the subjects that the Board or its Chairman submits for their examination and advice to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal rules specific to each committee and approved by the Board.

As of the date of this Registration Document, the Board has decided to establish the following permanent committees: (i) an Audit Committee, (ii) an Nomination and Remuneration Committee and (iii) a Corporate, Social and Environmental Responsibility Committee (see section 3.2.3 "Board of Directors Committees" of this Registration Document).

Operation of the Board of Directors (Article 15 of the Bylaws and Article 5 of the Board's Internal Rules)

The Board is convened by its Chairman, or Vice Chairman or upon the request of at least one-third of the Directors. In the latter case, the Chairman or, failing this, the Vice Chairman must convene the Board within fifteen days of receipt of the request.

The Board may be convened by any means, including verbally. The person who gave notice of the Board's meeting sets the meeting's agenda.

The Board meets at least four times a year, and at any other time, as often as the Company's interests require it. A provisional schedule of each year's meetings is sent to the Directors by November 30 of the preceding year, at the latest. The frequency and duration of meetings must be such as to allow a thorough examination and discussion of matters coming within the Board's authority.

Meetings are chaired by the Chairman of the Board or, in his or her absence, the Vice Chairman or, in his or her absence, by the oldest Director or by any other Director appointed by the Board.

The Board can only deliberate if at least half its members are present. Persons present at the meeting for the purposes of calculating the quorum and the majority shall be deemed to include the Directors who take part in the meeting via videoconference facilities or other appropriate means under the conditions provided for by the law and regulations. All Directors may give a written proxy to another Director to represent them at a meeting of the Board of Directors. Each Director may only hold one proxy per meeting.

Decisions are taken by a majority vote of the members present, deemed present or represented. In the event of a split vote, the vote of the Chairman of the meeting shall be decisive.

The Board of Directors shall appoint a Secretary, who can be chosen from outside its members.

A register of attendance shall be kept for meetings of the Board and minutes shall be taken, as provided by the laws and regulations in force. The attendance register shall mention the attendance of members by videoconference or by any other means of telecommunication.

The Duties of the Board of Directors (Articles 13 and 17 of the Bylaws and Articles 3 and 4 of the Board's internal rules)

The Board carries out the duties and exercises the powers entrusted to it by law and the Company's bylaws. It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly attributed to the Shareholders' Meetings and within the limits of the corporate purpose, it handles all issues affecting the Company's operations and regulates the Company's affairs by its deliberations.

The Board carries out the audits and verifications it deems necessary. The Board is regularly informed of the Company's financial and cash position, as well as the Company's or Group's commitments and obligations. The Chairman and Chief Executive Officer communicate to the Directors, on an ongoing basis, any information concerning the Company of which they are aware and which they consider useful or relevant to communicate.

The Chief Executive Officer must obtain the Board's prior consent for any of the following transactions or decisions:

* issues and transactions that materially affect the Group's strategy, financial structure or scope of business;

* the following transactions conducted by the Company or any entity controlled by the Company to the extent that each of these transactions exceeds an amount set by the Board of Directors:
  - any investment or divestment, including an acquisition or sale or exchange of interests in any existing or future companies,
  - any borrowing (or series of borrowings) or loan of money or early repayment of a loan of any kind.

The Board of Directors also oversees the Company's and Group's proper governance, in order to ensure a high level of sustainable development and transparency consistent with the Group's, Group Directors' and employees' corporate social responsibility.

Compensation of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's Internal Rules)

The General Meeting may allocate an annual fixed sum to Directors as Directors' fees, which are distributed among Directors as determined by the Board. On the recommendation of the Nomination and Remuneration Committee, the Board:

* distributes freely among its members the Directors' fees allocated to the Board by the General Meeting; a portion determined by the Board is deducted from the aggregate amount allocated to the Board and paid to committee members, based on their presence at the Committee meetings;
* determines the amount of compensation paid to the Chairman and Vice Chairman; and
* may allocate to some of its members exceptional remuneration for missions or duties assigned to them.

Executive Management

Chief Executive Officer (Article 17 of the bylaws)

a) Appointment of the Chief Executive Officer

If the Board of Directors chooses to separate the functions of Chairman and Chief Executive Officer (CEO), it shall appoint the CEO from among the members of the Board or from outside it, and shall also set his or her term of office and compensation and, as applicable, the limits to his or her powers. At no time may the CEO be more than 65 years of age.

b) Powers of the Chief Executive Officer

The CEO is invested with the all powers necessary for acting in the Company's name under any circumstances and shall exercise these powers within the limits of the corporate purpose and what the law expressly assigns to the General Meetings and to the Board of Directors. The CEO represents the Company in its relations with third parties.

Some of the CEO's decisions are subject to the prior consent of the Board (see above). Moreover, the Board sets, under the conditions set forth by law, either a total amount below which the CEO may give, with or without the option of delegating, commitments in the name of the Company in the form of sureties, endorsements or guarantees, or an amount above which each of the above commitments may not be given. All transactions exceeding the global ceiling or maximum amount set for commitments must be authorized by the Board.

The CEO may grant, with or without the option of substituting, any delegation to any corporate officer that he or she elects, subject to the restrictions provided for by law.

Chief Operating Officers (Article 18 of the Bylaws)

Upon the CEO's recommendation, whether this position is held by the Chairman of the Board or by another person, the Board may appoint one or more natural persons charged with assisting the CEO, with the title of Chief Operating Officer (COO). The maximum number of Chief Operating Officers is set at five. At no time may a Chief Operating Officer be more than 65 years of age.

Should the CEO cease or be prevented from exercising his or her duties, the Chief Operating Officer(s) shall, unless otherwise decided by the Board of Directors, keep their positions until the appointment of the new CEO.

In agreement with the CEO, the Board of Directors determines the extent and duration of the powers given to the Chief Operating Officers. The Chief Operating Officer(s) shall hold, with regard to third parties, the same powers as the CEO.

7.1.2.4 Rights, privileges, and restrictions on shares

The shares may be freely traded under the conditions prescribed by law.

Each share gives the right to a part of the Company's assets and profits and to a portion of the surplus remaining in the event of liquidation, in proportion to the number and par value of existing shares.

Under the terms of the Twentieth Resolution passed by the Ordinary and Extraordinary Shareholders' Meeting of the Company on May 29, 2015, no double voting rights, as instituted by Law 2014-384 of March 29, 2014, were granted.

As a result, each shareholder has as many votes as he has shares, subject to the provisions of the regulations in force or the bylaws.

Each time that the ownership of a certain number of securities is required in order to exercise a given right, especially in the case of exchange, conversion, consolidation or allocation of securities, capital reduction, merger, demerger, or any other transaction, a number of securities fewer than the amount required does not give the owner any right vis-à-vis the Company. In this case, their holders shall be personally responsible for obtaining the requisite number of securities or a multiple of this number, and the provisions of Article L. 228-6 of the French Commercial Code shall apply to odd lots.

7.1.2.5 Changes in shareholders' rights

Any change in rights attached to shares in the Company is governed by applicable legal and regulatory provisions.

7.1.2.6 Annual Meetings

Convening Annual Meetings

The Company's Annual Meetings are convened under the conditions and according to the procedures and timetables set forth by the regulations in force and the Company's bylaws. They are held at the registered office or in any other place stated in the notice of meeting.

Attendance and voting at Annual Meetings

Any shareholder may participate in shareholders' meetings, personally or through a proxy, under the conditions defined by the regulations in force, with proof of identity and ownership of his or her securities through registration of those securities in his/her name (or, for as long as the Company's shares are listed for trading on a regulated market in the name of the intermediary registered on the shareholders' behalf pursuant to the regulations in force) no later than the second business day preceding the meeting at midnight (Paris time) either in the accounts of registered securities kept by the Company or, for as long as the Company's shares are listed for trading on a regulated market, in bearer share accounts kept by any authorized intermediary. Proof of the status of shareholder can be provided electronically, under the conditions set by the applicable laws and regulations.

Upon a decision by the Board of Directors published in the notice of meeting that such forms of telecommunication are permitted, shareholders who participate in the meeting by video-conferencing or by any means of telecommunication, including the internet, which allow for their identification under the conditions provided by the regulations in force, are deemed to be present for the purposes of calculating the quorum and majority.

Any shareholder may vote from a distance or by proxy in accordance with the regulations in force using a form prepared by the Company, completed and returned to it in accordance with the regulations in force, including electronically or electronic transmission, by decision of the Board of Directors. To be accepted, this form must be received by the Company under the conditions provided by the regulations in force.

By prior decision of the Company's Board of Directors, the recording and signing of electronic forms may be achieved by a reliable identification process that meets the conditions stated in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code and may consist of a user name and password, or any other means consistent with applicable regulations. The proxy or the vote cast electronically before the meeting, as well as the confirmation of receipt issued, shall be considered as irrevocable written instructions enforceable against all parties; it is specified that, if ownership of securities is transferred before the second business day at midnight (Paris time) prior to the meeting, the Company shall invalidate or accordingly modify the proxy or vote, as applicable, cast before that date and time.

Conduct of Annual Meetings

The meetings are chaired by the Chairman of the Board of Directors, or, in his or her absence, by a Director specially delegated for that purpose by the Board. Otherwise, the meeting shall elect its own Chairman.

The minutes of Meetings are prepared and copies are certified and delivered in accordance with the regulations in force.

7.1.2.7 Clauses of the bylaws that could have an impact on a change of control of the Company

The Company's bylaws do not contain any provisions that would, to the Company's knowledge, have the effect of delaying, deferring or preventing a change of control of the Company.

7.1.2.8 Shareholding thresholds and identification of shareholders

Declaration of thresholds

The following declarations of share ownership thresholds surpassed by registered intermediaries or fund managers for the year 2015 have been notified to the Autorité des Marchés Financiers (AMF):

In 2015:

* in a letter dated January 16, 2015, DNCA Finance declared that, as a result of the sales made by both DNCA Finance and DNCA Finance Luxembourg, these two companies, on January 12, 2015, fell below the threshold of 7% of shares and voting rights in Groupe Fnac. On that same date, these Companies held 1,135,333 shares of Groupe Fnac stock, representing 6.84% of the capital and voting rights in Groupe Fnac;
* in a letter dated March 19, 2015, M&G Limited declared that Prudential plc, indirectly through M&G Investment Funds 7 and M&G Investment Funds 12, had fallen below the threshold of 9% of the capital and voting rights in Groupe Fnac. As a result, as of March 19, 2015, these two entities together held 1,492,782 shares of Groupe Fnac representing 8.99% of the capital and voting rights in Groupe Fnac;
* in a letter dated October 1, 2015, M&G Limited declared that Prudential plc, indirectly through M&G Investments Funds and M&G Investments Funds 7, had dropped below the threshold of 8% of the capital and voting rights in Groupe Fnac on October 1, 2015. On October 1, Prudential plc, through M&G Investment Management Ltd and M&G Investment Funds 7, held 1,319,913 shares of Groupe Fnac representing 7.9% of the capital and voting rights of Groupe Fnac;
* by letter dated October 26, 2015, M&G Investment Management Limited declared that Prudential, indirectly through M&G Investment Limited et M&G Investment Funds (7), had exceeded the threshold of 8% of the capital and voting rights in Groupe Fnac on October 20, 2015. On October 20, Prudential plc, through M&G Investment Management Ltd and M&G Investment Funds 7, held 1,335,160 shares of Groupe Fnac stock, representing 8% of the capital and voting rights in Groupe Fnac;
* in a letter of December 9, 2015, DNCA Finance declared that, following sales executed by DNCA Finance Luxembourg on December 7, 2015, these two companies had dropped below the threshold of 5% of shares and voting rights in Groupe Fnac and held 814,300 shares of Groupe Fnac, representing 4.87% of the capital and voting rights of Groupe Fnac;
* in a letter dated December 11, 2015 Axa Investment Managers declared that, on December 3, 2015, it had exceeded the threshold of 3% of the capital and voting rights of Groupe Fnac. On that date, it held 532,668 shares, representing 3.19% of the capital and voting rights of Groupe Fnac.

In 2016:

In a letter dated January 14, 2016, Norges Bank declared that on January 12, 2016, it had exceeded the 3% threshold of the capital and voting rights of Groupe Fnac. On that date, it held 511,973 shares, representing 3.07% of the capital and voting rights of Groupe Fnac.

If the Company's shares are listed for trading on a regulated market, in addition to the legal obligation to notify the Company of the holding of certain percentages of share capital, any individual or corporate entity acting alone or collectively, who holds or ceases to hold, directly or indirectly, a percentage of the Company's share capital or voting rights of 3% or more or any multiple of 1% above 3%, has an obligation to notify the Company by registered letter with acknowledgement of receipt within the time provided for in Article R. 233-1 of the French Commercial Code (at the time of writing, no later than the close of trading on the fourth day of trading following the date of the crossing of the ownership threshold). The provisions of paragraph VI bis of Article L. 233-7 of the French Commercial Code and of the General Regulations of the AMF apply *mutatis mutandis* to the thresholds referred to in this paragraph.

If not declared in accordance with the preceding paragraph, shares exceeding the fraction that should have been declared shall be stripped of their voting rights in Meetings if the absence of such a declaration has been noted at a Shareholders' Meeting and if one or more shareholders holding at least 3% of the Company's share capital or voting rights so request at said Meeting. Such deprivation of voting rights applies to all Shareholders' Meetings held until the expiration of a two-year period following the date on which the declaration is regularized.

Furthermore, as long as the Company's shares are admitted to trading on a regulated market, in addition to the thresholds provided by the regulations in force, any person who solely or jointly comes to hold a number of shares representing more than one-twentieth of the Company's share capital or voting rights, must, in its declaration to the Company, include the information referred to in paragraph VII of Article L. 233-7 of the French Commercial Code as specified in the General Regulations of the AMF.

At the end of each period of six months following their first declaration, any shareholders, should they continue to hold a number of shares or voting rights equal to or more than the percentage referred to in the previous paragraph, must renew their declaration of intention, in accordance with the abovementioned terms, for each successive period of six months.

The Company reserves the right to notify the public and shareholders of any information of which it has been advised or of any failure to comply with the abovementioned obligation by the person concerned.

The ownership percentages are determined using the shares and voting rights referred to in Articles L. 233-7 *et seq*. of the French Commercial Code and the provisions of Articles 233-11 *et seq*. of the General Regulations of the AMF.

To the knowledge of the Company, no shareholders have crossed the threshold of 3% specified in the bylaws without informing the Company.

Identification of shareholders

If the Company's shares are listed for trading on a regulated market, the Company is authorized to use the methods authorized under the regulations in force to identify the holders of securities that grant immediate or future voting rights at the Company's Shareholders' Meetings.

7.1.2.9 Specific provisions governing changes in share capital

The Company's share capital may be increased, reduced or redeemed by any method or means authorized by applicable law.

The Company's General Meeting may decide that any reduction in capital shall be made in kind by delivery of assets of the Company.

7.2 Capital

7.2.1 Share capital subscribed and authorized share capital not issued

The share capital of the Company is €16,687,774, divided into 16,687,774 shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class.

The table below shows the financial resolutions approved by the Combined Ordinary and Extraordinary Shareholders' Meetings of the Company on April 17, 2013 and May 29, 2015.

Subject of resolution	Maximum amount	Duration of the authorization (b)
Authorization to execute transactions on the Company's shares		18 months (b)
Issuance, with maintenance of preemptive subscription rights, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments	€8 million (c)	26 months (b)
Issuance, with elimination of the preemptive subscription rights, and with a mandatory priority period, of shares and/or transferable securities giving rights to capital and/or securities granting rights to the allotment of debt instruments	€3.3 million	26 months (b)
Issuance, with suppression of the preemptive subscription rights, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments, through a public offering	€2.5 million	26 months (b)
Issuance, with suppression of the preemptive subscription rights, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments, through a private investment	€2.5 million	26 months (b)
Issuance of shares or transferable securities giving rights to capital without preemptive subscription rights, in consideration for contributions in kind concerning equity securities or transferable securities giving rights to capital	10% of the Company's share capital	26 months (b)
Authorization granted to the Board of Directors, in the event of an issue without preemptive subscription rights, to set the issue price up to a limit of 10% of the share capital	10% of the Company's share capital	26 months (b)
Capital increase by capitalizing premiums, reserves, profits or other	€8 million	26 months (b)
Increase in the number of shares to be issued in the event of a capital increase with or without preemptive subscription rights	As limited by applicable regulations (currently 15% of the initial issue)	26 months (b)
Capital increase through the issuance of shares or transferable securities giving rights to capital allocated to members of employee share savings plans with suppression of the preemptive subscription rights of the employees	€0.5 million	26 months (b)
Award of stock subscription or purchase options with suppression of preemptive subscription rights	10% of share capital (ceiling shares with the allotments of bonus shares below)	38 months (a)
Bonus allotments of existing shares or shares to be issued to Group employees and corporate officers, or to some of them, with suppression of the preemptive subscription rights	10% of share capital (ceiling shares with the stock subscription or purchase options above)	38 months (a)
Authorization to reduce capital by canceling treasury stock	10% of share capital per 24 months	26 months (b)

(a) On or after April 17, 2013.
(b) On or after May 29, 2015.
(c) All other delegations are charged to this global ceiling.

On three occasions, the Board of Directors used the authorization granted by the General Meeting of April 17, 2013 (30th resolution) to grant stock options with suppression of the preemptive subscription rights. In 2013, by decision dated October 22, 2013, by granting 393,922 subscription options representing 2.37% of the share capital; in 2014 by decision dated February 26, 2014, to grant 211,040 subscription options representing 1.2% of the share capital and, in 2015, by decision dated February 26, 2015 to grant 98,972 subscriptions options representing 0.59% of the share capital, a total of 703,934 options representing 4.21% of the share capital.

At its meeting of February 26, 2015, the Board of Directors also decided to award a plan of 60,839 bonus shares. These shares may be allotted either in the context of a buyback of existing shares, or in the context of an issue of new shares, representing 0.36% of the share capital.

The Company also acted on the resolution authorizing the purchase or sale of Company shares as described in section 7.2.3 below.

7.2.2 Securities not representing capital

As of the filing date of this Registration Document, the Company has not issued any securities that do not represent share capital, with the exception of the perpetual deeply subordinated notes ("TSSDI") in the amount of €60 million, which were redeemed on December 30, 2015. The features of the TSSDI and the redemption are described in section 4.2.2.2 "Financial Debt", point (c) and section 7.7.1 "Transaction with the Kering Group".

7.2.3 Shares controlled by the Company, treasury shares and the Company's acquisition of its own shares

7.2.3.1 Share buyback program in effect on the date the Registration Document is filed

On May 29, 2015, the Ordinary Shareholders' Meeting authorized the Company's Board of Directors, for a period of eighteen months from the date of the Meeting, to implement a buyback program for Company shares, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and pursuant to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum purchase price per share	Maximum amount	Maximum number of shares
Share buyback program	18 months	€100 (excluding acquisition costs)	€165,956,100	10% of the Company's share capital

Authorized objectives

These shares may be acquired at any time within the limits authorized by the legal and regulatory provisions in force, **but not during a public offer period,** especially for the purpose of (i) implementing any Company stock option plans under the provisions of Articles L. 225-177 *et seq*. of the French Commercial Code or any similar plan; or (ii) allotting or transferring shares to employees for their share of the profits of the Company's expansion or the implementation of any Group or company savings plan (or similar plan) under the conditions provided by law, especially Articles L. 3332-1 *et seq*. of the French Labor Code or providing for the free allotment of these shares as a matching contribution of shares and/or as a substitute for the discount, according to the applicable legislative and regulatory provisions; or (iii) the allotment of bonus shares under the provisions of Articles L. 225-197-1 *et seq*. of the French Commercial Code; or (iv) generally, honoring the obligations of share option plans or other share allotments to employees or corporate officers of the Company or an affiliated company; or (v) the remittal of shares on the exercise of rights attached to transferable securities giving rights to capital by redemption, conversion, exchange, presentation of a coupon or by any other means; or (vi) canceling some or all of the shares thus acquired; or (vii) the remittal of shares (as exchange, payment or otherwise) in the context of an acquisition, merger, spin-off or contribution; or (viii) stimulation of the secondary market or the liquidity of the Groupe Fnac share by a market maker under a liquidity contract in accordance with the Ethics Charter recognized by the AMF. This program also has the purpose of implementing any market practice that comes to be accepted by the AMF in future, and, more generally, the execution of any transaction that complies with applicable regulations. In such an event, the Company will advise its shareholders through a press release.

Share buyback to normalize the price under the liquidity contract

Effective June 19, 2013, for a renewable period of twelve months, the Company entrusted Rothschild & Cie Banque with the implementation of a liquidity agreement in accordance with the Ethics Charter established by Amafi and approved by the AMF on March 21, 2011.

To implement this liquidity agreement, a sum of €6 million has been allocated to the liquidity account.

In 2015, under the liquidity contract, 437,730 shares were purchased at an average price of €53.83 for a total amount of €23,561,427, and 437,730 shares were sold at an average price of €53.90 for a total of €23,591,536. Under this liquidity contract, the following resources were in the liquidity account on December 31, 2015: 0 shares and €6,033,307.00.

At the filing date of this Registration Document, the Company does not hold any of its own shares and no shares in the Company are held by any of its subsidiaries or by any third party on its behalf.

7.2.3.2 Description of the share buyback program submitted to the General Meeting of June 17, 2016 for authorization

A new authorization is being submitted for the approval of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 17, called to approve the financial statements for the year ended December 31, 2015, seeking authority for the Board of Directors to implement a new share buyback program for the company pursuant to the provisions of Article L. 225-209 of the French Commercial Code and to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum purchase price per share	Maximum amount	Maximum number of shares
Share buyback program	18 months	€100	€166,877,740	10% of the Company's share capital

These shares may be acquired, within the limits authorized by the legal and regulatory provisions in force, particularly in order to:

* stimulate the secondary market for, or liquidity of, Groupe Fnac shares through an investment services provider under a liquidity contract in accordance with the Amafi Ethics Charter recognized by the AMF;
* retain the shares purchased to remit them later (as exchange, payment or otherwise) in the context of an acquisition, merger, demerger or spin-off; it is specified that the shares acquired for this purpose may not exceed the limit stipulated in Article L. 225-209, 6th paragraph of the French Commercial Code in the context of an acquisition, merger, demerger or spin-off;
* cover share purchase plans and/or bonus share allotment plans (or similar plans) for Group employees and/or corporate officers as well as any allotment of shares under a company or group savings plan (or similar plan), a share in Company profits, and/or any other form of share allotment to Group employees and/or corporate officers;
* cover transferable securities that give the right to Company shares, as required by applicable regulations;
* potentially cancel the shares acquired, subject to authorization to be granted by this Annual Meeting in its twentieth extraordinary resolution.

This authorization is also intended to enable the Company to trade in its shares using any means and for any other authorized purpose or using any market practice permitted now or subsequently by applicable laws and regulations or those accepted by the AMF. If the Company undertakes any transactions outside the purposes mentioned above, it will inform its shareholders by means of a press release.

Acquisitions, sales, exchanges and transfers may be arranged by any means, including by acquiring blocks of shares, and the Company reserves the right to use options or derivative instruments subject to applicable regulations.

The Board of Directors, unless authorized in advance by the General Meeting, may not use this delegation for the remainder of the offer period once a third-party tender offer has been filed for the Company's shares.

7.2.4 Other securities granting rights to capital

On the date this Registration Document was filed, the Company awarded 703,934 stock options and 60,748 bonus shares as described in the Board's Special Report to the assembly, below.

Special Report of the Board of Directors to the Annual General Meeting on grants of stock options and bonus shares (Articles L. 225-184 and L. 225-197-4 of the French Commercial Code)

The mechanism for the allotment of performance shares described in 3.4.2 "Long-term incentives" is achieved partially through stock subscription options and partially through bonus shares.

The principles and implementation of a long-term incentive plan designed for the principal executives of the Group (excluding the corporate officers) were approved by the Board of Directors on October 22, 2013, February 26, 2014 and February 26, 2015 respectively on the recommendation of the Nomination and Remuneration Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013 in its Thirtieth Resolution.

These plans consist of an award of stock subscription options to the executives who are not corporate officers and an allotment of bonus shares to the principal executives, Directors of the Leadership Group, and high-potential executives and managers, in order to link them to the company's performance through the appreciation of its share price.

These options from the stock option plans will be fully vested by the beneficiaries in stages, by tranche, at the end of successive vesting periods subject to the beneficiary's continuing employment in the Group at the end of the relevant period, and will be subject to a Fnac share performance condition defined for each vesting period.

The plan established by the Board of Directors on October 22, 2013 provides for three vesting periods: October 22, 2013 to March 31, 2015 (maturity), October 22, 2013 to March 31, 2016 and October 22, 2013 to March 31, 2017.

The plan established by the Board of Directors on February 26, 2014 stipulates two vesting periods: 1 March 1, 2014 to September 30, 2016 and March 1, 2014 to September 30, 2017.

The plan established by the Board of Directors on February 26, 2015 provides for two vesting periods: 1 March 1, 2015 to September 30, 2017 and March 1, 2015 to September 30, 2018.

Main features	2013 plan	2014 plan	2015 plan
Date of the authorization of the General Meeting	April 17, 2013	April 17, 2013	April 17, 2013
Date of Board of Directors' meeting	October 22, 2013	February 26, 2014	February 26, 2015
Exercise price	€20.28	€23.60	€44.10
Performance conditions	Yes	Yes	Yes
Date of vesting:	March 31, 2015: for 26% March 31, 2016: for 30% March 31, 2017: for 44%	September 30, 2016: for 53% September 30, 2017: for 47%	September 30, 2017: for 54% September 30, 2018: for 46%
Number of stock options initially allotted	393,922	211,040	98,972
Number of beneficiaries as of Dec. 31, 2015	8	8	11
In the process of being vested at December 31, 2015	268,214	211,040	98,972
Cancelled at December 31, 2015	33,544		
Vested at December 31, 2015	92,164 (1st tranche vested at March 31, 2015)		
Total options current being vested at December 31, 2015	578,226		

The duration of the bonus share plan is four years, two acquisition years (March 2015 to February 2017) and two conservation years for French residents (March 2017 to February 2019) and four acquisition years (March 2015 to February 2019) for foreign residents. The acquisition of the bonus shares is subject to an attendance condition and to a performance condition established on an average of stock market closing prices for the Groupe Fnac share at the end of February, 2017.

Main features	2015 plan
Date of the authorization of the General Meeting	April 17, 2013
Date of Board of Directors' meeting	February 26, 2015
Allotment price	€44.10
Performance conditions	Yes
Date of vesting:	For French residents: February 28, 2017 + a two-year lock-in period until February 28, 2019 For foreign residents: February 28, 2019
Number of bonus shares initially allotted	60,748
Number of beneficiaries	131
Currently being vested at December 31, 2015	59,308
Cancelled at December 31, 2015	1,440
TOTAL BONUS SHARES BEING VESTED AT DECEMBER 31, 2015	**59,308**

Companies affiliated to Groupe Fnac under the conditions laid down in Article L. 225-197-2 of the French Commercial Code or controlled by it as defined by Article L. 233-16 of the French Commercial Code have not issued any share purchase or subscription plans.

Diluting effect

As of December 31, 2015, the Company had awarded a total of 578,226 options giving the rights to subscribe to 578,226 shares of the Company, as well as 59,308 bonus shares. At December 31, 2015, there were 16,687,774 Company shares. On that date, if all options (2013, 2014 and 2015 plans) had been exercised, along with all bonus shares vested through the issue of new shares, 637,534 shares would have been created, representing a dilution percentage of 3.82%.

7.2.5 Conditions governing any vesting right and/or any obligation attached to capital subscribed, but not paid up

None.

7.2.6 Share capital of any Group company that is subject to an option or an agreement to place it under option

Except as described in section 7.3 "Shareholders" of this Registration Document, the Company is not aware of any options to acquire all or part of the capital of any company in the Group or any conditional or unconditional agreement to grant an option over all or part of the capital of any company in the Group.

7.2.7 History of the share capital over the last three years

The table below shows the change in the Company's share capital from January 1, until the date this Registration Document was filed.

Date	Nature of the transaction	Capital prior to the transaction (€)	Issue premium (€)	Number of shares prior to the transaction	Number of shares after the transaction	Par value after transaction (€)	Capital after transaction (€)
09/26/2012	Division of the par by 7	6,131,671.00	N/A	875,953	6,131,671	1.00	6,131,671.00
12/27/2012	Capital increase	6,131,671.00	0	6,131,671	6,131,671	89.00	545,718,719.00
04/17/2013	Reduction of capital due to losses	545,718,719.00	N/A	6,131,671	6,131,671	72.00	441,480,312.00
0417//2013	Capital increase	441,480,312.00	0	6,131,671	6,131,671	83.42	511,503,994.82
04/17/2013	Division of the par value and reduction of capital not due to losses	511,503,994.82	494,908,384.82	6,131,671	16,595,610	1.00	16,595,610.00
05/29/2015	Increase in the number of shares by exercise of stock options	16,595,610		16,595,610	16,687,774	1.00	16,687,774

The following major transactions have been executed on the Company share capital between January 1, 2010 and the filing date of this Registration Document:

* the Shareholders' Meeting of September 26, 2012 approved the seven-for-one share split, reducing the par value of each share from €7 to €1, while increasing the number of existing shares sevenfold;
* acting on the authority granted by the General Shareholder's Meeting of November 29, 2012, the Company's Board of Directors, on December 20, 2012, improved an increase in the Company's share capital of €539,587,048, to increase it from €6,131,671 to €545,718,719, by increasing the par value of each of the 6,131,671 shares composing the share capital by €88 per share, the par value of each share rising from €1 to €89. The capital increase was executed on December 27, 2012;
* the General Meeting held on April 17, 2013 modified and reorganized the share capital of the Company along the following lines:
  - the Meeting approved the principle of a reduction of capital, motivated by losses, by €104,238,407, reducing the Company's share capital from €545,718,719 to €441,480,312. This reduction was accomplished by reducing the par value of the Company's shares by €17 per share, which reduced the par value of each of the 6,131,671 shares from €89 to €72. the Meeting decided to charge the amount of the capital reduction to "Retained Earnings", which resulted in a reduction from a balance of -€105,930,998.42 to a negative balance of -€1,692,591.42,
  - the Meeting approved a capital increase of €70,023,682.82, without issue premium, through the increase in the par value of the 6,131,671 outstanding shares of the Company by €11.42 per share, resulting in a per share increase in the par value from €72 to €83.42. This capital increase, which was completed on the day of the meeting, brought the share capital of the Company from €441,480,312 divided into 6,131,671 shares with a par value of €72 each, fully paid, to €511,503,994.82 divided into 6,131,671 shares with a par value of €83,42 each,

- the Meeting approved the principle of the division of the par value of shares in the Company and a capital reduction not motivated by losses, which resulted in a share capital of €16,595,610 divided into 16,595,610 shares with a par value of €1 each. The Meeting allocated the amount of the capital reduction, i.e. €494,908,384.82 to the issue premium item, and decided that said sum would not be distributable, but could later be recapitalized or used to amortize corporate losses. The par value of the shares was divided and the share capital was divided into 16,595,610 shares with a par value equal to the fraction of 511,503,994.82 over 16,595,610,
- the Board of Directors at its meeting of May 29, 2015 noted the capital increase of €92,164 with a share premium of €1,776,921.92 through the exercise of 92,164 stock options; the share capital was therefore raised from €16,595,610 to €16,687,774 (divided into 16,687,774 shares with a par value of €1).

7.3 Shareholders

7.3.1 Shareholders

On December 31, 2015, the share capital and voting rights of the Company were held as follows:

Shareholders	Number of shares	Number of voting rights	% of share capital	% of voting rights
Artémis Group	6,451,845	6,451,845	38.66%	38.66%
Prudential plc	1,317,113	1,317,113	7.89%	7.89%
DNCA	814,300	814,300	4.88%	4.88%
Public	8,104,516	8,104,516	48.57%	48.57%
TOTAL	**16,687,774**	**16,687,774**	**100.00%**	**100.00%**

Artémis Group Agreement – The Loan Agreement requires the early repayment of all amounts owed to all lenders and cancellation of unused commitments in the event that Artémis directly or indirectly (through one or more of its subsidiaries, within the meaning of Article L. 233-3 of the French Commercial Code), ceases to hold at least (i) 38.7% of the Company's share capital or voting rights before April 18, 2015 (the second anniversary of the signature date of the Loan Agreement signed in April 2013) or (ii) 25% Company's capital or voting rights at any time after that date until April 18, 2016 (the "Triggering Event"). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) not to trigger such early repayment and cancellation of unused commitments under the Loan Agreement by sole reason of the Triggering Event until after April 18, 2016. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase, directly or indirectly (through one or more of its subsidiaries) any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or to other securities of the Company.

7.3.2 Shareholders' voting rights

Each share of the Company entitles its holder to one voting right. The Company has not granted any double voting rights. Groupe Fnac's main shareholders do not have different voting rights from the other shareholders.

7.3.3 Control structure

By holding 38.66% of the Company's share capital and voting rights, the Artémis Group is represented on the Board of Directors of the Company and the Board Committees on a minority basis (see section 3.1.1 "Composition of the administrative and executive bodies" of this Registration Document). This representation is also supported by the presence of independent members of the Company's Board and committees, and by the application of the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (see section 3.2 "Functioning of the administrative and executive bodies" of this Registration Document).

7.3.4 Agreements that could result in a change of control

None.

7.4 Stock market information

7.4.1 Equity market

The Groupe Fnac share has been listed on Euronext Paris, Compartment B, since June 20, 2013.

Codes and classification of the GROUPE FNAC share

ISIN code: FR0011476928

Mnemo: Fnac

Euronext code: FR0011476928

Market: Euronext Paris – Local stocks

Compartment: B (Mid-caps)

Indices: SBF250

7.4.2 GROUPE FNAC share price and trading volumes (ISIN code FR0011476928)

At the time of the IPO, the reference price for Groupe Fnac shares was €22.00. On the first day of trading (June 20, 2013), the opening price of the share was €20.03 and the closing price €19.00.

At the end of December 2015, the closing price of the GROUPE FNAC share was €54.30, a very sharp increase of 31% over the year. In addition, Groupe Fnac market capitalization reached €906.1 million.

(€)	Average closing price	High	Low	Number of shares traded on all platforms
January 2015	41.1	45.4	39.0	800,547
February 2015	44.4	53.8	41.7	652,050
March 2015	55.5	58.8	49.6	1,716,769
April 2015	56.2	60.0	52.1	680,893
May 2015	56.6	64.0	50.4	757,594
June 2015	58.6	62.0	52.3	833,830
July 2015	55.1	59.6	50.7	1,091,311
August 2015	51.4	55.9	44.7	850,515
September 2015	50.4	54.6	47.5	1,138,737
October 2015	56.9	60.8	51.2	1,079,915
November 2015	56.6	65.0	51.6	812,127
December 2015	53.6	56.6	50.5	999,711
January 2016	54.1	57.5	51.9	1,310,182
February 2016	55.3	61.2	49.6	1,770,134

(Source: Euronext for the share price and extraction from Bloomberg for the number of shares traded on all platforms).

7.4.3 Financial services establishment

The securities are managed by:

CACEIS Corporate Trust

Investor Relations

14, rue Rouget-de-Lisle

92862 Issy-les-Moulineaux Cedex 9

Tel: 01 57 78 34 44

Fax: 01 57 78 32 19

Email: ct-contact@caceis.com

7.5 Dividend distribution policy

Groupe Fnac's dividend policy and future dividend distributions will be dependent on the Company's financial results, applicable restrictions related to the Group's financing, the implementation of the "Fnac 2015" strategic plan, the financial situation of the Group, general business conditions, and all other factors considered pertinent by the Company's Board of Directors. Notwithstanding these factors, the Group's objective is to follow a dividend policy similar to those adopted by comparable companies in the market (including Darty, Dixons, Best Buy, WH Smith and Home Retail). However, this objective does not constitute a binding obligation for the Company.

Under the Loan Agreement, the Company may make dividend distributions or any other type of distribution related to its capital only to the extent that (A) such a distribution and/or payment does not represent, for a fiscal year, more than 50% of the distributable profits for the previous fiscal year, and (B) no default event under the Loan Agreement is in progress and is not likely to be triggered by such a distribution (see section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document).

The following table shows the net dividends per share distributed by the Company during the course of the last three fiscal years:

Year of distribution	2013	2014	2015
Net dividend per share *(€)* [(a)]	0	0	0

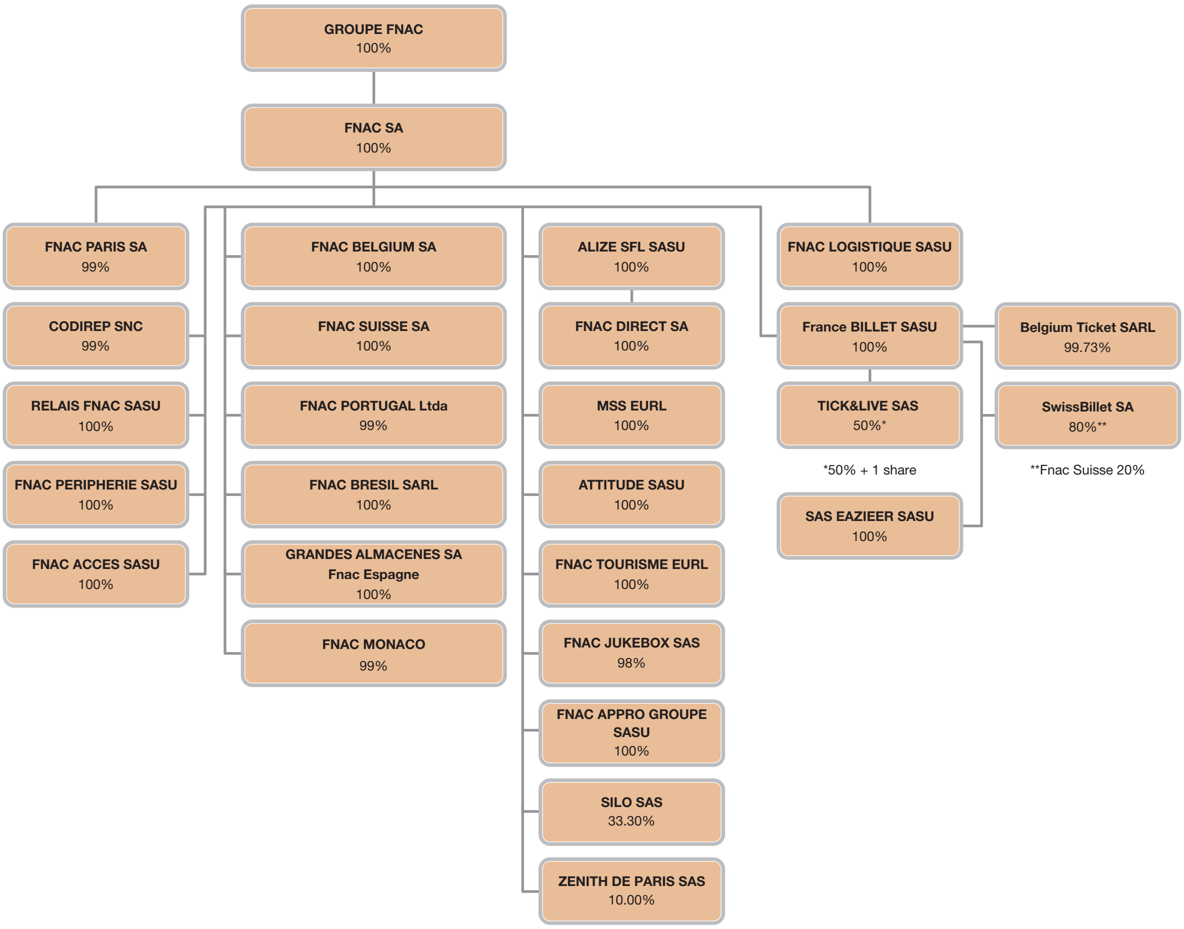
(a) Adjusted to take into account the change in the number of shares and the basis of 16,687,774 shares. See section 7.1.15 "History of the share capital over the past three fiscal years" in this Registration Document.

The Combined Ordinary and Extraordinary Shareholders' Meeting on June 17, 2016 will be asked to appropriate earnings in the amount of €174,684,511.13.

7.6 Organization of the Group

7.6.1 Simplified Group organizational chart

The following organizational chart shows the Group's legal structure at December 31, 2015:



7.6.2 Subsidiaries and equity associates

7.6.2.1 General overview

The Company is the parent company of a group of companies including, as of December 31, 2015, 25 consolidated subsidiaries (17 in France, 1 in Monaco and 7 in other countries). The Company also heads a tax consolidation group comprising 14 French subsidiaries.

The Company is a holding company with no operations in its own right. Its principal asset is nearly 100% of Fnac SA shares [(1)]. The simplified organization chart provided in section 7.6.1 "Simplified Group organizational chart" includes all direct and indirect interests of the Company as of December 31, 2015. The consolidated subsidiaries are also listed in note 35 "List of subsidiaries consolidated as of December 31, 2015" of the Company's 2015 consolidated financial statements in section 5.2.

For a description of the main transactions occurring within the Group see section 7.7.3 "Major intra-group transactions" of this Registration Document.

(1) Not including shares held by members of the Company's Group or by Directors in order to form the requisite number of shareholders.

7.6.2.2 Major subsidiaries

Groupe Fnac's main direct and indirect subsidiaries are described below:

* **Fnac SA** is a French joint stock company *(société anonyme)* with capital of €324,952,656. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under Number 775 661 390. Groupe Fnac holds nearly 100% of the capital and voting rights of Fnac SA. Fnac SA is directly or indirectly the parent company of all the subsidiaries of the Brand and provides most of the management and support functions for the Brand: Operations Department, Department of Information Systems, Sales Department, Purchasing Department, Operating Department, Communication Department, Marketing and Brand Department, Financial Department, Internal Audit Department, Legal Department, Tax Department and Human Resources.
* **Fnac Paris** is a French joint stock company *(société anonyme)* with capital of 21,676,480 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 350127460. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Paris. Fnac Paris's main business activity is the operation of Fnac's stores located in Paris.
* **Fnac Direct** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at 13,583,280 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 377853536. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Direct. Fnac Direct's main business activity is the operation of the fnac.com website.
* **Relais Fnac** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at 70,777,648 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 334473352. Groupe Fnac indirectly holds 100% of the capital and voting rights of Relais Fnac. Relais Fnac includes most of Fnac's regional departments and operates Fnac stores located in major French cities outside Paris.
* **France Billet** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at 352,512 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 414948695. Groupe Fnac indirectly holds 100% of the capital and voting rights of France Billet. France Billet's main business activity is the marketing and retailing of tickets for sporting, artistic, cultural, tourism and entertainment events via a network of local sales outlets, as well as on the fnac.com and francebillet.com websites.
* **Codirep** is a French partnership *(société en nom collectif)* capitalized at 23,085,326 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered in the Créteil Business and Trade Register under number 343282380. Groupe Fnac indirectly holds 100% of the capital and voting rights in Codirep. Codirep's main business is the operation of Fnac's stores located in the Paris suburbs.
* **Alizé – SFL** (Société Française du Livre) is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* company with capital of 38,962,737 euros. Its registered office is located at 3 avenue Charles Lindbergh in Wissous (91320) (France) and it is registered in the Evry Business and Trade Register under number 349014472. Groupe Fnac indirectly holds 100% of the capital and voting rights of Alizé – SFL. The principal activity of Alizé – SFL is the operation of a book store located at 11, rue Rottembourg in Paris in the 12th district, and the supply of services to municipalities, businesses and professionals for their book acquisitions.
* **Fnac Périphérie** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at 8,559,675 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 434001954. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Périphérie. Fnac Périphérie's main business activity is the operation of Fnac's stores in shopping malls or retail parks on the outskirts of cities.
* **Fnac Logistique** is a French single-shareholder simplified joint stock company (société par actions simplifiée unipersonnelle) capitalized at 8,148,416 euros. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 414702506. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Logistique. Fnac Logistique's main business activity is the operation of the Fnac's warehouses.
* **GRANDES ALMACENES Fnac ESPANA** is a Spanish single-shareholder joint stock company (*société anonyme unipersonnelle* – SAU) with capital of 1,202,000 euros. Its registered office is located at Paseo de la Finca 1, Edificio 11 – 2ª planta 28223 Pozuelo de Alarcón, Madrid (Spain) and it is registered in the Madrid Commerce Register under number A-80/500200 (CIF number). Groupe Fnac holds an indirect 100% interest in Grandes Almacenes Fnac España's share capital and voting rights. Grandes Almacenes Fnac España's main business activity is the operation of Fnac's Spanish stores and website.
* **Fnac Portugal** is a Portuguese limited liability company *(Sociedade por Quotas de Responsabilidade Limitada)* with capital of €250,000. Its registered office is located at Edifício Amoreiras Plaza, Rua Professor Carlos Alberto Mota Pinto, No. 9-6B, 1070 1070,374 Lisbon (Portugal) and it is registered with the Lisbon Commercial Register *(Conservatoria do Registo*

Comercial) under Number 503952230. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Portugal. Fnac Portugal's main business activity is the operation of Fnac's Portuguese stores and website.

* **F. Brasil** is a Brazilian limited liability company *(sociedade empresaria limitada)* capitalized at BRL 219,544,468 with registered offices at Praça dos Omaguas, No. 34, Pinheiros, CEP 05419-020, São Paolo, State of São Paolo (Brazil) and it is registered in the Commercial Register (*Cadatro Nacional de Pessoas Juridicas do Ministerio da Fazenda* – CNPJ/MF) under number 02.634.926/0001-64. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Portugal. F. Brasil's main business activity is the operation of Fnac's Brazilian stores and website.
* **Fnac Belgium** is a Belgian joint stock company *(société anonyme)* with share capital of €3,072,000. Its registered office is located at 142, avenue Jules Bordet, 1140 Evere, Brussels (Belgium) and it is registered with the Brussels Register of Legal Entities under number 0421,506,570. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Belgium. Fnac Belgium's main business activity is the operation of Fnac's Belgian stores.
* **Fnac Suisse** is a Swiss joint stock company *(société anonyme)* with share capital of CHF 100,000. Its registered office is located at 5, Route des Moulières, 1242 Satigny (Switzerland) and it is registered with the Canton of Geneva Trade Register under Federal Number CH-660.0.404.000-9. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Suisse. Fnac Suisse's main business activity is the operation of Fnac's Swiss activities.

7.6.2.3 Recent acquisitions and disposals

The main acquisitions and disposals made by the Group during the period covered by the financial statements are described in note 3.1 "Changes in scope of consolidation" in the consolidated financial statements in section 5.2.

7.7 Related-party transactions

7.7.1 Transactions with the Kering Group

Agreement on the issue of TSSDI

In 2013, a regulated agreement was signed consisting of an issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDI") for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code and continued in 2015 but had no impact on the fiscal year. In 2014, there were no shared Directors between Kering BV and Groupe Fnac. During its annual review of regulated agreements, the Board of Directors, on February 26, 2015, therefore noted that the agreement remained in place for 2015, but that it is no longer a regulated agreement.

On December 21, 2015, the Board of Directors approved the repayment of the TSSDI. Repayment was made on December 30, 2015 in the amount of €67,907,958.90; the interest rate had been reduced from 8% to 5% per annum.

Agreement for exit from the Kering SA tax consolidation group of Groupe Fnac and its French subsidiaries

In 2013, a regulated agreement was signed consisting of an agreement to exit from the tax consolidation group formed between Kering SA, Groupe Fnac SA and Groupe Fnac's French subsidiaries.

The agreement stated that tax losses, net long-term capital losses and tax credits made during the period of membership in the Kering consolidation group would be kept through the tax consolidation of the Kering Group.

This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code and continued in 2015. For this reason, it is described in 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. This agreement has no effect on fiscal year 2015. At its annual review of regulated agreements conducted at its meeting on February 17, 2016, the Board approved the continuation of this agreement.

Other transactions with the Kering Group

In addition, the Group continued to benefit in 2015 from an IT multi-service platform operated by Kering for hosting servers and applications (including messaging) for the related services (Internet access, storage, etc.) invoiced to Fnac SA for €1.6 million before tax.

7.7.2 Agreements with Alexandre Bompard

Non-compete commitment

In 2013, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chairman and Chief Executive Officer, Alexandre Bompard. This commitment, limited to a term of two years starting from the end of Alexandre Bompard's term of office, covers the retail sector specializing in cultural and/or technological and leisure products for the mass market in France, Belgium, Spain, Switzerland, Portugal and Brazil. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive the implementation of the clause. This commitment was approved by the Ordinary Shareholders' Meeting of May 15, 2014 pursuant to Articles L. 225-42-1 paragraph 6 and L. 225-38 of the French Commercial Code, and continued in 2015. It is also described in section 3.3.1 "Compensation and benefits of the Chairman-Chief Executive Officer" and is mentioned in section 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. This agreement had no effect over fiscal 2015. At its annual review of regulated agreements conducted at its meeting on February 17, 2016, the Board of Directors approved the continuation of this commitment, conditional on the renewal of the term of office of Director Alexandre Bompard at the General Shareholders' Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of CEO.

Supplemental defined-contribution pension plan

During fiscal year 2013, a regulated agreement was reached consisting of the membership of Chairman and CEO Alexandre Bompard in a supplemental defined-contribution pension plan for all Groupe Fnac executives in France. This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Articles L. 225-42-1 point 6 and L. 225-42-1 of the French Commercial Code. This agreement remained in effect for fiscal 2014. It is also described in section 3.3.1 "Compensation and benefits of the Chairman-Chief Executive Officer" and is mentioned in section 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. The amount of the contribution for this affiliation for 2015 was €10,472.40. At its annual review of regulated agreements conducted at its meeting on February 17, 2016, the Board of Directors approved the continuation of this commitment, conditional on the renewal of the term of office of Director Alexandre Bompard at the General Shareholders' Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of CEO.

7.7.3 Agreement with BDGS

In 2015, a regulated agreement was entered into with BDGS Associés, a law firm specializing in competition law and in market operations, especially cross-border transactions, one of its founding partners being Director Antoine Gosset-Grainville. BDGS Associés was appointed to act in the Darty acquisition project due to its recognized expertise in international mergers and acquisitions involving listed companies. However, the lead law firm is Simpson Thatcher & Bartlett LLP based in London. Given the fact that Darty is listed on the London Stock Exchange, the acquisition project is mainly subject to British law. Other specialist law firms are also involved in specific aspects: financing, retirees and pension funds, competition, etc. Antoine Gosset-Grainville is not actually working on the Darty acquistion project at BDGS Associés. Consequently, due to the legal form of BDGS Associés as a French Limited Legal Partnership (AARPI), he is not liable for the actions taken by BDGS Associés in this project. Furthermore, strict «Chinese walls» procedures have been put in place at BDGS Associés. Lastly, the fees charged by BDGS for its services to Fnac in 2015 represent 1.4 million euros, only a small percentage of the total legal fees.

7.7.4 Major intra-group transactions

* *Tax consolidation agreement:* in 2013, a regulated agreement was signed by Groupe Fnac and its French subsidiaries in which it holds at least 95% of the share capital for the creation of a tax consolidation group in France, effective January 1, 2013.

  This agreement was approved by the Ordinary General Meeting of May 15, 2014 pursuant to Article L. 225-42-1 of the French Commercial Code. In its annual review of regulated agreements in force, on February 26, 2015, the Board of

Directors decided to declassify this agreement into a current agreement concluded under normal conditions in accordance with Article L. 225-39 of the French Commercial Code.

* ***Cash investment and financing agreement:*** Fnac SA has entered into centralized cash management agreements for an unlimited term with its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group's cash management in order to encourage coordination and optimization of the utilization of cash surpluses or coverage of aggregate cash requirements within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their investment program with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA.

* ***Buying agent and reference centralized listing agreements:*** some of the Group's French subsidiaries as well as its Spanish, Portuguese, Swiss and Belgian subsidiaries have concluded purchasing agent agreements with Fnac SA or Fnac Appro Groupe ("FAG") for terms of one year that are renewable for each period for an identical term. These agreements have the purpose of instructing Fnac SA or FAG, as appropriate, to define the relevant subsidiary's procurement policy, select its suppliers and certain products sold in its stores, and negotiate the purchasing conditions for those products. Fnac SA has also entered into centralized product listing agreements with some of the Group's French subsidiaries that have a similar purpose; this also includes the purchase of certain products for each contracting subsidiary. In exchange for these services, Fnac SA or FAG, as appropriate, receives from the relevant subsidiary a percentage of the revenue from the products purchased on its behalf.

  In addition, Alizé-SFL's has entered into purchasing agent agreements for terms of one year that are renewable for each period for an identical term with some of the Group's French subsidiaries. The purpose of these agreements is to instruct Alizé-SFL to negotiate the purchasing conditions and to purchase the merchandise, including books, for each relevant subsidiary. In exchange, Alizé-SFL receives from the relevant subsidiary a fixed sum by number of products billed.

* ***Service agreements:*** Fnac SA has entered into service agreements generally for a term of one year that are renewable by period for an identical term with some of its French subsidiaries and with its foreign subsidiaries. The purpose of these agreements is to make Fnac SA's expertise available to the contracting subsidiaries in the following areas, depending on the relevant subsidiary: communication, accounting, risk prevention, streamlining cash pooling (for companies that have it), internal auditing, management of overheads, legal, management control, IT, human resources management, marketing, development, strategy, logistics and product marketing. Fnac SA's compensation is determined on the basis of the annual expenses incurred to provide the relevant services and is allocated between the subsidiaries receiving the services based on criteria that take into account the beneficiaries' effective revenues and level of services rendered.

* ***"Fnac in a box" agreements:*** Fnac SA has entered into software license agreements with its Belgian and Swiss subsidiaries for Fnac in a Box (FIB); the agreements are for a two-year term and are renewable with tacit consent for three-year terms. The purpose of these agreements is to grant the relevant subsidiary a non-exclusive user license for the FIB software for its operating needs solely within the territory of the country in which it is based. In exchange, Fnac SA receives an annual license fee, calculated annually based on software development, maintenance and investment costs.

* ***Trademark licensing agreements:*** Fnac SA has entered into two- or three-year trademark licensing agreements that are renewable for a one-year term with some of its French subsidiaries and all of its foreign subsidiaries. The purpose of these agreements is to grant, for the territory of only the country in which the subsidiary is based, a non-exclusive license to use "Fnac" trademarks and all other templates and trademarks required to operate a Fnac store or websites belonging to the Group. In exchange, Fnac SA receives an annual license fee based on a percentage of the relevant subsidiary's revenues.

Transactions with related parties are described in note 34 to the consolidated financial statements.

7.8 Major contracts

The major contracts to which the Group has been party over the last two years are presented in section 4.2.2.2 “Financing of the Group after admission of the Company’s shares to trading on Euronext Paris” and in 7.7 “Related-party transactions” in this Registration Document.

8

Additional information about the Registration Document

8.1 Persons responsible

8.1.1 Person responsible for the Registration Document

Alexandre Bompard, Chairman and Chief Executive Officer of Groupe Fnac.

8.1.2 Statement from the person responsible for the Registration Document and the Annual Financial Report

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to the best of my knowledge, these financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the financial position and profit or loss of the Company and of all consolidated companies, and that the Management Report (the cross-reference table of which is presented in section 8.8.1 herein) presents fairly the changes in business, results and the financial position of the Company and of the companies forming part of the consolidated group, and includes a description of the principal risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit, in which they state that they have audited the information relating to the financial position and accounts contained herein and have read this document in its entirety".

Ivry-sur-Seine, April 19, 2016

Alexandre Bompard

Chairman, Chief Executive Officer

8.1.3 Person responsible for financial information

Matthieu Malige

Group CFO

Immeuble Le Flavia

9, rue des Bateaux-Lavoirs

94868 Ivry-sur-Seine Cedex

Tel.: +33 1 55 21 57 93

8.2 Statutory Auditors

8.2.1 Appointed Statutory Auditors

Deloitte & Associés

Represented by Stéphane Rimbeuf

185, avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Deloitte & Associés is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

KPMG Audit, a department of KPMG SA

Represented by Hervé Chopin

Tour EQHO

2, avenue Gambetta

CS 60055

92066 Paris La Défense Cedex

France

KPMG is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

8.2.2 Alternate Statutory Auditors

BEAS

Represented by Dominique Jumaucourt

185, avenue Charles de Gaulle

92200 Neuilly-sur-Seine

BEAS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

KPMG AUDIT IS

Represented by Jay Nirsimloo

Immeuble Le Palatin

Tour EQHO

2, avenue Gambetta

CS 60055

92066 Paris La Défense Cedex

France

KPMG AUDIT IS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

8.3 Statutory Auditors' fees

	Deloitte & Associés			KPMG Audit		
	Amount (net of VAT)			Amount (net of VAT)		
(€ million)	2015	2014	change	2015	2014	change
Statutory audit, certification, audit of the individual and consolidated financial statements	0.6	0.6	0.0%	0.5	0.5	0.0%
Other procedures and services directly related to the Auditors' duties	0.1	0.1	N/A	0.0	0.0	N/A
AUDIT SUBTOTAL	**0.6**	**0.6**	**0.0%**	**0.5**	**0.5**	**0.0%**
Other services (legal, tax and social security)	0.0	0.0	0.0%	0.0	0.0	0.0%
TOTAL	**0.7**	**0.7**	**0.0%**	**0.5**	**0.5**	**0.0%**

8.4 Information from third parties, expert certifications and interest declarations

Some of the information found in chapter 1, "Presentation of the Group," comes from third-party sources. The Company certifies that this information was, to the best of its knowledge, faithfully reproduced and that, to the knowledge of the Company, based on the data published or provided by these sources, no fact has been omitted that would render this information inaccurate or misleading.

8.5 Publicly available documents

Copies of this Registration Document are available free of charge from the Company's head office. This document may also be viewed on the Company's website (www.groupe-fnac.com) and on the website of the Autorité des Marchés Financiers (www.amffrance.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

* Groupe Fnac's bylaws are available on the Company's website (www.groupe-fnac.com);
* any reports, correspondence and other historical financial information or document, assessments and statements prepared by an expert at the Company's request, of which a part is included or referred to in the Prospectus;
* historical financial information included in the Prospectus;
* information about the Darty plc acquisition offer is available on our website at www.groupe-fnac.com.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's head office.

Regulated information pursuant to the AMF General Regulations has been available on the Company's website since the Company's shares were admitted to trading on Euronext Paris.

8.6 Information on equity investments

Information relating to companies in which the Company holds equity that could have a material impact on the value of its assets, financial position or earnings is provided in section 7.6 “Group Organization”, and in note 35 “List of subsidiaries consolidated at December 31, 2015”, in section 5.2 “Notes to the consolidated financial statements for the year ended December 31, 2015”.

8.7 Documents incorporated by reference

Pursuant to Article 28 of EC Regulation No. 809/2004 dated April 29, 2004, this Registration Document incorporates by reference the following information to which the reader may refer:

* for fiscal year ended December 31, 2014: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the Registration Document filed with the AMF on April 28, 2015, on pages 90 to 91, 15 to 25, 89 to 116, 110 to 112, 118 to 175 and page 190;
* for fiscal year ended December 31, 2013: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the Registration Document filed with the AMF on April 24, 2014, on pages 84 to 85, 13 to 20, 84 to 109, 109 to 110, 112 to 170 and page 186.

The information contained in the 2013 and 2014 Registration Documents, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document. The 2013 and 2014 Registration Documents are available at the Company’s head office and in the Finance section of its website www.groupe-fnac.com.

8.8 Correspondence tables

8.8.1 Management Report cross-reference table (Articles L. 225-100 ff. of the French Commercial Code)

Management Report categories	Section
Business activity	
Company's position and business during the fiscal year just ended	4.1.2
Business results for the Company, its subsidiaries and the companies that they control	4.1
Key performance indicators of a financial and non-financial nature	1.1, 4.1.1
Analysis of changes in business, earnings and the financial position	4.1
Progress made or difficulties encountered	4.1.2
Description of the main risks and uncertainties	6
Information about the use of financial instruments: goals and the Company's policy on managing financial risks	5.2.27; 5.2.28
Information about market risk (interest rates, foreign exchange, shares)	5.2.27
Information about country risk	5.2.27
Important events since the closing date of the balance sheet and the date of the Management Report	4.3.2, 5.2.34
Foreseeable developments for the Company and entities included in the consolidated group and future prospects	4.3.1
Changes in the presentation of the parent company (and consolidated) financial statements	N/A
The Company's research and development activities	1.6
Significant equity investments in companies headquartered in France	N/A
Trade payables – payment terms	5.4.16.4
Corporate governance	
List of directorships and positions held in any company by each corporate officer	3.1.1
Total remuneration and benefits in kind paid to each corporate officer during the past fiscal year (including a list of approved principles and rules for determining the remuneration and benefits granted to corporate officers)	3.3
Commitments of any kind made by the Company to its corporate officers	3.3
Transactions completed by Directors and corporate officers on Company shares	3.3.1; 3.2.5
Options granted, subscribed or purchased during the fiscal year by corporate officers, corresponding to compensation components, indemnities or benefits due or that may become due as a result of or subsequent to the assumption, termination or change in these positions	3.3.1
Conditions for the exercise and holding of option by executive corporate officers	3.3.1
Lock-up conditions for bonus shares granted to executive corporate officers	3.3.1
General management method of the Company	3.5.2.2
CSR	
Social information	2.3
Environmental information	2.4
Information about the technological accident risk policy	N/A

Management Report categories	Section
Share capital and shareholder structure	
Employee share ownership	N/A
Main shareholders and ownership structure and voting rights as of December 31, 2015	7.3.1
Information about factors likely to have an impact in the event of a public tender offer	3.5.2.8
Special report on stock subscription and purchase options, and allotments of bonus shares	7.2.4
Information about the share buyback program – transactions carried out by the Company on its own shares (average number and price of purchases and sales, reasons for acquisitions made, percentage of share capital represented, etc.)	7.2.3
Any adjustments to shares conferring entitlement to capital in the event of share buybacks or financial transactions	N/A
Summary table of currently valid capital increase authorizations	7.2.1
Profit or loss for the period and proposed appropriation of earnings	7.5
Other	
Dividends paid during the last three fiscal years	7.5
Comments made by the Works Council on the economic and social position	N/A
Table of the Company's results for the last five fiscal years	5.4.19
Injunctions or monetary penalties for anti-competitive practices	N/A

8.8.2 Annual Financial Report cross-reference table (Article 222-3 of the AMF General Regulations)

Annual Financial Report categories	Section
Groupe Fnac parent company financial statements	5.3, 5.4 and 5.5
Groupe Fnac consolidated financial statements	5.1 and 5.2
Management Report	See Management Report cross-reference table
Statement by the person responsible for the Annual Financial Report	8.1.2
Statutory Auditors' Report on the Annual Financial Statements	5.6
Statutory Auditors' Report on the consolidated financial statements	5.7
Auditors' fees	8.3
Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company	3.5
Statutory Auditors' Report, prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors	3.6

8.8.3 Table corresponding to the categories of Appendix I of European Regulation No. 809/2004

Prospectus number	Prospectus categories	Section
1.	**Persons responsible**	
1.1	Names and positions of persons responsible	8.1.1
1.2	Statement by the person responsible	8.1.2
2.	**Statutory Auditors**	
2.1	Names and addresses of the Statutory Auditors	8.2
2.2	Resignation, removal or non-reappointment	N/A
3.	**Selected financial information**	
3.1	Selected historical financial information	1.1, 4.1.1
3.2	Selected financial information for interim periods	N/A
4.	**Risk factors**	**5.2.27, 6**
5.	**Group information**	
5.1	History and development	
5.1.1	Company name	7.1.1.1
5.1.2	Place of registration and registration number	7.1.1.2
5.1.3	Date of incorporation and term	7.1.1.3
5.1.4	Registered office, legal form and applicable legislation	7.1.1.4
5.1.5	Important events in the development of the issuer's business	1.2, 1.3.4, 4.1.2
5.2	Investments	
5.2.1	Investments	4.2.3.5
5.2.2	Main investments in progress	4.2.3.5
5.2.3	Main investments planned	4.2.3.5
6.	**Business activities of the Group**	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and principal activities	1.4
6.1.2	New products or major services introduced on the market	1.4
6.2	Principal markets	1.3.2
6.3	Exceptional factors	1.2, 1.3.4
6.4	Dependence	5.2.31.5
6.5	Basis for any statements made by the Company regarding its competitive position	1.3
7.	**Organizational chart**	
7.1	Simplified Group organizational chart	7.6.1
7.2	Major subsidiaries	7.6.2.2
8.	**Property, plant and equipment**	**1.6**
8.1	Significant existing or planned property, plant and equipment	1.6
8.2	Environmental issues that may affect the use of tangible non-current assets	2.4
9.	**Review of the Group's financial position and results**	
9.1	Financial position	4.1
9.2	Operating income (loss)	
9.2.1	Significant factors	4.1.2.3

Prospectus number	Prospectus categories	Section
9.2.2	Significant changes to net sales or revenues	4.1.3.2
9.2.3	Strategies or factors that could influence the Company's operations	4.1.2.2
10.	**Group cash and capital resources**	
10.1	Information on the Company's short- and long-term capital resources	4.2.2, 5.1, 5.2.22
10.2	Sources and amounts of the Company's cash flows	4.2.3, 5.2.30
10.3	Information on the Company's borrowing requirements and funding structure	4.2, 5.2.29, 5.2.30
10.4	Information regarding any restrictions on the use of capital that have significantly influenced or could significantly influence the Company's operations, either directly or indirectly	5.2.27
10.5	Information regarding anticipated sources of funds	5.2.26
11.	**Research and Development, patents and licenses**	**1.6, 5.2.31**
12.	**Information on trends and forecasts**	**4.3**
13.	**Profit forecasts or estimates**	**1.3.4**
14.	**Administrative, management, and supervisory bodies and executive management**	
14.1	Administrative, management, and supervisory bodies and executive management	3.1.1
14.2	Conflicts of interest of administrative, management and supervisory bodies and executive management	3.1.2
15.	**Compensation and benefits of senior executives**	
15.1	Compensation of corporate officers	3.3, 5.4.16.1
15.2	Total amount of provisions funded or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits	3.3.1, 5.2.23
16.	**Operation of administrative and management bodies**	
16.1	Date of expiration of current terms of office	3.1.1, 3.2.1
16.2	Service contracts binding members of the administrative, management or supervisory bodies	3.2.2
16.3	Information about the Company's Audit and Remuneration Committees	3.2.3
16.4	Statement of compliance with France's corporate governance system	3.2.4
17.	**Employees**	
17.1	Number and breakdown of employees	2.3.1
17.2	Shareholdings and stock subscription or purchase options held by members of the Board of Directors	3.1.1.1
17.3	Profit-sharing and incentive agreements	3.4
18.	**Principal shareholders**	
18.1	Shareholders	7.3.1
18.2	Shareholders' voting rights	7.3.2
18.3	Control structure	7.3.3
18.4	Agreements that could lead to a change in control	7.3.4
19.	**Related-party transactions**	**7.7**
20.	**Financial information regarding the issuer's assets and liabilities, financial position and earnings**	
20.1	Historical financial information	5.1, 5.3, 5.4.19
20.2	Pro forma financial information	N/A
20.3	Financial statements	5.1, 5.3, 5.4.19
20.4	Audit of the historical annual financial information	
20.4.1	Statement of audit of the historical financial information	5.1, 5.3, 5.4.19
20.4.2	Other information verified by the Statutory Auditors	3.6, 3.7

Prospectus number	Prospectus categories	Section
20.4.3	Source of financial information not extracted from the issuer's audited financial statements	8.4, 8.7
20.5	Date of latest financial information	5.1, 5.3
20.6	Interim financial and other information	N/A
20.7	Dividend distribution policy	7.5
20.7.1	Amount of dividend per share that may be adjusted to enable comparison when the number of the issuer's shares has changed	N/A
20.8	Judicial and arbitration proceedings	5.2.31.6
20.9	Material change in the financial or commercial position	5.5
21.	**Additional information**	
21.1	Share capital	
21.1.1	Share capital subscribed and share capital authorized but not issued	7.2.1
21.1.2	Securities not representing share capital	7.2.2
21.1.3	Shares controlled by the Company, treasury shares and acquisition of its own shares by the Company	7.2.3
21.1.4	Other securities granting rights to the capital	7.2.4
21.1.5	Terms governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid-up	7.2.5
21.1.6	Share capital of any Company of the Group that is the subject of an option or an agreement to place it under option	7.2.6
21.1.7	History of the share capital over the past three fiscal years	7.2.7
21.2	Articles of incorporation and bylaws	
21.2.1	Corporate purpose	7.1.2.1
21.2.2	Administrative, management, and supervisory bodies and executive management	7.1.2.3
21.2.3	Rights, privileges, and restrictions on shares	7.1.2.4
21.2.4	Changes in shareholders' rights	7.1.2.5
21.2.5	Annual Meetings	7.1.2.6
21.2.6	Provisions of the bylaws that could have an impact on a change of control of the Company	7.1.2.7
21.2.7	Share declaration thresholds and identification of shareholders	7.1.2.8
21.2.8	Specific provisions governing changes in share capital	7.1.2.9
22.	**Major contracts**	**1.4.2, 1.4.3, 4.1.2.3, 7.7, 7.8**
23.	**Information from third parties, expert certifications and interest declarations**	**8.4**
24.	**Publicly available documents**	**8.5**
25.	**Information on equity investments**	**5.2.35, 8.6**

8.9 Glossary of alternative performance indicators

Indicator title	Indicator definition	Sections reconciling indicators with financial statements
EBITDA	EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets	4.1.3.7
EBITDAR	EBITDAR = EBITDA before rental income from real estate assets.	4.1.3.7
Free cash flow from operations	Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.	4.2.3.7
Changes in revenue at constant exchange rates	Changes in revenues at constant exchange rates means that the impact of changes in the exchange rate have been excluded. The impact of exchange rates is eliminated by recalculating sales from year N-1, based on exchange rates used for Year N.	4.1.3.2
Changes in revenue on a like-for-like basis	Changes in revenue on a like-for-like basis means that the impact of changes in scope is corrected in order to exclude modifications such as acquisitions or disposals of subsidiaries. Revenues of subsidiaries acquired or sold since 1 January of year N-1 are excluded from calculations of the change.	4.1.3.2
Changes in revenue on a same-store basis	Changes in revenue on a same-store basis means that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed since 1 January of year N-1 are excluded from calculations of the change.	4.1.3.2

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