FNAC DARTY

2017

Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT

CONTENTS

FNAC DARTY

2017 REGISTRATION DOCUMENT

including the Annual Financial Report

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This is a free translation into English of the Registration Document issued in French and it is provided solely for the convenience of English speaking users.

Quote
from the Chief Executive Officer

Enrique MARTINEZ,
Chief Executive Officer
of Fnac Darty

Since 2010, Fnac and Darty have anticipated the advent of omnichannel and have successfully completed the necessary transformations of their business model.

The rapid progress of the Fnac Darty integration allowed the Group to post solid results in 2017, up sharply and including more than 65% of the €130 million in synergies expected by the end of 2018.

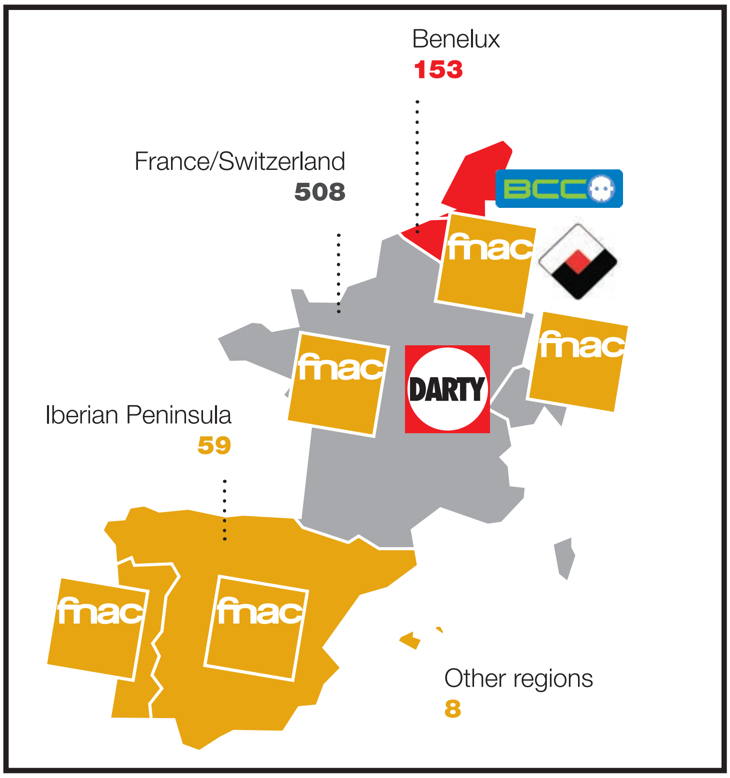
With the roll-out of its Confiance+ strategic plan carried by its 26,000 employees, all driven by a quest for excellence in the service of a single group, Fnac Darty is resolutely on the offensive.

The Group offers an extensive and diversified product offering as well as a unique range of services to its millions of customers.

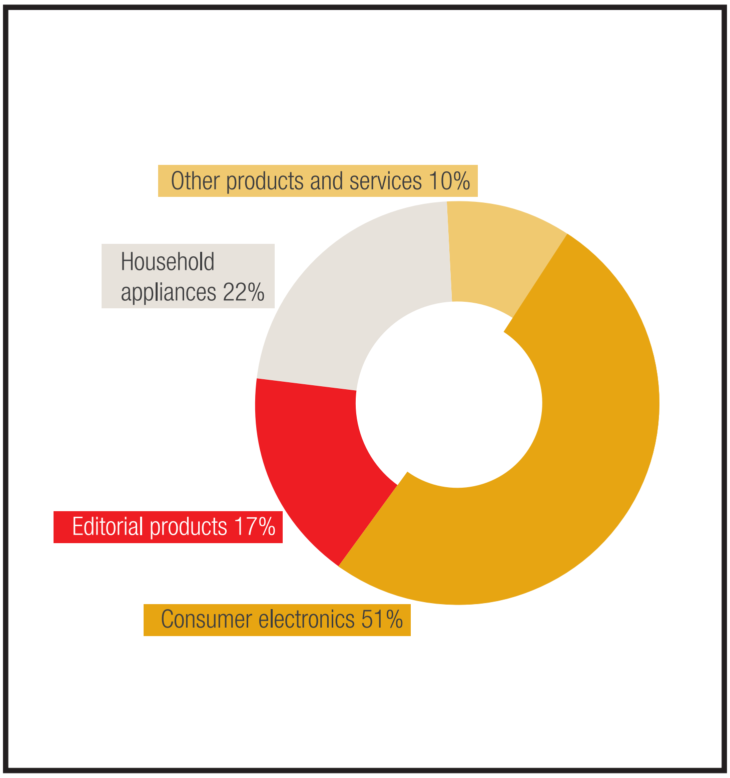
Fnac Darty has thus become a key omnichannel platform meeting the market's highest standards.

The Fnac Darty **network**

NUMBER OF STORES BY REGION



PRODUCTS AND SERVICES



Fnac Darty in 2017

- Presentation of the *Confiance+* strategic plan in December 2017.
- More than 65% of the total target of €130 million in synergies by the end of 2018 already achieved.
- Launch of Darty+ in October 2017 based on the Fnac+ model.
- Nearly 280 Darty stores now eligible to pull from fnac.com orders.
- Expanded delivery offers with a range of services unique in the market.
- Exclusive partnerships with Deezer and Google for an enhanced customer experience.
- 78 stores opened, including 58 franchise stores.
- Approximately twenty shop-in-shops opened, both Fnac at Darty and Darty at Fnac.

Key figures

- Revenues: **€7.4 billion**
- Number of employees: **26,000**
- Number of stores: **728**
- **2nd** largest E-commerce retailer in France (1)
- Weight of omnichannel sales: **47%** of online orders

(1) Source Fevad / Mediamétrie at September 30: An average total of 19.9 million unique visitors per month.

1

Presentation of the Group

1.1 / Fnac Darty: a leader in omnichannel distribution

1.1.1 / A EUROPEAN LEADER

With €7.4 billion in revenues and 26,000 employees, Fnac Darty is one of the top 3 omnichannel retailers in Europe. Its position as leader is based in particular on the high volume of traffic: 266 million visits to stores in France and an average of 19.9 million cumulated unique online visitors per month in France. The Group operates in 11 countries, including France, Belgium, the Netherlands, Spain and Portugal.

Fnac Darty is the leader in consumer electronics in France and is an essential actor in the distribution of editorial products: it is the largest bookseller with more than 46 million books sold. The Group is also a major player in the household appliances market and is a leader in France in event ticket sales.

1.1.2 / TWO ICONIC BRANDS

The Group has two renowned and recognized brands, which benefit from strong brand recognition since their creation more than 60 years ago. The Group provides unique offerings to its customers and an attractive retail network to its suppliers.

The two brands together constitute a stronger network based on their complementary reputations. In effect, Fnac benefits from a 99% spontaneous brand recognition in France. And Darty benefits from 98% spontaneous brand recognition.

1.1.3 / A DIVERSIFIED AND BALANCED PRODUCT OFFER

The Group is able to present a balanced offer, built around product categories with synergistic high-growth, high-margin profiles.

The Fnac and Darty banners each distribute brown and gray products (51% of revenues), a sector with short innovation cycles. This shared offer is enhanced on the one hand by Fnac's strength in editorial products (17% of revenues), and on the other by Darty's leadership position in the white goods market (around 22% of revenues). The sale of other products and services (more than 10% of revenues) such as Games & Toys, Stationery, Kitchen offerings, after-sales service, warranties and ticketing are solid levers for growth. The product offer is described in section 1.3.3 "A diversified range of products and services" of this Registration Document.

1.1.4 / AN OMNICHANNEL PROPOSITION WHICH MEETS CONSTANTLY EVOLVING CUSTOMER EXPECTATIONS

With a total of 19.9 million cumulated unique online visitors on average per month [1], Fnac Darty is positioned as France's second-largest e-commerce retailer in its markets. The Group is also able to provide its clients with websites by brand and by country of operation, making for nine websites in total.

Online activity proved very dynamic in 2017, boosted in particular by the development of marketplaces (in France, Spain, Portugal and Belgium), and the improvement of online platforms in the Iberian Peninsula.

The Group combines the omnichannel capacities of Fnac and of Darty. Omnichannel sales now represent 47% of Internet sales. By bringing together its in-store and online offerings, it can provide innovative services, such as:

- click & mag;
- click&collect;
- two-hour delivery.

These services guarantee seamless integration of in-store and online purchasing experience and are described in detail in section 1.4.3.2 “First-rate operating efficiency”.

1.1.5 / DENSIFICATION OF THE MULTI-FORMAT STORE NETWORK, REINFORCING CUSTOMER PROXIMITY

The Group benefits from a dense network of stores under different formats, both directly owned and franchises, installed in city centers, shopping malls, retail parks outside large cities, and train stations and airports, in order to adapt to the traffic in each area served.

Its international exposure is strengthened through in 11 different countries, particularly with a larger European presence.

At the end of December 2017, Fnac Darty had a network of 728 stores (510 in France), which allows the Group to be closer to customers. The Group operates 520 directly owned stores and 208 stores under franchise. In 2017, the Group opened 78 stores (62 in France), 58 of which are franchises.

Going forward, the Group intends to continue expanding its territorial network to strengthen its omnichannel presence. Expansion will rely primarily on franchising. 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. For example, the Group capitalized on the respective partnerships created with Intermarché and Vindemia for the “Proximity” format, with Lagardère Services for the “Travel retail” format, and with SEDADI for the Fnac “Connect” format. Backed by all the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the omnichannel strategy. Section 1.4.3.1 “Optimized and digitized multiformat stores” of this Registration Document describes each format in detail.

(1) Source: Fevad/Médiamétrie as of September 30, 2017.

1.2 / History

1.2.1 / HISTORY OF FNAC

1954 Since its founding by André Essel and Max Théret in 1954, Fnac has had a remarkable history built on passion, boldness, and adaptation to changing consumer patterns.

From the outset, the two founders wanted to break the mold of traditional business, 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 and so on.

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

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

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.

1969 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.

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 cemented Fnac's concept and the Company's identity as a cultural player.

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.

1980 Fnac stock was first traded on the Paris Bourse. 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.

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

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

1998 The Brand opened its first store in Lisbon, Portugal.

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.

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

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

2011 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.

2012 The Brand disposed of its activities in Italy and sped up and strengthened its network with the opening of new store formats operated directly or via a franchise.

2013 In keeping with its strategic refocus, Kering embarked on the spin-off of Fnac by listing it for trading on June 20, 2013.

2015 Groupe Fnac made an offer to acquire Darty 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.

2016 Groupe Fnac shareholders decided to implement a strategic partnership with Vivendi. Simultaneously, Vivendi became the shareholder of 15% of Groupe Fnac's capital through a reserved capital increase in the amount of €159 million.

In July 2016, the brand obtained authorization from the French Competition Authority and took over Darty.

1.2.2 / HISTORY OF DARTY

1957 Creation of the Darty brand.

"A customer is satisfied only when the product he purchases works and performs as expected", observed the young brothers Natan, Marcel and Bernard Darty as they dealt with customers. This observation would become the basis for their business practices. In the months following creation of the brand in 1957, they therefore offered low prices and rapid delivery and repair. The formative years were thus dedicated to learning how to apply the gold standards of business, and to developing the family company in Paris and its suburbs. The Darty brothers, who initially worked in textiles, opened their first commercial space specializing in radio and television sets, in Montreuil (93) outside of Paris.

1965 Darty in Paris: Opening of the second Paris store, in the Belleville district.

1968 In May, opening in Bondy (93) of the first department store specializing in household appliances over an area covering 800 m^2. Creation of first after-sales service team.

1969 Creation and installation of the subsidiary Caprofem, a wholesaler in home appliances, in Pantin (93), outside of Paris.

1973 Birth of a concept: Launch of the program offering "A bottle of champagne if you find a lower price elsewhere", to reinforce Article 2 of the Contract on reimbursing the difference. For the first time, a distributor committed in writing to guaranteeing its customers prices, choices and services. This contract thus became the company's identity, applying to all employees.

1974 Overview: Darty had one warehouse, 11 stores and 908 employees. 45 trucks made 400 deliveries per day.

1975 40,000 m^2: The figure above was the surface area of the Darty warehouse in Mitry-Mory, the largest in Europe dedicated to home appliances.

1976 Listed for trading: The share price was 300 F. One third of the capital was available to the public. Darty then had 20 stores and 1,845 employees.

1984 Darty created Dacem, ensuring the supply and management of spare parts and accessories for household appliances.

Partnership with "Envie", a charitable aid network for social integration through work in the recovery and repair of devices past their useful life.

1988 Growth and dynamism: In April 1988, the management team took the initiative, with the support of the founders, to launch a takeover bid allowing Darty employees to assume ownership of their own company. The operation was a success: 90% of the 6,521 employees participated, taking control of 56% of the capital. It is still the largest MBO (management buyout) in Europe. Acquisition of a 49% stake in the company New Vanden Borre, a specialist retailer in home appliances in Belgium.

Darty opened its 100th store.

1989 Darty on television: Darty was the first distributor to sponsor a television show, the weather report. This sponsorship is still in place.

1993 Incorporation into the Kingfisher group: In 1993, Darty joined the European Kingfisher group which, after a spin-off in 2003, became Kingfisher Electricals SA (KESA). During this time frame, Darty adapted its range of services to meet new customer expectations by becoming a distributor of multimedia solutions and developing its darty.com website. It also changed the interior design of its stores.

1996 First website: Darty launched its first website (which would go on to become a retail site three years later). Customers who make purchases on www.darty.com or over the phone enjoy the benefits of the Confidence Contract.

1999 Telephone support: Darty created a 24-7 technical helpline specifically for its "multimedia" customers.

2003 Improved shopping experience: Darty changed the interior layout of its stores to make customers feel more welcome and improve their shopping experience.

2006 DartyBox: With DartyBox, Darty became a service provider (Internet, telephone, television).

2007 Successful launch of the Darty Card: This customer loyalty card offers customers access on darty.com to all of the products purchased, as well as their warranties, instructions and a selection of similar products. Creation of the first made-to-measure kitchen space in the store within the new Darty store on Rue de Rivoli in Paris.

2014 Opening of the first franchise store in Challans: With the opening of its first franchise store in Challans (Vendée), Darty's goal was to reach the 30% of the French population that does not have a Darty store nearby.

Confidence Contract: Launch of the Darty Button to celebrate the fortieth anniversary of the Confidence Contract. A major innovation, this small connected device allows customers who subscribe to the service to receive telephone support on all home products purchased from Darty or elsewhere, whether under warranty or not. At the simple push of a button, customers get called back right away, 7 days a week, 24 hours a day.

2015 In-home repair and delivery: Darty offers in-home repair and same-day delivery for large household appliances and televisions. The brand is always at the cutting edge of innovation and is the only brand to offer these services immediately.

1.2.3 / MAJOR STAGES OF THE MERGER BETWEEN FNAC AND DARTY

Beginning September 2015, Fnac expressed its intention to purchase Darty in order to create a European leader in specialized retail.

On November 20, 2015, Groupe Fnac announced the terms of a recommended pre-conditional offer for the acquisition of all of Darty's capital. This offer received the formal support of certain Darty shareholders representing more than 23% of Darty's capital.

As part of the bid to acquire Darty, on May 18, 2016, Fnac published its Offer Document containing the detailed terms and conditions of its offer for Darty.

At the Combined Ordinary and Extraordinary General Meeting held on Friday, June 17, Groupe Fnac shareholders approved the issue of new Fnac shares to Darty shareholders almost unanimously.

On July 18, 2016, the Competition Authority announced that it had decided to authorize the Groupe Fnac's purchase of Darty. After several months of constructive discussions between Fnac and the Authority, the latter acknowledged that physical stores and online sales were part of the same market, a pioneering decision in Europe. The combined entity will have to sell five existing points of sale and one future point of sale, across the combined networks of Fnac and Darty in France.

On July 19, Fnac's offer was declared unconditional in all respects, with all conditions precedent as described in the Offer Document having been met or lifted. On this date, Fnac announced that it held or had received valid acceptances of the offer to purchase a total of approximately 92.4% of Darty's capital.

On August 1, the first closing date of the offer, Fnac held 98.5% of the share capital of Darty.

On August 17, Darty shares were delisted (from the London and Euronext Paris exchanges). At the end of the squeeze-out period, which was September 12, Fnac had acquired 100% of the share capital of Darty, of which 30.64% was paid in shares.

1.2.4 / 2017 HIGHLIGHTS

Growth of Group sales

In 2017, the Group posted further sales growth with pro forma revenues up 0.4% compared to 2016. The year was marked by a sharp increase in sales in all the geographic regions where the Group operates: France and Switzerland, the Iberian Peninsula, and Benelux. Operating income was €270 million on a pro forma basis, with an operating margin of 3.6%.

Acceleration of Fnac Darty consolidation in 2017 with a deployment of synergies

Continuing initiatives by the Group since 2016 strengthened its value creation potential in 2017. At the end of 2017, synergies have already had a positive impact of €85 million, compared with the €65 million originally targeted. As a result, the Group confidently confirms its target of €130 million in synergies for the end of 2018.

Revenue synergies (€20 million target contribution to current operating income out of a total €130 million) stem from the strong potential for complementarity between the two brands.

Building on commercial initiatives introduced in 2016, such as the opening of a Darty space on the fnac.com marketplace and pick-up of fnac.com purchases in the Darty network, the Group has extended its offering of cross-banner products and services. 15 Fnac stores now host Darty shop-in-shops, while 3 Darty stores have opened Fnac spaces. The first point of sale combining both Fnac and Darty stores was also opened in June. New loyalty programs with benefits offered by both retailers have been extended for Fnac+ or launched with Darty+.

Concerning cost synergies (€110 million target contribution to current operating income), savings stem mainly from synergies related to indirect purchasing and goods (brown products, gray products and small household appliances) and from the mutualization of support functions, which will be facilitated by a new, shared head office.

A new logistics structure allows significant savings to be generated through the revamping of the transport plan across all of France. As for IT, in 2017 the Group continued to mutualize the two banners IT systems as part of its drive for synergies for direct and indirect purchases.

Enhanced content for members

In 2017 the Group forged a strategic alliance with Deezer, a major international player in music streaming and the French leader. Thanks to an exclusive commercial agreement, Fnac can now offer its customers the best music streaming, in addition to the Group's physical products. Fnac and Darty customers will now, as loyalty program members or simply when buying audio and music products, benefit from preferential terms for access to Deezer services.

Continuing expansion of the store network

The pace of expansion has remained very strong in 2017 for both banners, with a total of 78 stores opening throughout the year. Fnac opened 28 stores in 2017 (compared with 27 in 2016), 9 of which were outside of France.

Darty opened 49 stores in 2017, 36 of which were franchised stores in France and 7 of which were integrated stores in Belgium.

The first mixed Fnac Darty franchise was also opened in 2017.

The Group capitalized on the respective partnerships created with Intermarché and Vindemia for the "Proximity" format, Lagardère Services for the "Travel retail" format, and Sedadi for the Fnac "Connect" format. 18 proximity stores, 2 Travel stores, and 1 Fnac Connect opened during the year.

The Group also closed 14 stores in 2017, 11 of which were in France.

Reinforcement of omnichannel

The Group's omnichannel offering was enhanced during the year with new initiatives to permit customers to get the most benefit from both banners. Customers can now collect the purchases they make on fnac.com in 276 Darty stores in France, thereby benefiting from Darty's extensive network. The projects to optimize logistics, like the transfer of the Wissous 2 warehouse, offers customers and the stores the benefits of better services in this area while strengthening the Group's omnichannel platform.

Expansion of Fnac Darty's ecosystem

The Group's omnichannel platform is also enhanced through new partnerships, to boost the value proposition for both customers and partners.

The Group has, accordingly, signed a manufacturing agreement with Carrefour Group, for pooled procurement of consumer electronics and household appliances in France, showcasing the Group's expertise in product ranges.

The Group has also signed a partnership agreement with Google, for a three-month exclusive distribution of Google Home smart speakers. At the same time, a "Darty Button" has been integrated into the Google Home ecosystem, allowing customers direct access to voice-activated product support.

Governance and shareholding

On July 17, 2017, the Board of Directors appointed Enrique Martinez as Chief Executive Officer of Fnac Darty to continue the Group's transformation initiated in recent years, and to complete the process of integrating Fnac and Darty begun in 2016.

On July 26, 2017, Artémis signed over its stake in Fnac Darty to CECONOMY. The agreement, covering 6,451,845 ordinary shares representing approximately 24.33% of the capital of Fnac Darty at June 30, 2017, will permit Fnac Darty's management team to benefit from the support of CECONOMY as a major shareholder, to help deploy its strategy.

Launch of the *Confiance+* plan

In late 2017 the Group launched its *Confiance+* strategic plan (see section 1.4 "Group Strategy: *Confiance+*").

The Group's operational and financial performance is detailed in section 4.2 "Analysis of business activities and consolidated results".

1.3 / Fnac Darty markets and product range

1.3.1 / DESCRIPTION OF MARKETS

The Group is the leader in household appliances, electronics and cultural products retailing in France and is primarily active in the following 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, Sound (hi-fi, headsets and speakers), computers and tablets, telephony and connected devices;
- large household appliances (refrigerators, cookers, washing machines) and small household appliances (vacuum cleaners, cleaning and small kitchen appliances);
- services: after-sales, insurance, gift boxes and gift cards, ticketing.

The size of the primary markets in which the Group is present is described in the table below:

Size of markets in € million before tax (source GFK, February 2018)

	2017	Change compared to 2016		2017	Change compared to 2016
TV & video	1,850	(19.8%)	Books	3,401	(1.4%)
Audio	1,135	3.5%	Audio	418	(7.7%)
Photo	832	(6.7%)	Video	469	(10.1%)
IT	4,691	(3.8%)	Gaming	1,934	16.5%
Telephony	3,000	5.1%	Stationery	1,671	1.2%
Connected Devices	1,626	1.8%	Large household appliances	5,768	4.5%
Games & Toys [(a)]	2,104	(0.9)%	Small household appliances	3,185	2.6%

(a) Source: NPD HT.

1.3.2 / MARKET TRENDS

1.3.2.1 / Digitization of distribution and changes in consumer behavior

The expansion of the Internet over the last fifteen years has radically changed the two banners' markets. These markets have experienced a huge boom in e-commerce, along with a change in the 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 services 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 fact sheets 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 a penetration in the digital sector of 53%, 30% and 46% [1]. Even though the market for digital books is growing in France, it is still a nascent segment representing around 2.5% of the book market in 2017.

1.3.2.2 / Competitive environment

Fnac Darty's main competitors are:

- specialist online retailers, known as pure players, who account for the majority of online sales. They rely on competitive pricing and services 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 spaces (brick & mortar) and, where applicable, via a website (click & mortar). These players usually have an established reputation among the general public because they have existed for a long time and offer a basic range of products. In France, for example, the most well-known are HTM Boulanger, Conforama, But and Cultura;
- mass-market retailers (mainly hypermarket chains like Carrefour, Auchan, Leclerc, Géant Casino and Cora) also offer consumer electronics, editorial products and household appliances;
- ISPs (Internet service providers) and digital platforms (Spotify, Deezer, iTunes) that offer music, VOD (Netflix) and online gaming.

1.3.2.3 / Markets correlated to household income

The Group holds a position as leader in its three main markets: consumer electronics, household appliances, and editorial products.

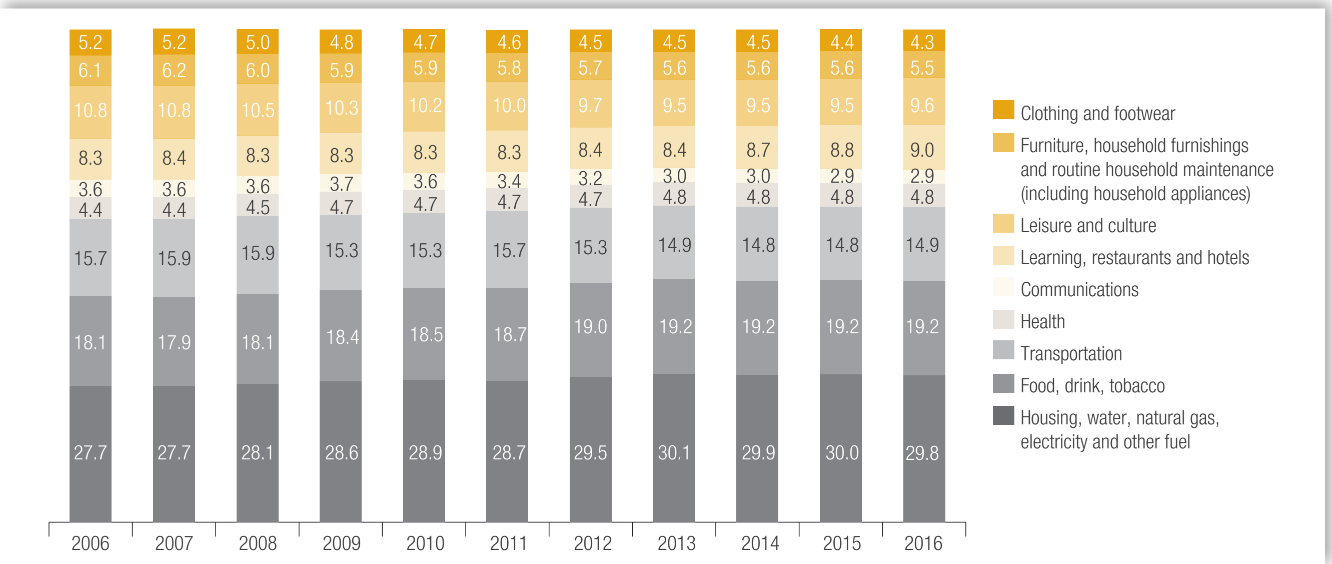
Growth in the consumer electronics, editorial products and household appliance markets is sensitive to changes in disposable household income, which in turn is based on changes in gross domestic product (GDP), the tax burden on households and their rate of savings. Since 2008, the downturn in macroeconomic 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, editorial products and household appliances 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).

(1) Source: GfK.

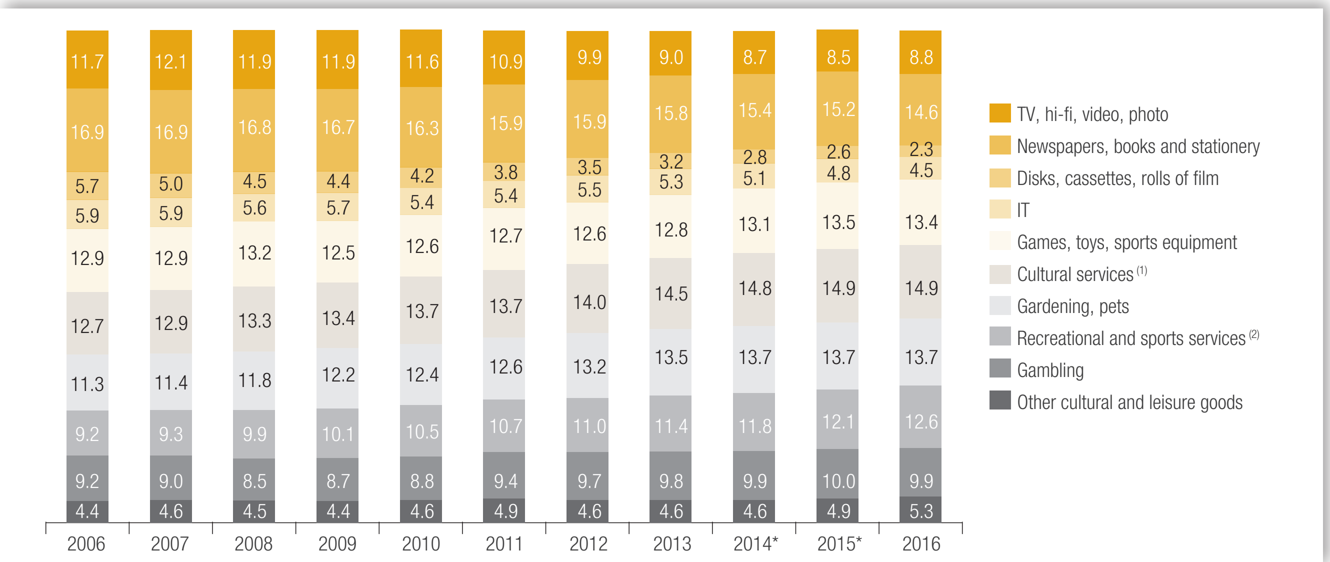
Over the past twenty years, it seems that a growing proportion of disposable household income is allocated to secondary expenses. However, more recently, there is an observable change in this growth, with the proportion of primary expenses in the household budget increasing gradually to the detriment 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 2006-2016.

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



(a) Cinema, live performances, museums, audiovisual subscriptions (including television royalties), photograph development, etc.
(b) Sports, rental of sporting material, fairs and festivals, amusement parks, package trips, weekend trips, etc.
** Revised 2014 and 2015 data.*
Scope: France.
Source: INSEE, national accounts – 2010.

The consumer electronics market, which represented 51% of revenues in 2017, depends heavily on product innovation and household equipment 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. But with the recent appearance of smartphones with large screens, consumers are turning more to telephones than to tablets.

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.

In recent years this market has seen the emergence of new product categories, with a surge in demand for connected devices, for example.

1.3.3 / A DIVERSIFIED RANGE OF PRODUCTS AND SERVICES

The Group is able to propose a balanced offer, built around product categories with synergistic high-growth, high-margin profiles.

The Fnac and Darty brands each distribute consumer electronics (51% of revenues), a sector with short innovation cycles. This shared offer, with strong positioning by both brands, is enhanced on the one hand by Fnac’s strength in editorial products (17% of revenues), and on the other hand, by Darty’s leading position in the white goods market (around 22% of revenues). Other products and services (over 10% of revenues) supplement the Group’s product range with categories such as Games & Toys, Stationery, the fitted Kitchen offering, after-sales service, and warranties, which generate greater margins.

1.3.3.1 / Consumer electronics range

Both the Fnac and Darty brands are positioned as leaders in the retail of consumer electronics including photography, TV & video, sound, “micro-computing”, telephony and connected devices. In 2017, the Group generated consolidated revenues of €3,802 million (pro forma) from the sale of consumer electronics, representing 51% of its consolidated revenues.

This puts the Group at the core of its French and international suppliers’ innovation strategy, as it 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 Darty as one of the distributors providing the best in-store sales experience.

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

In France, the Group is a major distributor of Apple products, and, for example, 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.

The Group 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 to other strategic suppliers such as Google and Samsung, means that the suppliers assume the merchandising or promotional costs at the point of sale.

Since its merger, the Group has strengthened its commercial partnerships with major brands, manifested, for example, in the three-month exclusive agreement with Google to distribute its flagship product, the Google Home smart speaker, in all Fnac and Darty stores and on the Group’s websites.

1.3.3.2 / Editorial products range

Physical products

Editorial products include music, video, books, and Gaming products. In 2017, the Group generated consolidated revenues of €1,253 million from editorial products sales pro forma, representing nearly 17% 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 around 160,000 titles.

As the leading player in the video market with more than 40,000 video, DVD and Blu-Ray titles.

The Fnac brand is the premiere bookseller in France and offers the largest range in the market with over 460,000 titles. In 2017, the Brand sold more than 46 million books in France.

In Gaming, Fnac has a catalog of over 12,000 titles in France, including 6,000 used video game titles.

Digital products

In order to align and position itself in a digitized book 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 2017, the Group finalized an exclusive strategic partnership with Deezer, permitting all Fnac and Darty customers, in-store and on websites, to receive a three-month subscription to Deezer Premium+ when buying any audio product (speakers, headsets, etc.). This exclusive offer is also available to Fnac+ cardholders, Furthermore, customers buying a CD, vinyl, or who are Fnac members, also benefits from an exclusive Deezer Premium+ subscription.

1.3.3.3 / Household electronics range

White goods include small and large household appliances. Large household appliances include products such as refrigerators, washing machines and dishwashers. Small household appliances includes kitchen appliances and accessories, such as microwave ovens, coffee makers, and irons, in addition to beauty and health products such as hair dryers and electric razors. In 2017 the Group achieved pro forma consolidated revenues of €1,613 million on sales of household appliances, amounting to nearly 22% of its consolidated revenues.

Sales of large household appliances are mainly to replace existing goods. Small household appliances benefit from increased innovation (in particular for kitchen appliances, and health and beauty products), which, along with changing lifestyle trends, has caused an increase in sales volumes and in the value of the small household appliances category, particularly with for an upscale in vacuum cleaners, coffee makers and multi-function kitchen robots.

Darty does not sell just the international brands; it also sells a number of its own brands and brands under license. When Darty sells a brand under license, the Group acquires the right to sell merchandise (manufactured exclusively for Darty) under the name of an independent manufacturer, with an established brand image and reputation. Darty uses its own brands under the entry price model for all product ranges, and the brands under license are generally used for points of sale with mid-range prices. Darty's own brands are Proline (used across all product categories), Temium (used for accessories), IT works (used for multimedia), Okoia (used for personal care) and Aerian (used for treating air).

1.3.3.4 / Other products and services

The Group has also continued its efforts to enrich products and services.

After-sales service

The Darty brand is positioned as the leader in France in after-sales service. The brand offers an in-store repair and support service at designated counters and workshops which provide customers with immediate repairs, rather than sending the products to a repair center. A new innovative in-store service concept was launched at three locations in 2017, and will continue to be deployed in 2018 at 30 new sites.

To promote its services in the stores, the Fnac brand has created dedicated "Service Area" sections where customers can get advice on after-sales service, home delivery, warranties or at-home training.

Darty also launched an innovative and unique offer call the "**Darty Button**". It was developed by adding video technology, allowing customers to use the video function on their smartphones to have a visual connection with a customer service agent and speak with the agent by telephone, which in turn facilitates the diagnostic process for Darty personnel. Fnac also offers multimedia assistance over the phone, available seven days a week.

The two brands also offer in-store or at-home training services, and installation of equipment at home.

Darty is staying ahead of the market trend by developing itself as a connected-home operator, to support new consumer behaviors that see connected devices as central to their daily lives. Darty is thus offering dedicated services to enhance all its after-sales services.

Marketplace

Marketplaces, which are intermediary platforms linking buyers and sellers, support the brand's online strategy by increasing the choice available on the sites 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 2,000 professional sellers and several hundred thousand private sellers, who meet Fnac's service quality criteria and are managed by dedicated teams, to be listed and to use the site as a sales interface, making the most of Fnac's visibility, reputation and transaction security in all the countries in which the Group operates.

The revenues generated for Fnac Darty represent a percentage of the commissions taken by the Group on sales by Marketplace sellers.

The Group's strategy is to triple business volumes in the medium term to benefit from this strongly growing market, by increasing the number of sellers and new products and services.

Membership cards

Fnac Darty, as part of strengthening its own customer ecosystem, offers membership programs that combine premium delivery, and exclusive offers and services (Fnac+, Darty+, etc.).

Fnac successfully launched its new "Fnac+" loyalty card in 2016, which includes unlimited access to all delivery services and benefits of the member program.

Darty+ was launched in October 2017 offering unlimited delivery in both brands, including two-hour delivery from the nearest store in 20 cities in France, as well as priority unlimited daily technical support with the "Darty Button". Darty+ customers can also benefit from exclusive rates for breakdown service for all their devices not covered by a Darty warranty.

Franchise

The Group is giving priority to expansion through a franchise model. 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. This mode of operation limits investment costs while furthering the goal of increasing Fnac's visibility at a rapid pace. 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, and must comply with strict rules to maintain the brand's integrity in the eyes of consumers.

The Group's goal is to double its franchised store network in the medium term with 400 stores operating as franchises.

Insurance and warranty

The two banners are marketing warranty extensions for beyond the one or two years offered free of charge. There are also special insurance policies for nomadic products. Fnac also offers a 100% immediate Warranty, which allows a customer to be reimbursed immediately if a product breaks down.

Financing

Fnac also offers a number of financing options in partnership with Sofinco (Crédit Agricole group). Through the membership card or a Mastercard credit card launched in 2017, Fnac offers the option of postponing payment at no charge for up to 40 days depending on the purchase date, the option of payment in tranches and the option of ongoing financing in several monthly installments.

Darty also offers financing solutions and installment payments. The brand recently improved its credit offer with the Darty connected Visa card, to bring added value beyond simply financing a purchase. The payments made with this card allow clients to take advantage of gift cards for their future purchases and other benefits such as free subscription to the connected service offer "The Button", access to special product offers, VIP shopping nights and flexible financing offers, along with credit free of charge.

Subscriptions

The Darty banner has launched many initiatives in the subscriptions market. In order to round out the sale of computers, telephones and televisions, segments in which it is very well placed, Darty is positioning itself as an intermediary by offering Internet plans (in partnership with Bouygues Telecom), telecommunications plans (in partnership with Bouygues Telecom and Orange), and Canal+ subscriptions. It also offers energy plans (electricity and gas) in partnership with Engie and Direct Énergie.

In May 2014, Fnac also launched a quite innovative 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.

Kitchen

In addition, the roll-out of the Kitchen offering at Darty was accelerated with the opening of eight new spaces in France in December 2017. Three Vanden Borre Kitchen stores were opened as franchises in Belgium, under the partnership with Ixina.

Ticketing

Fnac has a Ticketing and Box Office Services Division, with the company known as France Billet (B2C business), making it the leading ticketing and box office player for shows and events, and the companies Tick&Live and Eazieer in B2B activities.

France Billet operates ticketing sites under a white label (which means the sites use solutions and resources provided by Fnac without mention of its name), and it has long-term partnerships with major distribution brands for which it manages ticketing solutions.

In B2B activity, the France Billet subsidiary Tick&Live (merger of Datasport and Kyro), held in partnership with the Fimalac group, provides venues and event coordinators with a complete ticketing solution, and operates ticketing management for sporting events.

Games & Toys

Since November 2011, Fnac has been developing 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, and have a special layout built around accommodating very young children.

Stationery

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

1.3.4 / GEOGRAPHICAL BREAKDOWN

The Group benefits from the complementarity of the network of the two banners in France, with stores in different formats based in city centers, shopping malls, retail parks outside of large cities, and train stations and airports, in order to adapt to the traffic in each area served.

Its international exposure stretches across 11 countries, with a pronounced European presence.

The Group can rely on the complementarity between Fnac and Darty in France and Belgium, as well as the local presence of Fnac in the Iberian Peninsula and Darty’s presence in the Netherlands through the BCC banner.

Both the Fnac and Darty banners conduct their business through both a network of stores and e-commerce websites, making it a “click & mortar” Group. Within each country, the stores under each banner are laid out according to an identical format and market the same range of products, subject to local market adaptations.

In 2017, the Group sold its activities in Brazil.

1.3.4.1 / Presence in France/Switzerland

In the France/Switzerland region, the Group had a network of 516 stores, 203 of which were operated as franchises, at the end of 2017.

The Fnac banner has 165 stores, and the Darty banner has 350 stores. The network of stores expanded notably last year with the opening of 62 stores in the year, with 56 new stores opened as franchises (including 36 Darty stores in mainland France and the overseas departments and territories, 12 Fnac proximity-format stores, 2 Fnac Travel retail stores, and 1 Fnac Connect store). The first Fnac Darty store was also opened. Managed from France, the Fnac brand also developed franchises in international markets such as the Congo, Cameroon, Morocco, Ivory Coast and Qatar, with 4 new openings in 2017.

In the France/Switzerland region, the Group received 178 million visits and Fnac Darty is positioned in France as the second largest e-commerce player in terms of number of cumulated unique visitors per month [(1)]. The Fnac Switzerland subsidiary successfully launched its own e-commerce site in 2016.

Pro forma figures	Data at end of 2017
Revenues	€5,856m
Operating margin	4.0%
Current operating income	€234.4m

(1) Source: Fevad/Mediamétrie.

1.3.4.2 / Iberian Peninsula

At the end of 2017, the Group had 59 stores in the Iberian Peninsula and opened three new stores in Spain (two integrated and one franchise), five new stores in Portugal, and one store in Spain was closed.

The Group received 63 million visits. Both the Fnac Spain and Fnac Portugal subsidiaries have an e-commerce site (fnac.es and fnac.pt).

Pro forma figures	Data at end of 2017
Revenues	€675.5m
Operating margin	3.5%
Current operating income	€23.6m

1.3.4.3 / Benelux

At the end of 2017, the Group had a total network of 153 stores under the Fnac banner in Belgium, the Vanden Borre banner in Belgium and BCC in the Netherlands. The Group opened eight new directly owned stores in Belgium and closed two stores in the Netherlands.

In the region, the Group received more than 25 million visits, and each banner has its own website.

Pro forma figures	Data at end of 2017
Revenues	€916.8m
Operating margin	1.3%
Current operating income	€12.1m

1.4 / Group strategy: *Confiance+*

1.4.1 / BECOMING THE REFERENCE OMNICHANNEL PLATFORM IN EUROPE

In a distribution sector undergoing profound transformation, Fnac Darty has focused for over five years on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. By anticipating since 2011 (Fnac) and 2013 (Darty) new consumer behavior in a world where the two sales channels (stores and web) communicate and interact, the two companies have invested heavily in offering a unique proposition to their customers and a totally seamless buying experience.

In 2017, Fnac Darty launched its *Confiance+* strategic plan. It relies on the strengths of the two banners, and the strong progress of the integration. In addition to the €130 million in synergies planned for the end of 2018, the Group's goal is to create the reference omnichannel platform in Europe. The Group's strategic plan is to make Fnac Darty a leader in the era of "Retail as a Service", a new challenge for all distribution players, which demands being able to offer innovative services through the buying experience. The deployment of Fnac Darty's platform relies on two pillars, an enriched Fnac Darty ecosystem and an open omnichannel platform.

1.4.2 / AN ENRICHED CUSTOMER ECOSYSTEM

1.4.2.1 / A wide product range at the leading edge of innovation

The Group today boasts a balanced offering, built around categories of products with synergistic high-growth, high-margin profiles, with continuous innovation at the heart of its proposition. Fnac Darty is now an indisputable operator in its markets and for its suppliers, and enables it to have its customers benefit from an unequaled range offered both online and in-store.

All categories of products combined, the Group has a 21% market share. In premium segments, defined by the highest two quartiles of prices, the Group represents 28% of market share, reflecting its position as an indisputable player in new, innovative, and value-creating products. The Group hopes to win 5 points of market share in these segments.

In adhering to this strong positioning, the Group is developing key partnerships with its suppliers. It is now recognized as an indispensable launch platform and is enhancing the value of the innovations developed by its suppliers. This asset allows it to develop exclusive business partnerships. In 2017 for example, the Group signed a three-month exclusive agreement with Google to distribute its flagship product, the Google Home smart speaker, in all Fnac and Darty stores and the Group's websites.

The Group intends to continue diversifying its product range while ramping up certain existing segments and developing new segments connected with the Group's products and services. Diversification is an advantage that allows the Group to establish its presence in response to new consumer behaviors, as well as anticipate major technological developments (urban mobility, robotics, drones, etc.) In 2011 the Group introduced more than a dozen new activities, representing 40,000 additional products in these new categories.

This diversification ambition is sustained by the development of the Group's Marketplaces and e-commerce sites. Intermediation platforms between buyers and sellers, Marketplaces support the Group's digital strategy by expanding the choice available on websites and the number of offers available to web users. Marketplace development is continuing steadily in Fnac Spain, Fnac Portugal and Fnac Belgium. Since 2016, the fnac.com Marketplace has offered a dedicated Darty space, The darty. com Marketplace is also generating signifiicant growth. The Group aims to triple its business volumes over the medium term.

At the same time building a wide, balanced range of products, the Group is operating a focused sales policy to offer competitive prices. The Group is deploying targeted promotions to retain its loyal customers.

1.4.2.2 / An unrivaled, enhanced range of services

Fnac Darty's ecosystem is now enhanced by the widest range of services in the market, a real differentiating advantage built around the historic expertise of both banners. The portfolio of services offered by Fnac Darty, covering the entire spectrum from pre-sales to after-sales service, enhances the Group's product range with offers that are one-of-a-kind in the market and personalized to meet and anticipate every customer's needs. The range of services offered by the Group can be broken down as follows:

- pre-sale: renowned independent high-quality technical advice notably through the test laboratory created 50 years ago, allowing customers to benefit from unique expertise;
- in-sale: financing solutions offered by both banners, with rental solutions at Fnac ("Pass location") offering customers the possibility of renting a consumer item for 24 months before deciding to buy, change or return it, and product repurchase solutions;
- after-sale: a unique delivery service covering all regions, product failure insurance; theft and breakage insurance; in-store, home and remote technical support for product installation, servicing and repair; and Internet or TV content access services.

Darty's experience is an irreplaceable asset in the Group's portfolio of services, featuring its celebrated "Contrat de Confiance" launched in 1973 and built on the model of "best pricing, best choice, best service". After-sales services are a high value creation factor which truly differentiates the offer from others proposed by pure players. The Group is the leader in this area thanks to Darty's expertise.

The combination of the two banners' complementary know-how now permits the delivery of a unique value proposition for the Group's customers. For example, the pooling of Fnac and Darty assets in 2017 enhanced each company's range of services, which can only benefit customers. Last May, Fnac launched a universal payment card for its five million members, on the card model offered by Darty and permitting members to benefit from exclusive advantages with every purchase. Dary's unique know-how in home delivery also helped Fnac by having Darty teams set up deliveries of large consumer electronics (TVs, etc). A new Darty+ membership card was also launched on the Fnac+ card model, the company's iconic loyalty plan.

The Group intends to continue expanding its range of services to seize new market opportunities and to adapt to the expectations of customers, who are interested in increased speed, simplicity, and personalization. In line with its development of digitally accessible services, the Group intends to offer an unrivaled online service experience to meet new consumer behaviors and the increasing digitization of distribution. The Group is also launching significant innovations in product-related services, with new remote after-sales service initiatives, extending the Darty "connected Button". This offer was developed by adding video technology, allowing customers to use the video function on their smartphones to have a visual connection with a customer service agent and speak with the agent by telephone, which in turn facilitates the diagnostic process for Darty personnel.

Lastly, the Group aims to position itself in booming innovative segments, like the connected home, with the launch of dedicated connected services, and to offer users and customers real support for their use of the products of tomorrow.

1.4.2.3 / Powerful and complementary brands leveraging the Group's loyalty programs

Recognition

The complementarity of the brands and their recognition forged for over 60 years for the values of confidence, expertise and independence, has enabled the Group to develop a customer base that is unique in the French and European landscape. Fnac Darty now has a base of over 36 million customers in France, which gives it a key competitive advantage.

The Fnac brand, spanning over 60 years, benefits in France and its other geographic markets from its strong reputation as a retail distributor of cultural, leisure and consumer electronics products for the general public.

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 almost 900 tests in 2017, 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 in 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating.
- 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 (6,300 of them in 2017) 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;
  - in the photographic and film field: photo marathons, photo exhibitions in store or out, 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 2.5.5 "Support associations" in this Registration Document.

With regard to Darty, the brand has built its reputation on the quality of its after-sales service, especially through the promotion of its Contrat de Confiance beginning in 1973, which is built on the model "best price, best choice, best service", as follows:

- best price: low prices guaranteed by issuing a gift card for a limited period for the difference between the Darty price and a lower price found elsewhere;
- best choice: large choice of brands, lines and products. The Darty philosophy is to offer its customers a very wide range of products and services to meet their specific needs;
- best service: before, during and after the sale.

Thanks to the quality of the Darty service offer, the brand is perceived as having the most effective after-sales service and delivery, and as #1 in terms of price of purchases with "service included", quality per price of item, after-sales service and delivery.

Loyalty programs

The Group's large customer base offers possibilities for cross-selling thanks to the loyalty of its customers and the two companies' loyalty programs.

Fnac has a strong customer loyalty program, with more than 7 million members, of whom 5.3 million are in France (data at end of 2017). Revenues generated by loyalty program members accounted for more than 60% of Fnac network revenues. The number of members increased by more than 75% between 2010 and 2017. This membership base presents a real competitive advantage.

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.

At the same time, Darty has focused on developing its after-sales service, which is in itself an effective customer loyalty tool.

Darty has made a database of several million households for the purpose of customizing customers' experience with tailored recommendations, automated offers and "One Click" solutions. Marketing campaigns may, for example, be launched to reinvigorate less frequent customers, target those who are moving to new homes, and promote certain new product categories.

In 2007, Darty launched a customer loyalty card allowing the user to look up all of the products he or she has purchased, their warranties, their indications for use and a selection of similar products on darty.com. In order to strengthen customer loyalty, the brand has improved its existing credit offer with the Darty connected Visa card, to bring added value beyond simply financing a purchase. The payments made with this card allow customers to take advantage of gift cards for their future purchases and other benefits such as free subscription to the connected service offer "The Button", access to special product offers, to VIP shopping nights, flexible financing offers and credit free of charge.

Since its merger, the Group has launched loyalty programs on a shared basis to permit customers to benefit from each banner's unique delivery and after-sales expertise.

Fnac+, launched in 2016to complete the Fnac Card, gives customers unlimited free access to all Fnac and Darty delivery services: next-business day delivery, at chosen place and time slot, with 2hr same day delivery in 11 cities in France for fnac.com orders. They also have access to priority in-store check-outs to streamline the buying experience. These exclusive benefits complement the benefits offered to Fnac members.

Darty+, launched in 2017 mirroring the Fnac+ experience, also offers customers unlimited delivery at both companies as well as unlimited daily technical support for all its products whether bought from Darty or not. It is accessible by phone but prioritized via videoconferencing with the "Darty Button" included. Darty+ customers can also benefit from exclusive rates for repair service for all their devices not covered by a Darty warranty. The Darty+ program mirrors the Fnac+ omnichannel concept while adapting to the particular expectations of Darty customers.

Both programs, offering unlimited deliveries from both banners, are substantially expanding the two companies' client bases and offering an unrivaled service to customers.

With its unlimited subscriptions, the Group is at the same time expanding its range of content, by offering members a unique value proposition that includes internal content with events and features reserved for members, along with external content with exclusive access to new services such as Deezer for music streaming.

1.4.3 / AN OPEN OMNICHANNEL PLATFORM

1.4.3.1 / Optimized and digitized multiformat stores

The Group's omnichannel platform has been designed to give customers as well as all Group partners a unique buying experience, via a unique value proposition. It is based on key assets: an extensive network of multiformat stores, an innovative digital platform, and a logistics tool designed to the highest standards.

Some 47% of online sales are now omnichannel and therefore rely on unique digital assets and a dense network of multiformat stores.

Store network and formats

With a network of over 700 stores in Europe, Fnac Darty's goal is to increase the density of its store network in different formats.

Fnac stores traditionally developed for city centers have been adapted to reflect the shopping needs of outer areas (with a broader range of consumer electronics products, greater use of self-service and more entry-level products). In Fnac stores with more than 2,000 m^2 retail space, customers are offered a wide range of increasingly diverse product categories. These stores also have enough space to install "corners" for premium brands such as Devialet or Samsung.

Fnac is also developing new store formats, aimed at diversifying its range and adjusting to changing consumer trends. These new formats are:

- the "Travel retail" format (railway stations, airports and duty-free) with 21 stores at the end of 2017, including 19 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 56 stores at the end of 2017. The Group opened, in 2017 alone, 12 stores in France and 6 abroad. The Group was able to capitalize on partnerships concluded with Intermarché and Vindemia for the proximity format;
- the "Connect" format (dedicated to telephony and connected devices) with seven stores at the end of 2017 in France and abroad. For this new concept, Fnac received the prestigious Janus Award in the Business category from the French Institute of design.

These smaller-format stores rely on the Group's omnichannel operations to offer complete access to the catalog online, thereby permitting customers to benefit from a wide choice of products and the vendors' expertise in those products.

At the end of 2017, Fnac had 235 stores in total, including 159 stores in France [(1)]. Fnac opened 28 stores in 2017 (compared with 27 in 2016), 9 of which were outside of France.

In France, Darty stores are mostly located in very populated areas and have a strong presence within or are situated close to big cities, such as Paris, Lyon and Marseilles. The other Darty stores are generally situated outside of big cities, in shopping malls and retail parks. Darty benefits from a strong presence in large shopping malls on the outskirts of big cities and in regional areas. In order to extend its presence to less populated French regions, particularly those with fewer than 100,000 inhabitants, Darty has also put a franchise network into place. This network has allowed it to expand its store network, for a limited level of investment, and enter into small hubs where a classic large-format store would be too expensive to operate. The first franchise store opened in March 2014. Darty opened 49 stores in 2017, 36 of which were franchised stores in France and 7 of which were integrated stores in Belgium.

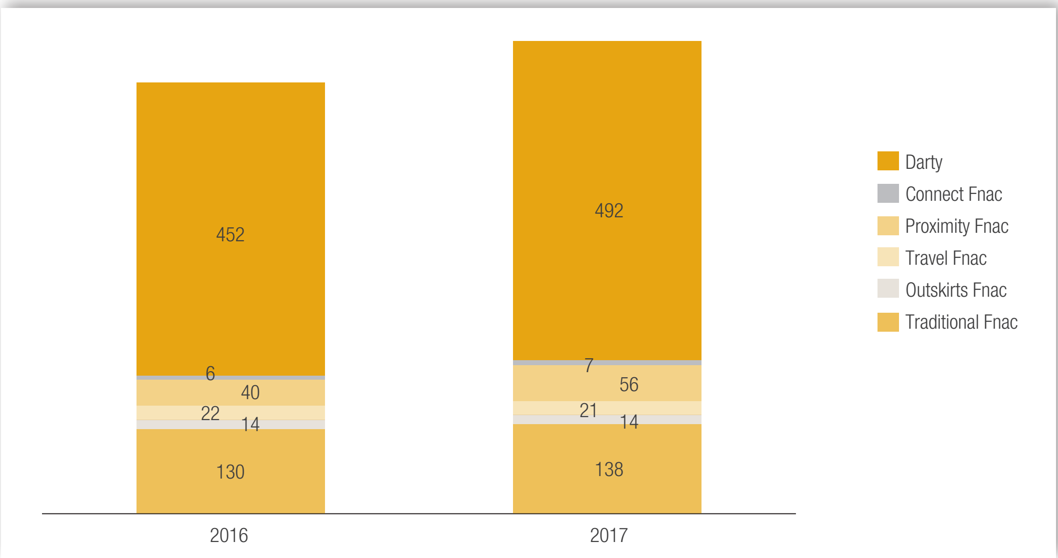
As its network is a major asset of its omnichannel platform, the Group intends to continue developing it primarily through franchises. This mode of operation limits investment costs while furthering the goal of increasing Fnac's visibility at a rapid pace. The franchisee then pays a fee for the use of the brand's distinctive features based on a percentage of revenues at the relevant sales point. As of the end of 2017, 208 stores were franchises, with a medium-term objective of over 400 franchises across all the countries in which the Group operates.

Thanks to the continuous development of its store network, 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home.

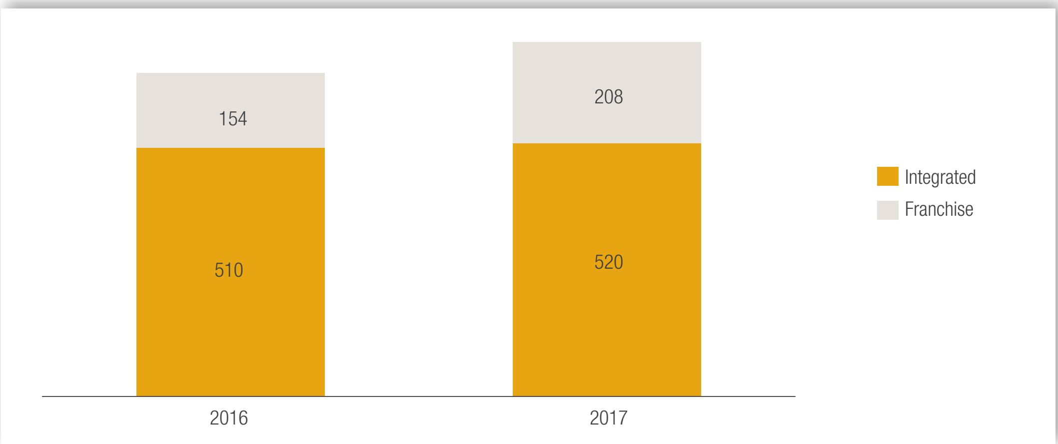
Format	Date of concept	Average surface area	Location	Offering	Number of stores
Fnac network					
Traditional	1974	2,400 m²	City center – shopping district	Entire range	138
Outskirts	2006	2,000 m²	City outskirts	Entire range	14
Proximity	2012	300 to 1,000 m²	Towns and smaller cities Large cities to supplement the store network	Entire range	56
Travel (Aelia and MRW)	2011	60 to 300 m²	Airports and railway stations	Topical editorial products Consumer electronics focused on mobility	21
Connect	2015	80 to 100 m² for dedicated stores	City center Shop-in-shop	Telephony and connected devices	7
Darty network					
Integrated	1968	1,500 m²	Proximity large cities – shopping malls	Entire range	360
Franchise	2014	600 m²	Medium-sized city proximity	Minimum range	132

1. *Of the eight stores outside France, two are in Morocco, one in the Congo, one in Cameroon, two in Ivory Coast, and two in Qatar.*

Number of stores by format



Number of stores by mode of operation



Reinventing the in-store experience to benefit the customer

The density of the network, a real competitive advantage, is central to the Group's omnichannel platform. Some 83% of Group revenues are now generated in-store. At the same time, e-commerce is taking an increasingly strategic role and strengthening the Group's omnichannel presence by offering customers flexible cross-platform shopping options through services such as "Click&Collect" and "Click&mag". These services offer the possibility of taking full advantage of the complementarity between its stores network and its Internet presence.

Therefore, to strengthen its omnichannel presence and make the in-store experience central to its development, the Group is engaged in transforming its network and its retail spaces.

In 2017, the Group developed the "shop-in-shop" concept, which are Darty corners in Fnac stores and vice-versa, a central aspect of the integration. By the end of 2017, some 20 "shop-in-shop" corners were opened on a trial basis. A mixed Fnac Darty store also opened in 2017.

The deployment of the Kitchen offering at Darty is also accelerating, with more than 100 points of sale at the end of 2017. The Group intends to double the number of Kitchen spaces offering a wide range of products and through different formats, like corners or dedicated stores.

The in-store experience is also being enhanced with new services, thanks to innovative digitized solutions. The Group hopes to optimize the in-store buying experience by making it simpler and more streamlined. In the medium-term, all Group stores will be digitized, as compared with 180 of its stores currently. Customers will benefit from a digitized experience when shopping. All labels will be scanned prior to purchase to make all product information available and, for some products, there will also be a demonstration. The development of self-service check-outs also contributes to a streamlined experience.

1.4.3.2 / First-rate operational efficiency

Logistics is one of the Group's key strengths, central to the omnichannel platform to be able to meet consumers' new expectations. In pursuing this objective, Fnac Darty has considerable advantages due to the complementarity between its two perfectly integrated banners, to offer customers a comprehensive efficient range of services in all our regions. This platform is a major advantage over pure e-commerce players.

In Europe, the Group has more than 10 warehouses totaling over 350,000 m^2 of floor space, processing more than 200 million orders a year. The logistical transformation undertaken by the Group over several years has enabled it to build a fully omnichannel multifunctional network as part of its platform. This network serves both banners' stores, as well as customers, by the optimized processing of every product order.

The omnichannel transformation in which the Group has been engaged in over several years has enabled it to support a profound change in consumer behavior. In 2017, same-day and next-day deliveries of consumer electronics represented approximately 70% of total deliveries, compared to only 30% in 2014. Similarly, 50% of consumer electronics purchased online are now collected in-store, double the percentage in 2014.

At the center of key consumer centers, the Group also has 80 delivery platforms, ensuring a home-delivery service that is one-of-a-kind in the market. The complementarity of the two companies' expertise in this field ensures more than 2 million home deliveries each year.

Thus, the logistics network and delivery network work together to strengthen the Group's operational efficiency. It also enhances Fnac Darty's omnichannel ecosystem by enabling it to offer collection and home delivery services for a wide range of products:

- "Click&collect": purchases made on fnac.com or darty.com collected in-store, free of charge All fnac.com orders are available not just in Fnac stores, but also in Darty stores thanks to the first business synergies initiated in 2016. At the end of 2017, 276 Darty stores allowed in-store collection of purchases made on fnac.com;
- "Click&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 or darty.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;
- "D+1 Delivery": offer next-day home delivery everywhere in France for orders placed before 6:00 P.M. on fnac.com and 3:00 P.M. on darty.com. Fnac customers in the greater Paris metropolitan area can order up to midnight and also benefit from this delivery offer;
- "2H Chrono Delivery": the fastest delivery offer in the market. It gives customers the option to order their electronics online and to have them delivered to their home within the next two hours. This service is available for darty.com in the Paris metropolitan are as well as in 20 other major metropolitan areas, and in 11 metropolitan areas for fnac.com;
- *Retrait Colis gratuit* (free parcel collect) supplements Fnac's "free in-store delivery" service. Customers living over 30 km from a Fnac store can have their purchase delivered free to a Relais Colis pick-up point near their home;
- "Same day" delivery: Darty "same day" delivery in the Paris region for household appliances and televisions for any order placed before 3 P.M.;
- Evening deliveries: same-day delivery between 7 P.M. and 9 P.M. for any order placed before 3 P.M.;
- Delivery by appointment: delivery of bulky items is offered by Darty within a 2-hour or 5-hour time slot, seven days a week, depending on the geographic region, and by Fnac for consumer electronics (excluding TVs) and cultural products.

The Group also benefits from a strong after-sales service network with more than 100 repair and technical centers enabling it to offer an efficient repair and maintenance service. More than 1.5 million requests are handled every year.

The year 2017 was marked by the expansion of the Group's omnichannel platform with cross-banner operational initiatives enabling it to now offer every customer an enhanced, personalized experience. The Click&Collect service now gives Fnac customers the option to collect their purchases at the Group's Darty stores. Darty's expertise and know-how in delivery and installation are also used for Fnac customers buying TVs. Darty now also operates an after-sales service for small Fnac household appliances purchased at Fnac.

Integration also opens up new possibilities for optimizing the Group's logistics chain. To achieve greater operational efficiency, some warehouses are shared by the two companies, eventually to be specialized per product family and to offer a single inventory for both companies.

After-sales service will also fully benefit from integration, with the deployment of in-store repair services for customers.

1.4.3.3 / Undisputed leader in e-commerce

1. Key assets

With a total of 19.9 million unique visitors on average per month, Fnac Darty is positioned as France's second-largest e-commerce retailer, e-commerce being central to the Group's omnichannel platform. Some 47% of online sales on the brand's websites are omnichannel, a proportion that has quadrupled in recent years.

The Group provides its customers with websites by brand and by country of operation, with nine websites in total. The strong development of the Group's Internet presence enables it to offer customers a wide, solid range with more than 30 million products online.

The Group is progressively strengthening its online offer through the launch of the following sites:

- fnac.com and darty.com in 1999 in France;
- fnac.es in 2000 in Spain;
- fnac.pt in 2002 in Portugal;
- vandenborre.be in 2002 in Belgium;
- bcc.nl in 2005 in the Netherlands;
- fnac.be in 2006 in Belgium;
- Darty's purchase of the site mistergooddeal.com, an online sales channel, with the aim of capturing the market for low-end products and services on a low budget;
- fnac.ch in 2016 in Switzerland.

Its e-commerce offering is also enhanced by its Marketplaces. The Group positions itself as an intermediation platform between consumers and third party vendors. Marketplaces support the Group's online strategy by increasing the choice available on the sites and the number of items available to online shoppers. This helps increase the website's traffic and visibility and contributes to customer loyalty.

It allows more than 2,000 professional sellers and several hundred thousand private sellers to use the site as a sales interface, making the most of Fnac's reputation in all the countries in which the Group operates.

Marketplace development continued steadily in Fnac Spain, Fnac Portugal and Fnac Belgium. The darty.com Marketplace, launched in 2016, is also growing considerably. In 2017, a Darty page was opened on the fnac.com Marketplace.

2. Innovative initiatives and an optimized user experience

The Group intends to continue developing its digital strategy over the next few years by making digital operations central to its omnichannel platform. The Group will therefore be developing all its digital assets to offer customers an unrivaled, streamlined user experience both online and in-store, and a unique value proposition to its partners. The Group will therefore increase its current level of investment in digital over the next few years to be able to offer the highest standard of e-commerce and to maintain its leading position.

In a profoundly changing sector where the boundary between the digital and physical world is fading, the Group wishes to offer its customers a unique buying experience by providing the highest digital standards to support their buying experience both online and in-store.

The increasing personalization of products and content, engaged in recent years by Fnac and by Darty, constitutes an indispensable asset in offering users a buying experience tailored to their needs. The pertinence of the proposition, optimized by analyzing a set of data using innovative marketing tools, serves to steer traffic onto the Group's websites.

In 2017 the Group also formed an advertising team to derive the most possible benefit from the customer data generated by the Group's websites through its partners.

Omnichannel is also central to customers' buying experience. Enhanced with new services that are real competitive advantages for the Group, the buying experience has thus been simplified. The deployment in 2017 of cross-banner Click&Connect, with the expansion of the number of eligible stores and the shortening of time periods, allows customers to benefit from a streamlined online buying experience. The Group is also continuing to digitize after-sales service, for example by launching the "Darty Button" app in 2017, which offers customers entirely digitized technical support.

New joint initiatives were launched in 2017. At the end of 2017, 276 Darty stores allowed in-store collection of purchases made on fnac.com, and the rollout will continue in 2018. The Group also launched the Darty+ subscription program on the Fnac+ model, allowing customers to benefit from unlimited deliveries in both banner. A Darty page was also opened on Marketplace fnac.com. The pooling of assets and unique know-how enhances the online offering of products and services, thereby strengthening the Group's digital strategy.

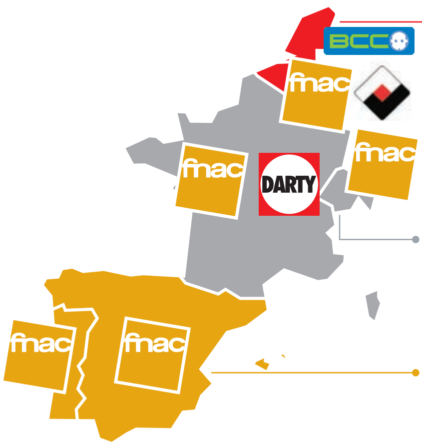
The Group also intends to support the new trends in the buying experience and is extending its digitization strategy to its entire store network.

Customers will thus see their buying experience enhanced with the availability of the entire digital range in-store, through the use of optimized seller equipment. Customers can thus enjoy the availability of a very large number of products and take advantage of various home or in-store delivery services.

3. Mobile

Support for new uses, notably the use of cell phones, now central to buying experience, is a major focus of the Group's digital strategy. In this context, apps are valuable tools for securing customer loyalty. In a ranking of m-commerce in France performed in 2016 by Tapbuy, an expert in m-commerce, fnac.com is ranked #1 and stands out across all categories, from product presentation to design, with special recognition of its delivery and purchase process options, which are particularly optimized on the site adapted to cell phones.

1.4.4 / A STRATEGY ALSO DEPLOYED OUTSIDE FRANCE



	A DENSE NETWORK OF DIRECTLY OWNED STORES	A GROWING FRANCHISE NETWORK	POWERFUL DIGITAL PLATFORMS	LEADING OMNICHANNEL & SERVICES
BENELUX **12%** of 2017 revenues	**153 stores :** • 11 Fnac • 71 VdB • 71 BCC	Stores dedicated to culinary products, franchised and JV	Fnac.be + Marketplace Vandenborre.be + Marketplace Bcc.nl	Logistics platforms Click&collect After-sales service
FRANCE & SWITZERLAND **79%** of 2017 revenues	**516 stores** (a) **:** • 166 Fnac (b) • 350 Darty	**204 stores :** • 72 Fnac (b) • 132 Darty	Fnac.com + Marketplace Darty.com + Marketplace Fnac.ch	Logistics platforms After-sales service Click&collect Click&mag
IBERIAN PENINSULA **9%** of 2017 revenues	**59 Fnac stores**	**4 Fnac stores**	Fnac.es + Marketplace Fnac.pt + Marketplace	Logistics platforms Click&collect Click&mag

AND OTHER GEOGRAPHICAL REGIONS:
Ivory Coast, Morocco, Congo, Cameroon, Qatar

(a) Including franchised stores in Qatar, Morocco, Congo, Cameroon, and Ivory Coast.
(b) Including one Fnac-Darty store.
Store network as of 12/31/2017.

The Group operates in Europe via three European regions: France/Switzerland, Iberian Peninsula, and Benelux.

The France/Switzerland region covers the Group's French and Swiss activities and represents close to 79% of sales.

Benelux covers the activities of Fnac and Vanden Borre in Belgium, and BCC in the Netherlands, and represents 12% of sales in 2017.

Lastly, the Iberian Peninsula region covers Fnac activities in Spain and Portugal, and represents 9% of sales in 2017.

The Group is also developing its franchise business internationally and now has eight stores in Africa and the Middle East.

In its geographic regions the Group reproduces the strategy deployed in France, adjusted to local specifics. This is mainly through a strong network of directly-owned stores, as well as franchise development. This network, extensively developed in France, is a key element of the Group's strategy.

Internationally, the Group develops this strategy by adapting to local markets. In Belgium, the network of Vanden Borre Kitchen stores is growing as franchises with two new openings in 2017. In the Iberian Peninsula, the Group has three franchised stores in Spain and opened its first franchised store in Portugal in 2017.

Fnac Darty has solid e-commerce platforms in all of these countries, following the launch of a website in Switzerland in late 2016. Marketplace is also a key factor in digital development and its international rollout is an integral part of the Group's targets for business volumes through Marketplace.

Its international presence is an integral part of the *Confiance+* plan, particularly with the strong growth expected in the Iberian Peninsula.

The Group's network remains a priority, with dynamic expansion expected to continue in Spain and with the ongoing development of the network in Belgium. Digital technology also remains a key element of the Group's strategy, with the Marketplaces expected to grow strongly in all geographic regions. Diversification also remains a major factor, in Belgium, as well as in Spain where the deployment of corners dedicated to small household appliances accelerated in 2017. Lastly, services and omnichannel are also central to its international strategy, where best practices are rolled out locally.

Along with these initiatives, the Group is rolling out a single platform for all sellers in its countries, so they can connect to the countries that interest them all within the Marketplaces ecosystem.

On fnac.com, a single web frontend has been deployed to harmonize the various countries' interfaces. Services have been launched relying on France's expertise and adapted to local markets, with a view to taking the best aspects of each market and extending them if local specifics permit.

1.4.5 / FINANCIAL TRAJECTORY

The Group expects neutral growth in the consumer electronics market in the medium term, stimulated by the continuing development of telephony and connected devices, while offset by a deceleration in electronics and TVs.

The household appliances market is a solid and resilient market. The acceleration of innovation and the development of new trends in consumer behavior are transforming this market. The shift to a connected universe is driving the emergence of new solutions, such as all the products involved in the connected home. Small household appliances are another part of strong innovation, particularly evident in recent years. The Group expects this market will grow slightly in the medium term.

The market in editorial products is undergoing structural transformation, partly due to digitization. The CD and DVD market has been in decline in recent years and is driving distribution players to envisage new modes of consumption for this segment. The books market is showing more resilience but is still slowly declining.

The Group expects the market in editorial products to decline over the next few years.

Fnac Darty has key strategic tools to continue winning market shares. The Group's omnichannel platform will continue to improve to offer the highest standard of services for our partners and customers. With this objective in mind, the opening of more than 200 franchised stores and 100 specialized kitchen stores, and the deployment of the shop-in-shop concept, will contribute to extending the regional network and attracting new customers. The development of innovative subscription-based loyalty programs will attract and retain more customers and expand the Group's customer base.

The Group intends to maintain a dynamic and reactive but commercial sales policy vis-à-vis its competitors.

The Group's gross margin will be impacted by the dilutive effect of the growth of franchising and by the product mix, including an expected decline in editorial products. The gross margin rate is expected to decline over the duration of the plan.

The Group has also been driven by a strong culture of cost optimization for a number of years, and will continue its efforts at all levels to make operations as efficient as possible. The achievement of synergies from the consolidation of the two brands will also contribute positively to operating margin. The medium-term target for operating margin is 4.5% to 5%.

To continue the development of its logistics and digital tools over the course of the next few years, the Group intends to increase its annual investment to between €120 million and €150 million. These investments will be subject to strict financial criteria.

1.5 / Property portfolio and equipment

The following table summarizes the areas occupied by the Group (including franchises) as of December 31, 2017 in the various countries where the Group maintains operations (excluding discontinued operations). The Group's geographical locations are described more fully in section 1.3.4 "Geographical breakdown".

Stores (including franchises)	Number of sites	Customer retail area (in m²)
France * and Switzerland	516	664,000
Iberian Peninsula	59	92,000
Benelux	153	167,000
TOTAL	**728**	**923,000**

* *Including 8 stores outside France: 2 in Morocco, 2 in Ivory Coast, 2 in Qatar, 1 in the Congo, 1 in Cameroon, and 7 in Overseas Territories.*

Warehouses/Offices (excluding franchises)		Number of sites	Total occupied surface area (in m²)
France and Switzerland	Warehouses	10	322,000
	Offices and others	74	184,000
Iberian Peninsula	Warehouses	3	26,000
	Offices and others	2	5,000
Benelux	Warehouses	10	50,000
	Offices and others	3	13,000
TOTAL		**101**	**600,000**

Most real estate assets are leased; however, the Group has proprietary real estate including 59 stores, 2 warehouses and 20 other business premises.

The Group considers that the utilization rate of its property, plant and 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 4.3.3.1 "Net cash flows related to operating activities and investments" 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 706 trademarks registered across the world primarily under the names “Fnac” and “Darty” and their derivatives used in the context of commercial promotions.

The Group also owns a portfolio of over 1,220 domain names.

The Group’s intellectual property policy centers around the protection of its brands (in particular the “Fnac” and “Darty” brands and their derivatives) and their domain names. This 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 names “Fnac” and “Darty” are reserved as domain names with the main generic extensions and the main geographic extensions.

The portfolios of trademarks and domain names of the two brands “Fnac” and “Darty” are managed in a uniform and centralized way.

2

Corporate social responsibility

Introduction

As the Darty Group does not have centralized management of CSR, the merger of the Fnac and Darty Groups led to the establishment in 2017 of a centralized CSR organization, the description of CSR guidelines in the subsidiaries, the harmonization of indicators, and the deployment of a dedicated reporting tool.

For this first year of CSR reporting for the new Group, it was decided, to ensure the reliability of the data within a progress approach, to limit the scope of publication to France for the Fnac and Darty environmental data. On the other hand, the scope of publication of the social data covers all of Fnac Darty.

Because France represents 77% of the Group's total revenues, this scope is significant and representative. The reporting scope is intended to be expanded in the coming years to be closer to the regulatory scope, that is the scope of financial consolidation.

2.1 / Our CSR policy

Fnac Darty is a Group anchored in the regions, and its mission is to allow the greatest number of people to share in cultural creation, new technologies and innovative services.

While this mission is a source of pride, it also gives the Group a special responsibility to ensure that its practices are exemplary, and it is essential for there to be a dialogue with all interested parties: employees, customers, shareholders, suppliers, local communities, associations and public bodies.

The Group considers CSR to be vital, but also sees it as a vector of differentiation and employee commitment. Each year, it works to make it more integrated in its businesses through dedicated governance and a CSR policy in line with key CSR challenges and the Group strategy.

The components of the Group's CSR policy, which are organized around dedicated governance with direction at the highest level, are the following:

- business ethics: comply with regulations and limit risks, particularly by conducting a responsible purchasing policy and implementing alert mechanisms;
- social: encourage employee commitment by setting up quality dialogue with their representatives, developing their job skills through ambitious training programs, promoting equal opportunity and diversity and by improving the quality of life in the workplace;
- environmental: limit the Group's environmental footprint by activating the levers of the circular economy (repair, reuse, recycling, customer information), by reducing the CO_2 emissions related to logistics and warehouses, and by reducing our consumption and production of waste;
- societal: have a positive impact on society by supporting local economic, social and cultural activity.

2.2 / Methodology note

2.2.1 / CSR REPORTING ORGANIZATION

This section, intended to respond to the 43 topics of Article 225 of the Grenelle II Law, has been prepared and coordinated by the CSR Department. Social data is conveyed to 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 CSR by the CSR correspondents in each country and by corporate departments and Logistics Departments (operations, purchasing, communication, cultural programs, marketing, maintenance, legal, expansion, franchises).

Social data

The social data for France derives from payroll. As Training and Temporary Employment components are not identified separately in this database, this information is provided directly by the HR Directors and HR managers of the companies, which are directly solicited and provided with a kit detailing requirements.

The Country social data is provided by the Country HR Departments, which enter them directly in the reporting tool.

All of the data collected is consolidated, analyzed and published by the Social Data Managers.

Environmental and societal data

The "France" or "Group" data comes from the head office businesses. The "country" data comes from the CSR contact in each country. The collected data is consolidated, analyzed and validated by the CSR Department, which coordinates the preparation of this section.

2.2.2 / DISTRIBUTION OF THE "REPORTING PROTOCOL"

All the methodological points summarized in the paragraphs below are described and developed in a social reporting protocol and an environmental and societal reporting protocol. These two protocols ensure the collection of reliable data and that contributors understand and apply them. They are therefore updated and supplemented annually with the aim of continually improving the processes.

2.2.3 / SCOPE OF REPORTING

2017 is the first year of CSR publication for Fnac Darty. This process required the establishment of a new organization, deployment of a new CSR reporting tool, and the training of the contributors identified within the subsidiaries and businesses.

To ensure reliability and in an effort to implement ongoing progress, it was decided that the scope of publication for this first year covers:

- for the social component: Fnac Darty, with all its subsidiaries in France and the countries, excluding the franchises, except for the data on disabilities currently limited to Fnac;
- for the environmental and societal components: Fnac Darty, but only for France and excluding franchises. The countries will be included for fiscal 2018.

Because France represents 77% of the Group's revenues and 72% of the employees, this scope is significant and representative.

It should be noted that the stores that closed in 2017 or opened after June 30, 2017 are excluded from the scope of reporting.

Any other exclusion from the reporting will be indicated and explained in the relevant section(s).

Methodological specifications for the social portion

Data is 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 reflects a calendar year from January to December.

If, for a given scope of "sites", a non-significant percentage of sites is missing, it can be estimated using an average per square meter, provided that the sites do not represent more than 20% of the total.

If for annual reporting, the data for December is missing, it can be estimated using the data from the previous December.

In all cases, the estimate used is indicated.

For the calculation of CO_2 emissions, the emission factors used for France are as follows:

- Electricity emission factors:
  - Scope 2: 0.046 $kgCO_2e/kWh$ (source: Ademe v7)
  - Scope 3: 0.013 $kgCO_2e/kWh$ (source: Ademe v7)
- Natural gas emission factors:
  - Scope 1: 0.205 $kgCO_2e/kWhPCI$ (source: Ademe v7)
  - Scope 3: 0.038 $kgCO_2e/kWhPCI$ (source: Ademe v7)
- Package transport emission factors:
  - Road: 0.4 $kgCO_2e$/package (source: Post Office)
  - Air: 7.2 $kgCO_2e$/package (source: Ademe BC v7)
- Emission factors for all type of passenger vehicles:
  - Diesel combustion: 2.51 $kgCO_2e$/liter (source: Ademe v7)
  - Upstream diesel: 0.66 $kgCO_2e$/liter (source: Ademe v7)
  - Gasoline combustion: 2.26 $kgCO_2e$/liter (source: Ademe v7)
  - Upstream gasoline: 0.53 $kgCO_2e$/liter (source: Ademe v7)

For the France "merchandise transport" scope of reporting, for which emissions cover "everything paid by Fnac-Darty," whatever the vehicle fleet (100% owned, 100% subcontracted, or partially subcontracted), merchandise transport to the country warehouses is not included in the scope.

Non-hazardous waste (paper, cardboard, plastic, pallets, etc.) is excluded from the scope of publication this year because of the complexity of recovering information from sites managed by many different service providers.

Finally, Fnac Darty has six logistics warehouses classified for the protection of the environment (ICPE), which are subject to authorization or registration, for which regulatory compliance is ensured by the Fnac Darty teams. The principal impacts of these ICPE facilities are discussed in the section on the environmental policy of Fnac Darty.

Presentation and completeness of the data

Following an amendment of Article 225 by Decree no. 2016-1138 of August 19, 2016 - Art. 1, the section has been reorganized to comply more effectively with it. Some of the indicators have also been simplified to make collection of the data easier and more reliable.

In order to allow the reader to verify the complete nature of the information published pursuant to Article 225, a concordance table can be found at the end of the section.

2017: year zero for the publication of Fnac Darty CSR data

For reasons of reliability and comparability between the historical methods for calculating Fnac and Darty data, this publication does not contain 2016 data.

Work to harmonize the methods for calculating indicators and make them consistent led to the publication of Group consolidated data in 2017, which we will consider a reference year for future publications.

This document has been audited by an independent third party (ITP) whose conclusions are presented in section 2.6, as required by the regulations.

2.3 / Social information

The mission of Group human resources is to support the Company in its transformation by maintaining as close a relationship as possible with its employees through high-quality employer-employee dialogue.

The Group's policy is designed to promote the human and cultural diversity of its teams, make every member of staff more employable and offer high-quality working conditions. The Group believes that these goals contribute to employee commitment and the overall performance of the Company.

In 2017, activity was focused on projects following the Fnac-Darty merger (merger of corporate offices, preparation for moving corporate offices, store sales, implementation of the shop-in-shops, optimization of logistics flows and convergence of HR policies).

Introduction

The scope of publication of the social data covers fnac darty, excluding franchises.

Because the darty social data is integrated into the social reporting for the first time, the consolidated data published below cannot be compared with previously published social data.

2

2.3.1 / EMPLOYMENT

2.3.1.1 / Employees

The table below presents the Group employees on the last day of the year, the employees with open-ended contracts (CDI) and fixed-term contracts (CDD) by geographic region. (The employees included represent employees working for the Group under an employment contract, whether or not the employment contract is suspended at the end of the year. The employee data presented in the table above does not include temporary hires, student interns or outside service providers).

The Group, which had 26,680 employees in 2016, recorded a drop of -3.2%, primarily due to the disposal of its operations in Brazil (662 employees).

In 2017, employees in France represented 72% of the Group's workforce.

Geographic regions (employees on open-ended and fixed-term contracts)	December 31, 2017
France-Switzerland	18,555
Iberian Peninsula (Spain, Portugal)	4,022
Benelux (Belgium, Netherlands)	3,236
TOTAL	**25,813**

The table below shows the breakdown of Group employees by type of contract.

The open-ended contract (CDI) remains the type of contract most used in the Group (88%). The Group regularly uses fixed-term or interim contracts in order to respond to the strong seasonal nature of its business.

Percentage of type of contract	December 31, 2017
Open-ended employment contracts	87.5%
Fixed-term employment contracts	12.5%
Percentage of interim employees	*15.5%*

The table below shows the number of Group employees (in France and abroad) at the end of the year with open-ended contracts by socio-professional category.

Non-managerial employees (CDI) of the Group represented 80% of total staff present on the last day of the year (percentage stable with the previously published Fnac reporting scope). The group of employees primarily work in stores sales and operations (after-sale service, delivery, logistics).

Socio-professional categories (employees on open-ended contracts only)	December 31, 2017
Executives and Supervisors (managers)	4,733
Manual workers, office workers, technicians (non-managers)	17,855
TOTAL	**22,588**

2.3.1.2 / Work time

The following table shows the distribution of Group employees with open-ended contracts (CDI) as a function of weekly hours worked in effect on the last day of the year:

In 2017, the Group recorded a proportion of part-time CDI employees of 19.5%.

This proportion was 26.1% for the Fnac scope published in 2016.

Breakdown of working hours for employees on open-ended contracts	December 31, 2017
Full-time	18,178
Part-time	4,410
Proportion of part-time employees on open-ended contracts	*19.5%*

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. The scope of reporting 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.

Terminations of trial period at the employer's initiative are recorded as dismissal for non-economic reasons.

In fiscal 2017, the Group recruited 2,365 employees on open-ended contracts. Moreover, during the year, the Group recorded a monthly average of 1,784 temporary employees.

The following table shows the employment situation in the Group in 2017:

Employment	2017
Turnover of staff with open-ended employment contracts [a]	12.6%
Voluntary turnover of staff with open-ended employment contracts [b]	7.9%
New hires on open-ended employment contracts [c]	10.5%

(a) (Total number of hires with open-ended contracts + total number of departures with open-ended contracts)/2/total number of open-ended contracts at 12/31.
(b) Resignations, trial periods terminated at the employee's initiative.
(c) Number of new hires on open-ended employment contracts at 12/31.

The Group did not encounter any difficulties in recruitment in 2017.

The following table shows the breakdown of departures on open-ended contracts in France and other countries by reason for departure.

The Fnac-Darty merger included an announcement of a number of reorganization projects (definition of target organizations to serve the two banners and a project to move corporate offices, project to pool logistics flows and after-sale services, store sales) which triggered early departures by some employees: departures at the employee's initiative represented 54% of the total (vs. 45% for Fnac in 2016) and the use of contractual terminations was 10% (vs 2.5% for Fnac in 2016). Dismissals for non-economic reasons represented only 26% of departures (they were 43% for Fnac in 2016).

	2017	
Reason for departure	**Number of departures**	**As % of total**
Departures at the initiative of the employee	1,795	53.9%
Termination for economic reasons	72	2.2%
Termination for non-economic reasons	879	26.4%
Terminations by mutual agreement	344	10.3%
Departures because of retirement	116	3.5%
Transfers	113	3.4%
Death	14	0.4%
TOTAL	**3,333**	**100%**

The following table shows the change in absenteeism in the Group in 2017.

It was 4.2% for the Group. The percentage published in 2016 for Fnac was 6.6%.

Working conditions	**2017**
Absence due to illnesses [(a)]	4.2%

(a) Ratio of number of days of absence (recorded as days theoretically worked) due to illness, hospitalization and long-term illness, to total theoretical workdays.

2

2.3.2 / REMUNERATION

The Group's gross payroll expense (in France and other countries) amounted to €736 million as of December 31, 2017.

2.3.2.1 / Remuneration policy

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

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

The basic salary remunerates good job performance. It is determined by reference to minimum salary matrices for each job level. Ensuring salary balance (men/women, seniors, part-time, etc.) is one of the cornerstones of the Banner's human resource policy.

At the end of 2017, 95% of employees, managers and non-managers, benefited from variable remuneration mechanisms linked to economic indicators and the achievement of individual targets. For example, the variable mechanism for employees and managers in France rewards individual and collective performance and promotes customer satisfaction.

Profit sharing and incentive plans allow Group employees in France to benefit collectively from a share of profits. 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 mechanism benefits from exemptions from tax and social security contributions under the applicable regulations.

100% of the employees in France are covered by health and accident insurance plans, that provide a very high level of coverage and represent best market practices. In 2017, a harmonization program led to the placement of all plans with a single insurer, at the best rates for employees and the Group, and the offer of the same level of service to all employees by entrusting the handling and payment of benefits to a single manager.

In the other countries, where applicable, employees have additional coverage that is at the very least in compliance with the legal obligations of the country.

2.3.2.2 / Executive remuneration

The Appointments and Compensation Committee, composed of Group Directors, reviews and recommends to the Board of Directors the remuneration components and conditions for the Chairman and the Chief Executive Officer, the corporate officer of the Group, and the principles of Executive Committee compensation. It is informed by the HR Department of the components of the remuneration for the Group Executive Committee members and the Group remuneration policy.

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

The Board of Directors, by deciding to refer to the principles of the AFEP-MEDEF Code as the framework for its corporate governance, adheres to the AFEP-MEDEF guidelines of October 6, 2008, revised in November 2016, regarding executive remuneration in publicly traded companies. It believes these guidelines are consistent with the Group's corporate governance procedures detailed in this Registration Document (see Section 3.3.1).

2.3.3 / EMPLOYEE RELATIONS

2.3.3.1 / Organization of employer-employee 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.

The Group wanted to have employee representation at all levels of the enterprise: European, France and local.

At the European level, a European works council was set up in 2016.

In France, there is a Group committee within the Fnac banner and within the Darty banner. It is planned to merge these two bodies in order to address issues jointly to the representatives of the Fnac and Darty banners. Depending on its workforce and the complexity of its organization, each entity has a works council or a corporate works council plus site councils and employee Delegates, and a Health, Safety and Workplace Conditions Committee.

At the Fnac banner level, management regularly negotiates agreements applicable to all companies within the Fnac scope with the representative union organizations (e.g. agreements on profit-sharing, employee savings, insurance, intergenerational policy, Sunday and evening work, and the manager agreement in 2017).

At the Darty brand level, the employees are represented within three Economic and Social Units (UES) by a works council, Health Safety and Working Conditions Committee, and employee delegates.

2.3.3.2 / Collective agreements in France

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

Some agreements have led to significant improvements in employee individual and collective benefits over legal and regulatory requirements.

For example, five Fnac subsidiaries are covered by “enterprise agreements” which provide for company-wide arrangements on employment law issues, such as leave, allowances, breaks, etc.

At corporate headquarters, and because the construction of the Group is a substantial project and its success is based on employer-employee dialogue and team cooperation, in 2016, the management of Fnac Darty formed a social consulting committee intended to implement the cultural unification of the two brands’ headquarters.

This innovative body for employer-employee dialogue was not intended to replace existing institutions in each of the brands (Works Councils, central committee, Health, Safety and Working Conditions Committees, etc.); it complements them in order to develop richer and more constructive dialogue for the benefit of everyone. This body ended with the creation of the single FDPS corporate headquarters.

As part of the same dynamic to establish a single headquarters and its Fnac Darty target organization, a voluntary departure plan was negotiated and signed in 2017.

The Fnac and Darty operations also pooled their forces by reorganizing the logistical flows of the two brands. The Darty brand negotiated a job protection plan designed to reorganize the repair shops and create a single parts warehouse.

An agreement on fines by the company was also negotiated and signed.

In addition to agreements at the Brand or subsidiary level, a number of unilateral decisions were made on such fundamental issues as compensation, organization of work schedules, gender equality, professional integration and retention of disabled workers in order to improve the training, organization and quality of life of employees at work.

2.3.4 / HEALTH, SAFETY AND QUALITY OF LIFE IN THE WORKPLACE

2.3.4.1 / Health and safety conditions in the workplace

The Company is particularly vigilant in the area of preventive health for all its employees, and intends to continue to implement all actions necessary so that it can meet its prevention obligation in the workplace.

Thus, pursuant to its legal obligations, management annually updates a single document for each site to identify the risks for the physical and psychological health of employees, and attaches an action plan to each identified risk.

Moreover, in recent years, the Group has also unilaterally implemented a number of initiatives, such as a violence and harassment alert system that can be triggered by any employee to end any situation that places 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.

For the logistics and after-sale service segments, the Group continues its investments to improve employee working conditions and, in particular, to reduce their workload.

Logistics has thus obtained new equipment to create stacks of bins (€2.8 million invested in 2016 and 2017) for better service and a significant improvement in working conditions for the teams in logistics and in the stores.

In addition, the Group for many years has used specialist external providers to create ergonomic workstations and to automate and mechanize operations (limiting the weight of loads carried, systems for moving merchandise, and others).

Local safety approaches have also been initiated. The logistics sites continue the ongoing improvement process through regular organization of a day of observation of behaviors and risk analysis. During this day, management audits that the site selected complies with the safety rules and verifies that employees are familiar with the safety instructions. An action plan with responses to any areas identified for improvement is then deployed immediately.

For the delivery of heavy products to the home, electric winches have been installed at sites with a significant delivery volume. This equipment limits, even eliminates the need for delivery personnel to carry loads upstairs to customers' homes.

In 2017, there was a total of 945 occupational accidents with lost time at the work site or during business travel in France and abroad. In addition, 234 travel accidents were recorded.

There were no fatal accidents in 2017. There were also 16 employees newly diagnosed with an occupational illness over the year.

Work injuries to employees on open-ended or fixed-term contracts00 * – Group	2017
Frequency of accidents at work [(a)]	27.52
Severity of accidents at work [(b)]	1.45

* *Recognition of days not worked is made over the reporting year only.*
(a) *In number of accidents, excluding commuting accidents that led to at least one day of work lost, per million hours worked.*
(b) *In number of days lost per thousand hours worked.*

2.3.4.2 / Improve the quality of life in the workplace

A number of actions are being taken to offer employees a better professional quality of life and promote well-being in the workplace. These actions include adjustments to working conditions, such as the possibility of telecommuting (Fnac Darty Participations et Services) or, more generally, adjustments in the organization and reconciliation of private life and professional life, by offering a crib at a day nursery (Darty France) or personal services such as shoe repair or dry-cleaning (Fnac Darty Participations et Services). The Darty stores in the Great West region have adopted a charter on the right to disconnect during the NAO 2017.

2.3.5 / PROMOTE THE DEVELOPMENT OF SKILLS AND EMPLOYABILITY

In 2017, the Fnac and Darty training teams worked together to pool, harmonize and internalize the training programs serving all the entities in France.

The primary work focused on:

- the establishment of a common HR development policy, with new tools, a cross development review and a mobility process;
- training for stores to support the creation of shop-in-shops (Darty small household appliance corner in Fnac or Fnac Publishing product corners in Darty stores);
- opening of the kitchen academy for Fnac sellers to become kitchen designers or salespeople;
- extension of the Fnac VAE program to Darty employees;
- development of an enhanced common training offer for 2018 presented in three 3 catalogues for the France segment (Store operation, Corporate and Subsidiaries, Operations);
- change support for Fnac Darty executives and managers;
- Fnac Darty co-construction of new managerial expertise standards for headquarters;
- creation of new common, simplified supports for annual and professional interviews;
- creation of a Fnac Darty single e-learning platform.

Along with this shared work, the two brands have continued their respective training programs described below.

Fnac has conducted training programs to match the transformations of the Brand guided by four major strategies:

- continue to develop a culture of customer satisfaction;
- strengthen managerial skills to better support the teams in the transformation and develop coaching positions;
- promote the expansion of the all-channel and digital culture;
- cultivate the expertise of employees from different spheres in their business and/or their products.

On the first strategy, Fnac is giving itself the means to anchor a customer culture common to all store employees. The reference "REVER" training has been continued for new employees. It was supplemented in 2017 by the REVER^2 program, which deepened expectations at each step in the customer and sales relationship, for a richer purchasing experience for customers of the brand, whatever the store visited. Deployment of REVER^2 was based on a managerial line driving the transformation of business actions in stores, tooled and trained by the team of in-house trainers via two e-learning modules.

In the context of the Brand's profound transformation, the ability of the managerial line to give meaning and manage change is essential.

In 2017, Fnac continued its "Manager 2020" program to develop skills for all local managers and directors of store operations.

Led by Grenoble École de Management [School of Management], the Manager 2020 program is intended for nearly 600 store Directors and point of sale managers and includes 284 hours of training for directors and 216 hours for local managers; the training is provided in a classroom setting, remotely (e-learning), and on site. These courses allow registered trainees to develop their knowledge and skills in human and managerial, financial, customer and marketing management applied to the retail sector. The work to support the transformation of the store managerial position continued in 2017 to better coach and develop employee skills.

The Manager 2020 program, which will allow trainees to earn an RNCP [French Register of Professional Certifications] level II certificate as a "Responsable Opérationnel d'Unité" [Unit Operations Manager] in 2018, also enhances their employability.

Finally, Fnac continued its training policy, which is geared to strengthening the skills required to conduct the various businesses in all segments of the Group.

As for Darty, in 2017 it continued its training policy, structured around three major topics:

- the transformation of the managerial culture;
- acceleration of the digital culture;
- customer culture.

On the first theme, in order to support the managers in a context of change, Darty strengthened its managerial training offer, centered around agility and a culture of feedback, using modules such as "Leadership and agility". At the same time, the managerial training offer was internalized in order to respond to more demands from the managers.

In addition, Darty intensified its effort to support new managers by launching a new format of "starting your job" designed to facilitate access to training for new managers.

Together with this change, the training formats for Potentials were developed for local store managers.

For digital culture, the enrichment and updating of the e-learning modules, particularly the modules for the stores, and the continuation of NAPS (training app developed in 2016) made 2017 a record year, with over 82,000 training sessions taken on the FnacDarty platform.

Finally, the Dartyaddict training (39 sessions in 2017) reaffirmed the importance of the customer relationship with all groups in contact with customers: sales personnel, delivery personnel, technicians and service advisors all shared common standards that define customer service for a Darty customer in an increasingly digitized context.

The various actions taken throughout the year resulted in the following Fnac Darty consolidated data (excluding e-learning training sessions offered in the two banners). It should be noted that the total training expenditures for the Group in France in 2017 was €8,579,640, a significant increase over €1,987,740 for Fnac in France in 2016.

Training data France	2017
Total expenditure on training *(€)*	8,579,640
Employees who have received training	7,858
Managers	2,049
Non-managers	5,809
Total number of training hours (exc. safety) [a]	183,489
Employees trained in safety	3,701
Total number of hours of training for security staff	27,038
Average number of training hours per employee trained [b]	23

(a) This figure does not include the portion of the Manager 2020 training completed as e-learning (around 30,600 hours in 2017).
(b) The information on training for fiscal 2017 is provisional given the consolidation periods over the first quarter of 2018.

Group training data	2017
Total expenditure on training including security staff *(€)*	9,778,609
Employees who have received training	13,091
Managers	2,688
Non-managers	10,403
Total number of hours of training (excluding security staff)	283,554
Employees trained in safety	5,567
Total number of hours of training for security staff	33,165
Average number of hours of training per employee trained [a]	22

(a) The information on training for fiscal 2017 is provisional given the consolidation periods over the first quarter of 2018.

In 2017, the Group devoted a budget of around €9.7 million to employee training, which represents an average of 1.3% of the Group's payroll.

Develop the employment skills of employees via the VAE program

The Group continues its voluntary process to support employees who want to gain certification for skills learned through their professional experience (VAE program): since 2004, 590 employees in France have benefited from personalized training and earned certification for skills and expertise acquired in the field (a success rate of over 90%).

2.3.6 / PROMOTE EQUAL OPPORTUNITY, DIVERSITY, AND EMPLOYMENT

2.3.6.1 / Anti-discrimination policy

In 2017, Fnac was one of the companies tested by the French Ministry of Labor. The testing was designed to assess the risk of discrimination in hiring based on the "origin" criterion. For Fnac, the testing revealed no discriminatory practices. This result demonstrates the Group's efforts in its ongoing search for HR and Managerial practices focused on an assessment of skills, experience and potential, respecting the diversity of all individuals. Fnac is a signatory of the Charter of Diversity in Business and a member of the AFMD (French Association of Diversity Managers).

2.3.6.2 / Gender equality

The group employs a workforce consisting of 38% women (it was 44.5% for the Fnac scope of reporting in 2016) because of the integration of Darty staff with higher numbers of men. Despite everything, this figure remains generally positive given the retail, logistics and service context in which the businesses remain heavily staffed by men.

Male/Female ratio	December 31, 2017
Percentage of women in the workforce	38.2%
Percentage of women managers	34.0%

Finding that the proportion of women is particularly low in the position of store manager (6% of the Darty stores, 21% of the Fnac stores), in 2017 the Group launched the Fnac program "DM au féminin" [DM for women] intended to encourage access to these positions for women. This program, developed by the Department of Human Resources, the Operations Department and the female directors currently in these positions, is designed to publicize the business, facilitate conditions to work in the business while respecting the balance between business/private life, and strengthen support for women who would like to advance to this position. The program "DM au féminin" continues in 2018 and will be adapted to the Darty stores.

In addition, Fnac is a signatory of the Corporate Parenting Charter and offers time off to employees who are parents (illness, hospitalization, new school year, etc.).

In France, agreements on gender equality that promote equality, particularly via recruitment.

2.3.6.3 / Support for seniors and young workers

The table below shows the distribution of Group employees on open-ended contracts (in France and abroad) by age bracket.

The 31-50 age bracket represents the majority of employees, who make up 60% of the workforce. However, the over 50 group represents 18% of the workforce, a significant percentage that demonstrates the commitment of the two banners to employ and retain seniors (this proportion was 16% over the Fnac scope previously published). Moreover, the Fnac-Darty merger also increased the percentage of young employees under the age of 30, who represented 22% of the Fnac-Darty workforce in 2017 (compared to 18% for Fnac in 2016).

Age distribution of employees on open-ended contracts	December 31, 2017
Under 26	9.1%
26 - 30	12.5%
31 - 40	31.8%
41 - 50	28.6%
51 - 54	8.5%
55 - 60	8.0%
Over 60	1.6%

The Group is committed to employing "seniors" and hiring "young workers" through several intergenerational agreements. The primary objectives set forth in these agreements concern recruitment and job retention for seniors, recruitment and integration of young workers, particularly through work-study programs.

Mechanisms to support work schedule adjustments for seniors are as follows: maintain the retirement indemnity from the age of 56, a progressive early retirement process beginning two years before the date of retirement with payment of the difference in pension contributions, and the possibility of a "health assessment" during working hours.

2.3.6.4 / Employment and integration of disabled workers

Employing workers with disabilities has long been part of the Group's Diversity policy.

As of December 31, 2017, Fnac (France and international) employed 603 disabled workers, representing 4.42% of the total workforce (compared to 4.1% in 2016). In France, 536 employees had a disability, representing 6.08% of employees (versus 5.79% in 2016).

Fnac employees represented 53% of the Group's total employees as of December 31, 2017.

The Darty data will be consolidated with the Fnac data for fiscal 2018, after harmonization of the accounting processes.

The Disability mission of the Group works to encourage the hiring and retention of disabled workers by activating several levers:

- in-house and external communication and awareness;
- presence on dedicated job forums;
- implementation of an adapted professionalization process, with a program of over 300 work-study training hours.

At Fnac, a fourth class dedicated to the hearing disabled public was organized with the Greta and resulted in the integration of 13 hearing disabled employees as cashiers.

Fnac Logistics continues its integration efforts by creating a class on the position of stock clerk (2 deaf persons are participating in this class).

Two Darty subsidiaries signed a Disability Agreement containing the payment of supplemental health insurance premiums, thus making access to the mutual insurance company free of charge.

In 2018, the Disability mission will centralize and manage the Group level Disability policy.

2.3.6.5 / Encourage professional employment

For several years, the Group has been conducting a professional employment policy through the use of work-study.

In 2017, the Group welcomed 872 employees under the work-study program (Fnac has welcomed about 500 participants in 2016), whether under a professionalization contract or an apprenticeship contract. The work-study participants are present in all the Group's business line: sales, customer service, logistics and after-sales, as well as in all the back-office functions like accounting, marketing, communications and human resources. Fnac Darty dedicated classes have been created in partnership with apprenticeship training centers.

The work-study program targets all levels of training after the baccalaureate.

Orientation and integration days for the participants are organized at headquarters and in the regions.

To develop closer ties with local communities, local partnerships with training organizations have been set up in all the employment regions where the Group is present.

The Group also supports professional employment through the payment of the apprenticeship tax (€72,400 paid in 2017) to schools and associations that work for this cause.

2.4 / Environmental information

Aware of the environmental impacts generated by its activities, the Group has taken responsibility for responding through a committed environmental policy.

Its priorities are the reduction of its impact on climate, the sustainability of products by developing its product repair service, and the optimization of waste (collecting, recycling and reusing waste).

In addition, the Group is committed to transparent and independent information by displaying environmental information on a number of technical products, and supporting the customers who would like to move toward more responsible consumption.

2.4.1 / GENERAL ENVIRONMENTAL POLICY

The CSR unit, attached to the Human Resources Department, defines the Group environmental policy and directs the environmental performance in collaboration with the relevant departments.

In order to strengthen its climate action, the Department of Operations recruited a person responsible for the enterprise's low-carbon policy in 2017. His mission is effective because of its position within a department that includes logistics, delivery and after-sale service, which are significant sources of CO_2 emissions.

In 2017, with the merger of the two Groups, Fnac and Darty, the CSR and Department of Operations worked to establish and train a network of contributors within each subsidiary.

The first Fnac Darty Environmental Committee, which includes all Departments and countries concerned, will meet in 2018. The objective of the Committee will be to validate the environmental policy of Fnac Darty and set the first objectives.

The 2017 results presented in this document will serve as reference for measuring future performance.

The data for previous years are not published because of a lack of comparability.

2.4.2 / THE CIRCULAR ECONOMY

The Group is committed to implementing all its technical and humans resources in order to extend the life span of the products it sells by relying on the skills and technical expertise of its teams in repair, reuse and recycling.

2.4.2.1 / Repair: a strong point in the sustainability of Fnac Darty products

The group is a major player in the repair of household appliances in France. It offers its customers repair services when included under warranties, or invoiced when the appliance is no longer covered by warranty. These services increase the life span of the products by encouraging repair over replacement.

In 2017, Fnac Darty performed 1,250,000 service calls at homes or in the shop, including more than 200,000 repairs on appliances no longer under warranty. In the same year, in the context of the sales warranty, a diagnostic and repair service was rolled out in the stores, particularly to handle software breakdowns on multimedia products. This service repaired 350,000 devices in stores and avoided unnecessary travel.

Thanks to an adapted training program, the 1,030 home technicians are able to repair appliances sold by the Group, but also those sold by the competition, both during and after the warranty period.

In order to be able to offer optimum service quality over the entire product line, repair agreements are signed with each brand to allow the Group to obtain the parts necessary for repairs, and to maintain the skills of the technical teams crucial to maintaining quality.

When new product lines are first listed, the issue of parts is taken into consideration. Information about the period of availability for parts is clearly indicated to the consumer. Quite often, the actual period of parts available to our customers is longer than the time indicated by suppliers thanks to processes established for more than forty years that allow the Group to anticipate needs and continue to have replacement parts.

In addition, the Group encourages customers to do their own repairs; customers may order the necessary parts when they want to perform repairs after the warranty has ended.

In 2017, the Group confirmed its leadership role in repair by launching the Darty+ service.

The Darty+ offer is the promise of a home service call in 24 hours for a cost of €59 including tax per year, excluding the cost of parts.

Subscribers benefit from a premium assistance service for household appliances and electronics purchased in the Group's stores as well as elsewhere, along with priority unlimited access to Telephone Assistance, even after the warranty expires, to provide a solution to all questions about installation, connection, use, maintenance or repair, 24 hours a day, 7 days a week. This assistance (1,750,000 calls in 2017) provides a rapid response, prevents unnecessary car travel, and advises customers on the best use of the products.

These services encourage repair of appliances and devices no longer covered by warranty and, as a result, extends their life span.

2.4.2.2 / Reuse: encourage a second life for products

The Group wants to encourage reuse as demonstrated through various mechanisms.

Darty has been a partner of the solidarity network Envie (New Enterprise for employment by the economy) since 1984. A portion of the old devices taken from Darty customers is entrusted to the network. Envie sorts, cleans, repairs, and reconditions them, and resells them used in its network of stores. Between 85 and 100 devices per day get a second life through the Darty/Envie partnership.

Another way to encourage reuse is to facilitate resale. Thus, in 2017 Darty launched the "Smartphone technical control" services, which allows individuals who want to sell their old smartphone in C2C (for example, on fnac.com via the "sell yours" process) to have their old phone checked by the Darty service prior to sale. At the end of a positive technical inspection (technical condition, aesthetic condition, consultation of the database of stolen phones), the customer will receive a certificate certifying the good condition of the phone and so the seller can affirm the quality of the product. In turn, the buyer makes a safe purchase, fully informed about the condition of the device and certain it has not been reported stolen.

For its part, Fnac organizes the reuse of products resulting from the 100% reimbursement warranty via its Fnac Pre-owned entity. These products, which have been returned to Fnac and cannot be resold new are repaired and/or reconditioned and sold as pre-owned on fnac.com and in the store.

The products that cannot be repaired are sold to brokers, some of which are operators in the social and solidarity economy. All the brokers have signed a responsibility charter committing them to encouraging repair and reuse.

In addition, Fnac partners with its customers in its desire to encourage reuse by inviting them each year to donate their old books to the association *Bibliothèques sans Frontières* (Libraries without Border). The operation is detailed in the societal portion of this section.

2.4.2.3 / Recycling: enhance the value and limit the environmental impact of electric and electronic waste

The Group is extremely committed to the recovery of old electrical and electronic equipment.

During a home delivery of large equipment, the customer has the option to give up to two appliances to the delivery team, which will take them to the green recycling organization Ecosystèmes.

For small equipment, whether or not it was purchased from one of the two banners, the customer is able to return them to our collection terminals in all our stores so that they are recycled by Ecosystèmes.

All the appliances and equipment collected and turned over to Ecosystème in 2017 by Fnac Darty represented a total of 42,674 tons.

Waste electrical and electronic equipment (WEEE)	Tons
Darty	42,494
Fnac	180
TOTAL	**42,674**

This volume of recycled equipment makes Fnac Darty the principal retail contributor to Eco-Systèmes with 37% of the tonnage received.

2.4.2.4 / Other waste collected and directed to material recovery streams

The Group collects other waste products for the eco-organizations responsible for recycling them. This is particularly the case for batteries and ink cartridges. This waste comes from the company's consumption, but also from customers, who can place their waste in the collection bins available in all France stores.

2017	Tons
Batteries & storage cells	24
Toner cartridges	13

Scope: Groupe Fnac Darty France.

The data on waste volumes collected from the stores, warehouses and corporate headquarters are provided by the collecting organizations.

Non-hazardous waste (paper, cardboard, plastic, etc.) is excluded from the scope of publication this year because of the complexity of recovering information from sites managed by many different service providers.

In 2018, work to classify the data for publication will be completed.

2.4.3 / MATERIAL CONSUMPTION

The Group is committed to reducing its consumption of paper, store bags, gift paper and tertiary packaging materials in order to limit the related waste.

Consumption of office paper

The two main sources of paper consumption for the Group are office paper and paper purchased in the form of a finished product (particularly catalogues and other printed promotional material).

In 2017, 303 tons of office paper were consumed, primarily for printing. Nearly 73% of this paper is PEFC- or FSC-certified (paper from sustainably managed forests or recycled paper).

Marketing paper consumption

In 2017, the Group purchased 963 tons of paper-based marketing products: brochures, magazines, posters, flyers, folders, POS advertising, etc. Nearly 80% of this paper is PEFC- or FSC-certified (paper from sustainably managed forests or recycled paper).

Since 2011, Fnac taken numerous steps to reduce its paper consumption: elimination of Fnac technical files on paper (now in digital format), significant reduction in the volume and number of pages of its promotional literature, streamlined printing systems and reduction of paper weight.

Purchases of store bags [(1)]

In 2017, the Group purchased for its France stores 8,064,250 plastic bags (224 tons) and 1,444,300 reusable store bags (110 tons). 93% of the plastic bags are designed with over 80% recycled materials.

The Fnac reusable bags are durable and ecological. They are 100% non-woven polypropylene, which offers great strength to support heavy loads.

Purchases of boxes and plastic packaging

In France, the tonnages purchased by the Logistics Department of Groupe Fnac Darty in 2017 represented 3,396 tons of cardboard and 361 tons of plastic packaging.

All these consumptions will be considered in action plans to optimize use in 2018.

(1) *Franchises included.*

2.4.4 / LIMIT IMPACTS ON CLIMATE

Climate change

Principal sources of greenhouse gas emissions

As its top priority, the Group has identified two primary sources of emissions on which to implement action plans. These are energy consumption (primarily used for heating, air conditioning and lighting of points of sale, warehouses and offices) and the transport of merchandise and people.

CO_2 emissions related to energy consumption

To manage the "Energy" portion, the contributors disclose their consumption of green and non-green electricity, and their consumption of natural gas. This data informs us of the sites with the heaviest consumption and helps us to plan future action plans.

The table below shows the energy consumption of the sites in France (stores, corporate, logistical sites) and the direct (due to natural gas combustion) and indirect (due to power generation) greenhouse gas emissions that result.

Electricity

	kWh	Area	teqCO_2 scope 2	teqCO_2 scope 3	kWh/m²
Fnac	72,103,509	497,260	3,338	945	145
Darty	99,031,998	752,726	4,585	1,297	132

Natural gas

	MWh	teqCO_2 scope 1	teqCO_2 scope 3
Fnac	8,000	1,640	311
Darty	18,000	3,690	700

The levers used and identified to reduce this consumption are:

- the implementation of centralized technical management (CTM) in several Fnac points of sale since 2013. This deployment was expanded to another nine stores (1 in Switzerland) in 2017, resulting in energy savings estimated at 430,000 kWh. Six stores will be impacted in 2018 for potential savings of 300,000 kWh. At Darty, this deployment was completed on ten points of sale in 2017, generating energy savings estimated at 800,000 kWh. In 2018, this deployment will be continued in 60 stores and will be supplemented by an outsourced CTM management of store consumption by an audit firm;
- the project to deploy Led strips will continue in 2018 in six stores, resulting in energy savings estimated at 117,000 kWh;
- the installation of LED ceiling panels on the technical product tall shelving is also scheduled for 2018 in 72 stores, generating estimated energy savings of 836,000 kWh;
- in addition, a project to install air compressor unit speed regulators (to regulate their speed and, therefore, their consumption based on in-store traffic) will be deployed in 2018, only in the Fnac stores. Seven stores have been identified and will potentially record energy savings of 1,500,000 kWh.

To date, Fnac Darty France does not have a green electricity supply.

Conversely, for the countries, real efforts have been made to move in this direction. Thus, 100% of the electricity purchased by Fnac Belgium, Fnac Switzerland and Fnac Spain comes from renewable production, and 43% for Fnac Portugal. For the Darty international equivalents, Van den Borre's supply is 10% green electricity.

CO_2 emissions related to merchandise

There are two transport categories: "B2C transport" and "B2B Transport".

B2C Transport

The B2C merchandise transport flows recorded in this section represent:

- e-commerce merchandise flow (orders made on the e-commerce site of Fnac and Darty and delivered to customers);
- merchandise flows delivered the last mile (e.g. delivery of bulky products to the home);
- travel of after-sale service technicians (e.g. repair/installation of products in the home);
- flow of merchandise and after-sale service parts (e.g. after-sale service packages for repair).

	teqCO_2 scope 1	teqCO_2 scope 3
Fnac	0	186,057
Darty	9,705	21,131

In order to reduce the carbon impact of e-commerce merchandise flows, the Group has made the choice to use "carbon neutral" service providers such as Colissimo.

Colissimo, within the Package Mail Services Division, acts every day to reduce its environmental footprint with a regular increase in the fleet of electric vehicles, optimization of deliveries thanks to bulk loading, and 100% use of electricity from renewable origins. To offset all its residual CO_2 emissions, La Poste invests in carbon offset projects certified in accordance with the most stringent standards. As a result, 100% of the packages shipped via Colissimo are carbon neutral and 50% of Fnac-Darty shipments are made via Colissimo.

Optimization of shipments for merchandise flows delivered the last kilometer was made possible by pooling Fnac-Darty deliveries. Thus, Fnac now uses the Darty delivery routes to deliver televisions to customers.

B2B Transport

The BtoB transport data covers round/trip merchandise deliveries from the France logistical site to our French stores.

The flows between warehouses and stores outside France are excluded from the scope of reporting.

	teqCO_2 scope 1	teqCO_2 scope 3
Fnac	4,695	495
Darty	2,605	275

B2B transport represents a large portion of the CO_2 emissions of the Group, which is committed to reduce them by acting on three vectors: limit the distances traveled by the products with an adapted global network of warehouses; maximize and optimize truck loading, and promote multi-model transport when possible. The general strategy is designed to develop alternative transport systems that comply with cost/times/availability requirements.

CO_2 emissions related to human transport

The table below shows the emissions related to business travel via road, air and rail. The data does not include daily round trips from home to work.

	teqCO_2 scope 1	teqCO_2 scope 3
Fnac	1,757	1,112
Darty	1,591	726

2.4.5 / RAISE AWARENESS AND INFORM

In this objective of collective commitment to protecting the environment, it is important to raise awareness and inform employees and customers of the environmental stakes and ways to act.

Distribution of the Ecoguide: 6 best practices to reduce the environmental impact of the stores

Every year, Fnac distributes an updated Ecoguide that aims to inform the stores of best practices to be implemented to reduce consumption, save energy, and sort and collect waste to limit their environmental impacts.

A Darty version will be developed and deployed in Darty stores in 2018.

Provide information to customers to allow them to make a more responsible purchase

The Fnac and the Darty banners have for many years developed environmental information about certain product categories designed to support their customers in a more responsible purchase.

Fnac: establishment since 2013 of a rating indicating the environmental impact of the technical products

With an environmental rating system displayed on televisions in 2013, followed by PCs, tablets and mobiles in 2015, in store and on fnac.com, Fnac has strengthened its advisory role. 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, around 57% of televisions/PCs/tablets/cell phones for sale in Fnac stores or on fnac.com had an environmental rating. These ratings have received around 52,000 views over the year, allowing customers to learn more about the meaning of the rating and the calculation method used.

The rating is calculated independently using indicators approved by Ademe. Supplementary advice is also offered on a more energy-efficient usage as well as information on recycling old consumer electronics through Fnac.

Fnac also participates voluntarily in the effort to develop environmental labeling by acting as a pilot for the electronics sector and by contributing, in collaboration with Ademe, to developing a shared image for the entire sector.

This new display will be deployed in 2018.

Darty: implementation since 2014 of an energy calculator that will calculate the potential savings from the purchase of lower consumption equipment

This tool, available to customers at Darty.com, lets them estimate the energy consumption of the appliance they own and calculate the savings that they could achieve by replacing their current appliance with a new product of their choice, based on the reduction in energy and water consumption.

The products handled by this simulator are washing machines and dryers, refrigerators, freezers, dishwashers and wine refrigerators.

In 2017, nearly 40,000 customers used the calculator.

2.5 / Societal information

The Group conducts a dialogue with its stakeholders in order to create an ecosystem with favorable impacts for society. The Group is an important player in the local fabric because of the economic, social and cultural activity its generates through its network of stores and franchises in France, Europe and elsewhere in the world.

2.5.1 / DIALOGUE WITH STAKEHOLDERS

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

Stakeholders	Primary methods of dialogue
Customers	■ Stores, Social media ■ Consumer surveys ■ Free cultural events
Employees	■ Regular internal survey ■ Intranet and company social network
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 ■ Investor Day
Brand suppliers	■ Annual Suppliers-Vendors Meeting organized by the Group
Suppliers and subcontractors in China for the manufacture of store brand products	■ Questionnaires, audits
NGOs and non-profits	■ National partnerships and ad hoc initiatives set up by stores
Public authorities	■ Participation in many professional associations: AFEP, FEVAD, AFCD…
Entrepreneurs	■ Fnac Darty Start-up competition every 2 years

2.5.2 / MAKE CULTURE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

The Group's cultural action policy reflects a very strong desire to generalize access to culture, by promoting contacts between the public and the creators, and by investing in the spread and distribution of works (see section 1.4.4.4). This results in:

- the organization of free events in stores: concerts, book signings, conversations, conferences, particularly to allow local artists to meet their public;
- support for the literary field with the organization of landmark cultural prizes: Fnac Prix du Roman (16th edition), Prix de la BD (5th edition) and the Prix Goncourt des Lycéens (30th edition). These three key moments of the year provide a massive boost to the authors and their works through a variety of different public profiles. The year 2017 also saw the continuation of the Fnac book Forum created in 2016, which brought together more than 100 authors from September 15 to September 17, 2017;
- the development of the Fnac Live festival (7th edition): 30 free concerts over three days for 90,000 spectators in the heart of Paris, with the biggest names in music and many new artists supported by the Banner;

- the establishment of partnerships with local cultural institutions (at theaters 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.

Key figures for cultural action in 2017:

A dedicated team in France: 15 employees, including 6 in the regions.

- **1302 cultural events organized in the Fnac stores in France in 2017:**
  - representing 30 events/week on average over 44 weeks;
  - 323 events in Paris/Ile de France;
  - 979 events in the regions.

Books drove nearly 64% of the programming and music 22%.

- **Traffic in the stores and outside the walls**
  - more than 90,000 people at the France store events;
  - approximately 90,000 people for the 3 days of the Fnac Live Festival;
  - nearly 10,000 people at the Fnac Books Forum;
  - approximately 200,000 people at all the Fnac cultural operations.

The world total reached 6,300 events organized in 2017.

2.5.3 / RESPECT THE CUSTOMER

2.5.3.1 / Regularly measure customer satisfaction

In order to improve its Customer service, the Group works to collect and analyze the opinions of its customers via satisfaction barometers by point of customer contact (store, merchant website, after-sale service, call center, etc.).

With this goal, the Group has selected the Net Promoter Score, an indicator of customer loyalty developed by Bain&Company in 2003.

After analysis, the Group recontacts a portion of dissatisfied customers in order to provide corrective measures.

The results of the NPS over 2017 improved significantly from 2016 on all customer points of contact.

2.5.3.2 / Protect the personal data of customers

Following the merger of the Fnac and Darty banners, the protection of personal data lies more than ever at the center of Fnac Darty's challenges. While the merger gives better knowledge of customers, it also requires that we ensure transparency in the use of the data collected by the banners and a legitimate and proportioned use of that data.

In a context of accelerated digital transformation (growth of the marketplace, multiplication of IoT articles, acceleration of Big Data, ongoing changes in profiling techniques, and more), the trust of our customers, which is the DNA of Darty, is more than ever an essential value for the Group and necessarily includes strong protection of customer and employee data. Fnac Darty works to continually improve its practices for the protection of data within the Group.

In 2017, the approach of the entry into force of the new European regulation on the protection of data (RGPD-GDPR) on May 25, 2018 has accelerated the organization of management. Fnac Darty set up a governance systems for the protection of personal data (management committee and dedicated workshops). Fnac Darty also appointed a Personal Data Protection Officer (DPO) reporting to the Corporate Secretary for France (appointment of DPOs in the countries is in progress).

Fnac Darty views the adoption of this text, which is more protective of customers and employees, an opportunity for transformation, value creation, and commercial differentiation.

The entities of the Fnac Darty group actively work with compliance projects related to the new obligations stipulated by the RGPD-GDPR.

In general, the entities of the Group are pursuing the following objectives:

- clear information about the purpose of the processing when personal data is collected;
- legality of the processing;
- the relevance and proportionality of the personal data collected;
- the retention of the data for a limited period on the basis of the planned purpose;
- respect for the rights of the persons concerned;
- the confidentiality and security of the data;
- the framework for transfers of data outside the European Union.

2.5.3.3 / Protect customer health and safety

As public establishments (ERP), the Group sites must comply with strict safety regulations. 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. Compliance with these regulations is ensured through compliance audits of the facilities and equipment by the safety and accessibility commission every three years. Every year, the mechanisms contributing to safety and firefighting are audited by approved organizations such as inspection bureaus.

In all Fnac and Darty stores, weekly security rounds are conducted by the security staff, with particular focus on emergency resources and equipment, and clear emergency exits and aisles. Store managers are given a guide to preventing customer accidents to be distributed to the personnel in their store. This guide produced by the Risk Prevention Department in partnership with the CNPP and Perifem is designed to provide information about and increase awareness of risks that can occur in the stores. It also provides guidance on implementing preventive measures to ensure customer safety.

For store brand products, product safety is provided, in compliance with European regulations, by the quality team responsible for product tests and returns for non-compliance.

2.5.3.4 / Inform and advise customers independently

With regard to its customers, Fnac is deeply committed to providing independent advice generated by its retailers and by Labo Fnac [Fnac laboratory], which assesses and compares the characteristics and performance of consumer electronics. Fnac's laboratory is a unique concept that has served the Banner'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. Its objective scientific methods are recognized by the big brands that regularly send their prototypes to it for evaluation.

The test results are published each month on fnac.com, and, since December 2016, on a new high-tech product information site: labofnac.com, which publishes the Laboratory's tests along with editorial comments, media and the latest news, all with the aim of helping consumers make the right choice. There is no equivalent to the Labo Fnac at any other retailer: its culture of independence sets it apart from competitors due to the credibility of its recommendations, and this enables it to develop an unrivaled relationship of trust with consumers.

In 2017, 868 tests were conducted on 382 products to compare them on the basis of performance criteria that are not always easy to assess at the point of sale. Some products, such as multimedia products (PCs, tablets and smartphones) require three to five additional tests (screen, photo, radio, audio, autonomy).

In 2018, the Darty lab, which tests the quality of its products, joins the Fnac lab for better performance and customer information.

In addition, Fnac displays an environmental rating on a number of technical products and Darty offers an "energy calculator" for its appliances to assist customers seeking a more responsible purchase. These mechanisms are described in the environment portion of this section.

2.5.4 / SUPPORT INNOVATION AND FRENCH START-UPS

With the Start-up Prize, Fnac Darty wants to discover and support young French start-ups, independently of their level of maturity, which are developing technologies or services that will accelerate the distribution of connected solutions for the home.

In 2017, for its 3rd edition, the Fnac Darty Start-up Prize partnered with Engie to accelerate the development of French start-ups working to facilitate the adoption of connected solutions for the home. The three winners, Lancey Energy Storage, Demooz and Etaonis, named by a panel of experts, will be able to accelerate their projects thanks to a marketing contract in the Fnac Darty stores or actual testing of their solution.

The teams from Fnac Darty and Engie, working with experts in the sector, selected the 10 finalists for the 2017 Fnac Darty Start-up Prize from among 150 projects.

2.5.5 / SUPPORT ASSOCIATIONS

Every year during sustainable development week, Fnac organizes a large nationwide book collection for Bibliothèques sans Frontières. For its 5th edition, this major event, which mobilized employees and customers, generated around 196,880 books for the association (an increase of 55% over the previous event).

In the context of this partnership, the Group's SFL subsidiary donated 1,227 books for an amount of €18,052.

Five Bibliothèques sans Frontières events collected approximately 718,000 books on behalf of NGO projects to bring culture and education to areas of the world ravaged by conflicts or natural disasters.

In the same spirit of solidarity and for the 9th year in 2017, the Dijon Fnac store organized the "Braderie Solidaire" sidewalk sale in partnership with Secours Populaire. Every year, this event offers a chance for the public to purchase new products (unsold books, CDs, DVDs, games and toys from all over France) at discount prices. The receipts are entirely donated to Secours Populaire to allow disadvantaged children to have a vacation.

Key figures for this 9th sale:

- 100 pallets of new products sold at discounted prices;
- 6,000 visitors in one day;
- €139,670 in proceeds for Secours Populaire;
- 200 volunteers from the Dijon Fnac store, Secours Populaire and Dijon Zénith.

In addition, the Group supports the association Sport dans la Ville ("Job in the City"), whose mission is inclusion through sports, through its annual participation in the "golden goal" tournament.

In 2016, this partnership was extended to the Job Dans La Ville program by encouraging employees in Paris, Lyon and Grenoble to sponsor youth as they take advantage of training or employment opportunities, for a day, a year or more.

The Group also supports, through employee sponsorship, the Institut Télémaque, which works for equal opportunity by bringing culture and confidence to deserving school children from economically disadvantaged neighborhoods.

Finally, the Group associates its customers in its commitments, by offering them an opportunity to make small donations at the time of their purchases on fnac.com or Fnac events.

On fnac.com, these small donations totaled €83,350 (77,082 donors) in 2017, which allowed the beneficiary associations to house 75 women who were victims of violence, equipped a learning bus with educational resources to provide school support to children from disadvantaged neighborhoods, financing for coaching to return to work for women suffering from cancer, financing for medical equipment for refugees in the "jungle" of Calais, and more.

On Fnac Spectacles, since its launch in November 2016, the small donation process has collected €131,184 for the benefit of 16 associations. These donations supported the creation of two jobs for one year for long-term unemployed persons, the gift of a wish for 4 hospitalized children suffering from a serious illness, provided support for the victims of Hurricane Irma, which had ripped through the Caribbean, offered 352 vacation days to people who can't normally take vacation days, provided access to water to students without it, financed more than 1000 overnight stays for parents to stay with their hospitalized child, financed 652 music courses for children in difficulty, and more.

2.5.6 / CONDUCT A POLICY OF RESPONSIBLE PURCHASES

As a retailer of branded products and store brand products, the percentage of purchases is very important in the cost price of the products sold.

Purchases of brown/gray products (including distribution brand products) for the Group totaled €2,631m for 2017.

Non-merchant purchases totaled €624m excluding rent, in 2017.

2.5.6.1 / Purchases of store brand products

In order to offer its customers an economical alternative to major brand products, Fnac Darty sells products under its own retail brands. These products are supplied directly from the manufacturers, a majority of which are located in China. The Group has established strict rules and stringent control procedures with its suppliers in order to guarantee the safety and satisfaction of its customers during use of these products, and compliance with all regulations in force.

Moreover, the Group, aware of its social and environmental responsibility, ensures that the suppliers selected and the associated plants respect the rights of employees and the environmental standards in force.

In this regard, the Sourcing Department has integrated this CSR dimension in its processes, and in the documents that frame the supplier relationship.

Thus, the Group Vendor Manual, a document that defines the standards and procedures, includes a code of business conduct and a CSR charter that is updated every year.

All plants are audited in the first contract year, then every two years by a team of 19 people based in China.

This audit contains 15 points of CSR verification, which will be expanded to 27 in 2018.

In 2017, 118 of the 230 plants manufacturing store brand products for the Group were audited. Seven of these 118 audited plants had an unsatisfactory CSR audit and had to implement corrective actions, which were then audited and deemed to be satisfactory.

Following the merger of the Fnac and Darty banners, the purchasing and distribution of store brand products becomes even more sensitive with the extension of this activity to new product families such as toys or paper goods.

In this context, in 2018 the Group is planning to implement a governance and oversight plan designed to secure even more respect for human rights and the environment by its suppliers and subcontractors.

2.5.6.2 / Purchases of brand products and indirect purchases

The purchasing departments for brand products and indirect purchases distribute to their suppliers a “Fnac CSR Supplier Charter” that sets forth the principal texts governing respect for human rights, the right to work, protection of the environment and the fight against corruption.

This charter is attached to all contracts.

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 calls for tender primarily for laundering its vests, replying to unsolicited employment applications, printing its in-house promotional materials (posters, in-house newsletters, information mailed to employees, pens) and sorting waste at the head office.

2.5.6.3 / Actions initiated to prevent corruption

The actions initiated to prevent corruption are described in Section 6 of this document.

2.6 / Correspondence Table, Article 225 Grenelle 2

Headings	Section
Employees	
Total number of employees and distribution by gender	2.3.1.1
Total number of employees and distribution by age	2.3.6.2
Total number of employees and distribution by geographic region	2.3.6.3
Organization of work	
Organization of work week	2.3.1.1, 2.3.1.2, 2.3.3.1
Absenteeism	2.3.1.3
Employee relations	
Organization of social dialogue, including procedure for informing, consulting and negotiating with employees	2.3.3.1
Assessment of collective agreements and their impacts on the economic performance of the company and on employee working conditions	2.3.3.1, 2.3.3.2
Health and safety	
Occupational health and safety conditions	2.3.4, 2.3.5
Report on agreements signed with union organizations or employee representatives dealing with health and safety in the workplace	2.3.3.2
"Accidents in the workplace, including their frequency and severity, and occupational illnesses"	2.3.4.1
Training	
Training policies implemented	2.3.5
Total number of training hours	2.3.5
Equal treatment	
Measures taken to promote equality between men and women	2.3.6.2
Measures taken to promote the employment and integration of disabled persons	2.3.6.4
Policy to combat discrimination	2.3.6.1
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organization	
■ respect for freedom of association and the right to collective bargaining	2.3.6
■ elimination of discrimination in employment and professions	2.3.6
■ elimination of forced or mandatory labor	2.3.6
■ effective abolition of child labor	2.3.6
General environmental policy	**2.4.1, 2.4.2, 2.4.5**
Organization of the company to take environmental issues into consideration and, as applicable, the procedures for environmental evaluation or certification	2.4.5
Employee training and information programs conducted on protecting the environment	N/A
Resources devoted to preventing environmental risks and pollution	N/A
Amount of provisions and guarantees for environmental risks	N/A
Pollution	
Measures to prevent, reduce or remediate discharges into the air, water and soil seriously impacting the environment	N/A
Consideration of noise and other forms of pollution related to a specific activity	N/A

Headings	Section
Circular economy	
Waste prevention and management	
Waste prevention, recycling, reutilization and other forms for waste recovery and elimination	2.4.2
Initiatives to combat food waste	N/A
Sustainable use of resources	
Water consumption and supply on the basis of local constraints	N/A
Consumption of raw materials and measures taken to improve efficient use	2.4.3
Energy consumption and measures taken to improve energy efficiency and use of renewable energy	2.4.4
Land use	2.2.3
Climate change	
Significant sources of greenhouse gas emissions generated as a result of the Company's operations, particularly through the use of the goods and services it produces	2.4.4
Adaptation to the consequences of climate change	2.4.4
Protecting biodiversity	
Measures taken to preserve or develop biodiversity	N/A
Territorial, economic and social impact of the Company's activity	
On employment and regional development	2.3.6.5, 2.5.4
On local or nearby populations	2.5.2
Relations maintained with persons or organizations affected by the Company's activity, including insertion associations, educational institutions, environmental defense associations, consumer groups and local populations	
The conditions of dialogue with these persons or organizations	2.5.1
Partnership and sponsorship initiatives	2.5.3
Subcontracting and suppliers	**2.5.2**
Consideration of social and environmental challenges in the purchasing policy	2.5.5
The importance of subcontracting and consideration of their social and environmental responsibility in relations with suppliers and subcontractors	2.5.6
Fair trade practices	
Measures taken to prevent corruption	2.5.6.2, 2.5.6.3
Measures taken to promote the health and safety of consumers	2.5.3.2, 2.5.3.3
Other initiatives taken to promote human rights	
Other initiatives taken to promote human rights	2.5.6

2.7 / Independent Third-Party Report by one of the Statutory Auditors on the Consolidated Social, Environmental and Corporate Information reflected in the Management Report

Year ended December 31, 2017

To the shareholders,

In our professional capacity as an independent third party appointed as statutory auditors FNAC-DARTY S.A., accredited by COFRAC under number 3-1049 [(1)], we hereby present you with our report on the consolidated social, environmental and corporate information for the year ended December 31, 2017, 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 specified in Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the protocols used by the company (hereinafter the "Guidelines"), a summary of which can be found in the Management Report and can be obtained from the company's registered office on request.

Independence and quality control

Our independence is defined by statutory texts, the profession's Code of Ethics, and the provisions contained in Article L. 822-11-3 of the French Commercial Code. We have also established a quality control system, which covers the policies and documented procedures aiming to ensure compliance with ethical rules 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 paragraph of Article R. 225-105 of the French Commercial Code ("Certification of inclusion of CSR Information");
- express a conclusion of reasonable assurance that the CSR Information, taken as a whole, is, in all significant respects, accurately presented in accordance with the Guidelines (Reasoned opinion on the accuracy of CSR Information).

It is also our role to express an opinion on its compliance with any other applicable legal provisions, in particular those in Articles L. 225-102-4 of the French Commercial Code (oversight plan) and the so-called "Sapin II" Law No. 2016-1691 of December 9, 2016 (anti-corruption measures).

Our work was conducted by seven people and carried out between September 2017 and March 2018 over a total period of approximately seven 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 the Decree of May 13, 2013, which determines the methods whereby the independent third party performs its engagement, and with the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this engagement and, with regard to the reasoned opinion on the accuracy of the information, in accordance with international standard ISAE 3000 [(2)].

(1) The scope of this accreditation can be viewed on www.cofrac.fr
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

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 missing, we verified that the explanations were provided in accordance with the provisions of Article R. 225-105-3 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 – within the limits specified in Section 2.2 of the Management Report entitled "Methodology Note".

Conclusion

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

2. / Reasoned opinion on the accuracy of the CSR Information

Nature and extent of the work

We conducted some 10 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 Guidelines in terms of its relevance, comprehensiveness, reliability, impartiality and understandability, taking into consideration, where applicable, best practices 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 practices in the sector.

For the CSR Information that we considered the most important [1]:

- at the level of the consolidating entity and its entities, 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) ***Quantitative social data:*** *Total workforce as of December 31 broken down by type of contract (open-ended, fixed-term); number of managers on open-ended contracts; number of open-ended new hires; number of open-ended staff departures (including dismissals); number of staff with a disability within Fnac; frequency of accidents with lost time; frequency of occupational accidents; absenteeism due to sickness; total number of hours of training (excluding safety).*

Quantitative environmental data: *Energy consumption; CO_2 emissions from energy consumption; Waste Electrical and Electronic Equipment (WEEE); purchases of carrier bags (plastic and non-plastic); percentage of products displaying an environmental rating.*

Qualitative data: *The organization of employer-employee dialogue, particularly employee information, consultation and negotiation procedures; workplace health & safety; training policies; waste prevention, recycling, reuse and other forms of waste reclamation and disposal; energy consumption and steps taken to improve energy efficiency and the use of renewable energy; partnership and sponsorship actions; dialogue with individuals and entities interesting in the company's activities; steps taken to promote consumer health & safety; the degree of subcontracting and consideration, in relationships with suppliers and subcontractors, of their social and environmental responsibilities; consideration of the company's procurement policy in relation to social and environmental issues.*

- at the level of a representative sample of entities 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 identify any omissions 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 40% of the workforce, which is considered to be of a size characteristic of the corporate segment, and 100% of the quantitative environmental information is considered to be of a size characteristic [(2)] of the environmental segment.

We assessed the consistency of other consolidated CSR Information in relation to our knowledge of the Company.

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

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 more verifications. 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 Guidelines.

Paris La Défense, March 20, 2018

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Eric Ropert
Partner

(1) ***Social indicators:*** *FNAC France; DARTY Île-de-France (DIF); FNAC Portugal.*
Environmental indicators: *FNAC France; DARTY France.*

(2) *See the list of environmental indicators mentioned in the footnote No. 3 of this report.*

3

Corporate governance report

Pursuant to Articles L. 225-37 et seq. of the French Commercial Code, we are presenting you with the following report on corporate governance.

This entire report was approved by your Board of Directors at its meeting on February 21, 2018 as required by the provisions of the French Commercial Code.

The report was prepared by the Board Secretary in collaboration with the Department of Human Resources, the Finance Department, and the Internal Audit Department on the basis of different internal documents (bylaws, internal regulations, and meetings of the Board and its specialized committees, etc.) and submitted to the Appointments and Compensation Committee. Current regulations, recommendations for corporate governance issued by the AMF, recommendations of the AFEP-MEDEF code, and the report of the High Committee on Corporate Governance were all taken into consideration.

3.1 / Organization of governance

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 ("Operation of the administrative and executive bodies") of this Registration Document.

3.1.1 / COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

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 mass renewal of members of the Board 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.

Pursuant to the provisions of Article L. 225-18-1 of the French Commercial Code, the principle of balanced representation of men and women has been taken into account on the Board in accordance with the law. It should be noted that in 2017, women accounted for 40% of the members of the Board, and they have represented 50% of the Board since December 15, 2017, in line with parity rules.

The Board created three committees with the role of assisting it in its duties: the Audit Committee, the Appointments and Compensation Committee and the Corporate Social and Environmental Committee.

As of December 31, 2017, the Board of Directors had twelve members, including six women and nine independent members.

The table below provides a summary of the membership of the Board of Directors and the Committees of Fnac Darty as of February 21, 2018.

Name	Age (a)	Nationality	Independent Dir.	Office	Principal position held	Start of 1st term	Expiration of current term	Membership on a committee: Audit	Membership on a committee: Appointments and Compensation	Membership on a committee: Corporate Social and Environmental
Jacques Veyrat	55	French	X	Chairman, Director	Chairman of Impala	2013	2019			
Antoine Gosset-Grainville	51	French	X	Vice-Chairman Director	Founder, law firm of BDGS Associés	2013	2019		X	
Daniela Weber-Rey	60	German	X	Director	Attorney	2017	2019	X		
Patricia Barbizet	62	French		Director	Chief Executive Officer, Artemis	2013	2019		X	
Sandra Lagumina	50	French	X	Director	Managing Director, Meridiam Asset Management	2017	2018	X		
Carole Ferrand	47	French	X	Director	Director of Financing, Artémis	2013	2020	X		
Compagnie financière du 42 avenue de Friedland, represented by Simon Gillham	61	British		Director	Member of the Vivendi Management Board	2016	2019			X
Delphine Mousseau	46	French	X	Director	VP Markets, Zalando	2017	2020			X
Nonce Paolini	68	French	X	Director	Corporate director	2013	2018		X	
Vivendi, represented by Stéphane Roussel	56	French		Director	Chief Executive Officer, Vivendi	2016	2019			
Arthur Sadoun	46	French	X	Director	Chief Executive Officer, Publicis Worldwide	2013	2018			X
Brigitte Taittinger-Jouyet	58	French	X	Director	Director of Strategy and Development, Institut d'études politique de Paris	2013	2020			X

(a) As of December 31, 2017.

Changes in the membership of the Board of Directors in 2017

Director		Date	Diversification
Héloïse Temple-Boyer	Elected	SM of May 24, 2017	Change in male/female ratio
Alban Greget	Non-renewal of term	SM of May 24, 2017	
Carole Ferrand	Term renewed	SM of May 24, 2017	Change in male/female ratio
Brigitte Taittinger-Jouyet	Term renewed	SM of May 24, 2017	Change in male/female ratio
Héloïse Temple-Boyer	Resignation	December 15, 2017	
Marie Cheval	Resignation	November 28, 2017	
Alexandre Bompard	Resignation	November 28, 2017	
Delphine Mousseau	Appointed to replace Héloïse Temple-Boyer	Board meeting of December 15, 2017	Change in male/female ratio International experience
Sandra Lagumina	Appointed to replace Marie Cheval,	Board meeting of December 15, 2017	Change in male/female ratio
Daniela Weber-Rey	Appointed to replace Alexandre Bompard	Board meeting of December 15, 2017	Change in male/female ratio German nationality International experience
Jacques Veyrat	Elected Chairman to replace Alexandre Bompard	Board meeting of July 17, 2017	
Antoine Gosset-Grainville	Elected Vice-Chairman to replace Patricia Barbizet	Board meeting of December 15, 2017	

Changes in committee memberships in 2017

Appointments and Compensation Committee	Date
Election of Antoine Gosset-Grainville, already a member of the Committee, as Chairman to replace Nonce Paolini, who remains a member of this Committee	December 15, 2017

Audit Committee	Date
Election of Marie Cheval, already a member of the Committee, as Chairman, to replace Jacques Veyrat, who remains a member of this Committee	July 17, 2017
Election of Carole Ferrand, already a member of the Committee, as Chairwoman, to replace Marie Cheval (resigned)	December 15, 2017
Appointment of Daniela Weber-Rey to replace Jacques Veyrat	December 15, 2017
Appointment of Sandra Lagumina to replace Marie Cheval (resigned)	December 15, 2017

Corporate Social and Environmental Responsibility Committee	Date
Appointment of Héloïse Temple-Boyer to replace Alban Greget, subject to election by the Shareholders' Meeting of May 28, 2017	February 28, 2017
Appointment of Delphine Mousseau to replace Alexandre Bompard (resigned)	December 15, 2017
Appointment of Simon Gillham (permanent representative of Compagnie Financière du 42 avenue de Friedland), to replace Héloïse Temple-Boyer (resigned)	December 15, 2017

3.1.2 / MEMBERS OF THE BOARD OF DIRECTORS SUBMITTED TO THE SHAREHOLDERS' MEETING OF MAY 18, 2018

The members of the Board of Directors are continually updated on the company's website (www.fnacdarty.com/notre-groupe/gouvernance/).

The Board of Directors monitors the improvement and effectiveness of the Fnac Darty governance by regularly assessing its membership, diversity, expertise, the experience of the directors, their availability, their full responsibility, compliance with the percentage of independent directors, the gender balance, as well as through choices best adapted to the company, and to the organizational and administrative processes of the Board.

Pursuant to the internal regulations of the Board of Directors adopted at the Board meeting of April 17, 2013, renewal of directors on a rolling basis was established.

In addition, pursuant to the bylaws, the Board of Directors of the Company, at its meeting of December 15, 2017, named Antoine Gosset-Grainville as Vice-Chairman for the remainder of his term on the Board.

The Board first obtained an opinion from the Appointments and Compensation Committee in preparation for the Shareholders' Meeting. At its meeting of February 21, 2018, the Board reviewed the terms of directors that expire at the next Shareholders' Meeting, taking into consideration the expertise of the current directors and the need to maintain the independence rate and comply with the parity rules. It paid particular attention to the experience and knowledge of the Group's businesses held by each director to participate effectively in the work of the Board and its four Committees.

On the recommendation of the Appointments and Compensation Committee:

- the Board of Directors will submit for approval by the shareholders the renewal of the term of Nonce PAOLINI for three years, until the Shareholders' Meeting held in 2021 and called to approve the financial statements for the previous year;
- as the term of Arthur SADOUN is expiring and Mr. SADOUN does not wish to renew his term as director, the Board will submit the name of Ms. Caroline GRÉGOIRE SAINTE-MARIE for approval as Director by the shareholders to replace Mr. Arthur SADOUN for three years, until the Shareholders' Meeting held in 2021, called to approve the financial statements for the previous year.

In addition, the shareholders will be asked to ratify the temporary appointment of:

- Ms. Delphine MOUSSEAU to replace Ms. Héloïse TEMPLE-BOYER because she is resigning. As a result, Ms. Delphine MOUSSEAU would serve on the Board for the remainder of her predecessor's term, which is until the Shareholders' Meeting held in 2020 called to approve the financial statements for the previous year;
- Daniela WEBER-REY to replace Alexandre BOMPARD who has resigned. As a result, Ms. WEBER-REY would serve on the Board for the remainder of her predecessor's term, which is until the Shareholders' Meeting held in 2019 called to approve the financial statements for the previous year;
- Sandra LAGUMINA to replace Marie CHEVAL who is resigning. As a result, Ms. LAGUMINA would serve on the Board for the remainder of her predecessor's term, which is until the Shareholders' Meeting held in 2018 called to approve the financial statements for the previous year.

Subject to ratification of her provisional appointment, the Shareholders' Meeting will be asked to renew Sandra LAGUMINA's term for a period of three years, to expire at the end of the Shareholders' Meeting held in 2021 called to approve the financial statements for the previous year.

3.1.3 / OFFICES AND POSITIONS HELD BY DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

Listed below are the offices and position of directors held in 2017 and for the last five years. It is specified that the rules governing combinations of offices have been respected by the directors.

Jacques Veyrat — 55 years

Independent Director and Chairman

4, rue Euler
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held: 250

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 1991-1993. From 1993 to 1995, he was technical advisor to the Minister of Equipment for Transport, Tourism and the Sea (1993-1995). In 1995, he joined the Louis Dreyfus Group as Chief Executive Officer of Louis Dreyfus Armateurs (1995-1998), then served as Chairman and Chief Executive Officer of Louis Dreyfus Communications, which became Neuf Cegetel (1998-2008) and then Chairman and Chief Executive Officer of the Louis Dreyfus Group (2008-2011). Since 2011, he has been Chairman of Impala.

Positions and offices held as of December 31, 2017

- Chairman, Impala SAS
- Director, HSBC France
- Non-voting Director, Louis Dreyfus Armateurs
- Director, Nexity [(a)]
- Non-voting Director, Direct Énergie [(a)]
- Non-voting Director, Sucres et Denrées
- Non-voting Director, ID Logistics [(a)]

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

- Member of the Supervisory Board, Eurazeo [(a)]
- Chairman, Louis Dreyfus Holding BV
- Chairman and CEO, Louis Dreyfus
- Chairman and CEO, Neuf Cegetel
- Director, Direct Énergie
- Director, ID Logistics Group
- Director, Imerys

(a) Listed French company.

Patricia Barbizet

62 years

Director

12, rue François 1er
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held: 1,130

A graduate of the École supérieure de commerce de Paris, Ms. Barbizet began 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. She is currently the Chief Executive Officer of Artémis Group, the Pinault family's investment company, Vice Chairwoman of the Board of Directors of Kering and Vice Chairwoman of Christie's International.

Positions and offices held as of December 31, 2017

- Chief Executive Officer, non-director, and member of the Supervisory Board, Financière Pinault
- Chief Executive Officer and Director, Artémis
- Vice Chairwoman 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
- Chairwoman of the Corporate Governance and Ethics Committee, Total (a)
- Member of the Compensation and Strategy Committee, Total (a)
- Director, Total (a)
- Member of the Management Board, Société Civile du Vignoble du Château Latour
- Member of the Supervisory Board, Compagnie du Ponant
- Representative of Artémis on the Board of Directors, Collection Pinault – Paris
- Member of the Audit Committee of Kering (a)
- Member of the Compensation Committee of Kering (a)
- Deputy-Chairwoman, Christie's International Plc
- Member of the Remuneration Committee, Christie's International Plc
- Director and Deputy Director, Palazzo Grassi

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

- Director of PSA Peugeot Citroën (a)
- Director, TF1 (a)
- Director, Bouygues (a)
- Director, Air France-KLM (a)
- Director, Fonds Stratégique d'Investissement
- Chief Operating Officer and Director, Société Nouvelle du Théâtre Marigny
- CEO of Christie's Int'l Plc
- Board member, Gucci Group N.V.
- Non-executive Director, Kering Holland NV

(a) Listed French companies.

Daniela Weber-Rey — 60 years

Independent Director

Kronberger Strasse 49
60323 Frankfurt Am Main (Germany)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held: 250

Holding a Master's Degree in Law from Columbia University, New York, Daniela Weber-Rey was admitted to the Frankfurt, Germany Bar in 1984 and the New York Bar in 1986. For nearly 30 years, Daniela Weber-Rey was an attorney and partner with the legal firm of Pünder Volhard & Weber, then the Clifford Chance firm. She also served as Counsel to various European organizations, and served for five years on the Board of Directors of BNP Paribas. She is a member of the Governmental Commission of the German Corporate Governance Code, a member of the Board of the European Corporate Governance Institute, and a non-executive member of the Board of HSBC Trinkaus & Burkhardt AG. Between 2013 and 2016, Ms. Weber-Rey worked at Deutsche Bank AG as Chief Governance Officer and Deputy Global Head of Compliance. Daniela Weber-Rey is a member of the Economic Council to the French Embassy in Germany (Berlin). She was raised to the rank of *Chevalier de la Légion d'Honneur* in 2010 for her commitment to French-German relations.

Positions and offices held as of December 31, 2017

- Director, HSBC Trinkhaus & Burckhardt AG, Düsseldorf, Risk Committee and Audit Committee
- Board Member, European Corporate Governance Institute, Brussels

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

- Member of the BNP Paribas Board of Directors

Carole Ferrand — 47 years

Independent Director

12, rue François 1er
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2020 to approve the financial statements for the previous year
Number of shares held: 250

A 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 business electronics branch of the Sony Corporation Group, serving as Chief Finance Officer 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, where she is in charge of managing strategic and financial support for certain investments.

Positions and offices held as of December 31, 2017

- Director, Cap Gemini [(a)]
- Director, Sebdo, Le Point
- Director, Archer Obligations (formerly Artémis 21)
- Director, Éditions Tallandier
- Member of Audit Committee, Cap Gemini [(a)]
- Director, Palazzo Grassi
- Director, Collection Pinault – Paris
- Honorary Chairwoman and Director, Terra Nova (association formed under French Law 1901)

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

None.

(a) Listed French companies.

Simon Gillham | 61 years

Permanent representative of Compagnie financière du 42 avenue de Friedland, Director

42, avenue de Friedland
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held by Compagnie Financière du 42 avenue de Friedland, of which Simon Gillham is the permanent representative: 250

Simon Gillham holds a Bachelor of Arts degree (Bristol and Sussex Universities). He began his career in 1981 at Thomson where he was responsible for training. In 1985, he formed his own training and communications company. In 1991, he was appointed Vice President, Communications of Thomson Consumer Electronics. In 1994, he joined the Carnaud Metalbox Group. In early 1999, he took over as head of communications for the Valeo Group before becoming Vice President of Communications at Havas in 2001. He joined Vivendi in 2007 as Head of Communications and Sustainable Development. He is Chairman of Vivendi Village and in this capacity oversees the operations of Vivendi Ticketing, MyBestPro, Watchever, Radionomy, L'Olympia and the Théâtre de l'Oeuvre. He has been a member of the Management Board of Vivendi since November 2015.

Positions and offices held as of December 31, 2017

- Member of Management Board of Vivendi [(a)]
- Chairman of Vivendi Village
- Chairman of the Board of Directors of Digitick
- Chairman of Olympia
- Chairman of the Board of Directors of See Group Ltd (United Kingdom)
- Chairman of the Board of Directors of The Way Ahead Group (United Kingdom)
- Chairman of the Board of Directors of MybestPro
- Member of the Supervisory Board of Canal+
- Director of Dailymotion
- Member of the Supervisory Board of Universal Music France
- President of the CA Brive Rugby Club

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

- Member of the Supervisory Board of Canal+ France
- Chairman of the Board of Directors of Watchever
- Member of the Supervisory Board of StudioCanal

(a) Listed French company.

Antoine Gosset-Grainville | 51 years

Independent Director and Vice-Chairman of the Board

51, rue François 1er
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held: 250

Mr. Gosset-Grainville is a graduate of the Institut d'études politiques de Paris, holds a DESS in Banking and Finance from the Université Paris-IX Dauphine and is a 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 Chief Operating Officer of 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.

Positions and offices held as of December 31, 2017

- 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

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

(a) Listed French companies.

Delphine Mousseau

46 years

Independent Director

Tamara-Danz-Strasse 1
10243 Berlin (Germany)

Term expiration date: Ordinary Shareholders' Meeting called in 2020 to approve the financial statements for the previous year
Number of shares held: 258

A graduate of the HEC with a Master's degree in Business Administration, Ms. Mousseau began her career in 1995 as Project Head with the Boston Consulting Group. In 1999, she joined Plantes-et-Jardins.com as Director of Operations. From 2007 to 2011, she served as Director of E-Commerce Europe with Tommy Hilfiger. She then worked as an Independent Consultant, primarily for the former Primondo Group. Since 2014, Delphine Mousseau has been VP of Markets at Zalando.

Positions and offices held as of December 31, 2017

- VP of Markets - Zalando S.E.

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

None.

Nonce Paolini

68 years

Independent Director

34, rue Copernic
Paris (75116)

Term expiration date: Ordinary Shareholders' Meeting called in 2018 to approve the financial statements for the previous year
Number of shares held: 250

Mr. Paolini holds a Master's degree in literature and is a graduate of the Institut d'études politiques de Paris (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 becoming Director of Communications in 1990. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Chief Operating Officer. In 2002 he was appointed Chief Operating 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 of the group in 2008 until 2016.

Positions and offices held as of December 31, 2017

- Director, Bouygues Telecom

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
- Chairman and CEO, TF1[(a)]
- Chairman and Director, Monte Carlo Participation
- Chairman and Director, Fondation d'entreprise TF1
- Director, Bouygues[(a)]
- Permanent representative of TF1 Director, Group AB
- Permanent representative of TF1 Director, Extension TV
- Permanent representative of TF1 Management, Managing Director, TF1 DS
- Chairman, TF1 Publicité
- Chairman, Programmes européens francophones audiovisuels spéciaux 4
- Chairman, HOP (Holding Omega Participations)
- 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
- Member of the Supervisory Board of the Compagnie du Ponant
- Member of Board of Directors of Editions Tallandier

(a) Listed French company.

3

Stéphane Roussel

56 years

Permanent representative of Vivendi, Director

42, avenue de Friedland
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held by Vivendi of which Stéphane Roussel is the permanent representative: 2,944,901

A graduate of École des Psychologues praticiens de Paris, Mr. Roussel began his career in the Xerox Group in 1985. Between 1997 and 2004, he held various HR positions in the Carrefour Group. Between 2004 and 2009, he was Director of Human Resources at SFR. Between 2009 and 2012, he was Director of Human Resources at Vivendi. In May 2013, he joined the executive management team at the Vivendi Group. He has been a member of the Management Board of Vivendi since June 2014 and Chief Executive Officer of Vivendi since 2015.

Positions and offices held as of December 31, 2017

- Member of the Management Board, Vivendi SA [a]
- Chairman, Chief Executive Officer, Gameloft
- Member of the Supervisory Board, Canal+ Group
- Director of Dailymotion
- Member of the Supervisor Board, Universal Music France
- Member of the Supervisory Board, Banijay Group Holding
- Director, IMS

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

- Member of the Supervisory Board, StudioCanal
- Chairman, Vivendi Group Africa
- Director, Telecom Italia
- Member of the Supervisory Board, Banijay Group (SAS)
- Chairman, Vivendi Group Africa Benin (SAS)
- Chairman-Chief Executive Officer, SFR
- Director, GVT Participaçoes SA (Brazil)
- Permanent representative of Cie Financière du 42 avenue de Friedland, Director, Numericable-SFR
- Member and Chairman of the Board of Directors, SFR Foundation
- Director, Activision Blizzard
- Chairman of the Board of Directors, Digitick
- Director, See Group Ltd (United Kingdom)
- Director, UK Ticketing Ltd (United Kingdom)
- Chairman, Arpejeh

[a] *Listed French company.*

Arthur Sadoun

46 years

Independent Director

133, avenue des Champs-Élysées
Paris (75008)

Term expiration date: Ordinary Shareholders' Meeting called in 2018 to approve the financial statements for the previous year
Number of shares held: 250

A graduate of the European Business School with an MBA from the l'Institut Européen d'Administration des Affaires, Mr. Sadoun created his own public relations firm in Chile before joining the TBWA network in Paris as Director of International Strategic Planning and then became 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 and Chief Executive Officer. He has served as Chairman of the Management Board of Publicis Group since June 2017.

Positions and offices held as of December 31, 2017

- Chairman of the Management Board, Publicis Groupe SA [(a)]
- Chairman and Chief Executive Officer, Publicis Conseil SA
- Director, Sichuan Yongyang Advertising Co., Ltd (China)
- Director, BBH Holdings Limited (United Kingdom)
- Director, DPZ&T Comunicaçoes SA (Brazil)

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

- Chairman, Elephant Seven Espana SAU (Spain)
- Chairman, Marcel SAS (France)
- Chairman, Publicis Dialog SA (France)
- Chairman, Publicis Webperformance SAS (France)
- Legal representative of Publicis Dialog, Chairman of Temdo SAS (France), Publicis Eto SAS (France) and Publicis K1 SAS (France)
- Director, Gobule Bleu SPRL (Belgium)
- Director, Proximedia SA (Belgium)
- Director, PBC Communicaçao LTDA (Brazil)
- Director, G/B2 Inc. (Canada)
- Director, Cyber Media Group SA (Luxembourg)
- Director, Kitchen Reklamebyra AS (Norway)
- Director, LAP Agencias de Comunicacao LDA (Portugal)
- Director, Poke London Limited (United Kingdom)
- Director, Publicis Limited (United Kingdom)
- Director, Publicis Canada Inc. (Canada)
- Director, MSL France SA (formerly F2SCom) (France)
- Chairman of the Board of Directors, Publicis Srl (Italy)
- Manager, Publicis Red Lion GmbH (Germany)
- Manager, Bielefeld GmbH (Germany)
- Manager, Pixelpark GmbH (Germany)

(a) Listed French company.

3

Brigitte Taittinger-Jouyet | 58 years

Independent Director

27, rue Saint-Guillaume
Paris (75007)

Term expiration date: Ordinary Shareholders' Meeting called in 2020 to approve the financial statements for the previous year
Number of shares held: 250

A graduate of the Institut d'Études Politiques de Paris with a master's degree in history from the Université des Sciences Humaines. Head of Advertising at Publicis (1984-1988), in 1988 Ms. Taittinger-Jouyet became Mission Head in the Marketing Department of the Louvre Group responsible for industrial and economic hospitality 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).

Positions and offices held as of December 31, 2017

- Director, HSBC France
- Director, Centre Georges Pompidou

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

- Director, Festival d'Aix
- Chairwoman, Société des Parfums Annick Goutal

Sandra Lagumina | 50 years

Independent Director

4, place de l'Opéra
Paris (75002)

Term expiration date: Ordinary Shareholders' Meeting called in 2018 to approve the financial statements for the previous year
Number of shares held: 250

A graduate of the École nationale d'administration (ENA) and the Institut d'études politiques de Paris (Sciences Po), Sandra Lagumina also holds a DESS in common market law and a DESS in public law. She began her professional career with the French Council of State where she held the position of Auditor and then Master of Petitions from 1995 to 1998. Sandra Lagumina then became Technical and Legal Advisor to the President of the National Assembly. In 2000, she joined the staff of the Minister of the Economy, Finance and Industry as Technical Advisor for legal issues, public orders and competition law. She was then named Under-Director of Public and International Law in the Department of Legal Affairs in the Ministry and Treasury Judicial Agent (2002-2005). In 2005, she joined the Gaz de France group, where she held several positions in the areas of strategy and law. Between 2008 and 2013, she served as General Counsel for GDF Suez. In 2013, she was appointed Chief Executive Officer of GRDF (Gaz Réseau Distribution France). In 2016, she was named Deputy CEO of ENGIE and, in 2017, became Chief Executive Officer of Asset Management de Meridiam. She is also President of the Conservatoire National de Musique et de Danse de Paris. She is a member of the college of the Competition Authority.

Positions and offices held as of December 31, 2017

- Director and member of the Strategy Committee, Naval Group
- Director and member of the CSR Committee, Abertis
- Director and member of the Appointments and Compensations Committee, FNSP
- Member of the Supervisory Board, FMSH
- President of the Conservatoire National de Musique et de Danse de Paris
- Member of the college of the Competition Authority

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

- Chief Operating Officer in charge of gas infrastructures and China, Engie
- Director, GRDF
- Director, GRT GAZ
- Director, Storengy
- Director, Elengy
- Director, GTT
- Director, Engie IT
- Chief Executive Officer, GRDF

Enrique Martinez

47 years

Chief Executive Officer since July 17, 2017

9, rue des Bateaux-Lavoirs
94200 Ivry-sur-Seine

Expiration date of office: unlimited
Number of shares held: 71,864

Mr. Martinez holds a degree in Economics from the IESE Business School in Madrid, and began his career with Toys'R Us. In 1998, he joined Fnac Darty with the mission to establish and develop the brand in Portugal. He then held various positions within the Group between Spain and Portugal. In 2004, he became a member of the Executive Committee as CEO of the Iberian region. In 2012, he was called to France to head the France and Northern Europe region (France, Belgium, Switzerland). In 19 years, Enrique Martinez has made a significant contribution to the growth of Fnac Darty. As of July 2016, he was entrusted with the task of integrating the Fnac and Darty banners in France, which will result in the generation of the first synergies between the two brands in just a few months. He has served as Chief Executive Officer of Fnac Darty since July 2017.

Positions and offices held as of December 31, 2017

- Chairman and Chief Executive Officer, Fnac Darty Participations et Services SA
- Chairman and Chief Executive Officer, Fnac Paris
- Chairman, Fnac Direct
- Chairman, Fnac Jukebox
- Director, Grandes Almacenes Fnac Espana
- Director, Fnac Luxembourg
- Director, Kesa International

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

- Non-partner manager, Codirep
- Chairman, Relais Fnac
- Chairman, Fnac Périphérie
- Chairman, Fnac Acces
- Managing director and Chairman, Fnac Belgium
- Director, Fnac Monaco
- Chairman and member of the Board of Directors, Fnac Suisse
- Director, SwissBillet
- Director, Kesa France SA
- Director, Kesa Sourcing Ltd
- Director, Kesa Holdings Ltd
- Director, Fnac Darty Asia Ltd

Alexandre Bompard

45 years

Chairman and Chief Executive Officer until July 17, 2017
Director until November 28, 2017

4, place de l'Opéra
75002 Paris

Positions and offices held as of December 31, 2017

- Chairman and Chief Executive Officer, Carrefour
- Chairman of the Carrefour Foundation
- Director, Orange [(a)]
- Member of the Supervisory Board, Banijay Group
- Member of the Board of Directors, Le Siècle (Association operating under Law 1901)

Positions and offices held in 2017 and no longer held as of December 31, 2017

- Chairman and Chief Executive Officer, Fnac Darty
- Director, Fnac Darty
- Director, Darty Ltd
- Chairman and Chief Executive Officer, Fnac Darty Participations et Services
- Director, Les Éditions indépendantes

(a) Listed French company.

3

Marie Cheval

43 years

Director until November 28, 2017

44, rue Traversière
Boulogne-Billancourt (92100)

Positions and offices held as of December 31, 2017

- Director, Carmila
- Director, Laurent Perrier

Positions and offices held in 2017 and no longer held as of December 31, 2017

- Director, Sogecap
- Chairman of the Board of Directors, Self Bank (Spain)
- Director, Boursorama
- Director and Chairman of the Audit Committee, Fnac Darty

Héloïse Temple Boyer

42 years

Director until December 15, 2017

12, rue François-1er
Paris (75008)

Positions and offices held as of December 31, 2017

- Director and member of the Audit Committee, Christie's Plc
- Member of the Management Board, Ponant
- Director, Courrèges SA
- Director, Giambattista Valli SAS

Positions and offices held in 2017 and no longer held as of December 31, 2017

- Director and Chairman of the CSR Committee, Fnac Darty

Alban Gréget

41 years

Director until May 24, 2017

12, rue François-1er
Paris (75008)

Positions and offices held in 2017

- Chairman of the Board of Directors, Agefi (SA)
- Director, Archer Obligations
- Director and Chief Executive Officer, Finintel (SA)
- Director and Chief Operating Officer, La Centrale de Financement (SAS)
- Chairman, Marigny (SAS)
- Representative of Rocka, Director, Optimhome (SAS)
- Director, Témaris (A31) (SA)
- Director, Groupe Courrèges (SAS)
- Member of the Supervisory Board, Compagnie du Ponant
- Director, Digit RE Group
- Director, Société Nouvelle du Théâtre Marigny
- Director, Ter Obligations
- Director, Michel & Augustin (SAS)
- Director, Capi
- Representative of Artémis, Administrator, Optimhome Portugal
- Representative of Artémis, Director, Muzik
- Director of Investments, Financière Pinault

Positions and offices held in 2017 and no longer held as of December 31, 2017

- Director, Fnac Darty SA

3.1.4 / INDEPENDENCE OF BOARD MEMBERS

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 (§ 8.5), which are as follows:

- a director is not an employee or chief executive officer of the Company, or an employee, chief executive officer or director of a company consolidated by the Company, or an employee, chief executive officer or director of the parent company or a company consolidated by the parent company, and has not been during the last five years;
- is not a chief executive officer of a company in which the Company is, directly or indirectly, a director, or in which an employee designated as such or a chief executive officer of the Company (current or within the last five years) holds a position as director;
- is not a customer, supplier, or corporate or investment banker of material significance to the Company or its Group, or for which the Company or its Group represents a significant amount of business;
- has no close family ties with a corporate officer;
- has not been the Company's Statutory Auditor during the past five years;
- has not been director of the Company for more than 12 years. The classification of independent director is lost at the end of twelve years.

AFEP/MEDEF Criteria for corporate governance independence

	Employee or executive officer of the company, or the parent company of the company [(a)] during the previous 5 years	Whether or not simultaneous offices exist	Whether or not significant business relations exist	Existence of close family ties with a corporate officer	Has not been the Company's Statutory Auditor during the previous 5 years;	Has not been a director of the Company for more than 12 years	Status of major shareholder (10% of capital/voting rights)
Jacques Veyrat	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Brigitte Taittinger Jouyet	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Delphine Mousseau	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Daniela Weber-Rey	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Sandra Lagumina	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Antoine Gosset-Grainville	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Nonce Paolini	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Arthur Sadoun	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Carole Ferrand	Compliant [(b)]	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

(a) Or of a company consolidated by the company or the parent company of the company, or which the company consolidated during the previous 5 years.

(b) The Appointments and Compensation Committee noted that (i) Artemis no longer holds any interest in the company since August 24, 2017; (ii) Artemis is no longer the parent company of the company since the IPO of June 2013; (iii) Carole Ferrand held financial positions within Artemis over the short and distant period of January to June 2013. As a result, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, assessed the technical expertise and the quality of the background of Carole Ferrand, and believes that she now meets the criteria for independence.

Thus, nine of the twelve directors on the Board are classified as independent directors. They have no business ties to the company. None of them receives variable remuneration in cash or securities or any remuneration tied to the performance of the company or the Group.

3.1.5 / CONDITIONS FOR HOLDING SENIOR MANAGEMENT POSITIONS

Under the terms of Article 16 of the Company bylaws, following the departure of Alexandre Bompard from his duties as Chairman and Chief Executive Officer, and on the opinion of the Appointments and Compensation Committee, the Board of Directors on July 17, 2017 decided to separate the positions of Chairman of the Board and Chief Executive Officer. In effect, the Appointments and Compensation Committee believed that such a separation of duties would allow Senior Management, in the period following the acquisition of Groupe Darty, to focus on the operational priorities of the Group and, in particular, to pursue the work to integrate Fnac and Darty, ensure the achievement of the synergies announced, and confront increased competition.

The Board decided to appoint Enrique Martinez as Chief Executive Officer, reflecting its desire to continue the transformation of the Group initiated in recent years, relying on the management team in place, and to efficiently bring the process to integrate Fnac and Darty that had begun in 2016 to a conclusion.

3.1.6 / CHAIRMAN OF THE BOARD OF DIRECTORS

At its meeting of July 17, 2017, the Board of Directors elected Jacques Veyrat as Chairman for the remainder of his term on the Board in order to give the Chief Executive Officer and management team the benefit of his experience and contribution to the strategic positioning of the Group.

With this choice, the Board expressed its conviction that managerial continuity is the best way possible for the Group to reinforce its position in the market and its operating performance.

The Chairman of the Board chairs Board meetings, organizes and directs the work and meetings of the Board, and reports to the Shareholders' Meeting, in addition to ensuring the correct operation of the Company's governing bodies, and ensures in particular that the Board members are able to perform their duties. The Chairman of the Board also chairs the shareholders' meetings.

The Board has assigned no duties to the Chairman, other than those conferred by law, the bylaws and the internal regulations.

3.1.7 / EXECUTIVE COMMITTEE

The Chief Executive Officer is assisted by an Executive Committee responsible for the functional and operational departments, so that he can maintain efficiency in governance.

The Group's Executive Committee consists of the following:

- Enrique Martinez, Chief Executive Officer;
- Annabel Chaussat, Director of Marketing and E-commerce for Fnac Darty (as of March 2018);
- Frédérique Giavarini, Director of Human Resources for Fnac Darty;
- Vincent Gufflet, Director of Services for Fnac Darty;
- Éric Iooss, Director of Information Systems for Fnac Darty;
- Benoît Jaubert, Director of Operations for Fnac Darty;
- Jean-Brieuc Le Tinier, Chief Financial Officer and Corporate Secretary of Fnac Darty;
- Charles-Henri de Maleissye, Chief Executive Officer, Fnac Vanden Borre in Belgium;
- Benjamin Perret, Director of Communications and Public Affairs for Fnac Darty;
- Élodie Perthuisot, Fnac Darty Sales Director;
- Marcos Ruao, Chief Executive Officer, Fnac Spain, in charge of coordination of the Iberian Region;
- Olivier Theulle, Director of Operations for Fnac Darty.

The Group Executive Committee meets weekly to discuss the Group's operational and financial performance, strategic plans and the management of the Company.

3.1.8 / ETHICAL STANDARDS FOR BOARD MEMBERS AND OTHER INFORMATION

Conflicts of Interest – Related-party agreements – Convictions

- To the Company's knowledge, at the date of this Registration Document, there were no family ties between the members of the Board of Directors and the Senior Management of the Company.
- To the Company's knowledge, at the date of this Registration Document, in the last five years none of the Board members or senior executives: (i) has been convicted of fraud; (ii) has been a partner in a bankruptcy, receivership or liquidation; (iii) has been incriminated and/or the subject of an official public sanction declared by a statutory or regulatory authority; and (iv) has been prohibited by a court from serving as a member of an administration, management or supervisory body of an issuer, or from acting in the management or conduct of an issuer's affairs.
- On the date of this Registration Document and to the Company's knowledge, there exists no potential conflict of interest between the duties to the company, in their capacity as corporate officer, of each of the members of the Board of Director and the senior management of the Company, and their private interests or other duties.
- On the date of this Registration Document and to the Company's knowledge, there exists no arrangement or agreement signed with the principal shareholders, customers, suppliers or other parties, under which one of the members of the Board and the senior management of the Company has been appointed in this capacity, other than the commercial contracts signed with companies for which certain directors are the legal representatives or corporate officers, in the normal conduct of business and under market conditions.
- On the date of this Registration Document and to the Company's knowledge, there is no service contract binding the members of the Board or the senior management to the Company or to any of its subsidiaries that stipulates the award of benefits, subject to the commercial contracts described in the previous paragraph which are signed within the normal conduct of business and under current market conditions.
- On the date of this Registration Document and to the Company's knowledge, there is no restriction accepted by the members of the Board and the senior management of the Company concerning the assignment of their interest in the capital of the Company, with the exception of the rules governing the prevention of insider trading.

The internal regulations adopted by the Board of Directors on January 26, 2017 stipulate the following with respect to managing conflicts of interest:

"Each member of the Board has an obligation to inform the Board of any conflict of interest situation, and must declare the reason or reasons why the member has decided, if applicable, not to refrain from a vote in any deliberation of the Board for which the member would be in such a situation.

The Chairman or, if necessary, the Vice Chairman may not transmit to a director or directors whom the Chairman has serious reasons to believe have a conflict of interest, information or documents relating to the conflict issue, and shall inform the member of this failure to transmit.

In the event of a disagreement between the Chairman or, if applicable, the Vice Chairman, and the Board member, the Board shall consult relevant legal advice on the issue in question, independent of the Group or of any group in which the Board member holds an office and/or a position, which shall ensure that said Board member has access in a timely manner to any information required by his directorship, with the exception of the information which, if exchanged or shared, would constitute a demonstrated conflict of interest."

3.2 / Operation of the administrative and control bodies

3.2.1 / COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 15(4) of the Company's bylaws, at its meeting of 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.

The Company's Board of Directors decided to create three committees: an Audit Committee; a Appointments and Compensation Committee, and a Corporate, Environmental and Social Responsibility Committee. The composition, duties and rules of operation of these committees are set forth below.

3.2.1.1 / Audit Committee

The Board of Directors of the Company established an audit committee in late June 2013 and defined the terms of its internal regulations, which were updated by the Board on July 27, 2016 in order to include the provisions of the European regulations effective June 17, 2016.

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.

Therefore, in accordance with the criteria of the AFEP-MEDEF Code, the committee's internal regulations stipulate that Independent Directors comprise two thirds of the Audit Committee.

The composition of this committee was modified by the Board of Directors of the Company at its meetings of October 22, 2015, May 23, 2016, and December 15, 2017: Carole Ferrand (independent director) succeeds Marie Cheval as Chairman, and the other two members are Daniela Weber-Rey (independent director), named to replace Jacques Veyrat, and Sandra Lagumina (independent director), named to replace Marie Cheval.

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 over the course of their professional careers in banks and companies (see section 3.1.3 "Offices and positions held by members of the Board of Directors and the Chief Executive Officer" of the Registration Document).

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). It pays particular attention to the scope of the consolidated companies and the reasons why companies would not be included within this scope, and to the major or complex transactions that have impacted the financial statements of the Company; the committee must focus in particular on major transactions when a conflict of interest could have arisen;
- *monitoring the effectiveness of internal control, internal audit and risk management systems relating to operations and to the treatment of 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 the treatment of its financial and accounting information, without its independence being compromised. The Audit Committee must ensure that remedial actions are implemented when significant weaknesses or anomalies are noted. In order to do so, it is informed of the main findings of the Statutory Auditors and Internal Audit Department. 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. It assesses the importance of the problems or weaknesses reported to it and informs the Board, where necessary;

- *monitoring the statutory audit of the parent company and consolidated financial statements by the Company's Statutory Auditors* – In accordance with the law and European Regulations, the Statutory Auditors must present their general work program and the sampling they performed to the committee, the modifications they consider must be made to the financial statements or accounting documentation, and their comments on the valuation methods used, the irregularities and inaccuracies they have identified, and the conclusions resulting from the comments and corrections concerning the results for the period compared to those of the previous period;
- *monitoring the rules regarding the independence and objectivity of the Statutory Auditors* – The Audit Committee must, along with the Statutory Auditors, examine the risks affecting their independence and the safeguards enacted to mitigate these risks. Whenever the Statutory Auditors are appointed or re-appointed, the Audit Committee must manage the procedure for selecting the Statutory Auditors and submit a recommendation to the Board of Directors on the Statutory Auditors proposed for appointment by the General Meeting. Except in cases where the Statutory Auditors are up for reappointment, this recommendation must be made following an invitation to tender, must be substantiated and include at least two choices, and must give reasons for the preferred choice. In cases where the Statutory Auditors are up for reappointment, the committee shall recommend the selection procedure to the Board, including in particular if there are grounds for using an invitation to tender. It oversees the invitation to tender and approves the specifications and selection of firms consulted, ensuring the "best bidder" is selected rather than the "lowest bidder". The Audit Committee must in particular be provided each year by the Statutory Auditors with the declaration of independence referred to in Article 6 of the European Regulations, the global amount of fees paid to the network of Statutory Auditors by the companies controlled by the Company or the entity controlling it for services other than certification of the financial statements, as well as the nature of these services. The Audit Committee must also approve in advance the provision of services other than audit services, after analyzing the risks affecting the independence of the Statutory Auditor and the safeguards applied by that Auditor. In this regard, the firm responsible for the statutory audit may perform services other than audit services which are not prohibited by the European Regulations and by the code of ethics of Statutory Auditors. In that case, the fees must not exceed a cap of 70% of the average fees invoiced in the last three years for the statutory audit of the financial statements. The committee must also ensure that the amount of fees paid by the Company and its Group, or the proportion they represent in the revenues of the firms and networks, are not likely to adversely affect the independence of the Statutory Auditors.

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, generally at least two days before the Board meeting.

In the exercise of its duties, it hears the Statutory Auditors and may 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.

3.2.1.2 / Appointments and Compensation Committee

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

Composition

Appointments and Compensation 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 Appointments and Compensation Committee, particular consideration is given to the independence of members, as well as their expertise in the selection and compensation of Executive Officers of listed companies.

Therefore, in accordance with the criteria of the AFEP-MEDEF Code, the committee's internal regulations stipulate that Independent Directors comprise two thirds of the Appointments and Compensation Committee.

The composition of this Committee was modified by the Company's Board of Directors at its meeting on December 15, 2017: Antoine Gosset-Grainville (independent director) succeeds Nonce Paolini as Chairman, and the other two members are Patricia Barbizet (director) and Nonce Paolini (independent director), subject to her re-election by the shareholders' meeting held in 2018.

Duties

The Appointments and Compensation 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 remuneration 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. Its other duties are to work specifically on a senior management succession plan.

Accordingly, it carries out the following functions:

- *proposals for members of the Board of Directors, senior management and board committees* – The duties of the Appointments and Compensation Committee are to make recommendations to the Board for the election of members to the Board (by the shareholders' meeting or by provisional appointment), the Chairman of the Board, and the executive officer or officers, as well as for the members and 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 Appointments and Compensation 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 Appointments and Compensation Committee must ensure that the Board and its specialized committees, including the Audit Committee and the Appointments and Compensation 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 Appointments and Compensation 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 senior management* – The Appointments and Compensation Committee is responsible for preparing proposals that include both fixed and variable compensation, as well as, where applicable, share subscription or purchase options, allotment of performance shares, retirement and insurance benefits, severance benefits, benefits in kind or specific benefits, and any other direct or indirect compensation that the senior management package might include. It is informed of these aspects of the compensation of the Group's executive officers and the relevant compensation policies that have been implemented within the Group. When preparing its proposals and work, the Appointments and Compensation 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 Appointments and Compensation Committee makes proposals to the Board regarding the distribution 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 remuneration awarded to the Company's Chairman and Vice Chairman of the Board.

Practices

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

The Appointments and Compensation 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 3.1.4 "Independence of Directors" in this Registration Document), and, in any event, prior to any Board meeting deciding on the compensation of Executives or the distribution of director's fees.

3.2.1.3 / 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 modified by the Company's Board of Directors at its meeting of December 15, 2017: the Chairwoman is Brigitte Taittinger-Jouyet (independent director) and the other three members are: Delphine Mousseau (independent director), appointed to replace Alexandre Bompard, whose appointment to the Board will be submitted for the approval of the shareholders' meeting to be held May 18, 2018, Simon Gillham (director), named to replace Héloïse Temple-Boyer, and Arthur Sadoun (independent director) whose term expires at the end of the shareholders' meeting called to approve the financial statements for fiscal 2017. The Board has recommended Caroline Grégoire Sainte Marie (independent director) to replace Arthur Sadoun, whose membership on the Board will be submitted for the approval of said shareholders' meeting.

Duties

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

This committee reports on the actions and results of the previous year and presents Fnac Darty's strategies for the current year.

It covers such topics as social dialogue, equal opportunity, gender parity, youth and senior employment, diversity, environmental impact management, cultural initiatives and social inclusion, and sourcing in Asia, particularly for own-brand products or products under a Darty trademark license.

The committee also ensures that the disclosures in section 2 "Social and Environmental Responsibility" of this document have been audited by a third party independent body to certify their compliance with Article L. 225-102-1 par. 5 and 6.

Accordingly, the Corporate, Environmental and Social 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, Environmental and Social 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, Environmental and Social 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, Environmental and Social 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, environmental and social risks and opportunities for the Company* – Each year, the Corporate, Environmental and Social 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, environmental and social responsibility* – Each year, the Corporate, Environmental and Social Responsibility Committee must review all information published by the Company that relates to issues of corporate, environmental and social responsibility. In this respect, the Corporate, Environmental and Social 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, Environmental and Social 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 of Directors. It also monitors and distributes the recommendations adopted by the Board;

- *examining the environmental impact of the Banners' activity* – Each year, the Corporate, Environmental and Social Responsibility Committee examines the impact of the Banners' activities on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the Banners' 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 of Directors. It also monitors and distributes the recommendations adopted by the Board;
- *establishing a focus on social sustainability for the two Banners* – The Corporate, Environmental and Social 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 Banners' corporate, environmental and social policies* – Each year, the Corporate, Environmental and Social Responsibility Committee draws up proposals to strengthen employees' involvement in the Brands' 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, Environmental and Social Responsibility Committee is valid when there is a quorum of two members in attendance. The Corporate, Environmental and Social 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.

3.2.2 / CONDITIONS FOR THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

3.2.2.1 / Internal regulations of the Board and the Market Ethics Charter

The Board of Directors assumes the duties 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 attributed to the General 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 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.

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 distributing 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.

A Market Ethics Charter has been adopted by the Board of Directors reiterating their regulatory obligations, particularly those relating to the prevention of insider trading by company officers, persons holding responsibilities, executives and insiders, and defined rules on restrictions on trading in the securities of the Company or of the Group more generally, by stipulating "blackout periods" and designating an ethics officer responsible for answering potential questions and interrogations of insiders with regard to the charter.

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

Under the law, the Chief Executive Officer is vested with the broadest powers to act in the name of the Company in all circumstances. He exercises those powers within the limits of the corporate purpose and the powers expressly assigned by law to Shareholders' Meetings and to the Board of Directors.

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.

In its decision of July 17, 2017, the Board maintained the limitations of powers stipulated by the internal regulations of the Board on 01/26/2017 in Article 3.2, which are the following:

"The Chief Executive Officer must obtain the Board's prior consent for any of the following transactions:

a) issues and transactions that materially affect the Group's strategy, financial structure or scope of business;

b) the following transactions conducted by the Company or any entity controlled by the Company if they exceed the threshold set by the Board of Directors:

(i) any investment or divestment, including an acquisition or sale or exchange of interests in any companies currently existing or to be created, insofar as such transactions exceed an amount defined by the Board which is valid for the duration set by the Board in its decision,

(ii) any guarantee, endorsement or security interest of any kind, insofar as such transactions exceed an amount defined by the Board and valid for the duration set by the Board in its decision,

(iii) any borrowing (or series of borrowings) or loans, of any type, or the prepayment of a loan, insofar as such transactions exceed an amount defined by the Board and valid for the duration set by the Board in its decision.

The Board also ensures that sufficient information is available about any strategic or significant operation falling outside the strategy announced by the Company in order to obtain prior approval from the Board of Directors."

In this context and at this same meeting, the Board decided to submit for prior authorizations any transactions which exceed 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 €30 million;
- any borrowing (or series of borrowings) or lending of money of any kind or prepayment of a loan that exceeds €50 million.

The Board decided that these authorizations and thresholds should be set for a period of two years expiring on July 17, 2019.

On February 17, 2017, the Board of Directors also maintained the authorization granted on February 28, 2017 to the Chief Executive Officer to issue guarantee, endorsement or security of any kind, up to a limit of a total annual cap of €50 million for a period of one year expiring on February 28, 2018.

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.

The Board is also regularly informed of the Company's financial and cash position, as well as the commitments of the Company or Group.

3.2.2.3 / Work of the Board and its specialized committees

Assessment of the Board of Directors and the specialized committees

Pursuant to the provisions of the Board's internal regulations and the AFEP/MEDEF Corporate Governance Code, every year the Board devotes one item on the agenda to a review of the members, organization and operation of the Board and its Committees and the effective contribution of the directors to the work of the Board.

At its meeting of April 28, 2017, the Board read the conclusions from the detailed questionnaires previously sent to Board members and conducted the annual assessment of its operation and its committees. The Board found that all members had returned their questionnaire and that the responses showed a generally high level of satisfaction. In general, the Board members believe that the operation of the Board and its Committees is effective, and that the important issues for the Board are well discussed.

Expectations or explanations were requested by some members in order to complete the process in place, specifically the invitation to members of the Executive Committee to Board meetings or the organization of Board meetings in the field close to operations.

In accordance with the internal regulations of the Board, the last three-year formalized assessment of the Board was conducted in 2016.

Board of Directors

Work of the Board of Directors in 2017

The Board met ten times in 2017 with an average attendance rate of 87%, all chaired by the Chairman & Chief Executive Officer until July 17, 2017, then by the Chairman of the Board as of July 17, 2017.

Dates	Directors present (attendance rate)
January 26	12/12 (100%)
February 28	11/12 (92%)
March 28	10/12 (83%)
April 28	10/12 (83%)
May 24	10/12 (83%)
June 9	12/12 (100%)
July 17	12/12 (100%)
July 25	9/12 (75%)
October 19	9/12 (75%)
December 15	8/10 (80%)

At its meeting of January 26, 2017, the Board of Directors:

- reviewed business operations in the fourth quarter of 2016 as well as budget strategies for 2017;
- amended the internal regulations of the Board and the Market Ethics Charter (application of the Regulation on "market abuses").

At its meeting of February 28, 2017, the Board of Directors:

- after recognizing the work of the Audit Committee in 2016, the 2017 audit plan and the 2016 mapping of risks, approved the annual financial statements and reports for 2016;
- reviewed and approved the 2017 budget;
- granted an annual budget 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 Appointments and Compensation Committee on February 27, 2017 and decided on the variable compensation for 2016 of the Chairman and Chief Executive Officer and the amount and terms of his fixed and variable compensation for 2017: the decision was made by the directors in the absence of the Chairman and Chief Executive Officer;
- established the distribution of director's fees for 2016;
- considered the work of the Corporate, Environmental and Social Responsibility Committee of February 27, 2017, 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 of March 28, 2017, the Board of Directors:

- approved the Board's Report on the draft resolutions as well as the draft resolutions for the Combined Ordinary and Extraordinary General Meeting;
- called the Combined Ordinary and Extraordinary General Meeting for May 24, 2017.

At its meeting of April 28, 2017, the Board of Directors:

- noted the assessment of the operation of the Board (summary of Directors' questionnaires);
- approved the long-term incentive plan for certain executive managers of the Group.

At its meeting of May 24, 2017, the Board of Directors:

- approved the implementation of the stock buyback program, subject to approval of this program by the Combined Shareholders' Meeting of May 24, 2017;
- granted a sub-delegation of authority to the Chairman-Chief Executive Officer to decide to maintain, for employees that may leave the Group, the benefit of stock options plans and/or bonus share allotments;
- prepared for the Combined Ordinary and Extraordinary General Meeting of May 24, 2017.

At its meeting of June 9, 2017, the Board of Directors formally noted the resignation of Alexandre Bompard from his office as Chairman and Chief Executive Officer of the Company as of July 17, 2017.

At its meeting of July 17, 2017, the Board of Directors:

- decided on the financial conditions for the departure of Alexandre Bompard;
- approved the separation of the offices of Chairman and Chief Executive Officer;
- named the Chairman of the Board and the Chief Executive Officer and approved the components of their compensation;
- defined the thresholds for transactions that required prior Board approval, and maintained the annual budget for the Chief Executive to issue guarantees, endorsements and securities;
- authorized the sale of the Fnac subsidiary in Brazil, and the issuance of guarantees to the Trustee in the context of the renegotiations of the Group's commitments for the Comet pension fund.

At its meeting of July 25, 2017, the Board of Directors approved the financial statements for the first half of 2017.

At its meeting of October 19, 2017, the Board of Directors:

- reviewed the business market in the third quarter of 2017;
- approved the Company's management planning documents;
- decided to set up an NEU CP (Negotiable European Commercial Paper) program;
- approved the Fnac Darty 2022 strategic plan.

At its meeting of December 15, 2017, the Board of Directors:

- appointed three new Directors to replace resigning Directors;
- noted the execution of the capital increase;
- approved the implementation of a long-term incentive plan for certain key managers, including the Corporate Officer.

Work of the Board of Directors from January 1 to February 21, 2018

At its meeting of January 25, 2018, the Board of Directors:

- reviewed business operations in the 4^{th} quarter of 2017 as well as budgetary strategies for 2018;
- conducted the annual review of regulated agreements;
- reviewed the project to set up an employee shareholding plan.

At its meeting of February 21, 2018, the Board of Directors:

- after formally noting the work of the Audit Committee, which met on February 19, 2018 for 2017, the 2018 audit plan approved by the Audit Committee, and the 2017 risk mapping reviewed by the Audit Committee, approved the financial statements and reports for 2017;
- reviewed and approved the 2018 budget;
- renewed the thresholds for transactions requiring prior authorization of the Board of Directors and granted an annual budget to the Chief Executive Officer to issue sureties, endorsements and guarantees;
- considered the work of the Appointments and Compensation Committee, which met February 19, 2018 and approved the variable compensation for 2017 of the Chairman and Chief Executive Officer and the amount and terms of his the Chief Executive Officer's fixed and variable compensation for 2018; this decision was made in the absence of the Chief Executive Officer;
- established the distribution of director's fees for 2017;
- considered the work of the Corporate, Environmental and Social Responsibility Committee of February 20, 2018, and approved the social and environmental information to appear in the Management Report;
- approved the report on Corporate Governance.

Audit Committee

Work of the Audit Committee in 2017 up to February 24, 2018

Work of the Audit Committee in 2017

In 2017, the Audit Committee met seven times, with an average attendance rate of 90%.

Dates	Directors present (attendance rate)
February 24	3/3 (100%)
March 27	2/3 (67%)
April 20	3/3 (100%)
May 5	3/3 (100%)
July 21	2/3 (67%)
October 19	3/3 (67%)
December 13	2/2 (100%)

The first meeting was held on February 24, 2017 and was mainly devoted to:

- the presentation of the financial results of Fnac Darty as of December 31, 2016;
- a review of the closing work on the consolidated and corporate financial statements and the notes to those statements as of December 31, 2016;
- a review of the independence of the Auditors, the fees paid, and the report of the services they rendered for due diligence directly related to their Auditors' duties;
- a review of the summary statement of services other than the certifications of the financial statements for the year 2016;
- a review of the draft of the Chairman's Report on the Board's work and the internal control and risk management procedures;
- a review of the draft press release on the 2016 annual revenue.

The committee meeting of March 27, 2017 was primarily devoted to a review and questioning of the auditing firms selected in the bid to tender for renewal of the firm.

The committee meeting of April 20, 2017 primarily focused on the presentation of the results for the first quarter of 2017 and on a review of the draft press release on Group revenues for the first quarter of 2017.

The May 5, 2017 meeting of the committee focused primarily on a review of Fnac Darty risks and internal control.

The Committee's meeting of July 21, 2017, was mainly devoted to:

- the presentation of the Fnac Darty financial statements as of June 30, 2017 and a review of the half-year financial report;
- a review of the work to close the interim accounts for the period ended June 30, 2017;
- hearing from the auditors about their limited review of the half-year financial statements;
- follow-up on the audit plan for the 1st half of 2017;
- a review of the summary of the engagement to review the control environment for the "Purchase-to-pay" process for the scope of Fnac Darty;
- a review of the press release on the half-year results;
- following-up on the progress of compliance with the Sapin 2 law.

The Committee's meeting of October 19, 2017, was mainly devoted to:

- a review of the monitoring of the audit plan for 2017;
- a review of the principal disputes and legal, fiscal and social controls in progress for the scope of the Group;
- a review of the monitoring of services other than the certification of the financial statements as of October 19, 2017;
- a review of the remediation of the IT risk assessed during the 2016 risk mapping;
- a progress report on compliance with the Sapin 2 law.

The Committee's meeting of December 13, 2017, focused primarily on:

- a review of the 2017 Fnac Darty risk mapping;
- a review of the follow-up on services other than the certification of the financial statements as of December 13, 2017;
- a review of the results from the self-assessment of the crucial Fnac Darty rules;
- the proposed 2018 audit plan;
- the approval of the 2018-2020 business plan by Cash Generating Unit (CGU) used as the basis for impairment tests on goodwill and the brands as of December 31, 2017.

Lastly, the Committee's meeting of February 19, 2018 was mainly devoted to the following:

- the presentation of Fnac Darty financial results as of December 31, 2017;
- a review of the closing work on the consolidated and corporate financial statements and the notes to those statements as of December 31, 2017;
- a review of the independence and objectivity of the Statutory Auditors, the amount of fees paid to them, the total amount of fees paid for services other than certification of the financial statements, as well as the nature of those services and the report provided of the due diligence services they performed that were directly related to their engagement;
- a review of the supplementary report of the auditors.

Appointments and Compensation Committee

Work of the Appointments and Compensation Committee in 2017 and through February 19, 2018

Work of the Appointments and Compensation Committee in 2017

In 2017, the Appointments and Compensation Committee met four times, with an average attendance rate of 83%.

Dates	Directors present (attendance rate)
February 27	3/3 (100%)
April 24	2/3 (67%)
July 13	3/3 (100%)
December 11	2/3 (67%)

The first meeting was held on February 27, 2017 and focused on:

- a review and a recommendation on the variable components of the compensation for the Chairman and Chief Executive Officer for 2016;
- a review and a recommendation on the conditions of his fixed and variable remuneration for 2017;
- a review of the conditions of the remuneration for the principal executives of the Group;
- approval of the distribution of director's fees for 2016 and a definition of the method of distribution of director's fees for 2017;
- the membership of the Board of Directors and the specialized committees and proposals for renewals;
- the annual assessment of the independence of members of the Board of Directors; each director who is a member of the Appointments and Compensation Committee takes no part in the decision concerning him or herself, nor in the review of the financial, accounting or legal control expertise of members of the Audit Committee;
- the assessment of the proportion of men/women on the Board of Directors;
- the review of the draft of the Chairman's report on corporate governance.

The Committee's meeting of April 24, 2017, focused primarily on:

- a review and the proposal for a long-term incentive plan;
- the obligation to retain stock received in bonus share allotments and the exercise of stock options.

The Committee's meeting of July 13, 2017, primarily considered:

- a review and proposal of the financial terms of Alexandre Bompard's departure;
- a review and recommendation on the conditions for holding executive positions;
- proposed nomination for Chairman of the Board and review and recommendation on the components of his remuneration;
- proposed nomination of the Chief Executive Officer and review and proposal on the components of his remuneration;
- review and recommendation on the thresholds for prior authorization by the Board of Directors/guarantees, endorsements and pledges;
- the composition of the Audit Committee.

The Committee's meeting of December 11, 2017, was mainly devoted to:

- a review and proposal for a long-term incentive plan for around thirty key managers, including Enrique Martinez;
- a review and proposal for a project to establish an employee shareholding plan;
- the membership of the Board of Directors and the specialized committees:
  - proposal for nominations to the Board and specialized committees,
  - review of the independence criteria for directors and opinion on the independence of each of the directors,
  - Audit Committee: review of the specific expertise in finance, accounting or legal accounting control of the members of the Audit Committee,
  - update on male/female parity on the Board of Directors.

Lastly, the Committee's meeting of February 19, 2018 was mainly devoted to the following:

- approval of the 2017 variable remuneration elements for the Chairman and Chief Executive Officer;
- approval of the 2017 variable remuneration of the Chief Executive Officer;
- proposal of a 2018 fixed and variable remuneration structure for the Chief Executive Officer;
- proposal of a 2018 fixed and variable remuneration structure for the Chairman of the Board;
- a proposal on the conditions and remuneration elements of the principal executives of the Group;

- approval of the distribution of director's fees for 2017 and a definition of the method of distribution of director's fees for 2018;
- the membership of the Board of Directors and the specialized committees:
  - proposal for renewal,
  - review of the independence criteria for directors and opinion on the independence of each of the directors,
  - Audit Committee: review of the specific expertise in finance, accounting or legal accounting control of the members of the Audit Committee,
  - update on male/female parity on the Board of Directors;
- the succession plan for the chief executive officer;
- an assessment of the work of the Board and the specialized committees;
- review of the draft of the Chairman's report on corporate governance.

The Appointments and Compensation Committee reported on its work and made recommendations to the Board of Directors.

Corporate, Environmental and Social Responsibility Committee

Work of the Corporate, Environmental and Social Responsibility Committee in 2017 and through February 21, 2018

The Corporate, Environmental and Social Responsibility Committee met once in 2017.

On February 27, 2017, the Committee reviewed the Group's general CSR policy, assessed the actions conducted in 2016, and the projects planned for 2017. It also verified that the Group had met its data publication 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.

3.2.3 / STATEMENT ON 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 2016.

The AFEP-MEDEF Code on which the Company relies may be consulted online [1]. The Company makes copies of this code available to members of its corporate bodies.

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

AFEP-MEDEF Code recommendation	Explanation of exceptions
Presentation of the Remuneration of Directors in the form of a table (Article 25.2 "Annual Information")	The Company considers that the information provided in sections 3.3.2, 3.3.3 and 3.3.4 accurately and fully reflects the elements of compensation paid to Alexandre Bompard, Jacques Veyrat and Enrique Martinez. Consequently, the presentation of executive compensation in the form of standardized tables does not seem necessary for understanding this information.
Ensure that the performance share purchase options valued under the method used for the consolidated financial statements represent a percentage in proportion to the totality of the remunerations, options and shares granted to them (Article 24.3.3 "Long-term remuneration of executive officers").	The compensation of a corporate officer includes a variable multi-year portion based on allotment of units of value, equivalents in bonus shares, performance options, and stock options. These measures are put into effect subject to conditions of continued service and performance. The recommendations of the AFEP-MEDEF Code related to proportions of variable multi-year remuneration are respected when they are granted. Given the potential change in the share price during the vesting period, annual variable multi-year remuneration may represent a significant proportion of total remuneration.

(1) *http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/2017/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2016.pdf*

3.2.4 / TRANSACTIONS ON EXECUTIVE SHARES

Given his commitment at the Board meeting of May 29, 2015 to reinvest in Fnac Darty shares the multi-year variable compensation paid in 2015, net of all income and other taxes, and his reinvestment of the multi-year variable remuneration paid in 2016, net of all income and other taxes, Alexandre Bompard held 169,643 Fnac Darty shares as of December 31, 2017.

The transactions cited in Article L. 621-18-2 of the French Monetary and Financial Code executed during the last year were as follows:

Artemis S.A.
a French limited company linked to Patricia Barbizet, Director

Sales of shares dependent on the occurrence of certain conditions	
Total amount	€451,629,150
Number of shares	6,451,845
Unit price	€70

Enrique MARTINEZ, Chief Executive Officer

Exercise of stock options (October 20, 2017)	
Total amount	€514,196.80
Number of shares	21,788
Unit price	€23.60
Exercise of stock options (October 20, 2017)	
Total amount	€468,518.40
Number of shares	10,624
Unit price	€44.10
Sale of shares (October 20, 2017)	
Total amount	€633,915.94
Number of shares	7,788
Unit price	€81.3965
Sale of shares (October 20, 2017)	
Total amount	€620,758.28
Number of shares	7,624
Unit price	€81.4216

3.3 / Remuneration and benefits for administrative and executive bodies

3.3.1 / 2018 PRINCIPLES AND CRITERIA FOR THE DETERMINATION, DISTRIBUTION AND ALLOCATION OF THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND ALLOCATED TO THE CHAIRMAN OF THE BOARD, THE CHIEF EXECUTIVE OFFICER AND ANY EXECUTIVE CORPORATE OFFICER FOR THEIR POSITIONS

Pursuant to Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional components of the total remuneration and benefits in kind allocated to the Chairman of the Board, the Chief Executive Officer and any executive corporate officer (Chairman and Chief Executive Officer, Chief Executive Officer, and/or executive officer of the company are submitted for the shareholders' approval.

Description of the components of total compensation and benefits in kind for the Chairman of the Board of Directors

Fixed remuneration

The fixed annual remuneration for the Chairman is determined in accordance with market practices.

This approach takes into consideration the main features of the Company, and the purview of the executive, such as:

- revenues, budget, workforce;
- the context in which the duties are performed, with a consideration of strategic challenges, and short and long-term development prospects;
- the level of responsibility.

The Board of Directors analyses the Chairman's fixed remuneration on an annual basis, with the objective of only revising it on a relatively long-term basis, in accordance with AFEP-MEDEF Code recommendations.

Annual and long-term remuneration, stock options and performance shares

Pursuant to the AMF recommendations, the Board of Directors is not planning to grant variable remuneration, long-term remuneration, stock options or allot bonus performance shares to the Chairman.

Director's fees

The Chairman may benefit from director's fees defined, distributed and allocated according to rules applicable to all members of the Board.

Director's fees are allocated on the following basis:

- 60% of the total annual amount of the director's fees is allocated to the members of the Board of Directors, 30% of which is fixed and 70% variable (the variable portion reflecting their attendance at Board meetings);
- the balance, amounting to 40% of the total annual attendance fees, is paid to the members of specialized committees and distributed as follows: 20% to the Audit Committee, 12% to the Appointments and Compensation Committee, and 8% to the Corporate, Environmental and Social Responsibility Committee. Allocations are granted on the basis of attendance at committee meetings;
- the Chairman of the Board of Directors and the Chairs of the committees receive a 50% higher fee for their attendance at each meeting.

In For information purposes, it is specified that in accordance with the Board's decision of July 17, 2017, Jacques Veyrat has received no director's fee since his election as Chairman of the Board.

Other benefits

The Chairman of the Board may have a company car consistent with the Company's current vehicle policy and market practices; for information purposes, it is specified that Jacques Veyrat has never had one.

Description of the components of the total remuneration and benefits in kind for the executive corporate officers of the Company

Fixed remuneration

The fixed annual remunerations for the executive corporate officers is determined in accordance with market practices.

This approach takes into consideration the main features of the Company, and the purview of the executive, such as:

- revenues, budget, workforce;
- the context in which the duties are performed, with a consideration of strategic challenges, and short and long-term development prospects;
- the level of responsibility.

The Board of Directors analyses the fixed remuneration of the executive corporate officers annually, with the objective of only revising it on a relatively long-term basis, in accordance with AFEP-MEDEF Code recommendations.

Annual variable compensation

The annual variable compensation of the executive corporate officers is determined by the Board of Directors which, every year, sets the quantitative and qualitative targets and their relative weighting for the variable portion of the remuneration. It is proportioned and currently represents a maximum of 120% of the fixed annual remuneration if targets are exceeded. This maximum was determined to be consistent with market practices.

Economic and financial criteria are the predominant considerations when structuring annual variable remuneration. Financial and economic targets account for 80% and qualitative goals account for 20%.

Currently, the economic and financial objectives set by the Board of Directors for the variable portion are as follows:

- Group current operating income (COI), corresponding to 35% of the total target with a maximum level of achievement of 120%;
- Group free cash flow (FCF), corresponding to 15% of the total target with a maximum level of achievement of 120%;
- Group revenues, corresponding to 15% of the total target with a maximum level 120%;
- the achievement of synergies related to the merger with Darty corresponding to 10% of the total target with a maximum level of 120%;
- the change in Group market share, corresponding to 5% of the total target with a maximum level of 120%.

The achievement level of each economic and financial target as well as the type of qualitative goals set for the executive corporate officers are precisely pre-defined by the Board of Directors, but are not published for confidentiality reasons.

Each economic or financial objective is subject to a trigger point below which no remuneration is payable for the objective concerned.

Long-term remuneration, stock options and performance shares

The executive corporate officers are eligible for the long-term incentive plans that the Board of Directors awards to the other members of the Executive Committee. The plans awarded to the executive corporate officers may take the form of stock options for new or existing shares, bonus shares subject to performance conditions, or plans settled in cash subject to performance conditions. The purpose of these plans is to align the interests of the executive corporate officers more closely with the interests of shareholders.

In accordance with AFEP-MEDEF Code recommendations, the grant value of such plans within the IFRS 2 framework is proportionate to the annual fixed and variable components. The Board of Directors also ensures that they are consistent with market practices.

Thus, the long-term compensation may represent a maximum of 50% of the total remuneration (this total is equal to the sum of the annual fixed remuneration, the maximum variable remuneration, and the long-term remuneration).

Vesting in these plans is subject to a condition of employment at expiration, except in exceptional circumstances, such as a change in control of the company, as well as several performance conditions set by the Board of Directors, including at least one tied to the Company's share price.

The performance criteria, identical to those for Executive Committee members, are stringent. They do not permit vesting if a trigger threshold is not reached, are measured either each year during the vesting period of the plans or over a period that covers the years of the plans.

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board decided that:

- the executive corporate officers retain, in registered form, until the end of their duties, a minimum number of shares corresponding to 25% of their fully vested shares (net of fees and taxes and the disposals necessary to exercise options) on each of the bonus share and option plans awarded to them by the Board on or after the date of their appointment; it is specified that the plans from which they may have benefited earlier as employees are not included;
- however, this percentage would be lowered to 5% once the number of shares held by the executive officers from bonus share allotments and options exercised in all plans represents an amount equal to twice their gross annual fixed remuneration, which is the minimum number of shares that the executive corporate officers must retain in registered form until they end of their duties, as required by paragraph 22 of the AFEP-MEDEF Code.

Exceptional remuneration

In accordance with AFEP-MEDEF Code recommendations, the Board of Directors does not intend to award exceptional remuneration to the executive corporate officers except in very special circumstances. The payment of such remuneration must be able to be justified by an event such as the achievement of a major Company project, or substantial outperformance. The attribution value of the exceptional remuneration may represent a maximum 100% of the annual fixed remuneration and the maximum annual variable remuneration.

Director's fees

If they are directors of the Company, the executive officers may receive director's fees, which are determined, distributed and allocated to the executive officers according to the rules applicable to all members of the Board.

Director's fees are allocated on the following basis:

- 60% of the total annual amount of the director's fees is allocated to the members of the Board of Directors, 30% of which is fixed and 70% variable (the variable portion reflecting their attendance at Board meetings);
- the balance, amounting to 40% of the total annual attendance fees, is paid to the members of specialized committees and distributed as follows: 20% to the Audit Committee, 12% to the Appointments and Compensation Committee, and 8% to the Corporate, Environmental and Social Responsibility Committee. Allocations are granted based on attendance at committee meetings;
- the Chairman of the Board of Directors and the Chairs of the committees receive a 50% higher fee for their attendance at each meeting.

Other benefits

In the absence of an employment contract with the Company, or in the event of a suspension of their employment contract, the executive corporate officers will benefit from an unemployment insurance plan specifically for non-salaried corporate officers, to compensate in part for the lack of unemployment insurance similar to that provided for employees.

Executive corporate officers have a company car, in conformity with the Company's vehicle policy and market practices.

In accordance with Article L. 225-37-2 of the French Commercial Code, the payment of variable and exceptional remuneration to executive officers for the previous year and because of their appointment must be ratified by an Ordinary Shareholders' Meeting item by item for each beneficiary in accordance with Article L. 225-100.

Regulated agreements that may benefit executive corporate officers under Article L. 225-42-1 of the French Commercial Code

Severance payment

Executive officers may benefit from an indemnity in the event of termination of their appointment, the payment of which will be subject to the achievement of certain performance conditions. If such a commitment is established by the Board of Directors, it would be subject to the procedure defined in Article L. 225-42-1 of the French Commercial Code, and would respect the recommendations of the AFEP-MEDEF concerning the cap on the indemnity.

Non-compete agreement

Executive officers may be subject to a non-compete commitment, limited to two years from the end of their appointment, in consideration of which they may receive a gross compensating indemnity of up to 80% of the monthly fixed remuneration, with an option of waiver by the Board of Directors.

In this context, the Chief Executive Officer is subject to a non-compete commitment in the retail sector specialized in cultural products, electronics and home appliances for consumers in the countries in which the Group operates. This non-compete agreement is limited to two years starting at the end of his term of office. In consideration for this commitment, the Chief Executive Officer will receive a gross indemnity representing 70% of his fixed monthly remuneration, for a period of two years from the effective end of his appointment. The Board of Directors is entitled to waive implementation of this clause.

At its annual review of related-party agreements conducted at its meeting on January 25, 2018, the Board approved the continuation of this commitment.

Supplementary pension plan

The executive officers may benefit from a supplementary pension plan with defined contributions.

In this context, the Chief Executive Officer is a member of the supplementary defined contribution pension plan recognized under Article 83 of the French General Tax Code, which also includes all managers of the French companies of Fnac Darty under the same rules and conditions.

At its annual review of regulated agreements conducted at its meeting on January 25, 2018, the Board approved the continuation of this commitment.

Provident insurance plan

Executive corporate officers may benefit from membership in a provident insurance plan.

Accordingly, the Chief Executive Officer is a member of the provident insurance plan (medical expenses, incapacity and disability, death benefits) covering all employees of Fnac Darty companies in France included in this contract, all on the same terms.

At its annual review of regulated agreements at its meeting of January 25, 2018, the Board approved the continuation of this commitment.

Finally, it is specified that, in the event of the appointment of CEOOs, they would be able to benefit from an employment contract under the conditions stipulated by the regulations.

3.3.2 / COMPENSATION AND BENEFITS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company is a limited company in which the positions of the Chairman of the Board of Directors and the Chief Executive Officer were combined and exercised by Mr. Alexandre Bompard since April 17, 2013 and were separated as of July 17, 2017.

Mr. Alexandre Bompard had no employment contract.

At its meeting of February 28, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided upon the elements of the remuneration package for the Chairman and Chief Executive Officer, Mr. Alexandre Bompard.

At its meeting of April 28, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided on the procedures for establishing a multi-year variable remuneration package for the Chairman and Chief Executive Officer Mr. Alexandre Bompard and for the principal executives and key managers.

At its meeting of July 17, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors defined the financial terms of the severance package for Mr. Alexandre Bompard.

The amounts payable represent all compensation awarded to the Chairman and Chief Executive Officer Alexandre Bompard until July 17, 2017, during each of the years mentioned, irrespective of the date of payment. The amounts paid correspond to all remuneration received by the Chief Executive Officer during each of the years mentioned.

These components were determined in accordance with the compensation principles and criteria approved by the Shareholders' Meeting of May 24, 2017 in its Tenth Resolution.

Fixed compensation

For 2017, the Chairman and Chief Executive Officer's gross annual fixed remuneration was set at €900,000, unchanged since 2013. The gross amount due and paid for 2017 was €492,500 gross, representing the amount paid until the date of termination of his duties as Chairman and Chief Executive Officer.

Annual variable compensation

For 2017, in order to give greater consideration to outperformance and thus be more in line with market standards, it was decided to increase the maximum annual variable compensation to 120% of the annual compensation if targets are exceeded.

Eighty percent (80%) of the variable remuneration will still be allocated to financial targets and 20% to qualitative targets. The nature of the financial targets for 2016 was renewed and a financial target for attaining synergies from the merger with Groupe Darty was also added.

The 2017 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 achievement of 120%;
- Group free cash flow (FCF), corresponding to 15% of the total target with a maximum level of achievement of 120%;
- Group revenues, corresponding to 15% of the total target with a maximum level of 120%;
- the change in Group market share, corresponding to 5% of the total target with a maximum level of 120%;
- the achievement of synergies corresponds to 10% of the total target with a maximum achievement rate of 120%.

Each economic or financial objective is subject to a trigger threshold below which no remuneration is payable for the objective.

The level of attainment of the criteria indicated above has been established precisely for each criterion.

Each of the economic and financial criteria was measured by the Board when it established the annual financial statements on the basis of performance for the full year in 2017. The qualitative criteria were assessed at the same Board meeting. The amount thus determined was prorated taking into account the actual period of work of Mr. Alexandre Bompard as Chairman-Chief Executive Officer.

The targets for current operating income and free cash flow in 2017 were each exceeded by over 5%, therefore the rate for the variable compensation based on these criteria was 120%.

The revenue target in 2017 was exceeded by more than 0.5%, so the rate of the variable compensation based on this criterion was 120%.

The target for synergies in 2017 was exceeded by over 10%, so the rate of the variable compensation on this criterion is 120%.

The market share target was exceeded by more than 0.25 points in all geographic regions considered, with the exception of a region in which the trigger threshold was not reached; therefore, the weight of the variable remuneration on this criterion is 108%.

The qualitative targets were assessed by the Board. The Board recognizes the very strong results delivered by the Chairman and Chief Executive Officer. Rate of achievement for the variable remuneration on these criteria is thus 110%.

The total achievement rate of the 2017 variable is 117.40% of the fixed annual compensation and the amount due for 2017 is €578,195 gross.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable compensation is subject to approval by the Shareholders' Meeting on May 18, 2018 of the compensation components and benefits of any kind paid or awarded to Mr. Alexandre Bompard for 2017.

For the record, in 2016 the level of attainment of the variable targets was 103.5% of the fixed annual remuneration and came to a total of €931,500, which was paid in March 2017.

Multi-year variable remuneration

At its meeting on April 28, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to implement a multi-year variable remuneration of bonus shares settled with equity instruments.

20,333 bonus shares were allotted to Mr. Alexandre Bompard. The vesting of these bonus shares is subject to a market performance condition for Fnac Darty measured annually in April 2018 and April 2019 on the basis of the average of the 20 closing prices for the Fnac Darty share preceding May 1, 2018 and May 1, 2019, and a performance conditions tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the Group's 2017 annual revenues, and in 2019 after publication of the Group's 2018 annual revenues.

Vesting of these bonus shares is also subject to a condition of employment for two years (May 2, 2017 – May 1, 2019). The plan rules stipulate a mandatory two-year holding period (May 2, 2017 – May 1, 2021).

In addition, pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board decided, at its meeting of April 28, 2017, that:

- the executive corporate officers retain, in registered form, until the end of their duties, a minimum number of shares corresponding to 25% of their fully vested shares (net of fees and taxes and the disposals necessary to exercise options) in each of the bonus share and option plans awarded to them by the Board on or after the date of their appointment; it is specified that the plans from which they may have benefited earlier as employees are not included;
- however, this percentage would be lowered to 5% once the number of shares held by the executive officers from bonus share allotments and options exercised in all plans represents an amount equal to twice their gross annual fixed remuneration, which is the minimum number of shares that the executive corporate officers must retain in registered form until the end of their duties, as required by paragraph 22 of the AFEP-MEDEF Code.

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 in bonus shares granted in 2017, was €969,274. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €64.13 (price on first day of acquisition, May 2, 2017) per share, volatility of 25% and a Euribor swap risk-free interest rate.

No compensation for the bonus shares allotted in 2017 is due and will not be owed to Mr. Alexandre Bompard given the date of termination of his duties as President and Chief Executive Officer.

To recall, in 2016, the equivalent of 28,996 bonus shares was granted to Mr. Alexandre Bombard in the form of cash. The payment in cash will be processed no later than September 2018, subject to the employment and performance condition.

The vesting of this equivalent in bonus shares is subject to the achievement of a performance condition in June 2018 (average closing price of Fnac Darty shares over the last 20 trading days immediately preceding June 17, 2018). If the price of the Fnac Darty share in June 2018 is below a predefined price, no payment will be made.

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 in bonus shares granted in 2016, was €1,474,737. This valuation corresponds to the number of equivalent in bonus shares granted multiplied by a reference share price at the grant date, which is €50.86 (average closing price of Fnac Darty shares over the last 20 trading days immediately preceding June 17, 2016) per share.

No remuneration for the bonus shares allotted in 2016 is due, nor will it be due to Mr. Alexandre Bompard, given the date of termination of his duties as President and Chief Executive Officer.

For the record, in 2015, the equivalent of 21,746 bonus shares was granted to Mr. Alexandre Bompard in the form of cash. The vesting of this equivalent in bonus shares is subject to the achievement of a performance condition in February 2017 (average closing price of Fnac Darty shares in February 2017).

The equivalent in bonus shares allotted in 2015 expired on February 28, 2017. Based on the average of the last 20 closing Fnac Darty share prices in February 2017, (average of €58.61), the performance criteria have been achieved and all of the equivalent in bonus shares was vested on February 28, 2017, i.e. the equivalent of 21,746 bonus shares for Mr. Alexandre Bompard. The corresponding gross cash value of €1,274,533 (excluding employer contributions) was paid in March 2017. The price of €58.61 shows the strong improvement in market value between the allotment in February 2015 and February 2017. The market price rose by more than 30%, from €44.10 in February 2015 to €58.61 in February 2017. At the same time, the capitalization of the Company grew by €810 million, from €732 million in February 2015 to €1,542 million in February 2017.

As a reminder, in 2014, 58,051 value units were granted to Mr. Alexandre Bompard. The first date of maturity corresponding to two thirds of this remuneration occurred at the end of February 2016 and the second date of maturity corresponding to the last one third of the remuneration occurred in February 2017.

The value per unit corresponds to the average closing price of the Fnac Darty share in February 2016. This average price was €55.33, which means that the performance criteria are completely achieved. Considering that Mr. Alexandre Bompard was in service on February 28, 2017, the remaining third of this gross variable remuneration (excluding employer contributions), i.e. €1,070,547, was paid in February 2017. The price of €55.33 shows the strong improvement in market value between the allotment in February 2014 and February 2016. The price rose by more than 130%, from €23.60 in February 2014 to €55.33 in February 2016. At the same time, the capitalization of the Company grew by €531 million, from €392 million in February 2014 to €923 million in February 2016.

At its meeting on April 28, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to implement a multi-year variable compensation of performance options.

The system consists of the award of performance options which will only be progressively vested, by tranche, at the end of two vesting periods (May 2017 – May 2019 and May 2017 – May 2020) subject to the beneficiary's presence in the Group at the expiration of each vesting period.

They are subject to a condition of Fnac Darty market performance and the achievement of a level of synergies to be achieved in the merger of the Fnac et and Darty groups.

Settlement will be in equity instruments.

At the May 1, 2019 expiration, 75,000 options may be vested and, at May 1, 2020, 75,000 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 2017 is €475,500 for the May 1, 2019 date and €475,500 for the May 1, 2020 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 €64.13 (price on first day of acquisition, May 2, 2017) per share, volatility of 25% and a Euribor swap risk-free 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.

No remuneration for the performance shares allotted in 2017 is due, nor will be due to Mr. Alexandre Bompard, given the date of termination of his duties as President and Chief Executive Officer.

For the record, in 2015, 35,415 performance options were granted to Mr. Alexandre Bompard with a maturity date of September 30, 2017, and 30,567 options with a maturity date of September 30, 2018.

The vesting of these options at each maturity date is subject to a condition of market performance of the Fnac Darty share and to an employment condition (or as decided by the Appointments and Compensation Committee if this condition is not met).

These options will be paid in cash. If the Fnac Darty share price at each vesting date is below a predefined price, no payment will be made.

Given the proximity of September 30, 2017 to the date of termination of Mr. Alexandre Bompard, and recognizing the exceptional impact of Mr. Bompard in the performance of the Group and his involvement in the organization of his succession during the periods in question, the Board decided to lift the employment conditions attached to the first tranche. However, to take only the period of his actual work as Chairman and Chief Executive Officer, the maximum number of options that may be vested was reduced on a prorated basis. As a result, 32,610 options of the 35,415 options may be vested subject to the achievement of the performance conditions described in the plan rules and measured in accordance with the conditions initially stipulated.

The first tranche of the performance options granted in 2015 matured on September 30, 2017. Considering the average of the last 20 Fnac Darty closing share prices preceding September 30, 2017 (average of €78.47), the performance criteria have been achieved and all of the performance options of the first tranche, reduced pro-rata, have been vested by Mr. Alexandre Bompard as of September 30, 2017, i.e. 32,610 performance options.

The reference price used to value these options is defined on the basis of the average of the stock closing prices for the Fnac Darty share between October 1 and October 20, 2017 (average of €81.04). The corresponding gross cash value of €1,204,613 (excluding employer contributions) was paid in October 2017.

The price of €78.47 shows the strong improvement in market value between the allotment in February 2015 and September 2017. The market price rose by more than 78%, from €44.10 in February 2015 to €78.47 in September 2017. At the same time, the capitalization of the Company grew by €1,349 million, from €732 million in February 2015 to €2,081 million in September 2017.

The valuation of the gross amount on 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 €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. No compensation for the second tranche of performance options allotted in 2015 is due and will not be owed to Mr. Alexandre Bompard given the date of termination of his duties as Chairman and Chief Executive Officer.

For the record, in 2014, 82,738 performance options were granted to Mr. Alexandre Bompard with a maturity date of September 30, 2016, and 72,628 options with a maturity date of September 30, 2017.

The vesting of these options at each maturity date is subject to a condition of market performance of the Fnac Darty share, and to an employment condition (or as decided by the Appointments and Compensation Committee if this condition is not met).

These options will be paid in cash. If the Fnac Darty share price at each vesting date is below a predefined price, no payment will be made.

Given the proximity of September 30, 2017 to the date of termination of Mr. Alexandre Bompard, and recognizing the exceptional impact of Mr. Bompard in the performance of the Group and his involvement in the organization of his succession during the periods in question, the Board decided to lift the employment conditions attached to the second tranche. However, in order to take only the period of his actual work as Chairman and Chief Executive Officer into consideration, the maximum number of options that may be vested was reduced on a prorated basis. As a result, 68,476 options of the 72,628 options may be vested subject to the achievement of the performance conditions described in the plan rules and measured in accordance with the conditions initially stipulated.

The second tranche of the performance options granted in 2014 therefore matured on September 30, 2017. Considering the average of the last 20 Fnac Darty closing share prices preceding September 30, 2017 (average of €78.47), the performance criteria have been achieved and all of the performance options of the second tranche, reduced pro-rata, have been vested by Mr. Alexandre Bompard as of September 30, 2017, i.e. 68,476 performance options.

The reference price used to value these options is defined on the basis of the average of the stock closing prices for the Fnac Darty share between October 1 and October 20, 2017 (average of €81.04). The corresponding gross cash value of €3,933,261 (excluding employer contributions) was paid in October 2017.

The price of €78.47 shows the strong improvement in market value between the allotment in February 2014 and September 2017. The market price rose by more than 230%, from €23.60 in February 2014 to €78.47 in September 2017. At the same time, the capitalization of the Company grew by €1,689 million, from €392 million in February 2014 to €2,081 million in September 2017.

For the record, in 2013, 79,959 performance options were granted to Mr. Alexandre Bompard with a maturity date of March 31, 2016, and 115,495 options with a maturity date of March 31, 2017.

The vesting of these options at each maturity date is subject to a condition of market performance of the Fnac Darty share and to an employment condition (or as decided by the Appointments and Compensation Committee if this condition is not met).

These options will be paid in cash. If the Fnac Darty share price at each vesting date is below a predefined price, no payment will be made.

The third tranche of the performance options granted in 2013 therefore matured on March 31, 2017. Considering the average of the last 20 Fnac Darty closing share prices preceding March 31, 2017 (average of €67.46), the performance criteria have been achieved and all of the performance options of the third tranche were vested by Mr. Alexandre Bompard as of March 31, 2017, i.e. 115,495 performance options. The corresponding gross cash value of €5,449,054 (excluding employer contributions) was paid in April 2017.

The price of €67.46 shows the strong improvement in market value between the allotments in October 2013 and March 2017. The market price rose by more than 230%, from €20.28 in October 2013 to €67.46 in March 2017. At the same time, the capitalization of the Company grew by €1,442 million, from €337 million in October 2013 to €1,779 million in March 2017.

These multi-year variable remuneration schemes are not capped.

Director's fees

The director's fees payable to Mr. Alexandre Bompard for his service on the Board of Directors of Fnac Darty in 2017 from January 1 to November 28, totaled €26,920.

In March 2017, he was paid €27,558 in director's fees for 2016.

Benefits in kind

In 2017, Mr. Alexandre Bompard had the use of a company car which represented a benefit in kind of €3,853 until the end of his position as Chairman and Chief Executive Officer. This benefit amounted to €6,821 in 2016. In 2017, Mr. Alexandre Bompard was covered by a supplementary unemployment plan and education annuity plan, the 2017 premiums for which were paid and amounted to €6,364 and an additional education allowance for which the contributions were paid in 2016 covering the period from September 1, 2016 to August 31, 2017. These premiums are subject to social security and employer contributions and are therefore considered benefits in kind. In 2016, the premiums paid for unemployment insurance and the education allowance totaled €12,529 and €2,782, respectively.

Supplementary pension plan

The Board of Directors authorized Mr. Alexandre Bompard's membership in the supplementary defined contribution pension plan (Article 83 of the French General Tax Code) that exists for all managers of Fnac Darty French companies included in this contract.

Contributions in 2017 and 2016 amounted to €5,909.73 and €10,631.04 respectively. This commitment ended on the date of termination of his duties as Chairman and Chief Executive Officer.

Total compensation

The amounts paid in 2017 and 2016 in total compensation and the elements composing it, as detailed above, totaled €14,399,693 and €13,871,892, respectively, and break down as follows, respectively: fixed remuneration of €492,500 and €900,000, annual variable remuneration of €931,500 and €931,500, multi-year variable remuneration of €12,932,009 and €11,978,895, payment of director's fees of €27,558 and €28,733, in-kind benefits of 10,216 and 22,133 and, finally, supplementary pension contributions of €5,910 and €10,631 euros. In addition, the amounts due in 2017 and paid in 2018 as annual variable remuneration and attendance fees are €578,195 and €26,920 respectively.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable compensation is subject to approval by the Shareholders' Meeting on May 18, 2018 of the remuneration components and benefits of any kind paid or allotted to Mr. Alexandre Bompard for 2017.

Non-compete agreement

The Board of Directors has signed a limited non-compete agreement with Mr. Alexandre Bompard on 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. In consideration for this commitment, Mr. Alexandre Bompard will receive a gross allowance representing 80% of his fixed monthly remuneration, for a period of two years from the effective end of his position. The Board of Directors is entitled to waive implementation of this clause.

No amount is due for either 2017 or 2016. This commitment pursuant to Article L. 225-42-1 of the French Commercial Code was renewed by the Board of Directors at its meeting on February 17, 2016; this was confirmed by the renewal of the term of office of Director Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of Chairman and CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

At its meeting of July 17, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors waived implementation of the non-compete commitment of Mr. Alexandre Bompard. Therefore, no indemnity was paid for this commitment.

This agreement ended July 17, 2017 and has not been continued in 2018.

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

3.3.3 / REMUNERATION AND BENEFITS OF THE CHAIRMAN OF THE BOARD AS OF THE DATE HE ASSUMED HIS NEW POSITION

Since the Board's decision of July 17, 2017, the offices of Chairman of the Board of Directors and Chief Executive Officer have been separated. The Chairman of the Board of Directors is Mr. Jacques Veyrat and the Chief Executive Officer is Mr. Enrique Martinez.

Mr. Veyrat does not hold an employment contract.

At its meeting of July 17, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided the elements of the remuneration package of its Chairman, Mr. Jacques Veyrat.

The amount paid represents all remuneration received for the previous year by Mr. Jacques Veyrat in his position as Chairman of the Board as of July 17, 2017.

Fixed remuneration

For 2017, the Chairman's gross annual fixed remuneration was set at €200,000. The gross amount due and paid for 2017 was €91,667, reflecting the effective period of his term in 2017.

Director's fees

At its meeting of July 17, 2017, on the recommendation of the Appointments and Compensation Committee, the Board decided that Mr. Jacques Veyrat, who from that point on would receive annual fixed remuneration as Chairman, would no longer be entitled to director's fees as of the date of his appointment, and that the director's fees owed for the current year would be prorated until July 17, 2017.

The director's fees payable to Mr. Jacques Veyrat for his service on the Board of Directors of Fnac Darty in 2017 totaled €25,622.

In March 2018, he was paid €25,622 in director's fees for 2017.

Fixed remuneration for 2018

The Board of Directors at its meeting on February 21, 2018, following the recommendation of the Appointments and Compensation Committee, decided to keep the fixed remuneration of its Chairman at €200,000 for 2018.

3.3.4 / COMPENSATION AND BENEFITS OF THE CHIEF EXECUTIVE OFFICER AS OF THE DATE HE ASSUMED HIS NEW POSITION

Since the Board's decision of July 17, 2017, the offices of Chairman of the Board of Directors and Chief Executive Officer have been separated. The Chairman of the Board of Directors is Mr. Jacques Veyrat and the Chief Executive Officer is Mr. Enrique Martinez.

Given the seniority of Enrique Martinez in the Group (19 years) and his expat situation, the Board of Directors at its July 17, 2017 meeting, on the recommendation of the Appointments and Compensation Committee, decided to suspend the employment contract of Mr. Martinez for the duration of his corporate office.

At its meeting of July 17, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided on the elements of the annual fixed and variable remuneration of its Chief Executive Officer, Mr. Enrique Martinez.

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

These components were determined in accordance with the remuneration principles and criteria approved by the Shareholders' Meeting of May 24, 2017 in its Tenth Resolution.

This section presents the compensation and benefits paid or allocated to Enrique Martinez as Chief Executive Officer. Items paid or allocated during the year for his previous positions are not included.

Fixed remuneration

For 2017, the Chief Executive Officer's gross annual fixed remuneration was set at €500,000 gross. The gross amount due and paid for 2017 was €238,682, reflecting the effective period of his term in 2017.

Annual variable remuneration

For 2017, the Chief Executive Officer's annual variable remuneration is a maximum of 110% of his annual fixed remuneration if targets are exceeded.

Economic and financial criteria are the predominant considerations when structuring annual variable remuneration. Financial and economic targets account for 80% and qualitative goals account for 20%.

The 2017 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 achievement level of 110%;
- Group free cash flow (FCF), corresponding to 15% of the total target with a maximum achievement level of 110%;
- Group revenues, corresponding to 15% of the total target with a maximum achievement level of 110%;

- the change in Group market share, corresponding to 5% of the total target with a maximum level of 110%;
- the achievement of synergies related to the merger with the Darty Group corresponding to 10% of the total target with a maximum achievement level of 110%.

Each economic or financial objective is subject to a trigger threshold below which no remuneration is payable for the objective.

The level of attainment of the criteria indicated above has been established precisely for each criterion. Each economic or financial objective is subject to a trigger threshold below which no remuneration is payable for the objective.

Each of the economic and financial criteria was measured by the Board when it established the annual financial statements on the basis of performance for the full year in 2017. The qualitative criteria were assessed at the same Board meeting. The amount thus determined was prorated taking into account the actual period of work of Enrique Martinez as Chief Executive Officer.

The targets for current operating income and free cash flow in 2017 were each exceeded by over 5%, therefore the rate for the variable remuneration based on these criteria was 110%.

The revenue target in 2017 was exceeded by more than 0.5%, therefore the rate of the variable remuneration based on this criterion was 110%.

The target for synergies in 2017 was exceeded by over 10%, therefore the rate of the variable remuneration on this criterion is 110%.

The market share target was exceeded by more than 0.25 points in all geographic regions considered, with the exception of a region in which the trigger threshold was not reached; therefore, the weight of the variable remuneration on this criterion is 99%.

The qualitative targets were assessed by the Board. The Board recognizes the very strong results delivered by the Chief Executive Officer. The rate of achievement for the variable remuneration on these criteria is thus 110%.

The total achievement rate of the 2017 variable is 109.45% of the fixed annual remuneration and the amount due to the Chief Executive Officer for 2017 is €248,617 gross.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable remuneration is subject to approval by the Shareholders' Meeting on May 18, 2018 of the remuneration components and benefits of any kind paid or awarded to Enrique Martinez for 2017.

Multi-year variable remuneration

The Chief Executive Officer is eligible for the long-term plans awarded by the Board of Directors, which can take the form of stock options plans, bonus shares subject to performance conditions, or plans paid in cash.

In accordance with AFEP-MEDEF Code recommendations, the grant value of such plans within the IFRS 2 framework is proportionate to the annual fixed and variable components. The Board of Directors also ensures that they are consistent with market practices.

At its meeting on December 15, 2017, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to implement a multi-year variable remuneration of bonus shares settled in equity instruments.

15,391 bonus shares were allotted to Mr. Enrique Martinez. The vesting of these bonus shares is subject to a market performance condition for Fnac Darty measured annually in 2019 and 2020 on the basis of the Total Shareholder Return (TSR) of the company compared with that of the SBF120 companies, a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, and a level of Current Operating Income to be achieved, measured in 2019 after the publication of the Group's 2018 annual revenues, and in 2020 after publication of the Group's 2019 annual revenues.

Vesting of these bonus shares is also subject to a condition of employment for two years (December 15, 2017 – December 14, 2019).

In addition, pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board decided, at its meeting of April 28, 2017, that:

- the executive corporate officers retain, in registered form, until the end of their duties, a minimum number of shares corresponding to 25% of their fully vested shares (net of fees and taxes and the sales necessary to exercise options) in each of the bonus share and option plans awarded to them by the Board on or after the date of their appointment; it is specified that the plans from which they may have benefited earlier as employees are not included;
- however, this percentage would be lowered to 5% once the number of shares held by the executive officers from bonus share allotments and options exercised in all plans represents an amount equal to twice their gross annual fixed compensation, which is the minimum number of shares that the executive corporate officers must retain in registered form until they end their duties, as required by paragraph 22 of the AFEP-MEDEF Code.

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 in bonus shares granted in 2017, was €984,821. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €96.80 (price on the first day of acquisition, December 15, 2017) per share, volatility of 25% and a EURIBOR SWAP risk-free interest rate. These amounts have not yet been vested with respect to the corporate officer, considering the conditions of continued service and performance.

Benefits in kind

Mr. Enrique Martinez has a company car pursuant to the Company's fleet policy and market practices, which represents an in-kind benefit of €1,306 in 2017. Mr. Enrique Martinez also benefits from an unemployment insurance plan for non-employee corporate officers, for which contributions were made in the amount of €5,335 for 2017. These premiums are subject to social security and employer contributions and are therefore considered benefits in kind.

Supplementary pension plan

The Board of Directors authorized Mr. Enrique Martinez's membership in the supplementary defined contribution pension plan (Article 83 of the French General Tax Code) which exists for all managers of Fnac Darty French companies included in this contract.

Contributions for 2017 totaled €4,889.78. At its annual review of regulated agreements conducted at its meeting on January 25, 2018, the Board approved the continuation of this commitment.

Provident insurance plan

On July 17, 2017, the Board of Directors authorized Enrique Martinez's membership in the provident insurance plan that exists for all employees of French companies of Fnac Darty included in this agreement.

Contributions paid for his role as Chief Executive Officer in 2017 amounted to €2,737.04. At its annual review of regulated agreements at its meeting of January 25, 2018, the Board approved the continuation of this commitment.

Total remuneration

The amounts paid in 2017 in total remuneration and the elements comprising it, as detailed above, totaled €241,419 and break down as follows: fixed remuneration of €227,151, in-kind benefits €6,641, supplementary pension contributions of €4,890, and finally, company provident insurance plan contributions of €2,737. In addition, the amounts due in 2017 and paid in 2018 as annual variable remuneration was €248,617.

Non-compete agreement

The Board of Directors has ratified a non-compete commitment with Mr. Enrique Martinez in the retail sector specialized in cultural products, electronic and home appliances for consumers in the countries in which the Group operates. This non-compete agreement is limited to two years starting at the end of his term of office. In consideration for this commitment, Mr. Enrique Martinez will receive a gross allowance representing 70% of his fixed monthly remuneration, for a period of two years from the effective end of his appointment. The Board of Directors is entitled to waive implementation of this clause.

No amount is payable for fiscal 2017. This commitment stipulated by Article L. 225-42-1 of the French Commercial Code was approved by the Board on July 17, 2017 and will be submitted for approval by the shareholders' meeting on May 18, 2018, for the duration of his term as director. At its annual review of related-party agreements conducted at its meeting on January 25, 2018, the Board approved the continuation of this commitment.

Fixed and variable remuneration for 2018

In order to take into consideration Mr. Martinez's successful assumption of his position as Chief Executive Officer in July 2017, the excellent performance achieved, reflected in exceeding the targets set for 2017, the demanding and highly competitive environment in which Fnac Darty is developing, and benchmarks for similar positions within SBF 120 companies, the Board meeting on February 21, 2018, on the recommendation of the Appointments and Compensation Committee, raised the annual fixed compensation of its Chief Executive Officer to €550,000 for 2018. In addition, in order to take better account of outperformance and thus be more in line with market standards, it was decided to increase the maximum annual variable remuneration to 120% of fixed remuneration.

Eighty percent (80%) of the variable remuneration will still be allocated to financial targets and 20% to qualitative targets. The nature of the financial targets for 2017 was renewed. These targets are predetermined in a precise manner.

3.3.5 / REMUNERATION OF CORPORATE OFFICERS – DIRECTORS' FEES

Remuneration policy for corporate officers

Attendance fees paid to members of the Board of Directors

Attendance fees paid in 2017 for 2016

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 Appointments and Compensation Committee, the Board of Directors determines the distribution 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 total annual amount of attendance fees to be paid to members of the Board of Directors at €300,000 until a further decision is made. The Shareholders' Meeting of May 24, 2017 raised this amount to €360,000 euros, applicable to the current year, which will be maintained until a new decision is made.

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors, on February 28, 2017, determined the distribution of attendance fees to members of the Board and specialized Committees who attended meetings held in 2016.

60% of this amount was distributed 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 distributed 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 budget allocated to the committees) for the Audit Committee, 12% (i.e. 30% of the comprehensive budget allocated to the committees) for the Appointments and Compensation Committee and 8% (i.e. 20% of the comprehensive budget allocated to the committees) for the Corporate, Environmental and Social Responsibility Committee. This amount is distributed based on members' attendance at committee meetings.

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 of €286,599 was paid for 2016 in 2017, of the total annual amount of director's fees of €300,000 as follows:

Names	Amount paid in 2016 for 2015 *(€)*	Amounts paid in 2017 for 2016 *(€)*
Patricia Barbizet	27,686	26,602
Alexandre Bompard	28,733	27,558
Stéphane Boujnah	40,448	0
Carole Ferrand	34,543	33,459
Antoine Gosset-Grainville	27,686	26,602
Alban Gréget	22,733	21,650
Nonce Paolini	30,162	30,828
Arthur Sadoun	20,067	18,611
Brigitte Taittinger-Jouyet	13,400	23,400
Jacques Veyrat	28,924	38,703
Marie Cheval	0	21,939
Stéphane Roussel (Permanent representative of Vivendi)	0	9,082
Simon Gillham (permanent representative of Compagnie financière du 42 avenue de Friedland)	0	8,165
TOTAL	**274,381**	**286,599**

The total amount of director's fees for 2017 was €307,646, including €26,920 for Mr. Alexandre Bompard and €25,622 for Jacques Veyrat.

The Directors do not receive any other remuneration, except for Mr. Alexandre Bompard, Chairman and CEO, and Mr. Jacques Veyrat, Chairman of the Board as of his election as indicated in sections 3.3.2 and 3.3.3 of the Registration Document.

Directors' fees paid in 2018 for 2017

For director's fees for 2017 allocated in 2018, 60% of the total of €360,000 was allocated by the Board on February 28, 2017 to Board members and 40% to the members of the specialized committees.

Of the 60% for the Board of Directors, 30% was a fixed component and 70% a variable component. The variable component was distributed 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 Appointments and Compensation Committee and 8% to the Corporate, Environmental and Social Responsibility Committee. These component distributions 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 21, 2018 distributed a total of €307,646 to Board of Directors and committee members to be paid in 2018 for 2017.

3.4 / Profit-sharing, collective and long-term incentives

3.4.1 / PROFIT-SHARING AND INCENTIVE AGREEMENTS

3.4.1.1 / Profit-sharing agreements in France

For companies with at least 50 employees and taxable income of more than 5% of its equity, implementation of a profit-sharing agreement in accordance with Articles L. 3322-2 and L. 3324-1 of the French Labor Code is mandatory.

The Fnac Darty companies benefit from profit-sharing agreements.

3.4.1.2 / Collective incentive plans 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 plan agreements have been signed for a number of French entities of the Group. Each agreement includes its own formula for calculating the incentive bonus.

3.4.1.3 / Group savings plans

Companies that have implemented a profit-sharing agreement must implement a company savings plan in accordance with Article L. 3332-3 of the French Labor Code.

Fnac Darty companies also benefit from group savings plans that allow Fnac Darty employees to allocate, immediately and in full, all sums paid to them under profit-sharing and incentive plans to acquire units in company savings plans (FCPE).

An amendment to the rules of the Fnac Group savings plan and the Darty Group saving plan introduced on March 15, 2018, established a joint group employee savings plan for all French entities of Fnac Darty. All Fnac Darty employees in France may now invest in the same corporate investment funds (FCPE) including the "Fnac Darty Employees" Fund invested in listed securities of the Company.

3.4.2 / LONG-TERM INCENTIVES

The main executives of the Group benefit from annual long-term variable remuneration, the first plans of which were implemented in 2013. The different vesting periods of the plans run until no later than May 1, 2021.

In 2017, following the recommendation of the Appointments and Compensation Committee, on April 28, 2017, the Board of Directors decided to grant bonus shares to some employees of the Group (150 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 (May 2, 2017 – May 1, 2019) and a two-year lock-in period for French residents (May 2, 2019 – May 1, 2021) and a four-year vesting period (May 2, 2017 – May 1, 2021) for foreign residents. The vesting of these bonus shares is subject to a market performance condition for Fnac Darty measured annually in April 2018 and April 2019 on the basis of the average of the 20 closing prices for the Fnac Darty share preceding May 1, 2018 and May 1, 2019, and a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the Group's 2017 annual revenues, and in 2019 after publication of the Group's annual 2018 revenues.

In 2017, following the recommendation of the Appointments and Compensation Committee, on December 15, 2017, the Board of Directors decided to grant bonus shares to some employees of the Group (39 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The duration of this plan provides for a vesting period of longer than two years (December 15, 2017 – 3rd trading day after publication of the annual results for fiscal 2019). The vesting of these bonus shares is subject to a market performance condition for Fnac Darty measured annually in April 2019 and April 2020 on the basis of the Total Shareholder Return (TSR) of the company compared with that of the SBF 120 companies, a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, and a level of current operating income to be achieved, measured in 2019 after the publication of the Group's 2018 annual revenues, and in 2020 after publication of the Group's annual 2019 revenues.

The 2017 bonus share plan (detailed in section 7.2.4 of this Registration Document), just like the 2015 and 2016 bonus share plans, provides for the early vesting of shares, particularly in the following cases: a change in control of the Company, a public offering for 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 demerger, or a public withdrawal offer.

In 2017, on the recommendation of the Appointments and Compensation Committee, on April 28, 2017, the Board of Directors decided to award performance options to certain Group executives with the aim of retaining them and aligning their interests with those of the Company and its shareholders. These operations will only be vested gradually, by tranche, at the end of two successive vesting periods (May 2017 – May 2019 and May 2017 – May 2020) subject to the presence of the beneficiary within the Group at the expiration of each vesting period, and shall be subject to a market performance condition for Fnac Darty measured in April 2018 and April 2019 for the first period, and April 2020 for the second period, and a performance condition tied to the achievement of a level of synergies to be achieved in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the 2017 annual results of the Group and in 2019 after publication of the 2018 Group results for the first period, and in 2020 after the publication of the 2019 Group annual results for the second period. There were 112,786 performance options remaining in the 2017 plan at the end of the year.

Each of the 2013, 2014, 2015 and 2017 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:

- the filing of a public tender offer for the Company's shares declared in compliance with the AMF (as mentioned in section 3.5 of this Registration Document);
- taking control of the Company consists of: (i) a change of control as defined in Article L. 233-3 of the French 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 / Elements that could have an impact during a public tender offer

Pursuant to Article L. 225-37-5 of the French Commercial Code, we are presenting to you the following elements that could have an impact in a public offering:

- the structure of the capital and the known direct and indirect stakes in the company and all information on this question is provided in sections 7.1.2.8 and 7.3.1;
- there is no provision in the bylaws restricting the exercise of voting rights, subject to the elimination of voting rights that could be demanded by one or more shareholders who together hold at least 3% of the capital or voting rights of the company for failure to declare the 3% threshold or any multiple of 1% above 3% (Article 9 of the bylaws) - see section 7.1.2.8;
- there is no restriction in the bylaws on the transfer of shares;
- to the Company's knowledge, there are no shareholders' agreements or other commitments signed by shareholders;
- there is no security carrying special control rights;
- the voting rights attached to the Fnac Darty shares held by the personnel through shares in the FCPE Actions exercised by a representative authorized by the FCPE Supervisory Board to represent it in the Shareholders' Meeting;
- the rules for nomination and dismissal of members of the Board of Directors are the legal rules and bylaws stipulated in Articles 12, 14 and 16 to 18 of the bylaws described in section 7.1.2.3;
- with respect to the powers of the Board of Directors, the current delegations are described in this report in section 7.2.3.1 (stock buyback program) and in the table of capital increase delegations set forth in section 7.2.1; it is specified that the authorization for stock buybacks and delegations to conduct capital increases are suspended during a public tender offer (with the exception of a delegation to employees participating in a company savings plan (PEE) and the exception to increase capital by capitalizing reserves, profits or premiums;
- the bylaws of our company are amended in accordance with the laws and regulations;
- the agreements signed by the company which are amended or ended if control of the company changes are the following: the Loan Agreement and the High Yield bond described in section 6.4 include a clause under which the creditors of Fnac Darty could request full or partial early repayment of the loans in the event of a change of control;
- there are no specific agreements provided for indemnities for the departure of members of the Board or employees if they resign or are dismissed without real or serious cause, or if their position ends because of a public tender or exchange offer.

3.6 / Other information

The procedures for shareholders to participate in shareholders' meetings are provided in section 7.1.2.6.

The table of financial delegations for capital increases is given in section 7.2.1.

3.7 / Special Auditors' Report on Related-Party Agreements and Commitments

Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017

Dear Shareholders,

As the 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, justifying reasons of interest to the Company, and agreements and commitments we have been 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 nor to investigate whether other agreements and commitments exist. Under Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the appropriateness of entering into these agreements and commitments for the purpose of approving them.

In addition, it is our responsibility, as applicable, to communicate to you the information stipulated in Article R.225-31 of the French Commercial Code regarding the previous year's performance of the agreements and commitments already approved by the Shareholders' Meeting.

We have applied the procedures we considered necessary pursuant to the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this assignment. These procedures consisted of checking the consistency of the data we were given against the documents from which the data was taken.

Agreements and commitments subject to approval of the Shareholders' Meeting

Agreements and commitments authorized during the last year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments previously authorized by your Board of Directors.

Participation of Enrique Martinez, Chief Executive Officer, in a defined-contribution supplemental pension plan

Person concerned

Mr. Enrique Martinez, Chief Executive Officer of Fnac Darty S.A.

Nature, purpose and reasons justifying the interest to the Company

In a decision dated July 17, 2017, your Company's Board of Directors gave prior authorization for the membership of Mr. Enrique Martinez in the supplemental defined-contribution pension plan for all executives of the French companies of the group included in the policy.

Your Board believed that it was in your Company's interest to be able to maintain for Mr. Martinez the plans from which he previously benefited as an executive manager, like the other Group executives, and therefore offered the Chief Executive Officer an attractive insurance package in line with market practices.

Terms

The contributions for this participation totaled €4,889.78 for fiscal 2017 for the period from July 17, 2017, the date of his appointment as Chief Executive Officer.

Non-compete commitment for Mr. Enrique Martinez, Chief Executive Officer

Person concerned

Enrique Martinez, Chief Executive Officer of Fnac Darty S.A.

Nature, purpose and reasons justifying the interest to the Company

In a decision dated July 17, 2017, the Board of Directors of your Company authorized a non-compete agreement signed by your Company and its Chairman and Chief Executive Officer Enrique Martinez.

Your Board believed that, because of the strategic responsibilities assumed by Mr. Enrique Martinez, it was important for your company to have the option of prohibiting Mr. Martinez, at the end of his term as Chief Executive Officer, from competing with Fnac Darty's businesses for a period of two years in the retail sector specializing in cultural products, electronics and appliances for consumers in the countries in which the Group does business.

Terms

This commitment covers the retail segment specializing in cultural products, electronics and appliance for the consumer market in the countries in which the Group operates. It is limited to a period of two years from the end of Mr. Martinez's appointment.

In consideration for this commitment, Mr. Enrique Martinez will receive a indemnity amounting to 70% of his fixed monthly compensation for a period of two years from the effective date of termination of his appointment, with the understanding that the Board of Directors may waive implementation of this clause.

Participation of Mr. Enrique Martinez, Chief Executive Officer, in an accident insurance policy

Person concerned

Mr. Enrique Martinez, Chief Executive Officer of Fnac Darty S.A.

Nature, purpose and reasons justifying the interest to the Company

In a decision dated July 17, 2017, the Board of Directors of your Company gave prior authorization for Mr. Enrique Martinez's membership in the accident insurance plan for all executives of the French companies of the group included in the policy.

Your Board believed that it is in the interest of your Company to be able to maintain for Mr. Martinez the plans from which he previously benefited as an executive manager, like the other executives of the Group, and therefore offer the Chief Executive Officer an attractive insurance package in line with market practices.

Terms

The contributions for this participation totaled €2,737.04 for fiscal 2017 for the period from July 17, 2017, the date of his appointment as Chief Executive Officer.

Agreements and commitments already approved by the Shareholders' Meeting

Agreements and commitments approved in prior years

a) the performance of which continued during the past year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments already approved by the Shareholders' Meeting in prior years continued during the last fiscal year.

Participation of Mr. Alexandre Bompard, Chairman and Chief Executive Officer until July 17, 2017, in a defined-contribution supplemental pension plan

Person concerned

Mr. Alexandre Bompard, Chairman-Chief Executive Officer de Fnac Darty S.A. until July 17, 2017.

Nature and purpose

In a decision dated July 30, 2013, your Company's Board of Directors gave prior authorization for Mr. Alexandre Bompard's participation in the supplemental defined-contribution pension plan for all Fnac Darty executives in France.

This agreement ended July 17, 2017, the date of the end of Alexandre Bompard's term as Chairman-Chief Executive Officer.

Terms

The contributions for this participation totaled €5,909.73 for the period from January 1, 2017 to July 17, 2017.

b) not performed during the previous 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 were not performed during the past year.

Agreement on exit from the tax consolidation by and between Kering SA, Fnac Darty S.A. and its French subsidiaries

Person concerned

Ms. Patricia Barbizet, Director of Fnac Darty S.A. and director of Kering S.A.

Nature and purpose

On January 1, 2013, Kering SA assigned slightly more than 5% of the capital of Fnac Darty S.A. to the Dutch company KERNIC MET BV. This disposal resulted in the exit of Fnac Darty S.A. and the French subsidiaries in which it holds at least 95% from the scope of 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 Fnac Darty 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 resulted in the signing of an agreement for removal from tax consolidation by Kering SA, Fnac Darty SA and its French subsidiaries. The agreement stipulates in particular that the tax deficits, net long-term capital losses and tax credits accrued during the period they belonged to the consolidated Kering Group will remain posted to the Kering Group.

In the event of an additional tax assessment for Fnac Darty S.A. or one of its subsidiaries, it will owe Kering S.A. the amount as assessed, in accordance with the principles of the agreement, as it can no longer benefit from the tax deficits, net long-term losses or tax credits recognized during the period in which they belonged to the Kering consolidated group.

In 2017, no sum was paid for this purpose to Kering SA.

Non-compete commitment for Mr. Alexandre Bompard, Chairman-Chief Executive Officer until July 17, 2017

Person concerned

Mr. Alexandre Bompard, Chairman-Chief Executive Officer of Fnac Darty S.A. until July 17, 2017.

Nature and purpose

In a decision dated July 30, 2013, your Company's Board of Directors authorized a non-compete agreement signed by your Company and its Chairman and Chief Executive Officer Mr. Alexandre Bompard.

At its meeting of July 17, 2017, the Board of Directors waived implementation of the non-compete clause at the end of Mr. Bompard's term as Chairman-Chief Executive Officer, and no compensation was paid for this purpose in 2017.

Terms

This commitment covers the retail segment specialized in cultural and/or electronics and entertainment products for the consumer market in France, Belgium, Spain, Switzerland, Portugal and Brazil. This commitment is limited to a period of two years from the end of Mr. Alexandre Bompard's term of office.

In consideration for this commitment, Mr. Alexandre Bompard would have received a gross severance package amounting to 80% of his fixed monthly compensation for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors had the right to waive implementation of this clause.

Neuilly-sur-Seine and Paris La Défense, March 26, 2018

Statutory Auditors

KPMG Audit *A department of KPMG S.A.*	**Deloitte & Associés**
Éric ROPERT *Partner*	Stéphane RIMBEUF *Partner*

4

Comments on the year

Table containing pro forma data

4.1 / Pro forma financial information

In the context of the 2016 Registration Document and in order to provide a reference framework for assessing the Group's performance, Fnac Darty published pro forma operating information for 2016. This pro forma financial information has been updated in 2017 in order to take into consideration the impact of the finalized work to assess the identifiable assets acquired and liabilities assumed from Darty.

These data present the position as if Fnac's acquisition of Darty had taken place on January 1, 2016. The pro forma financial information includes the consolidated operating results of Fnac and Darty produced on an individual basis, after alignment of the accounting policies and impacts of the purchase price allocation, which in turn have an impact on operating income.

The pro forma financial information for 2016, established pursuant to Appendix II of (EC) Regulation 809/2004 and the ESMA recommendations on pro forma financial reporting, have been the subject of a report from our auditors provided in the 2016 Registration Document. This information, updated on December 31, 2017, is purely illustrative and covers a hypothetical situation. As a result, it does not represent the financial position or the operating performance of Fnac Darty if the combination had actually occurred on January 1, 2016.

(€ million)	Reported	Adjustment to period	Adjustments to accounting methods	Allocation of the acquisition price	Pro forma 2016
Income from ordinary activities	**5,369.2**	**2,049.6**	**(0.3)**		**7,418.5**
Cost of sales	(3,791.8)	(1,415.2)	3.4		(5,203.6)
GROSS MARGIN	**1,577.4**	**634.4**	**3.1**		**2,214.9**
Personnel expenses	(785.3)	(347.4)	(0.6)		(1,133.2)
Other current operating income and expenses	(631.2)	(250.3)	4.9	(3.1)	(879.7)
Share of profit from equity associates	0.2	1.0	0.0		1.2
CURRENT OPERATING INCOME	**161.1**	**37.8**	**7.4**	**(3.1)**	**203.2**
Other non-current operating income and expenses	(39.1)	(27.7)	(4.7)	(16.7)	(88.1)
OPERATING INCOME	**122.0**	**10.2**	**2.6**	**(19.8)**	**115.1**

This pro forma information has been prepared on the basis of "restated published" information corresponding, for 2016, to the audited IFRS consolidated financial statements of Fnac Darty for the year ended December 31, 2016, including 12 months of operating activity of the Fnac banner and five months of operating activity of the Darty banner since August 1 (for convenience, flows are recognized as of August 1, even though the date of Fnac Darty's takeover of Darty was July 18).

The pro forma adjustments consist of the following items:

(i) period adjustments that reflect, in 2016, the operating activity of the Darty brand from January 1, 2016 to July 31, 2016, the date of the accounting consolidation of Darty by Fnac Darty.

Given the different annual closing dates of Fnac (December 31) and Darty (April 30), the Darty historical financial information was established from monthly IFRS accounting reports, which have not all been audited or subject to a limited review by the Darty Auditor;

(ii) adjustments to accounting methods that reflect the homogenization of the accounting methods between the Fnac and Darty banners, as well as the adjustments to the Darty opening balance sheet as of August 1, 2016, considered to be at January 1, 2016. The adjustments in the accounting methods primarily consist of the harmonization of the methodologies for valuing inventories of purchase cut-offs and supplier discounts;

(iii) adjustments related to the allocation of the purchase price which represent in 2016 the operating income impact of the recognition of the assets and liabilities acquired at fair value. A provisional valuation of identifiable assets acquired and liabilities assumed was performed on August 1, 2016. The valuation process was completed in July 2017, and primarily concerned the real estate acquired. For more details on the calculation of the allocation of the purchase price, refer to Chapter 5, section 15.2.

4.2 / Analysis of business activities and consolidated results

Definitions and alternative performance indicators

Definition of revenues

The Group's "real" revenues (or income from ordinary activities) correspond to its reported revenues.

The Group uses the following notions of change in revenues:

1. Change in revenues at constant exchange rates:

   Change in revenues at constant exchange rates means that the impact of changes in exchange rates has been excluded. The impact of exchange rates is eliminated by recalculating sales from year N-1, on the basis of exchange rates used for Year N.

2. Change in revenues at constant consolidation:

   The change in revenues at constant consolidation means that the impact of changes in scope of consolidation is corrected in order to exclude modifications such as acquisitions or disposals of subsidiaries. Revenues of subsidiaries acquired or sold between January 1 of year N-1 and December 31 of year N are excluded from calculations of the change.

3. Change in revenues on a same-store basis:

   The change in revenues on a same-store basis means that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed between January 1 of year N-1 and December 31 of year N are thus excluded from calculations of the change.

Definition of current operating income

The total operating income of Fnac Darty includes all income and costs directly related to Fnac Darty operations, whether the income and costs are recurring or whether they result from one-off operations or decisions.

"Other non-current operating income and expenses" reflects the unusual and significant items for the consolidated entity that could disturb tracking of the Group's business performance.

As a result, and in order to monitor Group operating performance, Fnac Darty uses current operating income as a major management balance, which is defined as the difference between the operating income and "Other non-current operating income and expenses".

Current operating income is an intermediate aggregate that facilitates understanding of the entity's operating performance, which can be used as a way to estimate recurring performance. This indicator is presented in a constant and stable manner over time in accordance with the principle of continuity and relevance for financial reporting.

Definition of EBITDA and EBITDAR

In addition to the results published, the Group presents additional performance indicators that exclude the impact on current operating income of net amortization, depreciation and provisions on non-current operating assets recognized in current operating income for EBITDA, as well as rents excluding rental charges on building operating leases for EBITDAR. The Group believes that this information can assist investors in their analysis of the performance of Fnac Darty. These indicators are also used in the context of the financial covenants applicable under the Credit Facility Agreement. EBITDA and EBITDAR are not indicators stipulated by IFRS and do not appear in the Group consolidated financial statements. EBITDA and EBITDAR have no standard definition and, therefore, the definition used by the Group may not match the definitions of these terms used by other companies.

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.

EBITDAR = EBITDA before rental payments.

Definition of free cash flow from operations

The Group also used an intermediate aggregate to track its financial performance described as free cash flow from operations. This financial indicator measures net operating cash flow and gross operating investment flow (defined as purchases and disposals of tangible and intangible non-current assets, and the change in supplier accounts payable for non-current assets).

Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.

Definition of net financial debt

Net financial debt consists of the gross financial debt, including accrued interest not due as defined by the National Accounting Board Recommendation 2013-03 of November 7, 2013, minus gross cash and cash equivalents.

Rounding

The following tables contain data rounded off individually. The arithmetic calculations performed on the basis of rounded-off items may differ from the aggregates or sub-totals shown.

4.2.1 / KEY FINANCIAL INFORMATION

The financial information presented below is derived from the consolidated financial statements for the periods ended December 31, 2016 and 2017, prepared in accordance with IFRS as adopted by the European Union, set forth in section 5.1 “Group consolidated financial statements at December 31, 2017 and 2016” in this Registration Document.

Along with the financial information reported and in order to provide a reference framework to assess the Group’s future performance, Fnac Darty is reporting pro forma financial information for 2016. The pro forma financial information shows the position as if the Darty acquisition had taken place on January 1, 2016. Section 4.1 “Pro forma financial information” shows the shift between the historical financial information and the pro forma financial information for fiscal year 2016.

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the years ended December 31, 2016 and 2017 presented in section 5.1 “Group consolidated financial statements as of December 31, 2017 and 2016” in this Registration Document; (ii) the analysis of the Group’s cash and equity capital provided in section 4.3 “Group cash and equity” in this Registration Document; and (iii) the information on trends and targets presented in section 4.4 “Recent events and outlook” in this Registration Document.

Key data from the Fnac Darty income statement

(€ million)	Year ended December 31 Reported 2017	Pro forma 2016 restated *	Change	Reported 2016 restated *
Revenues	7,448.2	7,418.5	0.4%	5,369.2
Gross margin	2,260.9	2,214.9	2.1%	1,576.1
Current operating income	270.1	203.2	32.9%	161.7
Operating income	216.8	115.1	88.4%	123.5
Net income from continuing operations	124.5			24.1
Net income from continuing operations, Group share	124.2			23.4
(as % of revenues)				
Gross margin	30.4%	29.9%	0.5pt	29.4%
Current operating margin	3.6%	2.7%	0.9pt	3.0%
Data not derived from the audited financial statements				
EBITDA [(a)]	370.2	306.9	20.6%	238.8
EBITDAR [(b)]	581.8	512.4	13.5%	395.7

* *Restated for valuation of identifiable Darty assets and liabilities.*

(a) *EBITDA is defined as current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income.*

(b) *EBITDAR is defined as EBITDA restated for rental payments, excluding rental charges on operating leases.*

Selected segment information

	Year ended December 31 Reported 2017		Pro forma 2016 restated *		Reported 2016 restated *	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Revenues						
France-Switzerland	5,855.9	78.6%	5,854.4	78.9%	4,218.6	78.6%
Iberian Peninsula	675.5	9.1%	656.2	8.8%	656.2	12.2%
Benelux	916.8	12.3%	907.9	12.2%	494.4	9.2%
TOTAL	**7,448.2**	**100.0%**	**7,418.5**	**100.0%**	**5,369.2**	**100.0%**
Current operating income						
France-Switzerland	234.4	86.8%	172.4	84.8%	131.8	81.5%
Iberian Peninsula	23.6	8.7%	23.2	11.4%	23.2	14.3%
Benelux	12.1	4.5%	7.6	3.7%	6.7	4.1%
TOTAL	**270.1**	**100.0%**	**203.2**	**100.0%**	**161.7**	**100.0%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Key balance sheet data for the Group

(€ million)	Year ended December 31		
	Reported 2017	**Reported 2016 restated ***	**Change**
Non-current assets	2,723.4	2,694.0	29.4
Current assets	2,543.3	2,307.4	235.9
Shareholders' equity	1,103.0	1,049.4	53.6
Non-current liabilities	1,420.9	1,422.2	(1.3)
Current liabilities	2,739.7	2,556.2	183.5
Financial debt	*861.0*	*863.0*	*(2.0)*
Cash and cash equivalents	*774.9*	*655.9*	*119.0*
Net financial debt	(86.1)	(207.1)	121.0

* *Restated for valuation of identifiable Darty assets and liabilities.*

Key data from the Group statement of cash flows

(€ million)	Year ended December 31			
	Reported 2017	**Pro forma 2016 restated ***	**Change**	**Reported 2016 restated ***
Cash flow before tax, dividends and interest	353.1	207.7	145.4	200.0
Change in working capital requirement	56.3	142.3	(86.0)	84.0
Net cash flows from operating activities	311.1	304.1	7.0	246.5
Net cash flows from operating investing activities	(111.9)	(111.3)	(0.6)	(95.7)
Net cash flows from investing activities	(113.7)			(1,116.6)
Net cash flows from financing activities	(19.9)			987.6
Net financial debt	86.1			207.1

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.2.2 / GENERAL OVERVIEW

4.2.2.1 / Introduction

The following table provides a breakdown of Fnac Darty 2017 revenues by geographic region and category of products and services.

	Year ended December 31, 2017									
	Consumer electronics		Publishing products		Household appliances		Other Products and 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 the region's revenues)*	*(€ million)*	*(as a % of revenues from all regions)*
France-Switzerland	2,912.6	49.7%	978.7	16.7%	1,277.5	21.8%	687.0	11.7%	5,855.9	78.6%
Iberian Peninsula	404.1	59.8%	215.4	31.9%	0.0	0.0%	56.0	8.3%	675.5	9.1%
Benelux	485.1	52.9%	58.6	6.4%	335.5	36.6%	37.6	4.1%	916.8	12.3%
TOTAL	**3,801.8**	**51.0%**	**1,252.8**	**16.8%**	**1,613.0**	**21.7%**	**780.6**	**10.5%**	**7,448.2**	**100.0%**

The Group manages its operations on the basis of the following geographic segments:

- **France-Switzerland** *(78.6% of Group revenues in 2017, 86.8% of Group current operating income in 2017)*. The "France-Switzerland" region makes the largest contribution to Group revenues with €5,855.9 million in revenues in 2017. The Group's activity in France and Switzerland at the end of 2017 was driven by directly operated stores (306 in France and 6 in Switzerland), 204 stores operated as a franchise in France (including the stores in Morocco, Qatar, Ivory Coast and Cameroon) and its websites, primarily fnac.com, darty.com and fnac.ch;
- **Iberian Peninsula** *(9.1% of Group revenues in 2017, 8.7% of Group current operating income in 2017)*. The "Iberian Peninsula" region covers the Group's operations in Spain and Portugal and posted revenues of €675.5 million in 2017. The Group conducts its business in the Iberian Peninsula through directly operated store networks (28 in Spain and 27 in Portugal at the end of 2017), franchise stores (3 in Spain, and 1 in Portugal) and through the fnac.es and fnac.pt websites;
- **Benelux** *(12.3% of Group revenues in 2017, 4.5% of Group current operating income in 2017)*. The "Benelux" region covers the Group's activities in Belgium and the Netherlands and recorded revenues of €916.8 million in 2017. At year-end 2017, Fnac Darty operated 82 directly owned stores in Belgium and 71 in the Netherlands.

Product and service categories

In each geographic region where it operates, the Group analyzes its sales by category of products and services. This analysis is organized in five main segments:

- **consumer electronics** (*51.0% of Group revenues in 2017*). The consumer electronics category generated revenues of €3,801.8 million in 2017. This segment includes two sub-categories of products:
  - *"Microcomputing"* represents sales of the following products: desktop computers, laptops, tablets, software, printers, e-readers, telephones and office products and accessories, as well as all connected products. Microcomputing accounted for 66.5% of revenues from the consumer electronics category in 2017,
  - *"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). The "Retail Electronics" sub-category generated 33.5% of consumer electronics revenues in 2017;
- **editorial products** *(16.8% of Group revenues in 2017)*. The editorial products segment generated revenues of €1,252.8 million in 2017. It includes two sub-categories of products:
  - *"Books"* covers hard copy and digital books. The "Books" sub-category represented 55.0% of the revenues generated on sales of editorial products in 2017,

  - *"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 others). This sub-category accounted for 45.0% of editorial products revenues in 2017;
- **household appliances** *(21.7% of Group revenues in 2017).* The household appliances category generated €1,613.0 million in revenues in 2017. It includes two sub-categories of products:
  - *"Major household appliances"* are refrigerators/freezers, cooking equipment, dishwashers and washing machines/dryers. This sub-category accounted for 63.4% of appliance revenues in 2017,
  - *"Small domestic appliances"* include vacuum cleaners, body care and water/air treatment appliances. This sub-category accounted for 36.6% of revenues from sales of household appliances in 2017;
- **Other products and services** (*10.5% of Group revenues in 2017).* This category represents two sub-categories: first, products in the development phase for generated revenues of €215.2 million; including kitchen equipment, Home & Design products, Games & Toys and Stationery; and second, the "services" and "other revenues" items, which generated €565.5 million in revenues in 2017 and include the following items:
  - services related 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.

Number of stores as of December 31, 2017

The following table shows the growth in the number of stores over the period:

	2017			2016		
Number of stores	**Owned**	**Franchise**	**Total**	**Owned**	**Franchise**	**Total**
France-Switzerland	312	204	516	313	152	465
Iberian Peninsula	55	4	59	50	2	52
Benelux	153	0	153	147	0	147
TOTAL	**520**	**208**	**728**	**510**	**154**	**664**

The Group opened 20 directly owned stores and 58 stores under franchise in 2017. At the same time, the Group closed 10 directly owned stores and 4 franchise stores.

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 a basis which includes all stores, as well as on a constant-store basis, i.e. the revenues generated by stores that, as of January 1 of year N, were in operation for the full 12 months of year N-1.

In regards to stores operated under franchise, the Group recognizes goods sold to franchised stores as product revenues under Group revenues, and royalties on revenues generated by franchised stores through business with their clients are recognized as service revenues under Group revenues.

Unless otherwise indicated, all financial data in this section include the full scope of consolidation and is 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.

The number of Group loyalty program members rose by 7.2% to total 7.6 million at the end of 2017.

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 2017, the Group generated 32.8% of its consolidated revenues for the year during the fourth quarter, stable compared to 2016.

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 the income statements resulting from the translation of the local-currency results of the Group's subsidiaries in Switzerland into euros (see section 6.3 "Market risks" in this Registration Document).

In 2017, the Group recorded growth of +0.4% in pro forma revenues at current exchange rates. At constant exchange rates, pro forma revenues were up by +0.4%.

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.

4.2.2.2 / Significant events during the fiscal year

4.2.2.2.1 Very solid results

Fnac Darty consolidated revenues totaled €7,448.2 million, an increase of +0.5% (1) at comparable exchange rates (2). The Group is growing, both in France (3) (+0.5% (2)) and internationally (+1.3% (2)).

Gross margin was 30.4%, a strong increase compared to 2016 pro forma (+50 basis points).

Pro forma (1) current operating income was up by +33% to €270.1 million under the combined effect of the synergies and a strong operating performance.

The Group continued its strong generation of operating free cash-flow at €199.2 million.

This solid performance was driven by the successful consolidation of the two banners and by a perfectly controlled commercial performance in a demanding competitive environment.

4.2.2.2.2 Major strategic advances in 2017

Fnac Darty made significant operational progress while conducting the successful consolidation of its two brands.

Rapid progress in the Fnac Darty consolidation

The consolidation process has moved rapidly, already generating €85 million in synergies at year-end 2017, which is more than 65% of the target set for year-end 2018.

In terms of cost synergies, the annual negotiations with suppliers and the renegotiation of indirect purchasing contracts allowed the Group to capitalize on its new size. The convergence of the IT systems is moving forward in accordance with the business plan. The structuring work to optimize logistics has also progressed, particularly with the transfer of the Wissous 2 warehouse. The implementation of the new organization for the corporate functions in France is being finalized, and the head offices in Belgium have been merged.

2017 was also marked by the launch of commercial synergies between banners, illustrated in particular by the opening of shops-in-shops, Fnac at Darty and Darty at Fnac. At the end of 2017, the Group had opened 20 shops-in-shop in France, and launched the small household appliances segment in Spain, operated by Darty under the Fnac Home brand. Finally, the cross click and collect offer was expanded and is now available in nearly 280 stores, up from 80 in 2016.

Expansion of the omnichannel platform

The Group continued to increase its territorial network, a determinant element in its omnichannel offer. 78 openings were completed in 2017, raising the total number of stores to 728. This expansion was primarily completed in the franchise stores, with the opening of 58 new stores, including the first franchise in Portugal, for a total of 208 stores at year-end 2017. The Group intends to raise this number to more than 400 franchise stores in the medium term.

(1) Pro forma, including Darty as if January 1, 2016.
(2) Comparable data: excludes currency effects, changes in scope of consolidation, and store openings and closings.
(3) France-Switzerland region.

At the same time, Fnac Darty continued to roll out its digital capacities. With nearly 20 million individual visitors per month, Fnac Darty is the second-ranked e-commerce operator in France. The Group's digital platforms are again generating strong growth, thanks to the steady performance of fnac.com, as well as the Spanish and Belgian websites. Internet sales now represent more than 17% of the Group's sales. The development of the marketplaces was also strengthened, with growth of nearly 50% in business volume over the year.

The Group also multiplied the initiatives to improve the quality and efficiency of its operations within a context of growing customer demands. The Group also expanded its delivery offer, with the delivery and installation of Fnac televisions now operated by Darty, the launch of a midnight cut-off for next-day delivery in Ile-de-France, and the extension of the 2 hour delivery offer.

As a result, the proportion of omnichannel sales expanded again to total 47% of online sales, versus 45% the previous year.

Enhancing the customer experience

2017 was marked by the deployment of the new platform of Fnac Darty brands to allow the two brands to affirm their identity.

In addition, the Group continued to develop and expand its customer loyalty programs. By late 2017, the Fnac+ card had been adopted by 1 million subscribers, just one year after it was launched. In October 2017, the Group also introduced the Darty+ card. Fnac+ and Darty+ subscribers benefit from free, unlimited delivery for both of the Group's banners. Fnac Darty enhanced its programs through partnerships with outside players to add to its offer. An exclusive, strategic partnership with Deezer was formed in March 2017. Early in 2018, the Group signed an agreement with Pass Partenaires, which offers advantageous discounts with more than 50 partners to loyal customers of the Fnac and Darty banners.

The Group has also expanded its service offer by building on the Darty expertise. Thus, Fnac Darty has strengthened its position as a pioneer in the connected home market thanks to the partnership signed with Google which integrates the "Darty button" in the Google Home ecosystem.

Launch of the *Confiance+* plan

Under the leadership of Enrique Martinez, who was named Chief Executive Officer in July 2017, the Group launched a new *"Confiance+"* strategic plan at year-end. This plan is backed by the strength of the two banners and by the solid progress of their consolidation. In addition to the plan for synergies of €130 million by the end of 2018, the Group's goal is to create a benchmark omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and partners to rely on a powerful specialized retail platform. The industrial agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France illustrates the Group's assets in knowledge of product lines and is part of the framework for the deployment of the Fnac Darty platform.

4.2.2.2.3. Disposal of operations in Brazil

On July 19, Fnac Darty signed an agreement for the disposal of its subsidiary Fnac Brazil to the Livraria Cultura Group.

Present in Brazil since 1999, with a network of 12 Fnac stores and a website, in late 2016 Fnac Darty initiated an established process to find a partner, in an effort to give Fnac Brazil critical mass.

Livraria Cultura is a longstanding player in the sale of editorial products in Brazil, with a network of 18 stores and a recognized online offering. Livraria Cultura has presented an ambitious industrial plan for Fnac Brazil and will build on the strong name recognition of the Fnac network and the expertise of its teams to continue its development strategy. This combination of two groups with close cultures, engaged in cultural promotion in Brazil, will create value and synergies. It will allow Livraria Cultura to diversify its activity with the contribution of Fnac consumer electronics.

In order to give a new entity all the resources to position itself among the leaders in its market, Fnac Darty authorized continued use of the Fnac brand for a period of two years and has proceeded to a recapitalization.

4.2.3 / COMPARISON OF THE GROUP'S ANNUAL RESULTS FOR 2016 AND 2017

The table below shows the Group's consolidated income statement for the years ended December 31, 2016 and December 31, 2017, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Year ended December 31							
	Reported 2017		Pro forma 2016 restated *			Reported 2016 restated *		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	Change	*(€ million)*	*(as % of revenues)*	Change
Revenues	**7,448.2**	**100.0%**	**7,418.5**	**100.0%**	**0.4%**	**5,369.2**	**100.0%**	**38.7%**
Gross margin	**2,260.9**	**30.4%**	**2,214.9**	**29.9%**	**2.1%**	**1,576.1**	**29.4%**	**43.4%**
Personnel expenses	(1,093.1)	(14.7%)	(1,133.2)	(15.3%)	3.5%	(785.4)	(14.6%)	(39.2%)
Other current operating income and expenses	(899.6)	(12.1%)	(879.7)	(11.9%)	(2.3%)	(629.2)	(11.7%)	(43.0%)
Share of profit from equity associates	1.9	0.0%	1.2	0.0%	58.3%	0.2	0.0%	
Current operating income	**270.1**	**3.6%**	**203.2**	**2.7%**	**32.9%**	**161.7**	**3.0%**	**67.0%**
Other non-current operating income and expenses	(53.3)	(0.7%)	(88.1)	(1.2%)	39.5%	(38.2)	(0.7%)	(39.5%)
Operating income	**216.8**	**2.9%**	**115.1**	**1.6%**	**88.4%**	**123.5**	**2.3%**	**75.5%**
(Net) financial expense	(44.0)					(76.2)		42.3%
Income tax	(48.3)					(23.2)		(108.2%)
Net income from continuing operations	**124.5**					**24.1**		**416.6%**
Net income from discontinued operations	(87.0)					(21.6)		
Consolidated net income	**37.5**					**2.5**		
Group share	*37.2*					*1.9*		
share attributable to non-controlling interests	*0.3*					*0.6*		

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.2.3.1 / Revenues

Reported:

The Group reported a +38.7% increase in revenues, driven primarily by the Darty acquisition on August 1, 2016.

Pro forma:

The Group recorded a slight increase in its revenues in 2017 (+0.4%).

The impact of foreign exchange rates on revenues was negligible. On a same-store basis, the Group's revenues were up by +0.5%. Consolidated store closings were offset by the opening of new consolidated stores.

An analysis of the distribution of revenues among the Group's principal countries shows a mature market in France-Switzerland and the Benelux region. Growth is more dynamic in the Iberian Peninsula.

The table below provides a breakdown of revenues for the years ended December 31, 2016 and December 31, 2017, by geographical region.

	Year ended December 31							
	Reported							
	2017		2016					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
France-Switzerland	5,855.9	78.6%	4,218.6	78.6%	38.9%	38.8%	38.9%	38.9%
Iberian Peninsula	675.5	9.1%	656.2	12.2%	2.9%	2.9%	2.9%	2.3%
Benelux	916.8	12.3%	494.4	9.2%	85.4%	85.4%	85.4%	83.7%
TOTAL	**7,448.2**	**100.0%**	**5,369.2**	**100.0%**	**38.8%**	**38.7%**	**38.8%**	**38.6%**

	Year ended December 31							
	Reported		Proforma					
	2017		2016					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
France-Switzerland	5,855.9	78.6%	5,854.4	78.9%	0.1%	0.0%	0.1%	0.5%
Iberian Peninsula	675.5	9.1%	656.2	8.8%	2.9%	2.9%	2.9%	2.3%
Benelux	916.8	12.3%	907.9	12.2%	1.0%	1.0%	1.0%	(1.3%)
TOTAL	**7,448.2**	**100.0%**	**7,418.5**	**100.0%**	**0.4%**	**0.4%**	**0.4%**	**0.5%**

	Year ended December 31 – Reported – 2017 (€ million)	2017 (as % of the total)	2016 (€ million)	2016 (as % of the total)	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
Consumer electronics	3,801.8	51.0%	2,921.3	54.4%	30.1%	30.1%	30.2%	30.1%
Publishing products	1,252.8	16.8%	1,244.0	23.2%	0.7%	0.7%	0.8%	0.2%
Household appliances	1,613.0	21.7%	706.3	13.2%	128.4%	128.4%	128.4%	128.4%
Other Products and Services	780.6	10.5%	497.5	9.3%	56.9%	56.9%	57.0%	57.0%
TOTAL	**7,448.2**	**100.0%**	**5,369.1**	**100.0%**	**38.7%**	**38.7%**	**38.8%**	**38.6%**

	Year ended December 31 – Reported – 2017 (€ million)	2017 (as % of the total)	Proforma – 2016 (€ million)	2016 (as % of the total)	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
Consumer electronics	3,801.8	51.0%	3,883.4	52.3%	(2.1%)	(2.1%)	(2.1%)	(2.1%)
Publishing products	1,252.8	16.8%	1,244.8	16.8%	0.6%	0.6%	0.7%	0.5%
Household appliances	1,613.0	21.7%	1,595.7	21.5%	1.1%	1.1%	1.1%	1.4%
Other Products and Services	780.6	10.5%	694.4	9.4%	12.4%	12.4%	12.4%	12.7%
TOTAL	**7,448.2**	**100.0%**	**7,418.4**	**100.0%**	**0.4%**	**0.4%**	**0.4%**	**0.5%**

The decline in revenues from consumer electronics is primarily the result of a decline in sales in the “Retail electronics” category because of a strong history for televisions and decoders (European soccer cup and the transition to TNT HD in France in 2016). The Audio sector continues to be dynamic with growing sales. The “Microcomputing” sub-category was driven by growth in sales of cell phones.

The slight growth in revenues from Editorial Products is mainly due to the increase in revenues in the “Discs and Gaming” sub-category; although it was negatively affected by the decline in video and audio (a consequence of the digitalization phenomenon), this category was carried by Gaming which benefits from solid sales of game consoles.

The slight increase in revenues of household appliances is due mainly to the growth in the “Small Household Appliances” sub-category.

Growth in revenues of Other products and services benefited first from the growth in Fnac Home & Design, Games & Toys and Stationery and, second, from the growth in monthly insurance sales, the continued increase in Marketplace commissions, royalties related to development of the franchise, and the reclassification as revenues of the commissions received from credit organizations on the sale of consumer loans for the amount of €31.1 million (previously recognized as costs).

Internet operations now account for 17.3% of Group sales, a 1.2-point increase, driven by the development of the omnichannel strategy, Marketplaces and mobile traffic.

4.2.3.2 / Gross margin and gross profit margin

Reported:

The Group’s gross margin came to €2,260.9 million for fiscal 2017, an increase of +43.4%, carried primarily by the Darty acquisition on August 1, 2016.

Pro forma:

The Group's gross margin came to €2,260.9 million in 2017, an increase from the total of €2,214.9 million in 2016.

This resulted in a profit margin of 30.4% in 2017, compared to 29.9% in 2016.

The gross profit margin rose in 2017, driven by synergies in purchasing and the vitality of service sales. These positive effects were partially offset by the effect of an unfavorable product mix and the diluting effect of the growth in franchises.

4.2.3.3 / Personnel expenses

Reported:

Personnel expenses amounted to €1,093.1 million (14.7% of revenues) for 2017, compared with €785.4 million (14.6% of revenues) for 2016, following the acquisition of Darty.

Pro forma:

Personnel expenses amounted to €1,093.1 million (14.7% of revenues) for fiscal 2017, compared with €1,133.2 million (15.3% of revenues) for 2016, i.e. a decrease in personnel expenses and a 0.6% improvement in the Personnel expenses/revenues ratio.

Operating initiatives to improve organizational efficiency continued in all geographic sectors.

4.2.3.4 / Other current operating income and expenses

Reported:

Other current operating income and expenses amounted to €897.7 million (12.1% of revenues) for 2017, compared with €629.2 million (11.7% of revenues) for 2016, following the Darty acquisition.

Pro forma:

Other current operating income and expenses were stable at €899.6 million (12.1% of revenues) for 2017, compared to €879.7 million (11.9% of revenues) for 2016, a 0.2% improvement in the Other current operating income and expenses/revenues ratio, primarily due to the increase in logistics and IT costs related to the Darty consolidation and the gains in real estate sales realized by Darty in 2016.

4.2.3.5 / Current operating income

Reported:

Current operating income amounted to €270.1 million for 2017, compared to €161.1 million in 2016, following the Darty acquisition.

Pro forma:

Current operating income amounted to €270.1 million for 2017, compared with €203.2 million in 2016, an increase of 32.9%.

"Current operating profitability" was 3.6% in 2017 compared to 2.7% in 2016.

	Year ended December 31					
	Reported 2017		Pro forma 2016 restated *		Reported 2016 restated *	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*
France-Switzerland	234.4	86.8%	172.4	84.8%	131.8	81.5%
Iberian Peninsula	23.6	8.7%	23.2	11.4%	23.2	14.3%
Benelux	12.1	4.5%	7.6	3.7%	6.7	4.1%
CURRENT OPERATING INCOME	**270.1**	**100.0%**	**203.2**	**100.0%**	**161.7**	**100.0%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.2.3.6 / EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Year ended December 31					
	Reported 2017		Pro forma 2016 restated *		Reported 2016 restated *	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Current operating income	**270.1**	**3.6%**	**203.2**	**2.7%**	**161.7**	**3.0%**
Net depreciation, amortization and provisions [(a)]	100.1	1.3%	103.7	1.4%	77.1	1.4%
EBITDA	**370.2**	**5.0%**	**306.9**	**4.1%**	**238.8**	**4.4%**
Rents [(b)]	211.6	2.8%	205.5	2.8%	156.9	2.9%
EBITDAR	**581.8**	**7.8%**	**512.4**	**6.9%**	**395.7**	**7.4%**

* *Restated for valuation of identifiable Darty assets and liabilities.*
(a) *Depreciation, amortization and provisions correspond to net allocations for depreciation and amortization and provisions on non-current operational assets recognized as current operating income.*
(b) *Rents correspond to property rents excluding rental charges on operating leases.*

4.2.3.7 / Other non-current operating income and expenses

In 2017, other non-current income and expenses represented a net expense of €53.3 million. In 2016, other non-current income and expenses represented a net expense of €38.2 million reported and a net expense of €88.1 million pro forma.

The following table shows the reported and pro forma breakdown of this item in 2017 and 2016. In 2017, most non-current expenses reflected the costs related to the Group's restructuring.

	Year ended December 31		
(€ million)	Reported 2017	Pro forma 2016 restated *	Reported 2016 restated *
Fnac Darty restructuring costs	(46.7)		
Costs related to the acquisition and consolidation of Darty	(1.4)	(62.9)	(20.7)
Other restructuring charges	(5.1)	(9.5)	(7.5)
Tascom 2015		(8.8)	(5.3)
Disposal of subsidiary		(2.7)	(2.7)
Litigation and disputes		(4.2)	(1.3)
Other risks	(0.1)		(0.7)
TOTAL	**(53.3)**	**(88.1)**	**(38.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

"Other non-current operating income and expenses" for the Group reflects the unusual and significant items that could affect the relevance of the tracking of the Group's business performance.

As of December 31, they represented a net expense of €53.3 million comprised of:

- €46.7 million in restructuring costs in France and internationally related to:
  - the implementation of the new Group organization. The Group announced an independent voluntary departure plan for employees which was opened at Group headquarters at the end of a consultation process. 111 positions are expected to be eliminated. Jobs were eliminated exclusively on a volunteer basis, without a forced departure phase and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with union organizations,
  - the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of service in home services and continue to adapt our repair shops and Supplier Return Management,
  - the closing of the Wissous 2 Fnac logistics warehouse with the transfer of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;
- €1.4 million in costs incurred within the framework of the Darty consolidation;
- €5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

In pro forma, as of December 31, 2016, other non-current operating income and expenses represented a net expense of €88.1 million and primarily included the costs for the Darty acquisition. These were the costs incurred by the Group in the context of the Darty acquisition offer.

The restructuring expenses related to the staff and organizational adaptation plans in France and in other countries, as well as costs incurred in closing Darty's London offices.

In 2016, the expense of €5.3 million in the reported financial statements and €8.8 million in pro forma financial statements is for the 2015 tax on retail space:

Article 66 of the 2015 Amending Finance Act supplemented Article 6 of the Law of July 13, 1972 governing the tax on retail space in France, adding a new generating event as of January 1, 2016. The addition of a second generating event led to a review of the accounting treatment adopted on the basis of IFRIC 21. As this is a change in tax law, it was applied prospectively from January 1, 2016. This led, in practice, to recognizing two taxes in 2016: the tax due on January 1, 2016 on 2015 revenues, and the progressive tax on sales once the revenue threshold was exceeded in 2016.

In the 2016 financial statements:

- the tax due as of January 1, 2016 appeared in Other non-current income and expenses;
- the tax created progressively appeared in Current operating income.

4.2.3.8 / Operating income

As of December 31, 2017, the Group's operating income came to €216.8 million, compared with income of €115.1 million for pro forma 2016. This increase was due in part to the improvement in current operating income related to the implementation of the Darty integration strategy and, second, to the drop in non-current other income and expenses.

4.2.3.9 / Net financial expense

In 2017, net financial income/expense comprised a financial expense of €44.0 million, compared with a financial expense of €76.2 million in 2016. This improvement was primarily related to the financing costs for the Darty acquisition in 2016.

The breakdown of the Group's net financial expense in 2017 and 2016 is as follows:

	Year ended December 31		
	Reported		
	2017	2016 restated *	Change
	(€ million)	(€ million)	(%)
Costs related to Group debt	(34.2)	(53.1)	35.6%
Other financial income and expenses	(9.8)	(23.1)	57.6%
Net financial expense	**(44.0)**	**(76.2)**	**42.3%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, the cost of the Group's net financial debt declined by €18.9 million from the previous year and totaled €34.2 million. This charge includes recurring costs related to the financing of the new Group and the change in the financial structure of Fnac Darty.

The financial costs related to the debt in 2016 included non-recurring financial costs related to the placement of new instruments for the financing of the combined Group.

In 2017, the other financial income and expenses primarily reflect the cost of consumer credit as well as the financial costs for employee benefits.

In 2016, other financial income and expenses primarily reflected the financial debt contracted during placement of hedging instruments in the context of the Darty acquisition.

4.2.3.10 / Income tax

Income tax includes income tax paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2017, the Group recognized a corporate income tax expense of €48.3 million, compared to €23.2 million for 2016, an increase of €25.1 million. The increase of tax payable and the tax payable related to the CVAE, is the effect of the change in income before tax, because 2016 represented only 5 months of Darty activity in the published financial statements. In addition, the tax liability in 2017 includes a surtax for €9.0 million, offsetting the impact of the elimination of the 3% tax on dividends invalidated by the French constitutional council. The favorable impact of deferred taxes in 2017 is primarily related to the first-time recognition of the tax effect of timing differences and the prospects for a tax rate decrease in France.

	Year ended December 31	
	Reported	
(€ million)	2017	2016 restated *
Pre-tax income	**172.8**	**47.3**
Current tax expense	(40.3)	(3.3)
Tax expense payable related to the Corporate Value-Added Tax (CVAE)	(20.4)	(13.7)
Deferred tax income/(expense)	12.4	(6.2)
TOTAL TAX LIABILITY	**(48.3)**	**(23.2)**
Effective tax rate	**27.95%**	**49.05%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.2.3.11 / Net income from continuing operations

Net income from continuing operations was a profit of €124.5 million for fiscal 2017, versus a profit of €24.1 million for 2016. This increase includes the improvement in operating income. The decrease in net financial expenses was partially offset by the increase in the total income tax liability.

4.2.3.12 / Net earnings per share

The weighted average number of common shares of the Group used to calculate net earnings per share was 26,447,149 for fiscal 2017 versus 21,229,756 in 2016, an increase of 5,217,393 shares.

At December 31, 2017, Group net earnings per share amounted to €1.41. This figure was €0.09 the previous year.

Group net earnings per share for continuing operations came to €4.70 per share as of December 31, 2017, up from €1.11 as of December 31, 2016.

4.2.4 / ANALYSIS OF REVENUES AND CURRENT OPERATING INCOME BY GEOGRAPHIC REGION FOR 2017 AND 2016

4.2.4.1 / Comparison of results for 2016 and 2017 for the France-Switzerland segment

The following table shows the key items in the income statement for the France-Switzerland segment for the years ended December 31, 2016 and December 31, 2017.

	Year ended December 31				
	Reported	Pro forma		Reported	
(€ million)	2017	2016 restated*	Change	2016 restated*	Change
Revenues	5,855.9	5,854.4	0.0%	4,218.6	38.8%
Current operating income	234.4	172.4	36.0%	131.8	77.8%
Operating profitability	4.0%	2.9%	1.1pt	3.1%	0.9pt

* *Restated for valuation of identifiable Darty assets and liabilities.*

Revenues of the France-Switzerland segment

Reported:

Revenues amounted to €5,855.9 million for fiscal year 2017 compared to €4,218.6 million for 2016, an increase of 38.8%.

Pro forma:

For fiscal 2017, revenues totaled €5,855.9 million stable from the previous year of €5,854.4 million. The France-Switzerland segment opened six directly owned stores and closed seven stores in 2017. In 2016, the France-Switzerland segment opened four directly owned stores. At constant exchange rates, the increase in the Group's revenues was 0.1%.

Growth suffered from high histories related to the change in digital television standard in the first half of 2016. Sales of home appliances and editorial products grew for the year. The web channel was dynamic with double-digit growth in revenues on fnac.com.

The growth of franchise stores, led operationally by France, was stepped up significantly, with 56 new stores opened in 2017 (including 36 Darty stores in mainland France and the overseas departments and territories, 12 Fnac proximity-format stores, 2 Fnac travel retail stores, 1 Fnac Connect, 4 international stores (Congo, Qatar, Cameroon, Morocco) and 1 double-banner Fnac Darty store). At constant exchange rates and on a same store basis, revenues grew by 0.5%.

Against a backdrop of increased competitiveness, Switzerland's business grew. However, this performance was penalized by the depreciation of the Swiss franc.

The Group continued to gain market share in 2017, particularly with regard to the Fnac banner.

The number of Fnac loyalty club members in France increased by 8.5% in 2017, from 4.9 million at the end of 2016 to 5.3 million at the end of 2017.

The distribution of revenues by product category is broken down in note 4.1 "Information by operating segment" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Over the period, revenues generated by consumer electronics declined at constant exchange rates. This decline was first driven by lower sales in the "Retail Electronics" sub-category, which suffered from the strong performance of Video-TV and TNT HD decoders in the first half of 2016. "Microcomputing" posted a slight increase, buoyed by strong growth in sales of phones in 2017.

Revenues from editorial products rose slightly at constant exchange rates, carried by the "Discs and Gaming" sub-category which, although penalized by the weak structural growth in the audio and video disc markets, benefited from the dynamic performance of Gaming.

Revenues generated by household appliances grew at constant exchange rates, carried by the "Small household appliances," which rose over 2017, benefiting from the very strong performance of vacuum cleaners and air-water treatment systems.

Revenues generated by other products and services increased at constant exchange rates during the period. This growth was driven primarily by the growth in sales of monthly insurance, the very strong performance of the Fnac Home and Design and Toys&Games sectors, the franchise business and the commissions received from credit institutions on the sale of consumer credits for a total of €29.0 million.

Online activities continued to grow, representing 18.5% of Group sales in France and Switzerland in 2017, a 1.4 bp increase over 2016.

Current operating income in France-Switzerland segment

Reported:

Current operating income for the France-Switzerland segment amounted to €234.4 million in 2017, compared to €131.8 million in 2016, driven by the Darty acquisition on August 1, 2016.

Pro forma:

Current operating income for the France-Switzerland segment amounted to €234.4 million in fiscal 2017, compared to €172.4 million in 2016.

Current operating profitability was 4.0% in 2017, up 1.1 basis points over 2016. The increase in resources associated with the synergies generated and a decline in costs drove this net improvement in revenues from the region.

4.2.4.2 / Comparison of results for 2016 and 2017 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, 2016 and December 31, 2017.

	Year ended December 31				
	Reported	Pro forma		Reported	
(€ million)	2017	2016 restated*	Change	2016 restated*	Change
Revenues	675.5	656.2	2.9%	656.2	2.9%
Current operating income	23.6	23.2	1.7%	23.2	1.7%
Operating profitability	3.5%	3.5%	(0.1)pt	3.5%	(0.1)pt

* *Restated for valuation of identifiable Darty assets and liabilities.*

Revenues in the Iberian Peninsula

Revenues recorded in the Iberian Peninsula amounted to €675.5 million in 2017 versus €656.2 million in 2016, a slight increase of 2.9%.

Portugal posted strong growth in 2017, and Spain recorded stable activity, despite the negative impact of the political news in Catalonia.

The Group opened 3 new stores in Spain (2 consolidated and 1 franchise), 5 new stores in Portugal (4 consolidated and 1 franchise) and closed 1 store in Spain. In 2016, the Group had opened 4 stores in Spain and 1 in Portugal. On a same-store basis, revenues rose 2.3% over 2017.

The distribution of revenues by product category is broken down in note 4.1 "Information by operating segment" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics were up. The "Retail Electronics" sub-category increased thanks to the Photography and Audio departments. Sales of the "Microcomputing" sub-category were up, benefiting from a dynamic telephone market.

Revenues from editorial products were down. The downturn in the "Discs and Gaming" sub-category was mainly driven by the decline in the audio and video markets. The Gaming sector posted gains, driven by the dynamic performance of consoles. Revenues for the "Books" sub-category fell.

Revenues generated by other products and services increased during the period. This growth was due mainly to the excellent performance posted by Games & Toys and Stationery, sales of services, and insurance for consumer electronics, and the development of Marketplace and the franchise network.

Online activities represented 10.8% of sales in the Iberian Peninsula in 2017 and rose 1.1 points from 2016.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula came to €23.6 million in 2017 compared to €23.2 million in 2016. Portugal reported solid operating performance attenuated by a more competitive and complicated market in Spain.

Current operating profitability remained high at 3.5%.

4.2.4.3 / Comparison of 2016 and 2017 results in the Benelux segment

The following table shows the key items in the income statement for the Benelux segment for the years ended December 31, 2016 and December 31, 2017.

	Year ended December 31				
	Reported	Pro forma		Reported	
(€ million)	2017	2016 restated*	Change	2016 restated*	Change
Revenues	916.8	907.9	1.0%	494.4	85.4%
Current operating income	12.1	7.6	59.2%	6.7	80.6%
Operating profitability	1.3%	0.8%	0.5pt	1.4%	(0.0)pt

* *Restated for valuation of identifiable Darty assets and liabilities.*

Revenues of Benelux segment

Reported:

The revenues generated in the Benelux segment amounted to €916.8 million for fiscal 2017 compared with €494.4 million for 2016, an increase of 85.4%.

Pro forma:

The revenues generated in the Benelux segment amounted to €916.8 million for the 2017 period compared with €907.9 million for the 2016 period, an increase of 1.0%.

The Group opened 8 new directly owned stores in Belgium and closed 2 stores in the Netherlands. On a same-store basis, revenues increased by 0.6% in 2017.

While the Netherlands suffer from intense competition from pure players, Belgium benefits from the growth in the website and the progressive deployment of omnichannel functionalities.

The distribution of revenues by product category is broken down in note 4.1 “Information by operating segment” of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics rose slightly. This growth comes from the “Microcomputing” sub-category, which was buoyed by the growth in the telephone segment. The “Retail Electronics” sub-category was down in the face of a strong showing by TV-Video and Photography.

Revenues from editorial products were down because of the decline in the Audio and Video segments and in the “Books” sub-category.

Revenues from household appliances rose slightly. This upturn is due to the excellent performance by the “Small Household Appliances” sub-category, which was positively impacted by growth in all sectors.

Other products and services posted higher revenues, driven by sales of services and insurance for consumer electronics.

Online activities continued to grow, representing 14.7% of Group sales in the Benelux region, an increase of 0.6 points over 2016.

Current operating income in Benelux segment

Reported:

Current operating income in the Benelux segment increased to €12.1 million in 2017 (compared to €6.7 million in 2016) driven by the Darty acquisition on August 1, 2016.

Pro forma:

Current operating income in the Benelux segment was up at €12.1 million in 2017 (versus €7.6 million in 2016). The turnaround in results in the Netherlands was confirmed, thanks to good sales management and savings plans, while Belgium continues to record strong operating performances. The Benelux operating margin rose by 50 basis points to 1.3%.

4.2.5 / 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 the 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.

4.3 / Group cash and equity

4.3.1 / GENERAL PRESENTATION

Fnac Darty's main cash requirements stem from its working capital requirements and operating investments. In 2016, the Group used a €650 million bond issue maturing in 2023 to finance the Darty acquisition. In 2017, the implementation of the Darty integration strategy and initiatives aimed at improving working capital, along with sound investment management, allowed Fnac Darty to reduce its level of net debt by €121.0 million.

4.3.2 / FINANCIAL RESOURCES

4.3.2.1 / Overview

In 2017, the Group had the following financing sources:

- *cash.* Cash and cash equivalents amounted to €774.9 million as of December 31, (€655.9 million as of December 31, 2016);
- *free cash flow*. Operating and investing activities generated positive net flows of €199.2 million as of December 31, 2017 (€150.8 million as of December 31, 2016). Pro forma free cash flow in 2016 generated positive flows of €192.8 million;
- *debt.* In 2016, the Group issued a bond for €650 million and a draw from a medium-term credit facility of €200 million. A renewable line of credit in the amount of €400 million for a term of five years, intended to finance working capital requirements for the Group, was also set up in 2016. This line was not used as of December 31, 2017 or as of December 31, 2016.

Group net financial debt can be analyzed as follows:

	As of December 31	
(€ million)	**2017**	**2016 restated***
Gross financial debt	861.0	863.0
Cash and cash equivalents	(774.9)	(655.9)
Net financial debt	**86.1**	**207.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.3.2.2 / Financial debt

Financial debt as of December 31, 2017

The Group's gross financial debt as of December 31, 2017 stood at €861.0 million.

	As of December 31	
(€ million)	**2017**	**2016 restated***
2023 Bond and capitalized interest	655.3	655.6
Medium-term line of credit	200.0	200.0
Finance lease liabilities	5.7	7.1
Bank overdrafts	0.0	0.1
Other financial liabilities	0.0	0.3
TOTAL	**861.0**	**863.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The table below sets out the Group's gross debt by currency as of December 31, 2017.

	As of December 31	
(€ million)	**2017**	**2016 restated***
Euro	861.0	863.1
TOTAL	**861.0**	**863.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The table below sets out the maturities of the Group's financial debt as of December 31, 2017.

	As of December 31, 2017						
(€ million)	Total	N+1	N+2	N+3	N+4	N+5	N+6 and beyond
Long-term borrowings and financial debt	**853.8**	**20.0**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0	20.0	50.0	80.0	50.0		
Finance lease liabilities	3.8		1.9	1.4	0.5		
Short-term borrowings and financial debt	**7.2**	**7.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capitalized interest on 2023 bond	5.3	5.3					
Finance lease liabilities	1.9	1.9					
Bank overdrafts	0.0						
Other financial liabilities	0.0	0.0					
TOTAL	**861.0**	**27.2**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**

Group financing tied to the Darty acquisition transaction

In the context of the Darty acquisition, in 2016 the Group established new sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

Senior Credit Facility

The Senior Credit Facility totaling €600.0 million matures five years from the date it was signed, April 20, 2016. It is composed of two lines:

- a €200.0 million medium-term loan (Senior Term Loan Facility) repayable after the thirtieth month;
- a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonality of its activities.

Drawdowns on the Loan Agreement are made in euros and bear interest at a rate equal to the EURIBOR reference rate for the period and a margin that can be adjusted based on the Group's rating.

Based on the BB/Ba2 rating obtained by the Group in September 2016, the applicable margin is 2.50% for the medium-term loan and 2.00% for the revolving facility.

The Credit Facility Agreement stipulates a non-utilization commission equal to 40% of the applicable margin, calculated on the drawn and uncanceled amounts.

As of December 31, 2017, the term loan was drawn down in full. The revolving credit line was not used.

The Senior Loan Agreement is guaranteed by certain subsidiaries of the Group; the guarantor companies are the same as those guaranteeing the High Yield bonds.

The Credit Facility includes two financial covenants which are tested on a half-yearly basis:

- an adjusted leverage ratio:

  This ratio is defined as "Total adjusted debt" (i.e. net debt plus five times the amount of the rent as shown in the latest consolidated financial statements of the Group) divided by "Consolidated EBITDAR" (i.e. the Group's current operating income plus net changes to depreciation, amortization and provisions on non-current operating assets and rent as shown in the latest consolidated financial statements of the Group);

- an adjusted rate hedging ratio:

  This ratio is defined as "Consolidated EBITDAR" (see definition above) divided by "financial expenses (net)" plus rent as shown in the latest consolidated financial statements of the Group.

As of December 31, 2017, the Loan Agreement covenants were complied with.

The loan agreement also includes general restrictive covenants that are customary for this kind of agreement, including certain restrictions related to the granting of pledges or guarantees, the disposal or acquisition of assets, the execution of merger or restructuring transactions, to debt or to dividend distribution (see section 7.5).

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

Senior notes 2023

On September 22, 2016, the Group issued Senior bonds for a principal amount of €650 million, bearing annual interest at 3.25%, redeemable in 2023 ("High Yield" Bonds).

These bonds rank pari passu with the Senior Credit Facility. Interest is payable half-yearly.

The High Yield bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

These bonds are redeemable in whole or in part at any time until September 30, 2019 at a price equal to the amount of the nominal value plus an early redemption premium and outstanding accrued interest. As of September 30, 2019, they will be redeemable in full or in part at the values shown in the table below:

Redemption period commencing:	**Redemption price** *(as % of the principal)*
September 30, 2019	101.625
September 30, 2020	100.8125
September 30, 2021 and beyond	100.00

These bonds have the same guarantees as the Senior Credit Facility.

The agreement for the High Yield Bond issue contains customary clauses that specifically restrict the Group's ability to incur additional debt, pay dividends or make any other distribution, grant pledges and guarantees, dispose of assets, execute transactions with affiliated companies or merge or consolidate with other entities.

The offering memorandum is available on the Irish Stock Exchange website.

4.3.3 / ANALYSIS OF CASH FLOWS

(€ million)	**As of December 31** Reported 2017	Pro forma 2016 restated *	Reported 2016 restated *
Net cash flows from operating activities	311.1	304.1	246.5
Net cash flows from operating investing activities	(111.9)	(111.3)	(95.7)
Free cash flow from operations	**199.2**	**192.8**	**150.8**
Net cash flows from financial investing activities	(1.8)		(1,026.4)
Net cash flows from financing activities	(22.7)		132.0
Net cash flows from discontinued operations	(56.6)		(9.2)
Impact of fluctuations in foreign exchange rates	2.9		1.6
NET CHANGE IN NET FINANCIAL DEBT	**121.0**		**(751.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

4.3.3.1 / Net cash flows related to operating activities and investments

	As of December 31		
(€ million)	Reported 2017	Pro forma 2016 restated *	Reported 2016 restated *
Cash flow before tax, dividends and interest	353.1	207.7	200.0
Change in working capital requirement	56.3	142.3	84.0
Income tax paid	(98.3)	(45.9)	(37.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**311.1**	**304.1**	**246.5**
Operating investments	(112.6)	(117.0)	(88.6)
Change in debt and receivables relating to non-current assets	(1.3)	(9.0)	(9.0)
Operating divestments	2.0	14.8	1.9
NET CASH FLOWS FROM OPERATING INVESTING ACTIVITIES	**(111.9)**	**(111.3)**	**(95.7)**
FREE CASH FLOW FROM OPERATIONS	**199.2**	**192.8**	**150.8**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Reported cash flow from operating activities and operating investments in 2017 amounted to €199.2 million compared with €192.8 million in 2016 pro forma and €150.8 million reported in 2016. In 2017, it benefited from the improvement in current operating income tied to the implementation of the Darty integration strategy and, to a lesser extent than in 2016, from the continuation of actions plans aimed at improving working capital requirements.

Operating investments in 2017

In 2017, the Group's gross operating investments increased by €25.0 million to €112.6 million, compared to €88.6 million reported in 2016, driven primarily by the Darty acquisition. In 2016 pro forma, the Group's gross operating investments totaled €117.0 million.

The investments made it possible to open new stores (in France, Spain, Portugal, and Belgium), automation of the logistics warehouses, the creation of Darty spaces in the Fnac stores, the establishment of Kitchen Spaces in the Darty network, an increase in IT costs to support the development of synergies within the Group, and the digitalization of existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy, particularly the complementary features of the Fnac and Darty brands, and the omnichannel and digital segments.

The table below shows gross operating investments by geographical area for 2017 and 2016:

	Reported				Pro forma			
(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total	France-Switzerland	Iberian Peninsula	Benelux	Total
December 31, 2017								
Sub-total for investments in stores and Internet websites	80.4	9.1	9.9	99.4	80.4	9.1	9.9	99.4
Sub-total for operating investments excluding points of sale	10.6	1.6	1.0	13.2	10.6	1.6	1.0	13.2
TOTAL OPERATING INVESTMENTS	**90.9**	**10.7**	**11.0**	**112.6**	**90.9**	**10.7**	**11.0**	**112.6**
December 31, 2016 restated *								
Sub-total for investments in stores and Internet websites	65.5	9.2	6.5	81.2	87.5	9.2	10.8	107.5
Sub-total for operating investments excluding points of sale	6.5	0.6	0.3	7.4	8.4	0.6	0.5	9.5
TOTAL OPERATING INVESTMENTS	**72.0**	**9.9**	**6.7**	**88.6**	**95.9**	**9.9**	**11.3**	**117.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Main investments planned

At the date of this Registration Document, no significant operating investments were required under firm commitments made to third parties. The Group's strategy in terms of setting up future Group stores is detailed in section 1.4.4.

In order to support its strategy plan *Confiance+* presented in 2017, the Group plans to significantly increase the level of its gross operating investments in 2018. The priorities for 2018 are to:

- continue to introduce new product families and new sales concepts in stores;
- open new points of sale;
- continue to deploy the omnichannel strategy and develop advanced IT solutions for our websites, our mobile applications and our stores;
- continue to harmonize the process and support the generation of synergies within the new group.

These investments will be financed through the Group's operating cash flow and cash on hand.

In 2018, the Group plans to continue its controlled investment policy.

4.3.3.2 / Net cash flows from financial investment activities

(€ million)	As of December 31	
	Reported	
	2017	2016 restated *
Purchases of subsidiaries net of cash acquired	(0.3)	(1,026.2)
Disposals of subsidiaries net of cash transferred	0.0	(1.3)
Acquisitions of other financial assets	(1.5)	(0.9)
Sales of other financial assets	0.0	1.4
Interest and dividends received	0.0	0.6
Cash flows from financial investing activities	**(1.8)**	**(1,026.4)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group's net financial investments represented an outflow of €1.8 million in 2017 versus an outflow of €1,026.4 million in 2016.

In 2017, purchases of subsidiaries net of cash acquired represent the adjustments to the Darty acquisition price.

In 2017, acquisitions of other financial assets included a €1.5 million investment in the Daphni Purple Fund. The Group also agreed to underwrite the remaining 69% of shares for €4.8 million.

In 2016, acquisitions of subsidiaries net of cash acquired represented the financial cash flows generated from the acquisition of Darty for €1,024.2 million and a €2.0 million outflow to acquire a 50% stake in the company Izneo.

Disposals of subsidiaries net of cash transferred represented a cash outflow of €1.3 million in the context of the disposal of its call center business.

Acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple Fund.

4.3.3.3 / Net cash flows from financing activities

(€ million)	As of December 31	
	Reported	
	2017	2016 restated *
Increase/decrease in capital	11.9	157.1
Other transactions with shareholders	(3.9)	3.9
Purchases or sales of treasury shares	4.2	0.0
Dividends paid to shareholders, parent company	(0.2)	0.0
Interest and equivalent payments	(26.2)	(24.1)
Financing of Comet pension fund	(8.5)	(4.9)
Net cash flows from financing activities	**(22.7)**	**132.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net cash flows from financing activities amounted to a net expenditure of €22.7 million in 2017 and a resource of €132.0 million in 2016.

In 2017, the capital increase of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the debt to the option plan beneficiaries who had paid €3.9 million over 2016. In 2016, the capital increase represented the 2,944,901 shares created to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

In 2017, inflows for the acquisition of treasury shares primarily represent the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also includes the outflows and inflows related to the acquisition of Fnac Darty shares executed in the context of the liquidity contract opened on June 19, 2013 with Rothschild & Cie Banque. As of December 31, 2017, the Group held no treasury shares.

The interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item includes an amount of €10.0 million received by the Group in an advance made by Crédit Agricole.

The financing of the British Comet pension fund which was integrated in the Darty Plc acquisition represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was £4.0 million per year, versus £10.0 million previously.

4.3.3.4 / Change in net cash

The change in net cash in 2017 and 2016 was as follows:

	As of December 31	
	Reported	
(€ million)	2017	2016 restated *
Net financial debt as of January 1	**207.1**	**(544.1)**
Free cash flow from operations	199.2	150.8
Interest paid net of interest and dividends received	(26.2)	(23.5)
Acquisitions and disposals of subsidiaries net of cash acquired or transferred	(0.3)	(1,027.5)
Purchases and sales of other financial assets (net)	(1.5)	0.5
Dividends paid	(0.2)	0.0
Increase/decrease in capital	11.9	157.1
Other transactions with shareholders	(3.9)	3.9
Purchases or sales of treasury shares	4.2	0.0
Net cash flows from discontinued operations	(56.6)	(9.2)
Financing of Comet pension fund	(8.5)	(4.9)
Impact of fluctuations in exchange rates	2.9	1.6
Change in net financial debt	**121.0**	**(751.2)**
Net financial debt as of December 31	**86.1**	**207.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net cash flows related to discontinued operations primarily represented the financial flows generated by the Group in Brazil.

4.4 / Recent events and outlook

4.4.1 / GROUP OBJECTIVES

In 2017, while continuing consolidation, Fnac Darty posted solid results. The Group achieved higher than market growth by delivering a higher gross margin on the basis of a controlled sales policy and consolidation synergies. Operating income rose significantly and the solid generation of cash flow allowed a rapid reduction in the Group's net debt.

In 2018, Fnac Darty will continue the strategic projects of *Confiance+,* including: the development of new product and service offers, the opening of new franchise stores and new kitchen points of sale, online acceleration via the omnichannel and marketplaces, personalized customer experience, expansion of the loyalty program, and the development of partnerships.

The agreements at purchase with Groupe Carrefour will be progressively deployed, with impacts on revenue slightly positive in 2018 with the full effect expected as of 2019.

In 2018, the Group is also planning a capital increase reserved for the employees in order to mobilize all the teams in the new enterprise project. This operation is expected to have a non-recurring and not material impact on diluting and operating income.

The Group is confirming its target of €130 million in synergies at the end of 2018, as well as its medium-term objectives for better than market growth and a current operating margin of 4.5% to 5%, excluding the impact of the purchase agreements with Carrefour.

4.4.2 / RECENT EVENTS

On January 16, 2018, Vivendi signed a hedge agreement with Société Générale to protect the value of its 11% stake in Fnac Darty.

Vivendi retains the possibility of settlement in cash or by delivery of shares at the end of this transaction, which is no later than the second half of 2019.

In the context of this transaction, Société Générale established its own hedge with a private placement of shares with institutional investors.

The SFAM company, a major player in insurance for Mobile Telephony and Roaming Multimedia Products, announced on February 6, 2018 that it had acquired 11% of Fnac Darty. Fnac Darty and SFAM have maintained commercial relations since 2015 and, more generally, since the second half of 2017.

SFAM thus highlights the confidence it has in Fnac Darty and its prospects for growth, as well as its desire to support that growth.

5

Financial statements

5.1 / Group consolidated financial statements as of December 31, 2017 and 2016

Consolidated income statement for the years ended December 31, 2017 and 2016

(€ million)	Notes	2017	2016 restated *
INCOME FROM ORDINARY ACTIVITIES	4-5	**7,448.2**	**5,369.2**
Cost of sales		(5,187.3)	(3,793.1)
GROSS MARGIN		**2,260.9**	**1,576.1**
Personnel expenses	6-7	(1,093.1)	(785.4)
Other current operating income and expenses		(899.6)	(629.2)
Share of profit from equity associates	8	1.9	0.2
CURRENT OPERATING INCOME	9	**270.1**	**161.7**
Other non-current operating income and expenses	10	(53.3)	(38.2)
OPERATING INCOME		**216.8**	**123.5**
(Net) financial expense	11	(44.0)	(76.2)
PRE-TAX INCOME		**172.8**	**47.3**
Income tax	12	(48.3)	(23.2)
NET INCOME FROM CONTINUING OPERATIONS		**124.5**	**24.1**
Group share		*124.2*	*23.5*
share attributable to non-controlling interests		*0.3*	*0.6*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**(87.0)**	**(21.6)**
Group share		*(87.0)*	*(21.6)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**37.5**	**2.5**
Group share		*37.2*	*1.9*
share attributable to non-controlling interests		*0.3*	*0.6*
NET INCOME, GROUP SHARE		**37.2**	**1.9**
Earnings per share *(€)*	13	1.41	0.09
Diluted earnings per share *(€)*	13	1.40	0.09
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**124.2**	**23.5**
Earnings per share *(€)*	13	4.70	1.11
Diluted earnings per share *(€)*	13	4.68	1.09

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated comprehensive income statement

(€ million)	Notes	2017	2016 restated *
NET INCOME		**37.5**	**2.5**
Items that may be reclassified to profit or loss	14	(3.1)	11.3
Items that may not be reclassified to profit or loss	14	0.2	(13.9)
OTHER COMPREHENSIVE INCOME ITEMS, AFTER TAX	14	**(2.9)**	**(2.6)**
TOTAL COMPREHENSIVE INCOME		**34.6**	**(0.1)**
Group share		*34.3*	*(0.7)*
share attributable to non-controlling interests		*0.3*	*0.6*

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated statement of financial position for the years ended December 31, 2017 and 2016

Assets

(€ million)	Notes	As of December 31, 2017	As of December 31, 2016 restated *
Goodwill	15	1,541.4	1,541.1
Intangible non-current assets	16	473.0	462.3
Property, plant & equipment	17	611.2	613.4
Equity interests	8	22.0	20.1
Non-current financial assets	19	15.9	15.6
Deferred tax assets	12.2.2	59.9	41.5
Other non-current assets		0.0	0.0
NON-CURRENT ASSETS		**2,723.4**	**2,694.0**
Inventories	20	1,072.8	1,057.3
Trade receivables	21	265.1	208.9
Tax receivables due	12.2.1	50.2	19.4
Other current financial assets	22.1	22.3	25.7
Other current assets	22.1	358.0	340.1
Cash and cash equivalents	26	774.9	656.0
CURRENT ASSETS		**2,543.3**	**2,307.4**
ASSETS HELD FOR SALE	32	**3.1**	**64.0**
TOTAL ASSETS		**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Liabilities

(€ million)	Notes	As of December 31, 2017	As of December 31, 2016 restated *
Share capital	23	26.7	26.1
Equity-related reserves		988.8	977.5
Translation reserves		(5.2)	(4.4)
Other reserves and net income		85.7	43.4
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,096.0**	**1,042.6**
Shareholders' equity – Share attributable to non-controlling interests		7.0	6.8
SHAREHOLDERS' EQUITY		**1,103.0**	**1,049.4**
Long-term borrowings and financial debt	27	853.8	854.9
Provisions for pensions and other similar benefits	24	179.8	186.3
Other non-current liabilities	22.2	194.6	192.2
Deferred tax liabilities	12	192.7	188.8
NON-CURRENT LIABILITIES		**1,420.9**	**1,422.2**
Short-term borrowings and financial debt	27	7.2	8.2
Other current financial liabilities	22.1	18.5	10.0
Trade payables	22.1	1,765.6	1,597.5
Provisions	25	72.5	32.4
Tax liabilities payable	12	47.3	62.2
Other current liabilities	22	828.6	845.9
CURRENT LIABILITIES		**2,739.7**	**2,556.2**
LIABILITIES RELATING TO ASSETS HELD FOR SALE	32	**6.2**	**37.6**
TOTAL LIABILITIES		**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated cash flow statement as of December 31, 2017 and 2016

(€ million)	Notes	2017	2016 restated *
NET INCOME FROM CONTINUING OPERATIONS		**124.5**	**24.1**
Income and expense with no impact on cash		133.6	105.0
CASH FLOW	31.1	**258.1**	**129.1**
Financial interest income and expense		34.4	54.3
Dividends received		(0.1)	(0.1)
Net tax expense payable	12.1	60.7	16.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST		**353.1**	**200.0**
Change in working capital requirement	22	56.3	84.0
Income tax paid		(98.3)	(37.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**311.1**	**246.5**
Acquisitions. of intangible assets, property, plant & equipment		(113.9)	(97.6)
Disposals of intangible assets, property, plant & equipment		2.0	1.9
Purchases of subsidiaries net of cash acquired		(0.3)	(1,020.7)
Disposals of subsidiaries net of cash transferred		0.0	(1.3)
Acquisitions of other financial assets		(1.5)	(0.9)
Sales of other financial assets		0.0	1.4
Interest and dividends received		0.0	0.6
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(113.7)**	**(1,116.6)**
Increase/decrease in capital		11.9	157.1
Other transactions with shareholders		(3.9)	3.9
Purchases or sales of treasury shares		4.2	0.0
Dividends paid to shareholders		(0.2)	0.0
Bonds issued		0.0	650.0
Increase/Decrease in other financial debt		(2.5)	200.0
Interest and equivalent payments		(20.9)	(18.5)
Financing of Comet pension fund	31.4	(8.5)	(4.9)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**(19.9)**	**987.6**
Net cash flows from discontinued operations	32	(56.2)	(7.6)
Impact of fluctuations in exchange rates		(2.3)	1.4
NET CHANGE IN CASH		**119.0**	**111.3**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30	**655.9**	**544.6**
CASH AND CASH EQUIVALENTS AT YEAR-END	30	**774.9**	**655.9**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Change in consolidated shareholders' equity as of December 31, 2017 and 2016

(Before appropriation of 2017 earnings) *(€ million)*	Number of shares outstanding [(a)]	Share capital	Equity-related reserves	Translation reserves	Other reserves and net income	Shareholders' equity: Group share	Shareholders' equity: Non-controlling interests	Total
AS OF DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**
Total comprehensive income				**9.1**	**(9.8)**	**(0.7)**	**0.6**	**(0.1)**
Capital increase/(decrease)	9,434,997	9.4	480.8			490.2		490.2
Change in scope						0.0	(0.8)	(0.8)
Treasury shares					0.1	0.1		0.1
Valuation of share-based payments					2.1	2.1		2.1
Dividends paid					0.0	0.0		0.0
Fair acquisition value of non-controlling interests of Darty plc.					3.2	3.2		3.2
Share of Darty plc acquisition expenses allocated to shareholders' equity					(9.9)	(9.9)		(9.9)
Other activity					0.3	0.3		0.3
AS OF DECEMBER 31, 2016 *	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**43.4**	**1,042.6**	**6.8**	**1,049.4**
Total comprehensive income				**(0.8)**	**35.1**	**34.3**	**0.3**	**34.6**
Capital increase/(decrease)	535,364	0.6	11.3			11.9		11.9
Change in scope						0.0		0.0
Treasury shares					4.2	4.2		4.2
Valuation of share-based payments					3.5	3.5		3.5
Dividends paid					(0.2)	(0.2)		(0.2)
Share of Darty plc acquisition expenses allocated to shareholders' equity					(0.3)	(0.3)		(0.3)
Other movements						0.0	(0.1)	(0.1)
AS OF DECEMBER 31, 2017 [(a) (b)]	**26,658,135**	**26.7**	**988.8**	**(5.2)**	**85.7**	**1,096.0**	**7.0**	**1,103.0**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

(a) *€1 par value of shares.*

(b) *Number of shares in capital as of December 31, 2017: 26,658,135.*

5.2 / Notes to the consolidated financial statements for the year ended December 31, 2017

NOTE 1 GENERAL INFORMATION

1.1 / General information

Fnac Darty, the parent company of the Group, is a French limited company *(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. Fnac Darty is subject to all laws governing commercial companies in France, including the provisions of the French Commercial Code.

The consolidated financial statements as of December 31, 2017 reflect the accounting position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On February 21, 2018, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2017. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Reporting context

Fnac Darty, comprised of the Fnac Darty company and its subsidiaries (collectively "Fnac Darty" hereinafter), is a leader in the leisure and entertainment, electronics, and household appliances retail market in France, and a major player in markets in other countries where it operates, including Spain, Portugal, Belgium, the Netherlands and Switzerland. Fnac Darty also has franchise operations in Morocco, Qatar, Ivory Coast, Cameroon and Congo.

The listing of Fnac Darty securities for trading on the NYSE Euronext regulated market in Paris requires the establishment of consolidated financial statements according to IFRS standards.

The Group'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, the Group's consolidated financial statements for 2017 have been prepared in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) on the date these financial statements were established, which must be applied at that date, and are presented with comparative data for 2016, 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 (International Accounting Standards Board). Therefore, the Group's financial statements have been prepared in compliance with the standards and interpretations as published by the IASB.

The international standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards), the IFRIC (International Financial Reporting Interpretations Committee), and the SIC (Standard 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 and IFRIC, or standards whose application was not mandatory in 2017.

The reference fiscal year for the Group is January 1 to December 31.

The accounting principles used in preparing the annual consolidated financial statements are in line with those used for the previous annual consolidated statements with the exception, as applicable, of the standards and interpretations adopted in the European Union and applicable for the Group on or after January 1 of the last fiscal year (see Note 2.2 – IFRS standards applied).

The Group does not apply in advance of the required date of application.

2.2 / IFRS standards applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for periods beginning after January 1, 2017 and not adopted early by the Group

- IFRS 9 – Financial instruments. Published in November 2016, IFRS 9 sets out the principles for recognition and disclosure of financial assets. They will replace, effective January 1, 2018, the existing principles set forth in IAS 39 – Financial Instruments.

For the transition to IFRS 9, the Group reviewed the following points:

- impairment: the Group examined its method for impairment of trade receivables. Given the consumer retail sales activity, which implies a low level of receivables and a very low risk of non-recovery, the implementation of IFRS 9 will not have a material impact;
- hedge accounting: the Group uses forward currency instruments to hedge its budget and specific commitments in foreign currencies. The derivatives contracted are presently classified as instruments to hedge cash flows. IFRS 9 will have no impact on the recognition of these transactions.

The Group will apply IFRS 9 retrospectively as of January 1, 2018 with a cumulative catch-up of the impacts on shareholders' equity to the application date, except for the hedge accounting, which will be applied on a forward-looking basis.

- IFRS 15 and IFRS 15 clarifications – Revenues from contracts signed with customers. IFRS 15 will enter into effect for fiscal years opened on or after January 1, 2018. It will be the new unified standard for the recognition of revenue. In particular, it will replace IAS 18 – Income from continuing operations and IFRIC 13 – Customer loyalty programs, which are currently applied by the Group.

For the transition to IFRS 15, the Group first conducted a qualitative and quantitative analysis of the main questions that could impact the financial statements. The questions analyzed in depth were the following:

- Agent/Principal classification;
- warranties;
- franchise agreements;
- sales with right of return;
- customer loyalty program;
- Fnac Darty cards and gift vouchers.

Generally, on the basis of the analyses performed, the Group expects that the effect of IFRS 15 on its financial statements will not be significant.

With regard to warranty contracts, the application of IFRS 15 leads to the identification of two distinct performance obligations under certain contracts, including a return offer (5-year Warranty Extension Contracts). The expected impact in terms of revenue recognition rate and presentation is not very significant.

For sales with rights of return: in accordance with IAS 18, the Group until now has recognized a net provision for estimated rights of return. The estimate of returns is based on observed return statistics. For sales with a right of return, IFRS 15 does not permit set-off and leads to presenting a reimbursement liability with contra item of revenues and returned goods by a contra item with the cost of the purchases. The impact expected is essentially an presentation impact on revenues and on purchasing costs, without net impact on margin.

For gift cards, IFRS 15 impacts the date of recognition of the income from non-use which, as a variable element of the revenue tied to the sale of the card, must be recognized in proportion to the customer's utilization of the card. Currently, when it can be reliably estimated on a multi-year statistical basis, the proceeds from non-use of cards and gift vouchers is recognized in income from ordinary activities. In the opposite case, it is recognized at the expiration of the card or voucher. The estimate of this impact is being finalized, but the expected impact should not be very significant.

The Group will apply IFRS 15 as of January 1, 2018 and plans to make the transition using the simplified retrospective method with a cumulative catch-up of the impacts on shareholders' equity to the transaction date.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2017

- Amendments to IAS 12 – Income Taxes: recognition of deferred tax assets for unrealized losses.
- Amendments to IAS 7 – Disclosure initiative.

The application of these amendments has no significant impact on the Group's consolidated financial statements.

2.2.3 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods post-2017

- Annual Improvements to IFRS 2014-2016.
- IFRS 1 and IAS 28: changes applicable to fiscal years opened on or after January 1, 2018.
- IFRS 12: changes applicable to fiscal years opened on or after January 1, 2017.

- IFRS 16: Lease agreements:

  On January 13, 2016, the IASB published standard IFRS 16 – Lease Agreements, which will replace IAS 17 – Lease agreements, as well as IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases – incentives, and SIC 27 – Evaluating the substance of transactions in the legal form of a lease.

  IFRS 16 will enter into force for fiscal years opening on or after January 1, 2019.

  This new standard requires activation of lease agreements.

  In view of the transition to IFRS 16, Fnac Darty conducted a census of its property and equipment lease agreements.

  At this stage, the Group has identified approximately 5,000 lease agreements, including around 600 property leases.

  The following issues are currently being analyzed in depth:

  - choice of the transition method;
  - durations to be applied;
  - rates to be used;
  - collection of exhaustive information to generate accounting items.

  Fnac Darty is currently conducting work to calculate impacts on the financial statements, and expects that they will be significant because of the large number of stores leased.

  Fnac Darty has acquired an IT solution for this purpose that will allow it to:

  - centralize all lease agreements;
  - update information in real time;
  - generate accounting items;
  - manage provisional data;
  - analyze financial impacts both at the Group level and for controlling areas.

  The deployment of this tool is scheduled over the first half of 2018.

Principal changes in the balance sheet

The most important change will be that all lease agreements will be carried to the balance sheet of the tenants. Therefore, the Group expects a sharp increase in its non-current assets and debt.

Consequences for the income statement

IFRS 16 changes the nature of the expense related to lease agreements. IFRS 16 will replace the single lease expenses line under IAS 17 with an expense for amortization of the leased assets and an interest expense on liabilities related to the lease. For the Group, this change will align the treatment of rental charges for all lease agreements. While the amortization expense will be straight line, the interest expense will be reduced during the contract as contractual payments are made. The result will be a decrease in the total expense when a lease agreement reaches its expiration.

Consequences on cash flows

IFRS 16 will have no impact on total cash flows.

Under IFRS 16, cash flows from operating activities will be reduced with a corresponding increase in the flows from financing activities, compared with the amounts under IAS 17. In fact, by applying IAS 17, the companies present the cash flows related to operating leases as flows from operating activities. By applying IFRS 16, repayments of liabilities related to lease agreements will be included in flows from financing activities.

2.2.4 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods post-2017

The IASB has also published the following texts for which the Group anticipates no significant impacts:

- amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an Investor and its associate or joint venture;
- amendments to IFRS 2 – Classification and valuation of share-based payment transactions;
- annual improvements to IFRS 2015-2017;
- IFRIC 22 interpretation – Foreign currency transactions and advance consideration;
- IFRIC 23 interpretation – Uncertainty over income tax treatments.

2.2.5 Options taken on first-time adoption of IFRS

The Group 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, the Group chose to prepare its first IFRS financial statements 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, Fnac Darty 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: Group cumulative actuarial gains and losses were recognized on the transition date and as a contra for the Kering Group's opening shareholders' equity at the time of its transition to IFRS;
- cumulative currency translation adjustments: Group currency translation adjustments were reset at zero as an offsetting entry to the Kering Group's opening consolidated reserves at the time of its transition to IFRS. As a result, 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, the Group 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 / Bases for 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 associate, 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 as a group of assets) held for sale.

2.3.2 Use of estimates and judgment

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. 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 assumptions and estimates made by Group 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, the Group 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 the Group 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 18	Impairment tests on non-financial assets	Level of Cash Generating Unit combination 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 24	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
Note 2.19	Cost of merchandise sales	At year-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is based on the amount of the annual purchases, the quantities of articles purchased, or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperations
Notes 2.9 and 20	Inventories	Prospects for inventory disposal for calculating depreciation
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based compensation plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Note 32	Assets held for sale	Assets held for sale are valued and recognized at the lower amount of their net book value and fair value minus cost of sale.

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7 and the amendment thereto, using the indirect method based on the net comprehensive income of the consolidated entity and can be analyzed in three categories:

- cash flows 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 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 over which the Group exercises control.

Entities are fully consolidated where the Group:

- has power over the entity in which it is 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 influence the returns the Group obtains.

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 under an agreement with other investors;
- to direct the financial and operating policy of the company under a contract;
- to name or dismiss the majority of the members of the Board of Directors or the equivalent governing body; or
- to cast a majority of the voting rights at the meetings of the Board of Directors or the equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are fully eliminated.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Equity associates

Fnac Darty exercises significant influence within certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recognizing, on the date that the entity becomes an associate or partner in a joint venture, an equity interest in equity associates in the consolidated statement of financial position. This equity interest is initially recognized at acquisition cost. It is then, after the acquisition date, adjusted by the Group's share in the total undistributed profit or loss of the entity concerned. Those results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate's shares. Profit or loss due to revaluation at fair value of the equity interest previous held (at the takeover of an equity associate) is recorded in "Share of profit or loss from equity associates".

The goodwill of equity associates is included in the book value of the shares and is not presented separately. Therefore, it was not subject to a separate test of impairment.

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. They are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business unit to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating profit.

2.4.3 Business combinations

The Group applies IFRS 3R – Business Combinations.

Business combinations are recognized using the acquisition method:

- acquisition cost is measured at the fair value of the consideration transferred, including any price adjustment, at the date control was assumed. 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 consideration transferred (acquisition price) and the fair value of the identifiable assets acquired and liabilities assumed on the date of 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 this case, goodwill is recorded for the percentage of the non-controlling equity interest (using the "full goodwill" method);
- or as a proportion of the identifiable net assets of the acquired entity: in this 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 the Group are valued using the currency of the main economic environment in which the entity operates ("functional currency"). The Group's financial statements are presented in euros, which is its presentation currency.

2.5.2 Recognition of 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 at closure 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 currency hedges in the form of derivatives is described in paragraph 2.11.3 "Derivative Instruments" of note 2.11 "Financial assets and liabilities".

2.5.3 Translation of the financial statements of foreign entities

The Group'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:

- items on the statement of financial position are translated into euros on the basis of the exchange rates at the closing date of the period;
- items on the income statement are translated into euros on the basis of the average exchange rate over the reporting period provided this is not called into question by significant fluctuations in the rates;
- any difference resulting from the translation of the statement of financial position at the closing rate, and the translation of the income statement at the average exchange rate over the period is recognized in other items of comprehensive income, which can be recycled to profit (loss) on the currency translation adjustments line.

2.5.4 Net investment in a foreign entity

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.

As of the acquisition date, goodwill is allocated to Cash Generating Units defined by the Group. After initial recognition, goodwill is not amortized. The Cash Generating Units 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 may occur. The impairment test for 2017 is described in section 5.2, note 18.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in the Group's operating income.

2.7 / Intangible non-current assets

Intangible assets primarily represent brands. The entry value of the brands acquired was determined using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group's brands constitute non-current assets with an indefinite life span, they are not amortized but are systematically tested for impairment each year and when there is a sign of a loss in value. The brands recorded on the Fnac Darty balance sheet are the Darty and Vanden Borre brands, measured at the time of the Darty acquisition in July 2016.

Intangible assets include the relations with franchises which represent the contracts signed with the Darty franchise stores measured at the time of the Darty acquisition in July 2016. They are valued using the surplus profits approach, which consists of calculating the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets. The franchise relations constitute assets with a defined life span and are amortized over a period of 16 years.

Intangible assets also consists of software measured at the acquisition or production costs and the licensing fees paid when a leasing agreement is signed.

Software acquired for current operations or developed internally by the Group 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.

The Group's lease rights are recognized by the Group as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 / Property, plant and equipment

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.

The depreciation method used by the Group 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. If the recoverable value of the isolated assets cannot be precisely determined, the Group determines the recoverable value of the Cash Generating Unit 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 the Group 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 the Group 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. They 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 the Group 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 end 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 per unit method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs, and the provision for unknown markdowns between the last inventory date and the invoice 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.

The Group may need to record an impairment on inventories:

- on the basis of their projected sale;
- if they are partially damaged;
- if they are completely obsolete;
- if the selling price is less than the net realization value.

2.10 / Impairment of assets

Goodwill, intangible assets with an indefinite value-in-use, and the Cash Generating Units containing these elements are systematically tested annually for impairment in the second half of the year.

The Cash Generating Units are operating entities that generate independent cash flows. A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets or groups of assets.

In addition, when events or circumstances indicate that impairment is possible on goodwill, other intangible assets, property, plant and equipment, and Cash Generating Units, 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 Cash Generating Unit is less than the net book value.

The recoverable value of an asset or a Cash Generating Unit is the higher of its fair value less selling costs and 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 assets or the Cash Generating Unit. 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. It is determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

When the recoverable value of the asset or Cash Generating Unit is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a Cash Generating Unit, the impairment is first assigned to goodwill if applicable and is recorded on the line "Other non-current operating income and expenses" in 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.

In the event of a partial sale of a Cash Generating Unit, the sale result is calculated by including in the elements sold the portion of goodwill corresponding to those elements sold. In order to assign the portion of goodwill to the elements sold, IFRS propose using the values related to the operations sold and retained unless the entity demonstrates that another method better reflects the portion of goodwill sold.

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 29.

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 the Group 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 the Group 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 the Group 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 the Group 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 the Group, borrowings and financial 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, the Group 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 planned transaction that could affect the consolidated income statement;
- fair value hedges are used to cover the risk of a change in the fair value of a recognized asset or liability, or a firm commitment not yet recognized which would affect 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 it is set up;
- the effectiveness of the hedging relationship 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 hedge instrument is recorded directly as a contra item to 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 item 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 26.

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 bank checking accounts. 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 26);
- short-term and long-term credits, and bank overdrafts: this item essentially includes the 2023 bond, and medium-term credit facility (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-remuneration plans, eventually paid in cash, were distributed by the Group 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, eventually paid in equity instruments, were distributed by the Group 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.

2.13 / Income tax

Income tax for the year consists of due and deferred tax.

Deferred tax is calculated according to the variable balance sheet liability 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 the Group 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.

Deferred tax assets are recognized only if it appears probable that the Group will have future taxable profits against which these assets can be charged.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering deferred tax assets is reviewed periodically per tax entity and may, if applicable, lead to no longer recognizing deferred tax assets previously recorded. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income included at this stage is the income project of a 2-year period. 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 the Group 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 the Group'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, the Group 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 shares and other equity instruments

The Group 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 26.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

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, the Group assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with the Group'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 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, Group companies provide various types of benefits for their employees.

For defined-contribution plans, the Group 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 as other items of comprehensive income (and are never recorded as profit or loss) 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). Payments and costs of past services are recognized as current operating income or expense. Reductions are recognized as current operating income in the case of departures of employees who are replaced and as non-current operating income for departing employees who are not replaced. 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 will be 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 the Group's balance sheet, with no restatement for past years.

A discontinued activity 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

Revenues consist primarily of the sale of merchandise and services provided by the stores and e-commerce websites of the Group, the sale of merchandise to the franchises and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, 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 Group 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 Group operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

The cost of merchandise sales includes, among other items, purchases net of returned products, and commercial cooperations, which are measured on the basis of contracts signed with the suppliers and result in the invoicing of installment payments during the year. At year end, discounts and commercial cooperations to be received are valued on the basis of the contracts signed with suppliers This valuation is primarily based on the amount of the annual purchases, the quantities of articles purchased or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperations. The comparison between this valuation and the installments invoiced results in the establishment of invoices to be established or credits to be issued.

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 staff reduction measures;
- impairment on capitalized assets identified primarily in the context of impairment tests on Cash Generating Units and goodwill;
- gains or losses linked to changes in the scope of consolidation (acquisition or disposal);
- major disputes that do not arise 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 outstanding 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 correcting the Group share of net earnings for non-current items in the amount of those items 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 the Group's principal decision-making body.

An operating segment is a distinct component of the Group, 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 the Group conducts its operations through stores:

- France-Switzerland: this segment consists of Group activities managed from France. These operations are conducted in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast and Congo, which are managed from France;
- Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
- Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3 HIGHLIGHTS

3.1 / Changes in the scope of consolidation

In 2017, the scope of consolidation was mainly affected by the sale of the Fnac Brazil subsidiary.

On July 19, Fnac Darty signed an agreement to sell its Fnac Brazil subsidiary to the Livraria Cultura Group.

Present in Brazil since 1999 with a network of 12 Fnac stores and a website, Fnac Darty initiated in late 2016 an established process to find a partner, in an effort to give Fnac Brazil critical mass.

Livraria Cultura is a longstanding player in the sale of editorial products in Brazil, with a network of 18 stores and a recognized online offer. Livraria Cultura offers an ambitious industrial plan for Fnac Brazil and will build on the strong name recognition of the Fnac network and the expertise of its teams to continue its development strategy. This combination of two groups with close cultures engaged in cultural promotion in Brazil will create value and synergies. It will allow Livraria Cultura to diversify its activity with the contribution of Fnac consumer electronics.

In order to give a new entity all the resources to position itself among the leaders in its market, Fnac Darty authorized continued use of the Fnac brand for a period of two years and has proceeded with a recapitalization.

3.2 / Other significant events

The Fnac Darty consolidated financial statements as of December 31, 2016 included a provisional measurement of the identifiable assets and liabilities acquired. The measurement work was finalized in 2017 and the allocation of the Darty acquisition price revised as a result. For more details on the calculation of the allotted purchase price, refer to section 15.2.1.

Under the leadership of Enrique Martinez, who was named Chief Executive Officer in July 2017, the Group launched a new *"Confiance+"* strategic plan at year end. This plan is backed by the strength of the two banners and on the solid progress in their integration. In addition to the plan for synergies of €130 million by the end of 2018, the Group's goal is to create the reference omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and partners to relay on a powerful specialized retail platform. The industrial agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France, illustrates the Group's assets in knowledge of product lines, and is part of the framework for the deployment of the Fnac Darty platform.

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 under 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.

The operating segments break down as follows:

- France-Switzerland: this segment consists of Group activities managed from France. These operations are conducted in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast and Congo that are managed from France;
- Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
- Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg.

The new operating segments reflect the new structure of Fnac Darty. The principle of "One Group serving two banners" requires the consolidation of activities by country. This means that the operating segments consolidate brands based on their geography.

4.1 / Information by operating segment

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
DECEMBER 31, 2017				
INCOME FROM ORDINARY ACTIVITIES	**5,855.9**	**675.5**	**916.8**	**7,448.2**
Consumer electronics	2,912.7	404.1	485.1	3,801.9
Editorial products	978.7	215.4	58.6	1,252.7
Household appliances	1,277.5	0.0	335.5	1,613.0
Other Products and Services	687.0	56.0	37.6	780.6
OPERATING INCOME	**184.5**	**22.7**	**9.6**	**216.8**
Income and expense with no impact on cash [(a)]	116.0	9.8	7.8	133.6
Acquisition of intangible assets, property, plant & equipment [(b)]	93.2	9.8	10.9	113.9
SEGMENT ASSETS	**3,732.7**	**186.5**	**402.3**	**4,321.5**
SEGMENT LIABILITIES	**2,284.8**	**288.2**	**216.6**	**2,789.6**

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
DECEMBER 31, 2016 RESTATED *				
INCOME FROM ORDINARY ACTIVITIES	**4,218.6**	**656.2**	**494.4**	**5,369.2**
Consumer electronics	2,134.7	389.8	245.7	2,770.2
Editorial products	962.7	219.3	61.9	1,243.9
Household appliances	498.2	0.0	139.7	637.9
Other Products and Services	623.0	47.1	47.1	717.2
OPERATING INCOME	**95.7**	**22.2**	**5.6**	**123.5**
Income and expense with no impact on cash [(a)]	88.5	12.7	3.8	105.0
Acquisition of intangible assets, property, plant & equipment [(b)]	81.9	9.1	6.6	97.6
SEGMENT ASSETS	**3,661.1**	**170.9**	**391.1**	**4,223.1**
SEGMENT LIABILITIES	**2,159.9**	**266.7**	**209.0**	**2,635.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(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;*
- *net current & non-current provisions for contingencies and losses and reversals;*
- *allocations, reversals and discounting of provisions for pensions & other similar benefits;*
- *non-disbursable income & expenses related to stock options and similar items;*
- *proceeds from disposal of operating & financial assets;*
- *allocations to and reversals of deferred taxes.*

(b) *Purchases of intangible assets and property, plant & equipment, including change in receivables and payables on assets.*

4.2 / Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2017	2016 restated *
Goodwill	1,541.4	1,541.1
Intangible non-current assets	473.0	462.3
Property, plant & equipment	611.2	613.4
Other non-current assets and liabilities	0.0	0.0
Non-current segment assets	**2,625.6**	**2,616.8**
Inventories	1,072.8	1,057.3
Trade receivables	265.1	208.9
Other current assets	358.0	340.1
SEGMENT ASSETS	**4,321.5**	**4,223.1**
Non-current financial assets	15.9	15.6
Interests in equity associates	22.0	20.1
Deferred tax assets	59.9	41.5
Tax receivables due	50.2	19.4
Other current financial assets	22.3	25.7
Cash and cash equivalents	774.9	656.0
Assets held for sale	3.1	64.0
TOTAL ASSETS	**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	2017	2016 restated *
Trade payables	1,765.6	1,597.5
Other current liabilities	828.6	845.9
Other non-current liabilities	194.6	192.2
SEGMENT LIABILITIES	**2,788.8**	**2,635.6**
Shareholders' equity, Group share	1,096.0	1,042.6
Shareholders' equity – Share attributable to non-controlling interests	7.0	6.8
Long-term borrowings and financial debt	853.8	854.9
Deferred tax liabilities	192.7	188.8
Provisions for pensions and other similar benefits	179.8	186.3
Short-term borrowings and financial debt	7.2	8.2
Other current financial liabilities	18.5	10.0
Provisions	72.5	32.4
Tax liabilities payable	47.3	62.2
Liabilities relating to assets held for sale	6.2	37.6
TOTAL LIABILITIES	**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2017**	**2016 restated** *
Net sales of goods	6,930.4	4,915.1
Net sales of services	378.0	231.9
Other revenue	139.8	222.2
TOTAL SALES	**7,448.2**	**5,369.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The increase in sales in 2017 mainly reflects the consolidation of Darty on August 1, 2016. 2016 includes only 5 months of Darty activity versus 12 months in 2017.

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, gift boxes, “NES” extended warranties, commissions on sales of credit, insurance and subscriptions, and the Marketplace commissions).

Other income mainly includes reinvoicing of shipping costs and commissions, and the proceeds from non-use of loyalty cards and gift vouchers.

NOTE 6 PERSONNEL EXPENSES

Personnel expenses mainly include fixed and variable compensation, social security contributions, expenses related to employee profit-sharing and other incentives, the training costs, and expenses related to employee benefits recognized in current operating income.

(€ million)	**2017**	**2016 restated** *
France-Switzerland	(893.0)	(650.6)
Iberian Peninsula	(67.5)	(65.8)
Benelux	(132.6)	(69.0)
TOTAL PAYROLL EXPENSE	**(1,093.1)**	**(785.4)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The increase in employee expenses in 2017 mainly reflects the consolidation of Darty on August 1, 2016. 2016 includes only 5 months of Darty personnel expenses versus 12 months in 2017.

In 2017, personnel expenses included an expense of €9.0 million, versus €14.8 million in 2016, related to the application of IFRS 2 for all share-based transactions involving Group shares.

The average paid workforce for the Group's activities, in full-time equivalent, was composed as follows:

(€ million)	2017	2016 restated *
France-Switzerland	17,049	17,121
Iberian Peninsula	2,801	2,753
Benelux	3,078	2,907
TOTAL AVERAGE PAID WORKFORCE	**22,928**	**22,780**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The total paid workforce as of December 31, for the Group's activities was as follows:

(€ million)	2017	2016 restated *
France-Switzerland	18,561	18,944
Iberian Peninsula	4,022	3,872
Benelux	3,236	3,202
TOTAL REGISTERED WORKFORCE	**25,819**	**26,018**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 7 PERFORMANCE-BASED COMPENSATION 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 25% price volatility of Fnac shares. Share price projections were made use a stochastic method based on geometric Brownian motion.

7.1 / Units of value plans

The IFRS 2 expense recognized as of December 31, 2017 for the units of value plans totaled €0.1 million.

2014 Plan

The 2014 units of value plan expired on February 28, 2017. Vesting in the plan was subject to performance conditions (average market closing prices for February 2016 at €55.33,) which were achieved. For the Executive Committee, payment of the final third of the units of value was tied to a condition of employment as of February 28, 2017. The cash payment was made over the month of February 2017 for a total of €2.0 million, including employer contributions.

The IFRS 2 expense recognized as of December 31, 2017 for the units of value plan amounted to €0.1 million.

The main features of this plan are summarized below:

Main features	2014-2017 units of value 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 at inception	125
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of units of value	2014-2017 units of value plan
Awarded	170,048
Being vested as of January 1, 2017	**28,256**
Vested in 2017	28,256
Canceled in 2017	0
Currently being vested as of December 31, 2017	**0**

7.2 / Performance option plans

The total IFRS 2 expense recognized as of December 31, 2017 for the performance stock option plans awarded in 2013, 2014, 2015 and 2017 amounted to €5.2 million.

2017 Plan

On the recommendation of the Appointments and Compensation Committee, on April 28, 2017, the Board of Directors decided to award performance options to certain Group executives, in an effort to retain them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments. The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 2017 to May 2019 and May 2017 to May 2020) subject to the presence of the beneficiary within the Group at the expiration of each vesting period, and shall be subject to a market performance condition for Fnac Darty measured in April 2018 and April 2019 for the first period, and April 2020 for the second period, and a performance condition tied to the achievement of a level of synergies to be achieved in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the 2017 annual results of the Group and in 2019 after publication of the 2018 Group results for the first period, and in 2020 after the publication of the 2019 Group annual results for the second period. The options must be exercised between May 2, 2019 and May 1, 2020 for the first period, and between May 2, 2020 and May 1, 2021 for the second period.

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance stock option plan amounted to €0.8 million.

The main features are summarized below:

Main features	2017-2020 performance option plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	2 years/3 years
Exercise price	€66.23
Number of beneficiaries at inception	15
Number of beneficiaries as of December 31, 2017	10
Performance condition	Yes

Number of stock options	2017-2020 performance option plan
Awarded	300,000
Being vested as of January 1, 2017	**0**
Vested in 2017	0
Canceled in 2017	187,214
Currently being vested as of December 31, 2017	**112,786**

2015 Plan

The first tranche of the 2015 performance share plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2015 performance stock option plan amounted to €0.7 million.

The main features are summarized below:

Main features	2015-2018 performance option plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries as of December 31, 2017	7
Performance condition	Yes

Number of stock options	2015-2018 performance option plan
Awarded	164,954
Being vested as of January 1, 2017	**161,983**
Vested in 2017	80,950
Canceled in 2017	45,982
Currently being vested as of December 31, 2017	**35,051**

2014 Plan

The 2014 performance stock option plan expired on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1, and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2014 performance option plan was €2.4 million.

The main features are summarized below:

Main features	2014-2017 performance option plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	€23.60
Number of beneficiaries at inception	9
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of stock options	2014-2017 performance option plan
Awarded	366,406
Being vested as of January 1, 2017	**162,807**
Vested in 2017	158,654
Canceled in 2017	4,153
Currently being vested as of December 31, 2017	**0**

2013 Plan

The 2013 performance stock option plan expired on March 31, 2017. Given the average closing price of the Fnac Darty share over the 20 trading days before March 31, 2017 (average of €67.46) and the performance conditions, 100% of the options in the third tranche were vested to beneficiaries in service on March 31, 2017. These options were exercised between April 1 and April 30, 2017 or paid in cash in April 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2013 performance stock option plan amounted to €1.3 million.

The main features of this plan are summarized below:

Main features	2013-2017 performance option plan
Date of Board of Directors' meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	€20.28
Number of beneficiaries at inception	10
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of stock options	2013-2017 performance option plan
Awarded	656,536
Being vested as of January 1, 2017	**260,992**
Vested in 2017	260,992
Canceled in 2017	0
Currently being vested as of December 31, 2017	**0**

7.3 / Bonus share plan

The total IFRS 2 expense recognized as of December 31, 2017 for the bonus share plans granted in 2015, 2016 and 2017 amounted to €3.7 million.

2017 Plans

On the recommendation of the Appointments and Compensation Committee, on December 15, 2017, the Board of Directors noted the allotment of bonus shares to certain group employees (39 beneficiaries) in order to associate them with the Company's performance through an increase in the share price. Settlement will be in equity instruments.

The duration of this plan is greater than two years (December 15, 2017 – 3rd trading day after publication of the annual results for 2019). The vesting of these bonus shares is subject to a two-year employment condition (December 15, 2017 to December 14, 2019), and to a market performance condition for Fnac Darty measured annually in 2019 and 2020 based on the Total Shareholder Return (TSR) of the company compared with that of the SBF120 companies, a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, and to a level of Current Operating Income to be achieved, measured in 2019 after the publication of the Group's 2018 annual revenues, and in 2020 after publication of the Group's annual 2019 revenues.

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance share plan amounted to €0.2 million.

The main features are summarized below:

Main features	2017-2019 Bonus share plan
Date of Board of Directors' meeting	December 15, 2017
Vesting period	Greater than 2 years (December 15, 2017 – 3rd trading day after publication of the annual results of 2019)
Number of beneficiaries at inception	39
Number of beneficiaries as of December 31, 2017	39
Performance condition	Yes

Number of bonus shares	2017-2019 Bonus share plan
Awarded	92,500
Vested in 2017	0
Canceled in 2017	0
Currently being vested as of December 31, 2017	**92,500**

On the recommendation of the Appointments and Compensation Committee of April 28, 2017, the Board of Directors noted the award of bonus shares to certain Group employees (150 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The term of this plan is four years (May 2, 2017 to May 1, 2021). The vesting of these bonus shares is subject to a two-year employment condition (May 2, 2017 to May 1, 2019) for French residents and four years (May 2, 2017 to May 1, 2021) for foreign residents, and a market performance condition for Fnac Darty measured annually in April 2018 and April 2019 on the basis of the average of the 20 closing prices for the Fnac Darty share preceding May 1, 2018 and May 1, 2019 and a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the Group's 2017 annual revenues, and in 2019 after publication of the Group's annual 2018 revenues. In addition, French residents must retain these shares for a period of two years (May 2, 2019 to May 1, 2021: holding period).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance share plan amounted to €2.1 million.

The main features are summarized below:

Main features	2017-2021 Bonus share plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	
French residents	2 years (May 2, 2017 – May 1, 2019)
Foreign residents	4 years (May 2, 2017 – May 1, 2021)
Holding period	
French residents	2 years (May 2, 2019 – May 1, 2021)
Number of beneficiaries at inception	150
Number of beneficiaries as of December 31, 2017	139
Performance condition	Yes

Number of bonus shares	2017-2021 Bonus share plan
Awarded	122,000
Vested in 2017	0
Canceled in 2017	29,876
Currently being vested as of December 31, 2017	**92,124**

2016 Plan

The total IFRS 2 expense recognized as of December 31, 2017 for the 2016 performance share plan amounted to €1.1 million.

The main features are summarized below:

Main features	2016-2020 Bonus share plan
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Foreign residents	4 years (June 17, 2016 – June 16, 2020)
Holding period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries as of December 31, 2017	103
Performance condition	Yes

Number of bonus shares	2016-2020 Bonus share plan
Awarded	96,525
Being vested as of January 1, 2017	**93,630**
Vested in 2017	0
Canceled in 2017	39,563
Currently being vested as of December 31, 2017	**54,067**

2015 Plan

The 2015 bonus share plan expired on February 28, 2017 for French residents. Based on the average of the closing market prices for the Fnac Darty shares in February 2017 (average of €58.61) and the performance conditions, 100% of the shares were vested for the beneficiaries present on February 28, 2017. These shares may be sold at the end of a two-year holding period. The cash payment for the Chairman and Chief Executive Officer was made in March 2017 (see section 3.3.2).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2015 performance share plan amounted to €0.3 million.

The main features are summarized below:

Main features	2015-2019 Bonus share plan
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)
Holding period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries as of December 31, 2017	27
Performance condition	Yes

Number of bonus shares	2015-2019 Bonus share plan
Awarded	82,494
Being vested as of January 1, 2017	**72,525**
Vested in 2017	60,636
Canceled in 2017	1,168
Currently being vested as of December 31, 2017	**10,721**

7.4 / Analysis of the sensitivity to fluctuations in the Fnac Darty share price

As of December 31 2017, all the current performance-based compensation plans were settled in equity instruments. Therefore, any change in the price of the Fnac Darty share has no impact on the valuation of the fair value of the commitment to the current performance remuneration plans.

NOTE 8 ASSOCIATES

Fnac Darty exercises significant influence at certain companies, called associates. Associates are recognized using the equity method. The activity of these companies is part of the extension of the Group's operating activity. These companies are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business unit to which they belong.

The Fnac Darty consolidated financial statements include the transactions executed by the Group within the normal context of its activities with associates. These transactions are executed under normal market conditions.

8.1 / Share of profit (loss) of equity associates

(€ million)	2017	2016 restated *
France-Switzerland	2.2	0.3
Iberian Peninsula	0.0	0.0
Benelux	(0.3)	(0.1)
SHARE OF INCOME FROM EQUITY ASSOCIATES	**1.9**	**0.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Income from equity associates primarily represents the revenues of Ménafinance and Izneo, in which the Group has a 50% stake.

(€ million)	2017	2016 restated *
Menafinance	2.4	0.9
Izneo	(0.2)	(0.6)
Vanden Borre Kitchen	(0.3)	(0.1)
SHARE OF PROFIT/(LOSS) OF EQUITY ASSOCIATES	**1.9**	**0.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Menafinance company is a financial company held by the Group jointly with Crédit Agricole Consumer Finance. It offers credit solutions via the Darty card.

Izneo is a player in the French-speaking digital comics market and offers an online comics reading service in the form of a website and mobile applications. Izneo is held by Fnac Darty jointly with a group of publishers in the comic strip industry.

Vanden Borre Kitchen is a company operating in the Belgian equipped kitchen market. It is held jointly by the Group and FBD Group.

8.2 / Équity interests in associates

The change in the item "Equity interests in associates" can be analyzed as follows:

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
INTERESTS IN EQUITY ASSOCIATES AS OF DECEMBER 31, 2016	**20.1**	**18.7**	**1.4**	**0.0**
Profit/(loss) of equity associates	**1.9**	2.4	(0.2)	(0.3)
Dividends paid	**0.0**			
Change to scope of consolidation	**0.0**			
Translation difference	**0.0**			
Other	**0.0**			
INTERESTS IN EQUITY ASSOCIATES AS OF DECEMBER 31, 2017	**22.0**	**21.1**	**1.2**	**(0.3)**

8.3 / Data of equity associates

The data below is presented at 100% under IFRS:

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
Non-current assets	**124.0**	118.0	6.0	
Current assets	**192.9**	190.9	1.5	0.5
Non-current liabilities	**146.4**	146.4	0.2	(0.2)
Current liabilities	**163.3**	162.4	1.4	(0.6)
Revenues	**58.8**	57.4	1.0	0.4
Operating expenses	**(47.6)**	(46.6)	(0.8)	(0.2)
Operating income	**18.3**	19.2	(1.2)	0.2
Net income	**4.2**	4.8	(0.4)	(0.2)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is comprised as follows:

(€ million)	2017	2016 restated *
France-Switzerland	234.4	131.8
Iberian Peninsula	23.6	23.2
Benelux	12.1	6.7
CURRENT OPERATING INCOME	**270.1**	**161.7**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Current operating income was €270.1 million in 2017 (compared to €161.7 million in 2016). 2016 includes only 5 months of Darty's other operating income and expenses versus 12 months in 2017.

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and external communication costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

(€ million)	2017	2016 restated *
Fnac Darty restructuring costs	(46.7)	0.0
Costs related to the acquisition and consolidation of Darty	(1.4)	(20.7)
Restructuring costs	(5.1)	(7.5)
Tascom 2015	0.0	(5.3)
Sale of subsidiary	0.0	(2.7)
Litigation and disputes	0.0	(1.3)
Other risks	(0.1)	(0.7)
OTHER NON-CURRENT OPERATING INCOME AND EXPENSES	**(53.3)**	**(38.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

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".

As of December 31, 2017, they represented a net expense of €53.3 million composed of:

- €46.7 million in restructuring costs in France and internationally related to:
  - the implementation of the new Group organization. The Group announced an independent voluntary departure plan for employees which was opened at Group headquarters at the end of an employee consultation process. 111 are expected to be eliminated. Jobs were eliminated exclusively on a volunteer basis, without a forced departure phase, and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with union organizations,
  - in the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of home services and continue to evolve our repair shops and Supplier Return Management,

- in the closing of the Wissous 2 Fnac logistics warehouse with the move of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;
- €1.4 million in costs incurred within the framework of the Darty consolidation;
- €5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

The total expense of €38.2 million in 2016 consisted mainly of the following:

- €20.7 million in costs linked to the Darty acquisition; These were essentially professional fees and commissions;
- restructuring costs of €7.5 million for workforce and structural adaptation plans in France and abroad, as well as costs incurred in closing Darty's London offices;
- a €5.3 million expense for the 2015 tax on retail space: Article 66 of the Amending Finance Law for 2015 supplements Article 6 of the Law of July 13, 1972, governing the tax on retail space in France by adding a new generating event effective January 1, 2016. The addition of a second generating event led to a review of the accounting treatment adopted on the basis of IFRIC 21. As this is a change in tax law, it was applied prospectively from January 1, 2016. This leads, in practice, to the recognition of two taxes in 2016: the tax due on January 1, 2016 on 2015 revenues, and the progressive tax on sales once the revenue threshold is exceeded in 2016;
- a net expense of €1.3 million for disputes and litigation, and a net expense of €1.5 million for various expenses.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

	Published	
(€ million)	**2017**	**2016 restated ***
Costs related to Group debt	(34.2)	(53.1)
Costs connected with Darty acquisition		(15.2)
Cost of consumer credit	(6.1)	(6.3)
Other net financial expenses	(3.7)	(1.6)
TOTAL	**(44.0)**	**(76.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, net financial income was comprised of a financial expense of €44.0 million, compared with a financial expense of €76.2 million for the same period the previous year.

The breakdown of net financial expense was as follows:

- recurring financial expense on the Group's debt in the amount of €34.2 million; The financial costs related to the debt in 2016 included non-recurring financial costs related to the placement of new instruments for the financing of the combined Group;
- expenses for the cost of consumer credit totaling €6.1 million in 2017 (compared to an expense of €6.3 million in 2016).

Other net financial expenses essentially reflect financial costs related to employee benefits.

As of December 31, 2016, the costs for the Darty acquisition were comprised primarily of the expenses for placement of hedging instruments in the context of the Darty acquisition.

NOTE 12 TAX

12.1 / Analysis of the income tax expense on continuing operations

12.1.1 Income taxes

(€ million)	2017	2016 restated *
PRE-TAX INCOME	**172.8**	**47.3**
Tax expense payable excluding corporate value-added tax (CVAE)	(40.3)	(3.3)
Tax expense payable related to the corporate value-added tax (CVAE)	(20.4)	(13.7)
Deferred tax income (expense)	12.4	(6.2)
TOTAL TAX LIABILITY	**(48.3)**	**(23.2)**
EFFECTIVE TAX RATE	**27.95%**	**49.05%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Income tax includes income tax paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2017, the Group recognized a corporate income tax expense of €48.3 million, compared to €23.2 million for 2016, an increase of €25.1 million. The increase in the tax payable and the tax payable related to the CVAE, is the effect of the change in income before tax, because 2016 represented only 5 months of Darty activity in the published financial statements. In addition, the tax liability in 2017 includes a surtax for €9.0 million, offsetting the impact of the elimination of the 3% tax on dividends invalidated by the French constitutional council. The favorable impact of deferred taxes in 2017 is primarily related to the first-time recognition of the tax effect of timing differences and the prospects for a tax rate decrease in France.

12.1.2 Streamlining of the income tax rate

(as % of income before taxes)	2017	2016 restated *
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**34.43%**
Impact of the taxation of foreign subsidiaries	(1.65%)	(2.58%)
THEORETICAL TAX RATE	**32.78%**	**31.85%**
Impact of items taxed at a lower rate	0.00%	0.00%
Impact of permanent timing differences	(0.98%)	4.55%
Impact of unrecognized timing differences	(9.01%)	28.07%
Impact of unrecognized tax-loss carry-forwards	(0.27%)	7.35%
Impact of the corporate value-added tax (CVAE)	7.90%	10.43%
Impact of the reduction of the French income tax rate (17/18 Finance Law)	(3.17%)	(22.62%)
Impact of tax reassessments		(10.77%)
Other	0.70%	0.19%
EFFECTIVE TAX RATE	**27.95%**	**49.05%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2018 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, 26.5% in 2021 and 25.0% in 2022. The Group net tax liabilities take these reductions into consideration.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries will opt at the beginning of 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceases to exist as of January 1, 2018. The consequences of this break in tax consolidation are taken into account in the tax calculation for the year ended December 31, 2017.

12.2 / Change in balance sheet items

12.2.1 Tax due

(€ million)	2016 restated *	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2017
Tax receivables due	19.4				50.2
Tax liabilities payable	(62.2)				(47.3)
TAXES PAYABLE	**(42.8)**	**(60.7)**	**98.3**	**8.1**	**2.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2016 restated *
Tax receivables due	6.2				19.4
Tax liabilities payable	(13.7)				(62.2)
TAXES PAYABLE	**(7.5)**	**(16.7)**	**37.5**	**(56.1)**	**(42.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

12.2.2 Deferred tax

(€ million)	2016 restated *	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Assets net of deferred taxes	41.5	16.9	0.0	1.5	59.9
Deferred tax liabilities	(188.8)	(2.3)	(0.1)	(1.5)	(192.7)
NET DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2016 restated *	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Provisions for pensions and other similar benefits	39.3	0.8	(0.1)	(0.1)	39.9
Tax losses and tax credits recognized	12.3	(1.6)	0.0	0.0	10.7
Darty & Vanden Borre brands	(104.1)	9.7	0.0		(94.4)
Other assets & liabilities	(94.8)	5.7	(0.0)	0.1	(89.0)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016 restated *
Assets net of deferred taxes	37.4	(3.3)	(2.6)	10.0	41.5
Deferred tax liabilities	0.0	(2.9)	(0.0)	(186.0)	(188.8)
NET DEFERRED TAXES	**37.4**	**(6.2)**	**(2.6)**	**(176.0)**	**(147.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016 restated *
Provisions for pensions and other similar benefits	21.7	(4.4)	(2.6)	24.6	39.3
Tax losses and tax credits recognized	12.8	(0.5)		0.0	12.3
Darty & Vanden Borre brands	0.0	17.9		(122.0)	(104.1)
Other assets & liabilities	2.9	(19.2)		(78.6)	(94.8)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**37.4**	**(6.2)**	**(2.6)**	**(176.0)**	**(147.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

12.3 / Deferred tax not recognized

The change in tax losses and unused tax credits is as follows:

(€ million)	2017	2016 restated *
Non-activated tax losses	288.7	269.1
Non-activated timing differences	0.0	61.2
TOTAL UNRECOGNIZED TAX BASES	**288.7**	**330.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The unactivated tax losses represent the tax losses of the Group's subsidiaries in the United Kingdom and the Netherlands, where the fiscal outlook does not permit activation.

12.4 / Tax loss changes and timing

(€ million)	Total	non-activated portion	portion capitalized
AS OF DECEMBER 31, 2016 *	**305.2**	**269.1**	**36.1**
Deficits generated during the fiscal year	21.7		
Deficits charged and expired during the year	(3.3)		
Changes in scope of consolidation and foreign exchange rates	(4.0)		
AS OF DECEMBER 31, 2017	**319.6**	**288.7**	**30.9**
Tax-loss carry-forwards with a maturity of	86.7	86.7	0.0
Less than 5 years	38.7	38.7	
More than 5 years	48.0	48.0	
Indefinite tax-loss carryforwards	232.9	202.0	30.9
TOTAL	**319.6**	**288.7**	**30.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 13 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 2017, the Group held an average of 18,289 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2017, the Group 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.

The instruments issued by the Group had a diluting effect of 123,418 shares over 2017.

The number of shares that could potentially become diluting during a subsequent year is 273,831.

Earnings per share as of December 31, 2017

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued activities**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Weighted average number of common shares issued	26,447,149	26,447,149	26,447,149
Weighted average number of treasury shares	(18,289)	(18,289)	(18,289)
Weighted average number of common shares	**26,428,860**	**26,428,860**	**26,428,860**
BASIC EARNINGS PER SHARE *(€)*	**1.41**	**4.70**	**(3.29)**

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued activities**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**37.2**	**124.2**	**(87.0)**
Weighted average number of common shares	26,428,860	26,428,860	26,428,860
Potentially diluting ordinary shares	123,418	123,418	123,418
Weighted average number of diluted common shares	**26,552,278**	**26,552,278**	**26,552,278**
DILUTED EARNINGS PER SHARE *(€)*	**1.40**	**4.68**	**(3.28)**

Earnings per share as of December 31, 2016 *

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued activities
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**1.9**	**23.5**	**(21.6)**
Weighted average number of common shares issued	21,229,756	21,229,756	21,229,756
Weighted average number of treasury shares	(14,174)	(14,174)	(14,174)
Weighted average number of common shares	**21,215,582**	**21,215,582**	**21,215,582**
BASIC EARNINGS PER SHARE *(€)*	**0.09**	**1.11**	**(1.02)**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued activities
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**1.9**	**23.5**	**(21.6)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**1.9**	**23.5**	**(21.6)**
Weighted average number of common shares	21,215,582	21,215,582	21,215,582
Potentially diluting ordinary shares	256,772	256,772	256,772
Weighted average number of diluted common shares	**21,472,354**	**21,472,354**	**21,472,354**
DILUTED EARNINGS PER SHARE *(€)*	**0.09**	**1.09**	**(1.01)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 14 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items mainly represent:

- profit and loss from the conversion of the financial statements of operations outside France;
- items relating to the measurement of employee benefit obligations: revaluation of net liabilities for defined benefit plans;
- the effective portion of the change in fair value of the hedging instrument recorded against other items of comprehensive income.

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
Currency translation adjustment	(0.8)		(0.8)
Effective portion of the change in fair value of the hedging instrument	(2.6)	0.3	(2.3)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**(3.4)**	**0.3**	**(3.1)**
Revaluation of net liabilities for defined benefit plans	0.3	(0.1)	0.2
Items that may not be reclassified to profit or loss	**0.3**	**(0.1)**	**0.2**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2017	**(3.1)**	**0.2**	**(2.9)**

(€ million)	Gross	Tax	Net
Currency translation adjustment	9.1		9.1
Effective portion of the change in fair value of hedging instruments	2.2		2.2
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**11.3**	**0.0**	**11.3**
Revaluation of net liabilities for defined benefit plans	(11.3)	(2.6)	(13.9)
Items that may not be reclassified to profit or loss	**(11.3)**	**(2.6)**	**(13.9)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2016 *	**0.0**	**(2.6)**	**(2.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 15 GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	Gross	Impairment	Net
GOODWILL AS OF JANUARY 1, 2016	**410.9**	**(78.5)**	**332.4**
From acquisitions	1,209.3		1,209.3
Disposals and withdrawals	(0.6)		(0.6)
Foreign exchange fluctuations	0.8	(0.8)	0.0
Assets and liabilities held for sale	(3.9)	3.9	0.0
GOODWILL AS OF DECEMBER 31, 2016*	**1,616.5**	**(75.4)**	**1,541.1**
From acquisitions	0.2		0.2
Foreign exchange fluctuations			0.0
GOODWILL AS OF DECEMBER 31, 2017	**1,616.7**	**(75.4)**	**1,541.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, the changes in goodwill are insignificant and primarily reflect foreign exchange fluctuations.

In 2016, the increase in goodwill was linked to the acquisition of Darty (€1,208.5 million) and the acquisition of Eazieer (€0.8 million). Disposals consisted of the sale of the company Attitude. The flows from assets and liabilities held for sale represent the goodwill of Fnac Brazil.

The impairment tests on assets performed in 2012 led the Group to depreciate the Fnac Brazil goodwill in its entirety.

On August 1, 2016, the first closing date of the offer, the Group held 98.5% of the capital of the Darty Group, comprised of Darty France, New Vanden Borre in Belgium and BCC in the Netherlands. On August 17, 2016, the Darty share was delisted (from the London Stock Exchange and Euronext Paris). At the end of the squeeze-out period on September 12, the Group had acquired 100% of the share capital of Darty plc, 30.64% of which was paid in shares. Darty plc has been consolidated in the Group's financial statements since August 1, 2016.

The goodwill related to the Darty acquisition is positive, and results from the difference between the Darty purchase price and the fair value of the Darty identifiable assets acquired and liabilities assumed on August 1, 2016. IFRS prohibit the amortization of goodwill and make it mandatory to conduct impairment tests each time the financial statements are closed and each time there is an indication of loss of value. The reasons for the merger of Fnac and Darty are detailed in section 1 of this Registration Document.

The work to value the assets and liabilities acquired from Darty was completed with the valuation of the real estate acquired. For more details on the calculation of the allotted purchase price, refer to section 15.2.

As of December 31, 2017, there was no evidence of impairment. Pursuant to IFRS, annual impairment tests were conducted on the assets. These impairment tests show a value-in-use greater than the value of the net assets for each of the Cash Generating Units tested. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated as follows:

(€ million)	2017	2016 restated *
France-Switzerland	1,402.2	1,402.2
Belgium	139.2	138.9
TOTAL	**1,541.4**	**1,541.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

15.2 / Allocation of the acquisition price

Darty was consolidated in the Group financial statements starting on August 1, 2016.

The valuation work was completed and finalized in 2017, primarily with the valuation of the Darty real estate.

The following table shows:

- the consideration for the Darty Group in the amount of €1,079.0 million;
- the identifiable assets acquired less the liabilities assumed recognized after remeasurement at fair value on the acquisition date in the amount of €-129.5 million;
- definitive goodwill of €1,208.5 million corresponding to the difference between the consideration transferred and the fair value of net assets acquired.

In the context of the work to measure the identifiable Darty assets:

- the Darty and Vanden Borre brands were valued using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and their value is based on an independent expert appraisal;
- the property revaluations primarily covered the stores held and their value is based on appraisals by an independent expert;
- franchise relations represent the contracts signed with the franchise stores. They were valued on the basis of the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets and their value is based on appraisal by an independent expert.

	2016 reported restated		2016 reported
(€ million)	Total consideration	Fair Value	Fair Value
TOTAL CONSIDERATION	**1,079.0**		
NET ASSETS ACQUIRED AT FAIR VALUE		**(129.5)**	**(193.4)**
Valuation of brands		337.0	326.7
Valuation of franchise relations		17.7	17.4
Lease rights and leases		6.2	11.0
Other intangible non-current assets		22.4	28.2
Other non-current assets		460.4	277.8
Financial assets		27.5	27.5
Assets held for sale		(3.6)	8.0
Working capital requirement		(376.8)	(337.8)
Net Financial Debt		(217.3)	(217.3)
Pensions and other employee-related liabilities		(146.3)	(111.7)
Other current liabilities		(256.8)	(223.3)
GOODWILL		**1,208.5**	**1,272.4**

The valuation work was completed and finalized in 2017, primarily with the valuation of the Darty real estate and its deferred tax impact presented on the other net liabilities line, as well as the inclusion of the liabilities related to future administrative costs for management of the Comet pension fund. The valuation of the fair value of the other net assets acquired was also completed and finalized in 2017.

If the Darty activities had been consolidated as of January 1, 2016, the statement of comprehensive income would have included:

- an additional €2,049.3 million in revenues, and would have totaled €7,418.5 million;
- an additional €-9.1 million operating loss, for a total profit of €115.1 million.

Pro forma financial information for fiscal year 2016 is disclosed in the financial management report (section 4 of this Registration Document).

For the period from August 1, 2016 to December 31, 2016, Darty's contribution to Group consolidated revenues was €1,630 million. Darty's contribution to consolidated net profit for the same period was €53.2 million.

NOTE 16 INTANGIBLE NON-CURRENT ASSETS

Gross value as of December 31, 2017

(€ million)	2016 restated *	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	337.0							337.0
Software	579.3	48.1	(1.8)			(0.2)	0.2	625.6
Other intangible non-current assets	71.8	(4.5)	0.0					67.3
TOTAL	**988.1**	**43.6**	**(1.8)**	**0.0**	**0.0**	**(0.2)**	**0.2**	**1,029.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2017

(€ million)	2016 restated *	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	0.0							0.0
Software	(502.1)	(32.4)	1.6			0.1	(0.2)	(533.0)
Other intangible non-current assets	(23.7)	(1.2)					1.1	(23.8)
TOTAL	**(525.8)**	**(33.6)**	**1.6**	**0.0**	**0.0**	**0.1**	**0.9**	**(556.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2017

(€ million)	2016 restated *	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	337.0								337.0
Software	77.2	48.1	(32.4)	(0.2)			(0.1)		92.6
Other intangible non-current assets	48.1	(4.5)	(1.2)					1.1	43.5
TOTAL	**462.3**	**43.6**	**(33.6)**	**(0.2)**	**0.0**	**0.0**	**(0.1)**	**1.1**	**473.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0			337.0				337.0
Software	373.4	27.3	(3.1)	184.6	(2.9)			579.3
Other intangible non-current assets	24.6	3.8		43.4				71.8
TOTAL	**398.0**	**31.1**	**(3.1)**	**565.0**	**(2.9)**	**0.0**	**0.0**	**988.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0							0.0
Software	(324.1)	(26.1)	2.3	(156.8)	2.5		0.1	(502.1)
Other intangible non-current assets	(2.4)	(0.9)		(20.5)			0.1	(23.7)
TOTAL	**(326.5)**	**(27.0)**	**2.3**	**(177.3)**	**2.5**	**0.0**	**0.2**	**(525.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0				337.0				337.0
Software	49.3	27.3	(26.1)	(0.8)	27.8	(0.4)		0.1	77.2
Other intangible non-current assets	22.2	3.8	(0.9)		22.9			0.1	48.1
TOTAL	**71.5**	**31.1**	**(27.0)**	**(0.8)**	**387.7**	**(0.4)**	**0.0**	**0.2**	**462.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the change in intangible non-current assets mainly reflected the acquisition of Darty.

Banners of the Group consist of the following elements:

(€ million)	2017	2016 restated *
Darty banner	301.7	301.7
Vanden Borre banner	35.3	35.3
ALL BANNERS	**337.0**	**337.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 17 PROPERTY, PLANT & EQUIPMENT

Gross values as of December 31, 2017

(€ million)	2016 restated *	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Land & buildings	458.9	1.1	(2.2)				(1.0)	456.8
Fixtures, fittings and commercial facilities	1,144.3	53.3	(38.8)			(2.1)	6.9	1,163.6
Technical and telecommunications equipment	163.8	6.0	(1.9)			(0.2)		167.7
Other property, plant and equipment	45.6	9.7	(1.8)			(0.3)	(6.9)	46.3
TOTAL	**1,812.6**	**70.1**	**(44.7)**	**0.0**	**0.0**	**(2.6)**	**(1.0)**	**1,834.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2017

(€ million)	2016 restated *	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Land & buildings	(100.1)	(11.0)	2.2				4.7	(104.2)
Fixtures, fittings and commercial facilities	(937.6)	(53.5)	37.6			1.8	(2.5)	(954.2)
Technical and telecommunications equipment	(139.7)	(6.9)	1.8			0.2	(0.1)	(144.7)
Other property, plant and equipment	(21.7)	(1.0)	1.6			0.2	0.8	(20.1)
TOTAL	**(1,199.1)**	**(72.4)**	**43.2**	**0.0**	**0.0**	**2.2**	**2.9**	**(1,223.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2017

(€ million)	2016 restated *	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Land & buildings	358.8	1.1	(11.0)					3.7	352.6
Fixtures, fittings and commercial facilities	206.7	53.3	(53.5)	(1.2)			(0.3)	4.4	209.4
Technical and telecommunications equipment	24.1	6.0	(6.9)	(0.1)				(0.1)	23.0
Other property, plant and equipment	23.9	9.7	(1.0)	(0.2)			(0.1)	(6.1)	26.2
TOTAL	**613.5**	**70.1**	**(72.4)**	**(1.5)**	**0.0**	**0.0**	**(0.4)**	**1.9**	**611.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Gross values as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Land & buildings	0.0	3.9	(2.5)	457.6			(0.1)	458.9
Fixtures, fittings and commercial facilities	646.7	44.2	(36.2)	505.0	(17.6)	0.3	1.9	1,144.3
Technical and telecommunications equipment	159.9	10.1	(1.5)	(0.2)	(4.5)			163.8
Other property, plant and equipment	40.4	(0.7)	(0.1)	6.5	(0.2)	(0.1)	(0.2)	45.6
TOTAL	**847.0**	**57.5**	**(40.3)**	**968.9**	**(22.3)**	**0.2**	**1.6**	**1,812.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Land & buildings	0.0	(4.8)	1.6	(97.0)			0.1	(100.1)
Fixtures, fittings and commercial facilities	(531.2)	(43.2)	32.9	(410.4)	16.5	(0.3)	(1.9)	(937.6)
Technical and telecommunications equipment	(139.5)	(6.7)	1.7	0.2	4.6			(139.7)
Other property, plant and equipment	(19.8)	(0.8)	0.5	(1.8)	0.4	0.1	(0.3)	(21.7)
TOTAL	**(690.5)**	**(55.5)**	**36.7**	**(509.0)**	**21.5**	**(0.2)**	**(2.1)**	**(1,199.1)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Land & buildings	0.0	3.9	(4.8)	(0.9)	360.6				358.8
Fixtures, fittings and commercial facilities	115.5	44.2	(43.2)	(3.3)	94.6	(1.1)			206.7
Technical and telecommunications equipment	20.4	10.1	(6.7)	0.2		0.1			24.1
Other property, plant and equipment	20.6	(0.7)	(0.8)	0.4	4.7	0.2		(0.5)	23.9
TOTAL	**156.5**	**57.5**	**(55.5)**	**(3.6)**	**459.9**	**(0.8)**	**0.0**	**(0.5)**	**613.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2017, disposals of property, plant and equipment primarily represented sales related to the Darty brand.

In 2016, most of the change in property, plant and equipment was related to the Darty acquisition.

In 2016, disposals of tangible non-current assets mainly reflected the closing of the Fnac store in Castellana, Spain, and the closing of the Darty store in Besançon.

NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles of impairment of non-financial assets are detailed in note 2.10.

Goodwill, intangible assets with an indefinite useful life, and the Cash Generating Units containing these elements are systematically tested annually for impairment in the second half of the year. The Cash Generating Units are operating entities that generate independent cash flows. A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets or groups of assets.

The entry value of the brands acquired was determined using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group's brands constitute non-current assets with an indefinite life span, they are not amortized but are systematically tested for impairment each year and when there is evidence of a loss in value. The brands recorded on the Fnac Darty balance sheet are the Darty and Vanden Borre brands, measured at the time of the Darty acquisition in July 2016.

If there is impairment, the depreciation is recognized in operating income for the year. The goodwill recorded on the Group balance sheet comes primarily from the Darty acquisition in July 2016. The principal values of the goodwill and the brands is analyzed in Note 15.

18.1 / 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 used by the Group for the brands and for the Cash Generating Units with goodwill as of December 31, 2017 are as follows:

	Discount *		Perpetual growth	
	2017	**2016**	**2017**	**2016**
Cash Generating Units France	7.6%	7.4%	1.0%	1.0%
Cash Generating Units Belgium	7.6%	7.3%	1.0%	1.0%
Darty and Vanden Borre Brands	8.6%	N/A	1.0%	N/A

* *Weighted average cost of capital.*

Under the leadership of Enrique Martinez, who was named Chief Executive Officer in July 2017, the Group launched a new *"Confiance+"* strategic plan at year-end. This is the first Fnac Darty plan. This plan is backed by the strength of the two banners and on the solid progress of their consolidation. In addition to the plan for synergies of €130 million by the end of 2018, the Group's goal is to create the benchmark omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and partners to rely on a powerful specialized retail platform. The industrial agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France illustrates the Group's strengths in knowledge of product lines, and is part of the framework for the deployment of the Fnac Darty platform. In this way, Fnac Darty is targeting medium-term growth greater than its markets, and an operating margin of 4.5% to 5%.

During impairment tests on goodwill and the brands, the long-term growth assumptions used were determined by taking into account the growth rates recorded in recent years and the growth outlook resulting from the budget and strategic plan. Thus, the impacts expected from the *"Confiance+"* strategic plan have been integrated in the medium-term assumptions used for the impairment tests.

18.2 / Impairment tests of principal values

18.2.1 Determination of the recoverable value of the Cash Generating Units

For all Cash Generating Units, the recoverable value of the Cash Generating Unit was determined on the basis of 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 Cash Generating Unit. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans over 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 recoverable value of a Cash Generating Unit is the higher of its fair value less selling costs and its value-in-use.

The recoverable value of the brands was determined on the basis of the value in use of the brands defined by discounting the royalty savings (net of maintenance costs and taxes) that they generate. Projects of royalty savings were established in the second half on the basis of budgets and medium-term plans over a three-year horizon. For calculation of the value in use, a terminal value equal to capitalization to infinity of a normative savings is added to the value of the future savings expected.

The recoverable value of a brand is the higher of its fair value less selling costs and its value in use.

18.2.2 Assets and brands to be tested

- The net assets to be tested for each of the Cash Generating Units consist of the following:
  - goodwill;
  - net intangible assets;
  - net property, plant and equipment;
  - deposits and securities related to operating assets;
  - deferred taxes;
  - working capital requirement;
  - provisions for contingencies and expenses.
- The Darty and Vanden Borre brands are subject to a specific impairment test.

Pursuant to IAS 36, intangible or tangible capitalized assets are tested for impairment when there is evidence of a loss of value, and at least once a year for assets with an indefinite life span (goodwill and brands). The assets subject to impairment tests are grouped within Cash Generating Units that correspond to homogeneous sets of assets, the use of which generates identifiable cash flows.

When the recoverable value of a Cash Generating Unit is lower than its net book value, an impairment is recognized in operating income.

The book value of a Cash Generating Unit includes the book value of only the assets that can be directly attributed or assigned, on a reasonable and consistent basis, to the Cash Generating Unit, and which will generate future cash inflows used to determine the value-in-use. The book value of a brand corresponds to the value of the brand recorded on the Group’s balance sheet.

18.2.3 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2017, 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 Cash Generating Units or brands.

18.3 / Impairment recognized during the year

Asset impairment tests did not lead the Group to recognize impairment on any of the Group’s Cash Generating Units or on any of its brands.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	2017	2016 restated *
Equity investments	0.0	0.0
Financial assets available for sale	2.0	1.0
Deposits and guarantees	13.8	14.3
Other	0.1	0.3
TOTAL	**15.9**	**15.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, financial assets available for sale represent the investment in the Daphni Purple fund. Based on the net assets value of Daphni Purple, an impairment of €0.3 million was recorded as of December 31, 2017.

Deposits and securities represent the property lease guarantees and were depreciated by €0.1 million as of December 31, 2017.

NOTE 20 INVENTORIES

(€ million)	2016 restated *	Other changes	Change in scope	Foreign exchange fluctuations	2017
Gross sales inventory	1,095.3	12.8		(1.6)	1,106.5
Inventory impairment	(38.0)	4.2		0.1	(33.7)
NET INVENTORY VALUE	**1,057.3**	**17.0**	**0.0**	**(1.5)**	**1,072.8**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group 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.

Change in impairment *(€ million)*	2017	2016 restated *
AS OF JANUARY 1	**(38.0)**	**(17.0)**
(Allocations)/reversals	4.2	(2.3)
Included in consolidation	0.0	(19.2)
IFRS 5	0.0	0.6
Foreign exchange differences	0.1	(0.1)
AS OF DECEMBER 31	**(33.7)**	**(38.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 21 TRADE RECEIVABLES

(€ million)	2016 restated *	Other changes	Change in scope	Foreign exchange fluctuations	2017
Gross trade receivables	216.9	53.3	0.0	0.2	270.4
Impairment of trade receivables	(8.0)	2.8	0.0	(0.1)	(5.2)
NET VALUE	**208.9**	**56.1**	**0.0**	**0.1**	**265.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

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.

Change in impairment *(€ million)*	2017	2016 restated *
AS OF JANUARY 1	**(8.0)**	**(5.6)**
(Allocations)/reversals	2.8	(2.6)
Included in consolidation	0.0	0.0
IFRS 5	0.0	0.2
Foreign exchange differences	0.0	0.0
AS OF DECEMBER 31	**(5.2)**	**(8.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 22 CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT LIABILITIES

22.1 / Current assets and liabilities

(€ million)	2016 restated *	WCR cash flows	Other cash flows	Change in scope	Foreign exchange differences	2017
Inventories (1)	1,057.3	17.0			(1.5)	1,072.8
Trade receivables due (2)	208.9	56.1			0.1	265.1
Trade receivables payable (3)	(18.9)	(3.0)			(0.1)	(22.0)
NET TRADE RECEIVABLES (4)=(2)+(3)	**190.0**	**53.1**	**0.0**	**0.0**	**0.0**	**243.1**
Trade payables due (5)	(1,597.5)	(169.6)			1.5	(1,765.6)
Trade payables receivable and provisions (6)	149.4	22.7				172.1
NET TRADE PAYABLES (7)=(5)+(6)	**(1,448.1)**	**(146.9)**	**0.0**	**0.0**	**1.5**	**(1,593.5)**
Social security liabilities (8)	(299.2)	(42.6)			0.1	(341.7)
Tax payables and receivables (excluding income tax) (9)	(41.2)	52.9			0.4	12.1
Liabilities relating to commercial operations (10)	(215.9)	(4.0)			0.9	(219.0)
Deferred income and expenses (11)	(4.9)	2.0			(0.1)	(3.0)
Other (12)	(54.9)	12.2		0.1	(7.7)	(50.3)
OTHER OPERATING WCR (Σ 8 TO 12)	**(616.1)**	**20.5**	**0.0**	**0.1**	**(6.4)**	**(601.9)**
OPERATING WCR (Σ 1 TO 12)	**(816.9)**	**(56.3)**	**0.0**	**0.1**	**(6.4)**	**(879.5)**
Other current assets and liabilities	15.7		(12.0)		0.1	3.8
Payables and receivables for non-current operating assets	(20.2)		1.3		0.1	(18.8)
Tax receivables and payables due	(42.8)		37.6		8.1	2.9
CURRENT ASSETS AND LIABILITIES [(a)]	**(864.2)**	**(56.3)**	**26.9**	**0.1**	**1.9**	**(891.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*
(a) *Excluding current provisions, borrowings and short-term liabilities, and cash and cash equivalents.*

Because of the nature of its business activities, the Group'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 "Liabilities relating to commercial operations" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

Trade payables due primarily reflect the debts contracted with Group suppliers. They also include the debts that Group suppliers have assigned to financial institutions in the context of reverse factoring programs. The substance and characteristics of the liabilities in question are not substantially different.

22.2 / Other non-current liabilities

As of December 31, 2017, other non-current liabilities represented €194.6 million and represented the longer than one year portion of the products on the Darty warranty extensions. As of December 31, 2016, non-current liabilities represented €192.2 million.

NOTE 23 SHAREHOLDERS' EQUITY

23.1 / Capital stock

As of December 31, 2017, share capital was €26,658,135, consisting of 26,658,135 fully paid-up shares with a par value of €1. Compared with 2016, share capital increased by 535,364 shares, representing a value of €11.9 million, including issue premium. The capital increase was used to remunerate the performance option plans.

23.2 / Appropriate of earnings

No dividend was paid in 2017 for 2016.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group 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 the Group 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.

The Group has no obligations with respect to medical costs.

UK pension fund

The British Comet pension fund reflects the pension commitment for former Comet employees in the United Kingdom.

Supplementary retirement benefits

A defined benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the year

Changes in the value of the accrued benefits under the defined benefit plans are as follows:

(€ million)	2017	2016 restated *
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**816.3**	**88.3**
Cost of services provided during the period	10.5	8.0
Contributions paid by the members	0.5	0.5
Financial interest expense	2.9	1.8
Cost of past services	0.3	(0.2)
Revaluation of liabilities	21.3	28.1
Reductions	(7.1)	(2.4)
Benefits paid	(23.5)	(9.2)
Change in scope	0.0	701.9
Fluctuations in foreign currency exchange rates	(23.2)	(0.4)
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**798.0**	**816.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

An increase in obligations in 2016 was mainly related to the consolidation of the Darty Group, with the assumption of the Comet UK pension fund (formerly the Darty Group) with continuing obligations.

The breakdown of the discounted value of the obligation by type of plan and by country as of December 31, 2017 is as follows:

(€ million)	2017	2016 restated *
Pension funds – UK	610.2	632.0
End-of-career allowances – France	160.2	154.8
Supplementary pension plans (LPP) – Switzerland	12.1	13.1
Supplementary retirement benefits – France	7.7	9.0
Long-service awards – France	7.4	7.2
Other	0.4	0.2
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**798.0**	**816.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Changes in the fair value of the assets of defined benefit plans are as follows:

(€ million)	2017	2016 restated *
FAIR VALUE OF THE ASSETS UNDER DEFINED BENEFIT PLANS AS OF JANUARY 1	**630.0**	**10.9**
Employer contributions	9.6	6.8
Contributions paid by the members	0.5	0.5
Financial interest on assets	0.4	0.4
Benefits paid	(21.7)	(9.0)
Actual return on assets	21.3	16.8
Other	(0.1)	(0.1)
Change in scope	0.0	603.6
Fluctuations in foreign currency exchange rates	(21.8)	0.1
FAIR VALUE OF DEFINED-BENEFIT PLANS AS OF DECEMBER 31	**618.2**	**630.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

For all plans, the payments of expected benefits in 2018 are estimated at €24.0 million.

As of December 31, 2017, 48.2% of funded defined benefit plans were invested in debt instruments.

The assets of the British Comet pension fund can be divided into two types of categories:

1. investment funds structured on the return;
2. guarantee funds with limited risk.

A liability hedge has also been set up to cover the risks related to interest rates and inflation.

The reconciliation of the balance sheet data and the actuarial obligation of the defined benefit plans is as follows:

(€ million)	2017	2016 restated *	2015	2014	2013
Discounted value of the commitment	798.0	816.3	88.3	79.2	69.1
Fair value of the defined benefit plan assets	(618.2)	(630.0)	(10.9)	(10.1)	(10.5)
DEFICIT/(SURPLUS)	**179.8**	**186.3**	**77.4**	**69.1**	**58.6**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**179.8**	**186.3**	**77.4**	**69.1**	**58.6**
including provisions – continuing operations	*179.8*	*186.3*	*77.4*	*69.1*	*58.6*
including provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2017	2016 restated *
Pension funds – UK	18.6	30.8
End-of-career allowances – France	141.1	133.8
Supplementary pension plans (LPP) – Switzerland	4.6	5.3
Supplementary retirement benefits – France	7.7	9.0
Long-service awards – France	7.4	7.2
Other	0.4	0.2
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**179.8**	**186.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

24.2 / Expenses recognized

The total expense of €6.3 million in 2017 (versus €6.8 million in 2016) recognized for defined benefit plans can be analyzed as follows:

(€ million)	2017	2016 restated *
Cost of services provided	10.5	7.8
Other costs	0.1	0.1
Net financial cost	2.5	1.5
Cost of past services taken to income	0.3	(0.2)
Decreases and payments	(7.1)	(2.4)
TOTAL EXPENSE	**6.3**	**6.8**
Including recognized as operating expenses	*3.8*	*5.3*
as net financial expense	*2.5*	*1.5*
as discontinued operations	*0.0*	*0.0*

* *Restated for valuation of identifiable Darty assets and liabilities.*

Over 2017, the revaluation of the net liabilities for the defined benefit commitments had no impact on result. (Loss of €11.1 million in 2016).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty's obligations are as follows:

	2017	2016
Discount rate	2.4% (UK) – 0.75% (Switzerland) – 1.55% (France)	2.9% (UK) – 0.75% (Switzerland) – 1.60% (France)
Expected rate of increase in salaries	1.50%	1.50%

Pursuant to amended IAS 19, 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.

The sensitivity analysis given the assumed discount rates plus or minus 50 basis points is provided in the following table:

(€ million)	End-of-career allowances	Long-service awards – France	Supplementary pension plans (LPP) – Switzerland	Supplementary retirement benefits – France	Pension funds – UK	Total
Discount rate -50 basis points	171.5	7.7	12.9	7.8	683.2	**883.1**
Discounted value of the 2017 commitment	160.6	7.4	12.1	7.7	610.2	**798.0**
Discount rate +50 basis points	150.5	7.2	11.2	7.7	544.9	**721.6**

NOTE 25 PROVISIONS

(€ million)	2016 restated *	Allocation	Reversal used	Reversal not used	Change in scope	Foreign exchange differences	IFRS 5 flows	2017
Provisions for restructuring	0.5	41.0	(0.5)	0.0	0.0	0.0	0.0	41.0
Provisions for litigation and disputes	26.8	11.7	(6.6)	(5.1)	0.0	0.0	0.0	26.8
Other provisions	5.1			(0.4)	0.0	0.0	0.0	4.7
CURRENT PROVISIONS	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
TOTAL	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
IMPACT ON OPERATING INCOME		**(52.7)**		**5.5**				**(47.2)**
■ Current operating income		(6.1)		4.5				(1.6)
■ Other non-current operating income and expenses		(46.6)		1.0				(45.6)

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, the change in provisions for contingencies and expenses was heavily affected by the increase in provisions for restructuring related to the implementation of the new Group organization, the proposed change in the organization and optimization of After-Sales Service and the closing of the Fnac Wissous 2 logistics warehouse.

The provisions for disputes and litigation primarily cover commercial and labor disputes and litigation, excluding restructuring with third parties.

(€ million)	2015	Allocation	Reversal used	Reversal not used	Change in scope	Foreign exchange differences	IFRS 5 flows	2016 restated *
Provisions for restructuring	1.8	0.0	(1.4)	(0.2)	0.3	0.0	0.0	0.5
Provisions for litigation and disputes	9.6	2.6	(4.6)	(3.0)	27.0	0.0	(4.8)	26.8
Other provisions	2.4	0.8	(0.7)	(1.1)	5.1	0.0	(1.4)	5.1
CURRENT PROVISIONS	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
TOTAL	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
IMPACT ON OPERATING INCOME		**(3.4)**		**4.3**				**0.9**
■ Current operating income		(2.7)		3.0				0.3
■ Other non-current operating income and expenses		(0.7)		1.3				0.6

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the change in provisions for contingencies and expenses was strongly impacted by the consolidation of the Darty Group (€32.4 million) and by the reclassification of the Fnac Brazil provisions as liabilities related to assets held for sale for the sale of Fnac Brazil (€-6.2 million).

The IFRS 5 flows in 2016 reflect the reclassification of provisions for contingencies and expenses for Fnac Brazil to the line “debts associated with assets held for sale” on the balance sheet.

NOTE 26 CASH AND CASH EQUIVALENTS

26.1 / Analysis by cash category

This item breaks down as follows:

(€ million)	2017	2016 restated *
Cash	766.4	272.9
Cash equivalents	8.5	383.1
TOTAL	**774.9**	**656.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, cash equivalents consisted of €8.5 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of the Group's share listing.

As of December 31, 2016, cash equivalents comprised Sicavs (open-ended investment funds) and three interest-bearing accounts. The Sicavs also include €6.0 million allocated as part of the establishment of the liquidity contract.

The items that the Group 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 the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2016, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Analysis by currency

(€ million)	2017	%	2016 restated *	%
Euro	756.8	97.7%	639.0	97.4%
Swiss franc	9.0	1.2%	11.4	1.7%
US dollar	8.8	1.1%	4.4	0.7%
Pound sterling	0.3	0.0%	0.8	0.1%
Other currencies	0.0	0.0%	0.4	0.1%
TOTAL	**774.9**	**100.0%**	**656.0**	**100.0%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 27 FINANCIAL DEBT

27.1 / Analysis of debt by maturity

(€ million)	2017	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**853.8**	**20.0**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0	20.0	50.0	80.0	50.0		
Finance lease liabilities	3.8		1.9	1.4	0.5		
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**7.2**	**7.2**					
Capitalized interest on 2023 bond	5.3	5.3					
Finance lease liabilities	1.9	1.9					
Bank overdrafts	0.0	0.0					
Other financial liabilities	0.0	0.0					
TOTAL	**861.0**	**27.2**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
%		**3.2%**	**6.0%**	**9.5%**	**5.9%**	**0.0%**	**75.5%**

In order to finance the acquisition of Darty in 2016 and to finance Group operations, Fnac Darty issued €650 million in bonds and a draw from a medium-term credit facility of €200 million.

(€ million)	2016 restated *	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**854.9**		**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Finance lease liabilities	4.9		2.1	1.5	0.8	0.5	
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**8.2**	**8.2**					
Capitalized interest on 2023 bond	5.6	5.6					
Finance lease liabilities	2.2	2.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.3	0.3					
TOTAL	**863.1**	**8.2**	**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
%		**1.0%**	**2.6%**	**6.0%**	**9.4%**	**5.9%**	**75.3%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

27.2 / Analysis by repayment currency

(€ million)	2017	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2016 restated *	%
Euro	861.0	853.8	7.2	100.0%	863.1	100.0%
TOTAL	**861.0**	**853.8**	**7.2**		**863.1**	

* *Restated for valuation of identifiable Darty assets and liabilities.*

27.3 / Gross debt by category

The Group's gross debt is as follows:

(€ million)	2017	2016 restated *
2023 Bond	655.3	655.6
Medium-term credit facility	200.0	200.0
Finance lease liabilities	5.7	7.1
Bank overdrafts	0.0	0.1
Other financial liabilities	0.0	0.3
TOTAL	**861.0**	**863.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 28 EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2017, exposure to various market risks was as follows:

28.1 / Exposure to interest rate risks

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturity for 2017		
(€ million)	2017	Less than one year	One to five years	More than five years
Investment securities and cash	675.1	675.1		
FLOATING-RATE FINANCIAL ASSETS	**675.1**	**675.1**	**0.0**	**0.0**
Other financial liabilities	205.7	21.9	183.8	0.0
FLOATING-RATE FINANCIAL DEBT	**205.7**	**21.9**	**183.8**	**0.0**

(€ million)	2016 restated *	Less than one year	One to five years	More than five years
		Maturity for 2016		
Investment securities and cash	581.1	581.1		
FLOATING-RATE FINANCIAL ASSETS	**581.1**	**581.1**	**0.0**	**0.0**
Other financial liabilities	207.5	2.6	204.9	0.0
FLOATING-RATE FINANCIAL DEBT	**207.5**	**2.6**	**204.9**	**0.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Interest rate risk sensitivity analysis

As of December 31, 2017, on the basis of the items presented above, an interest rate change of around 50 basis points would not have a significant impact on the Group's consolidated income before tax over a full year.

(€ million)	Impact on income
As of December 31, 2017	
Increase of 50 basis points	(0.0)
Decrease of 50 basis points	0.0

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

28.2 / Exposure to currency risks

Fnac Darty uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks.

In addition, the Group may implement simple optional strategies (purchase of options or tunnels) to hedge future exposure.

In accordance with IAS 39, these derivatives are analyzed with regard to hedge accounting eligibility criteria. These foreign exchange derivatives are recognized on the balance sheet at their market value at the accounting year-end.

Fnac Darty's currency derivatives managed for hedging purposes are not documented as part of the IAS 39 hedge accounting and are therefore recognized as derivatives for which a change in fair value impacts financial income.

As of December 31, 2017 and December 31, 2016, these derivatives mainly included a currency hedge contract in dollars.

(€ million)	2017	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**50.4**	**0.0**	**50.4**	**0.0**	**0.0**	**0.0**
Forward purchases & forward swaps	50.4		50.4			0.0

(€ million)	2016 restated *	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**58.6**	**0.0**	**57.6**	**1.0**	**0.0**	**0.0**
Forward purchases & forward swaps	58.6		57.6	1.0		

* *Restated for valuation of identifiable Darty assets and liabilities.*

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The Group's balance sheet exposure to non-euro currencies as of December 31, 2017 was as follows:

(€ million)	2017	US dollar	Swiss franc	Pound sterling	Chinese yuan
Exposed trade receivables	1.5		1.5		
Other exposed financial assets	18.1	8.8	9.0	0.3	
Exposed trade payables	14.3		14.3		
Exposed financial debt	0.0				
GROSS BALANCE SHEET EXPOSURE	**5.3**	**8.8**	**(3.8)**	**0.3**	**0.0**
Hedging instruments	0.0				
GROSS EXPOSURE AFTER MANAGEMENT	**5.3**	**8.8**	**(3.8)**	**0.3**	**0.0**

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 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.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Fnac Darty 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 (primarily the US dollar).

28.3 / Exposure to risks of market price fluctuations

In the context of its current operations, the Group trades the shares issued by the Group. As of December 31, 2017, no derivative instrument was used to hedge equity risk in the sense of IAS 39.

28.4 / Other market risks – Credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by the Group. In general, the Group does not consider itself to be exposed to a particular credit risk on its financial assets.

28.5 / Liquidity risk

Management of the liquidity risk of the Group and each of its subsidiaries is closely and periodically assessed by the Group 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.

Cash flow relating to foreign exchange derivatives is not significant.

	2017				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	861.0	(861.0)	(27.2)	(183.8)	(650.0)
Trade payables	1,764.0	(1,764.0)	(1,764.0)		
TOTAL	**2,625.0**	**(2,625.0)**	**(1,791.2)**	**(183.8)**	**(650.0)**

(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
	2016 restated *				
Other financial liabilities	863.1	(863.1)	(8.2)	(204.9)	(650.0)
Trade payables	1,597.6	(1,597.6)	(1,597.6)		
TOTAL	**2,460.7**	**(2,460.7)**	**(1,605.8)**	**(204.9)**	**(650.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 29 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

	2017	Breakdown by accounting classification					2016 restated *
(€ million)	Market value	Balance sheet value	Fair value through profit or loss	Fair value through equity	Amortized cost	Valuation level	Balance sheet value
NON-CURRENT ASSETS							
Non-current financial assets	15.9	15.9		2.0	13.9		15.6
Available-for-sale assets	*2.0*	*2.0*		*2.0*		*Level 2*	*1.0*
Deposits and guarantees	*13.8*	*13.8*			*13.8*		*14.3*
Other non-current financial assets	*0.1*	*0.1*			*0.1*		*0.3*
CURRENT ASSETS							
Trade receivables	265.1	265.1			265.1		208.9
Other current financial assets	22.3	22.3		0.0	22.3		25.7
Asset derivative instruments with hedge accounting	*0.0*	*0.0*		*0.0*		*Level 2*	*1.8*
Other current financial assets	*22.3*	*22.3*			*22.3*		*23.9*
Cash and cash equivalents	774.9	774.9	774.9			Level 1	656.0
NON-CURRENT LIABILITIES							
Long-term borrowings and financial debt	884.0	853.8			853.8		854.9
2023 Bond	*680.2*	*650.0*			*650.0*	*Level 1*	*650.0*
Medium-term credit facility	*200.0*	*200.0*			*200.0*		*200.0*
Finance lease liabilities	*3.8*	*3.8*			*3.8*		*4.9*
CURRENT LIABILITIES							
Short-term borrowings and financial debt	7.2	7.2			7.2		8.2
Other current financial liabilities	18.5	18.5		0.8	17.7		10.0
Derivative instrument liabilities with hedge accounting	*0.8*	*0.8*		*0.8*		*Level 2*	*0.0*
Other current financial liabilities	*17.7*	*17.7*			*17.7*		*10.0*
Trade payables	1,765.6	1,765.6			1,765.6		1,597.5

* *Restated for valuation of identifiable Darty assets and liabilities.*

IFRS 13 requires ranking the different valuation techniques for each of the financial instruments. As a result, the Group distinguishes three categories of financial instruments based on the two valuation methods used (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the features of the financial instruments recognized on the balance sheet at fair value through profit or loss at the closing date:

- **level 1 category:** financial instruments quoted in an active market;
- **level 2 category:** financial instruments for which valuation at fair value uses valuation techniques based on observable market parameters;
- **level 3 category:** financial instruments for which measurement at fair value uses valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transaction prices on 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.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	2017	2016 restated *
Gross financial debt	861.0	863.1
Cash and cash equivalents	(774.9)	(656.0)
NET FINANCIAL DEBT	**86.1**	**207.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €774.9 million as of December 31, 2017 and corresponds to the cash and cash equivalents presented in the cash flow statement.

(€ million)	2017	2016 restated *
BALANCE SHEET CASH AND CASH EQUIVALENTS	**774.9**	**656.0**
Bank overdrafts	0.0	0.1
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**774.9**	**655.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The change in cash and cash equivalents between December 31, 2016 and December 31, 2017 was an increase of €119.0 million.

	As of December 31	
(€ million)	**2017**	**2016 restated** *
Net cash flows from operating activities	311.1	246.5
Net cash flows from investing activities	(113.7)	(1,116.6)
Net cash flows from financing activities	(19.9)	987.6
Net cash flows from discontinued operations	(56.2)	(7.6)
Impact of fluctuations in foreign exchange rates	(2.3)	1.4
NET CHANGE IN CASH	**119.0**	**111.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

31.1 / 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:

	As of December 31	
(€ million)	**2017**	**2016 restated** *
Cash flow before tax, dividends and interest	353.1	200.0
Change in working capital requirement	56.3	84.0
Income tax paid	(98.3)	(37.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**311.1**	**246.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, net flows from operating activities generated a resource of €311.1 million. Flows benefited from the improvement in current operating income tied to the implementation of the Darty integration strategy and, to a lesser extent than in 2016, from the continuation of action plans designed to improve working capital requirements.

The composition of cash flow before tax, dividends and interest was as follows:

(€ million)	2017	2016 restated *
Net income from continuing operations	**124.5**	**24.1**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	140.7	74.9
Current proceeds from the disposal of operating assets	0.9	2.5
Non-current proceeds from the disposal of operating assets	1.1	3.4
Non-current proceeds from disposal of financial assets	0.2	2.4
Deferred tax income and expense	(12.4)	6.5
Discounting of provisions for pensions & other similar benefits	3.1	29.5
IFRS valuation of Darty plc shares	0.0	(14.0)
Other items without impact on cash	0.0	(0.2)
CASH FLOW	**258.1**	**129.1**
Financial interest income and expense	34.4	54.3
Dividends received	(0.1)	(0.1)
Net tax expense payable	60.7	16.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST	**353.1**	**200.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

31.2 / 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).

The operating and financial investments made by the Group in 2017 amounted to €113.7 million. Over 2016, they represented an expenditure of €1,116.6 million.

(€ million)	2017	2016 restated *
Net operating investments	(111.9)	(95.7)
Net financial investments	(1.8)	(1,020.9)
CASH FLOWS FROM INVESTING ACTIVITIES	**(113.7)**	**(1,116.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The net operating investments made by the Group in 2017 represented an expense of €111.9 million, most of which is comprised of acquisitions of intangible assets and property, plant and equipment made primarily to open new stores (in France, Spain, Portugal and Belgium), automate logistics warehouses, create Darty space in Fnac stores, install kitchen spaces in the Darty network, increase IT costs to support the generation of synergies within the Group, and digitize existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy, particularly the complementary features of the Fnac and Darty banners, the omnichannel and the digital segments.

(€ million)	2017	2016 restated *
Acquisitions of non-current intangible assets	(43.2)	(31.1)
Acquisitions of property, plant & equipment	(69.4)	(57.5)
Change in advances & installments on non-current assets	0.0	0.0
Change in debt for non-current assets	(1.3)	(9.0)
TOTAL ASSET ACQUISITIONS	**(113.9)**	**(97.6)**
Disposals of non-current assets	2.0	1.9
TOTAL ACQUISITIONS AND DISPOSALS OF NON-CURRENT ASSETS	**(111.9)**	**(95.7)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group's net financial investments represented an outflow of €1.8 million in 2017 (versus an outflow of €1,020.9 million in 2016).

	As of December 31	
(€ million)	2017	2016 restated *
Purchases of subsidiaries net of cash acquired	(0.3)	(1,020.7)
Disposals of subsidiaries net of cash transferred	0.0	(1.3)
Acquisitions of other financial assets	(1.5)	(0.9)
Disposals of other financial assets	0.0	1.4
Interest and dividends received	0.0	0.6
(NET) FINANCIAL INVESTMENTS	**(1.8)**	**(1,020.9)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, purchases of subsidiaries net of cash acquired represent the adjustments to the Darty acquisition price, and the acquisitions of other financial assets includes the €1.5 million investment in the Daphni Purple fund. The Group also agreed to underwrite the remaining 69% of shares for €4.8 million.

In 2016, purchases of subsidiaries net of cash acquired represented the financial cash flows resulting from the Darty acquisitions for €1,018.7 million and a €2.0 million disbursement to acquire a 50% stake in the Izneo company. Disposals of subsidiaries net of cash transferred represent a cash outflow of €1.3 million in the context of the sale of its call center business. Acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple Fund.

31.3 / 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.

	As of December 31	
(€ million)	**2017**	**2016 restated** *
Increase/decrease in capital	11.9	157.1
Other transactions with shareholders	(3.9)	3.9
Purchases or sales of treasury shares	4.2	0.0
Dividends paid to shareholders	(0.2)	0.0
Bonds issued	0.0	650.0
Increase/Decrease in other financial debt	(2.5)	200.0
Interest and equivalent payments	(20.9)	(18.5)
Financing of Comet pension fund	(8.5)	(4.9)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(19.9)**	**987.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net cash flows from financing activities amounted to a net expenditure of €19.9 million in 2017 and a resource of €987.6 million in 2016.

In 2017, the capital increase of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the debt to the option plan beneficiaries who had paid €3.9 million over 2016. In 2016, the capital increase represented the 2,944,901 shares created to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

In 2017, inflows for the acquisition of treasury shares primarily represent the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also includes the outflows and inflow related to the acquisition of Fnac Darty shares executed in the context of the liquidity contract opened on June 19, 2013 with Rothschild & Cie Banque. As of December 31, 2017, the Group held no treasury shares.

In 2017, the decrease of €2.5 million in other financial liabilities reflects the reductions in finance lease liabilities. This flow has no cash counterpart.

In 2016, to finance the acquisition of Darty, Fnac Darty issued €650.0 million in bonds and set up a €200.0 million medium-term credit facility.

The interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item includes an amount of €10.0 million received by the Group as a cash advance made by Crédit Agricole for the financial compensation receipts from loans and payment cards.

In 2017, excluding the decrease of €2.5 million in financial debt, all flows presented have a cash contra.

31.4 / Financing of the Comet pension fund

The financing of the British Comet pension fund which was integrated in the Darty plc acquisition represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was £4.0 million per year, versus £10.0 million previously. This flow has no cash contra.

NOTE 32 DISCONTINUED OPERATIONS

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.

On July 19, Fnac Darty signed an agreement to sell its Fnac Brazil subsidiary to the Livraria Cultura Group.

Present in Brazil since 1999, with a network of 12 Fnac stores and a website, in late 2016 Fnac Darty initiated an established process to find a partner in an effort to give Fnac Brazil critical mass.

Livraria Cultura is a longstanding player in the sale of editorial products in Brazil, with a network of 18 stores and a recognized online offer. Livraria Cultura offers an ambitious industrial plan for Fnac Brazil and will build on the strong name recognition of the Fnac network and the expertise of its teams to continue its development strategy. This combination of two groups with close cultures engaged in cultural promotion in Brazil will create value and synergies. It will allow Livraria Cultura to diversify its activity with the contribution of Fnac consumer electronics.

In order to give a new entity all the resources to position itself among the leaders in its market, Fnac Darty authorized continued use of the Fnac brand for a period of two years and has proceeded to a recapitalization.

In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations," and is restated in the cash flow statement.

32.1 / Net income from discontinued operations

(€ million)	2017	2016 restated *
INCOME FROM ORDINARY ACTIVITIES	**58.5**	**118.6**
Cost of sales	(45.7)	(91.5)
GROSS MARGIN	**12.8**	**27.0**
Personnel expenses	(6.8)	(11.3)
Other current operating income and expenses	(13.1)	(22.2)
CURRENT OPERATING INCOME	**(7.1)**	**(6.5)**
Other non-current operating income and expenses	(75.1)	(12.0)
OPERATING INCOME	**(82.1)**	**(18.6)**
(Net) financial expense	(4.8)	(2.7)
PRE-TAX INCOME	**(87.0)**	**(21.2)**
Income tax	0.0	(0.4)
NET INCOME	**(87.0)**	**(21.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net income from discontinued operations includes the Fnac Brazil activity in the amount of €-87.6 million in 2017 and €-21.1 million in 2016. In 2017, net income related to Fnac Brazil includes all costs related to the activity of Fnac Brazil until the date of sale on July 19, 2017, and all the costs related to the sale of Fnac Brazil after its recapitalization.

In 2017 it also includes net income of €0.6 million for the discontinued operations of the Darty brand in Italy and Turkey. In 2016, these activities represented a net loss of €0.5 million.

32.2 / Net cash flows from discontinued operations

(€ million)	2017	2016 restated *
Net cash flows from operating activities	(19.2)	(2.7)
Net cash flows from investing activities	0.0	0.0
Net cash flows from financing activities	0.0	(3.2)
NET CASH FLOWS	**(19.2)**	**(5.9)**
Cash at start of period or net cash flow and change in intra-group cash flows	(37.0)	(1.7)
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(56.2)**	**(7.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, net cash flows from discontinued activities include the activity of Fnac Brazil until the date of sale for a net flow of €-15.0 million and the flows related to the recapitalization and debt write-offs for €-41.2 million. In 2016, net cash flows from discontinued operations include the activity of Fnac Brazil for a net flow of €-7.6 million.

32.3 / Assets held for sale and liabilities associated with assets held for sale

(€ million)	2017	2016 restated *
Assets held for sale	**3.1**	**64.0**
Inventories Fnac Brazil	*0.0*	*22.2*
Trade receivables Fnac Brazil	*0.0*	*16.4*
Receivables from suppliers Fnac Brazil	*0.0*	*2.3*
Other current assets Fnac Brazil	*0.0*	*21.6*
Assets relating to stores being sold	*3.1*	*1.6*
Liabilities relating to assets held for sale	**6.2**	**37.6**
Liabilities relating to assets held for sale Brazil	*0.0*	*32.3*
Liabilities relating to stores being sold	*6.2*	*5.3*
FNAC BRAZIL TRANSLATION GAIN/(LOSS) RECOGNIZED IN EQUITY	**0.0**	**(0.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the assets held for sale and liabilities associated with assets held for sale include the assets and liabilities associated with Fnac Brazil, which were sold on July 19, 2017, and the points of sale to be sold at the request of the Competition Authority on July 18, 2016.

The points of sale to be sold in 2016 were the stores Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen, Darty Vélizy and the Darty Cuisine in Wagram.

In 2017, three stores were sold to buyers approved by the Competition Authority. These were the Darty Wagram, Darty Vélizy and Darty Italie 2 stores.

The other three stores have still not been sold.

On September 11, 2017, the Competition Authority published an opinion on the conditions for executing the commitments made under Decision 16-DCC-11 of July 27, 2016 for the exclusive takeover of Darty by Fnac.

For two of the three points of sale not yet sold, Fnac Darty submitted a buyer, as required by its commitments, to the Authority which did not approve the buyer. For the third point of sale, Fnac Darty requested an extension in the deadline for meeting its commitment, which the Authority refused. In this context, the Board of the Competition Authority decided to intervene to verify the conditions under which the Group is executing the commitments it made. This decision does not in any manner prejudice the consequences that may follow. Fnac Darty continues to examine several options for resolving this as soon as possible.

Moreover, in the context of the sale of Darty points of sale (Velizy 2, Italie 2 and Wagram), guarantees were delivered to the buyers to guarantee rents in a total amount of €14.9 million.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group'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	More than five years	2017
Operating lease agreements	206.4	279.6	49.0	535.0
Irrevocable purchase obligations	21.9	13.5	0.0	35.4
TOTAL COMMITMENTS GIVEN	**228.3**	**293.1**	**49.0**	**570.4**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	More than five years	2016 restated *
Operating lease agreements	218.9	332.2	36.5	587.5
Irrevocable purchase obligations	22.7	15.2	0.0	37.9
TOTAL COMMITMENTS GIVEN	**241.6**	**347.4**	**36.5**	**625.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

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 canceled by the lessee. They mainly correspond to non-cancelable 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)	2017	2016
Less than one year	(3.9)	(2.2)
One to five years	(1.8)	(4.9)
Over five years		
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(5.7)**	**(7.1)**

33.2 / Pledges and security interests

In the context of the Darty acquisition, in 2016 the Group established new sources of financing intended to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

The Senior Credit Facility totaling €600.0 million matures five years from the date it was signed, April 20, 2016.

It is comprised of two lines:

1. a €200.0 million medium-term loan (Senior Term Loan Facility) repayable after the thirtieth month;
2. a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonal nature of its activities.

In addition, on September 22, 2016, Fnac Darty successfully issued €650.0 million of senior bonds with a seven-year maturity.

In order to secure these financing lines obtained by Fnac Darty, the following companies of the Group were the guarantors: Fnac Darty Participation Service, Fnac Direct, Etablissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	Less than one year	One to five years	More than five years	2017	2016 restated *
Amount of line of credit not used at end of period	0.0	400.0	0.0	400.0	400.0
Amount of line of credit used at end of period	0.0	0.0	0.0	0.0	0.0
Other guarantees received	13.3	10.7	23.7	47.7	46.1
TOTAL COMMITMENTS RECEIVED	**13.3**	**410.7**	**23.7**	**447.7**	**446.1**
Commitment given relating to the acquisition of Darty plc	0.0	0.0	0.0	0.0	0.0
Rent guarantees and real estate securities	6.7	17.6	16.3	40.6	41.8
Other commitments	99.5	38.2	76.0	213.8	125.7
TOTAL COMMITMENTS GIVEN	**106.2**	**55.8**	**92.3**	**254.4**	**167.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The revolving line of credit ("Revolving Facility") in the amount of €400.0 million was not drawn as of December 31, 2016 and December 31, 2017, and is therefore an off-balance sheet commitment.

The change in other commitments given is primarily related to a new security interest of £60.0 million (equivalent of €67.6 million), with a 20-year term from July 31, 2017, given by the Group in order to secure its obligations in the British Comet pension fund. This security is in addition to the guarantee of €23.0 million pounds (€25.9 million) given by Darty in 2012, at the time of the assignment of Comet, and renewed until February 1, 2022. Moreover, in the context of the sale of Darty points of sale (Velizy 2, Italie 2 and Wagram), guarantees were issued to the buyers to guarantee rents in a total amount of €14.9 million.

33.4 / Group dependence on patents, licenses or supply agreements

The Group is not heavily dependent on patents, licenses or supply agreements.

33.5 / Proceedings and litigation

The Group'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.

According to their experts, none of the disputes in which the Group's companies or businesses are involved threatens the Group's normal and foreseeable course of business or its planned development.

The Group 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 Group level, when considered on a stand-alone basis.

The Group 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 the Group.

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Fnac Darty

As of December 31, 2017, the Ceconomy Retail International group held 24.20% of the capital and 24.20% of the voting rights in Fnac Darty.

As of December 31, 2017, the Vivendi Universal Group owned 11.05% of Fnac Darty's share capital and 11.05% of the voting rights.

In 2017, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

The main transactions over 2017 of the Vivendi Universal Group within Fnac Darty between all consolidated companies of the Group and the parties related to the Vivendi Universal group were the following:

- reinvoicing by the Universal Group, a musical products supplier, in the total amount of €25.3 million excluding tax;
- reinvoicing by Activation Blizzard, a digital products supplier, for a total amount of €5.9 million excluding tax;
- reinvoicing by the Universal Group, a musical products customer, in the total amount of €0.2 million excluding tax;
- reinvoicing by the L'Olympia Group, a ticket sales provider, in the total amount of €5.3 million excluding tax;
- reinvoicing by the Canal+ Group, a subscription services provider, in the total amount of €0.2 million excluding tax.

Until August 24, 2017, the Kering group (Artémis subsidiary) was an affiliated party of Fnac Darty. Artémis sold its stake in the capital of Fnac Darty on August 24, 2017. As a result, the Kering group is no longer affiliated with Fnac Darty as of December 31, 2017.

In 2017, reinvoicing for IT services by the Kering group represented a total of €2.0 million excluding tax.

In 2016, the main transactions between all the Group's consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

- reinvoicing by the Kering Group for IT services in the amount of €3.3 million excluding tax.

In 2016, the main transactions between all the Group's consolidated companies and the parties linked to the Vivendi Universal group were the following:

- reinvoicing by the Universal Group, a musical products supplier, for a total of €17.4 million excluding tax;
- reinvoicing by the Universal Group for musical products, for a total of €1.0 million excluding tax;
- reinvoicing by L'Olympia, a ticket sales provider, for a total of €3.9 million excluding tax.

NOTE 35 REMUNERATION OF EXECUTIVE OFFICERS

Short-term benefits

The scope for the principal officers now corresponds to the Executive Committee of the new Group. The remuneration recorded as expense was the following:

(€ million)	2017 [a]	2016 [a]
Short-term benefits	11.6	10.0
Severance packages	1.0	0.0

(a) Amounts including employee social security costs.

Long-term benefits

In 2017, five multi-year variable remuneration plans based on units of value, performance options and bonus shares expired in whole or in part.

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 rate of the Fnac share price was also revised downward to 25%. The expense measured in accordance with IFRS 2 of these multi-year compensation plans amounted to €6.0 million charged in 2017 and €13.1 million in 2016. Final vesting of these plans is subject to performance and continued employment conditions. All these instruments are disclosed in section 5, note 7.

The 2014 units of value plan expired on February 28, 2017. Vesting in the plan was subject to performance conditions (average market closing prices for February 2016 at €55.33), which were achieved. For the Executive Committee, payment of the final third of the value units was tied to a condition of employment at February 28, 2017. The cash payment was made over the month of February 2017 for a total of €2.0 million, including employer contributions.

The 2015 bonus share plan expired on February 28, 2017 for French residents. Vesting in the plan was subject to performance conditions (average market closing prices for February 2017 at €58.61), which were achieved; 100% of the shares were vested for the beneficiaries present on February 28, 2017. These shares may be sold at the end of a two-year holding period. The cash payment for the Chairman and Chief Executive Officer was made in March 2017 in the amount of €1.6 million, including employer's charges (see section 3.3.2).

The third tranche of the 2013 performance option plan was vested on March 31, 2017. Based on the average closing price of the Fnac Darty share over the 20 trading days before March 31, 2017 (average of €67.46) and the performance conditions, 100% of the options in the third tranche were vested to beneficiaries in service on March 31, 2017. These options were exercised between April 1 and April 30, 2017 or paid in cash in April 2017 for the Chairman and Chief Executive Officer. The amount paid in April 2017 to the Chairman and Chief Executive Officer was €6.8 million including employer charges (see section 3.3.2).

The second tranche of the 2014 performance option plan was vested on September 30, 2017. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer. The amount paid in October 2017 to the Chairman and Chief Executive Officer was €4.9 million including employer charges (see section 3.3.2).

The first tranche of the 2015 performance option plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or cashed in October 2017 for the Chairman and Chief Executive Officer. The amount paid in October 2017 to the Chairman and Chief Executive Officer was €1.5 million including employer charges (see section 3.3.2).

NOTE 36 AUDITORS' FEES

The fees (excluding taxes) paid to the Auditors of Fnac Darty, the parent company of the Group and associated network, can be analyzed as follows:

	2017							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
■ Issuer	0.2	27%	0.0	0%	0.2	33%	0.0	0%
■ Fully consolidated subsidiaries	0.3	45%	0.2	86%	0.3	54%	0.2	100%
SUBTOTAL	**0.5**	**72%**	**0.2**	**86%**	**0.5**	**86%**	**0.2**	**100%**
Services other than certification of financial statements								
■ Issuer	0.2	25%	0.0	0%	0.1	13%	0.0	0%
■ Fully consolidated subsidiaries	0.0	3%	0.0	14%	0.0	1%	0.0	0%
SUBTOTAL	**0.2**	**28%**	**0.0**	**14%**	**0.1**	**14%**	**0.0**	**0%**
TOTAL	**0.7**	**100%**	**0.2**	**100%**	**0.6**	**100%**	**0.2**	**100%**

Services other than certification of the financial statements consist primarily of consulting assignments on internal control, technical consultations, and various certifications.

	2016									
	Deloitte & Associés				KPMG				Price Waterhouse Coopers	
	Statutory Auditors		Network		Statutory Auditors		Network		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements										
■ Issuer	0.3	38%	0.0	0%	0.3	43%	0.0	0%	0.0	0%
■ Fully consolidated subsidiaries	0.2	25%	0.2	100%	0.2	29%	0.2	100%	1.5	100%
SUBTOTAL	**0.5**	**63%**	**0.2**	**100%**	**0.5**	**71%**	**0.2**	**100%**	**1.5**	**100%**
Services other than certification of financial statements										
■ Issuer	0.2	25%	0.0	0%	0.2	29%	0.0	0%	0.0	0%
■ Fully consolidated subsidiaries	0.1	13%	0.0	0%	0.0	0%	0.0	0%	0.0	0%
SUBTOTAL	**0.3**	**38%**	**0.0**	**0%**	**0.2**	**29%**	**0.0**	**0%**	**0.0**	**0%**
TOTAL	**0.8**	**100%**	**0.2**	**100%**	**0.7**	**100%**	**0.2**	**100%**	**1.5**	**100%**

The fees paid in 2016 also include those charged for the certification of the financial statements by PricewaterhouseCoopers, the Statutory Auditor for Darty.

Services other than certification of the financial statements primarily consist of a letter of comfort in the context of the High Yield Bonds financing issue, due diligence related to the prospectus (Vivendi capital increase and Darty plc acquisition), technical consultations, and various certifications.

NOTE 37 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

On January 16, 2018, Vivendi signed a hedge agreement with Société Générale to protect the value of its 11% stake in Fnac Darty.

Vivendi retains the possibility of settlement in cash or by delivery of shares at the end of this transaction, which is no later than the second half of 2019.

In the context of this transaction, Société Générale constituted its own hedge with a private placement of shares with institutional investors.

The SFAM company, a major player in insurance for Mobile Telephony and Roaming Multimedia Products, announced on February 6, 2018 that it had acquired 11% of Fnac Darty. Fnac Darty and SFAM have maintained commercial relations since 2015 and more generally since the second quarter of 2017.

SFAM in this way highlights the confidence it has in Fnac Darty and its prospects for growth as well as its desire to support that growth.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2017

The Group's subsidiaries are as follows:

- Fully consolidated: F
- Consolidated under the equity method: E

	% interest			
Company	**12/31/2017**		**31/12/31/2016**	
Fnac Darty	F	100.00	F	100.00
FNAC BANNER				
France				
Alize – SFL	F	100.00	F	100.00
Attitude		0.00		sold in June 2016
Codirep	F	100.00	F	100.00
Eazieer	F	100.00	F	100.00
FDPS (Fnac Darty Participations et Services)	F	100.00	F	100.00
Fnac Accès	F	100.00	F	100.00
Fnac Appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	F	98.00	F	98.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00	E	50.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live (ex: Kyro Concept)	F	50.00	F	50.00

Company	% interest 12/31/2017		% interest 31/12/31/2016	
Belgium				
Belgium Ticket	F	75.00	F	75.00
Fnac Belgium	F	100.00	F	100.00
Spain				
Fnac España	F	100.00	F	100.00
Monaco				
Fnac Monaco	F	100.00	F	100.00
Portugal				
Fnac Portugal	F	100.00	F	100.00
Switzerland				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
Brazil				
F.Brasil		sold in July 2017	F	100.00
DARTY BANNER				
United Kingdom				
Darty Limited (ex plc)	F	100.00	F	100.00
Kesa Holdings Limited	F	100.00	F	100.00
Kesa International Limited	F	100.00	F	100.00
Kesa Sourcing Limited	F	100.00	F	100.00
Kesa Spain Limited		sold in 1st half 2017	F	100.00
Kesa Turkey Limited	F	100.00	F	100.00
France				
A2I Darty Alsace-Lorraine SNC		TUP * as of 04/07/2017	F	100.00
A2I Darty Nord SNC		TUP * as of 04/10/2017	F	100.00
A2I Darty Ouest SNC	F	100.00	F	100.00
A2I Darty Provence-Méditerranée SNC		TUP * as of 04/03/2017	F	100.00
A2I Darty Rhône-Alpes SNC	F	100.00	F	100.00
A2I Île-de-France SNC	F	100.00	F	100.00
Centrale d'achat des Professionnels de l'Électromenager SNC ("caprofem")		TUP * as of 04/16/2017	F	100.00
Compagnie Européenne de Commerce et de Distribution SAS ("CECD")	F	100.00	F	100.00
Compagnie Européenne de Vente et d'Accessoires en Ligne SNC ("CEVL")		TUP * as of 04/03/2017	F	99.90
Dart Financements SAS		TUP * as of 04/16/2017	F	100.00
Darty Développement SAS	F	100.00	F	100.00
Darty Grand Est SNC	F	100.00	F	100.00
Darty Grand Ouest SNC	F	100.00	F	100.00
Darty Holdings SAS	F	100.00	F	100.00
Darty SNC		TUP * as of 09/29/2017	F	100.00
Établissements Darty & Fils SAS	F	100.00	F	100.00
Immobilière Darty SNC		TUP * as of 04/03/2017	F	100.00

Company	% interest 12/31/2017		31/12/31/2016	
Kesa Electricals SAS	F	100.00	F	100.00
Kesa France SA	F	99.70	F	99.70
Ménafinance SA	E	50.00	E	50.00
Participations Distribution Services SNC	F	100.00	F	100.00
Vidéo Information France SNC (“VIF”)	TUP * as of 09/29/2017		F	100.00
Netherlands				
BCC Elektro-Speciaalzaken BV	F	100.00	F	100.00
BCC Holding Amstelveen BV	F	100.00	F	100.00
BCC Vastgoed Holding BV	F	100.00	F	100.00
Bouwerij Amstelveen BV	F	100.00	F	100.00
Bouwerij Amstelveen OG BV	F	100.00	F	100.00
Oude Haagweg Holding BV	F	100.00	F	100.00
Oude Haagweg OG BV	F	100.00	F	100.00
Polectro BV	F	100.00	F	100.00
Polectro Plaza BV	F	100.00	F	100.00
Rivieradreef Holding BV	F	100.00	F	100.00
Rivieradreef OG BV	F	100.00	F	100.00
Belgium				
New Vanden Borre	F	100.00	F	100.00
New Vanden Borre Transport	F	100.00	F	100.00
Vanden Borre Kitchen	E	50.00	E	50.00
Other countries				
Fnac Darty Asia Limited (HK)	F	100.00	F	100.00
Darty Asia Consulting Limited (CH)	F	100.00	F	100.00

* *TUP = Universal Transfer of Holdings.*

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES WORKING WITH FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

	2017		2016	
For €1	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Pound sterling	0.89	0.88	0.86	0.82
Swiss franc	1.17	1.11	1.07	1.09
Brazilian real*	3.68	3.48	3.43	3.86

* *As of July 31, 2017.*

5.3 / Parent company financial statements

Balance Sheet Assets

(€ million)	Notes	Gross value	Amortization, depreciation, provisions	As of December 31, 2017 Net value	As of December 31, 2016 Net value
NON-CURRENT ASSETS					
Equity investments		1,955.2	0.0	1,955.2	1,954.1
Other non-current financial assets [(a)]		2.2	0.0	2.2	0.7
TOTAL NON-CURRENT FINANCIAL ASSETS	3	**1,957.4**	**0.0**	**1,957.4**	**1,954.8**
Tangible and intangible non-current assets	4	0.0	0.0	0.0	0.0
TOTAL NON-CURRENT ASSETS		**1,957.4**	**0.0**	**1,957.4**	**1,954.8**
CURRENT ASSETS					
Trade receivables [(b) (c)]	5	276.3	0.0	276.3	286.8
Marketable securities	6	8.4	0.0	8.4	6.1
Cash and cash equivalents [(c)]	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**284.7**	**0.0**	**284.7**	**292.9**
TOTAL ASSETS		**2,242.1**	**0.0**	**2,242.1**	**2,247.7**
(a) Less than one year:				–	–
(b) Over one year:				–	–
(c) Related to affiliates:				*226.7*	*244.5*

Balance Sheet Liabilities

(€ million)	Notes	As of December 31, 2017	As of December 31, 2016
Shareholders' equity			
Share capital		26.7	26.1
Additional paid-in capital		988.8	977.5
Reserves		2.6	1.7
Retained earnings		338.9	201.0
Regulatory provisions		9.1	3.6
Net profit (loss) for the period		(10.0)	138.8
TOTAL SHAREHOLDERS' EQUITY	7	**1,356.1**	**1,348.7**
Provisions		**0.0**	**0.0**
Debt			
Bond [a]	8	655.3	655.6
Other financial liabilities [a] [c]	8	200.0	200.0
Other liabilities [b] [c]	9	30.7	43.4
TOTAL LIABILITIES		**2,242.1**	**2,247.7**
(a) Less than one year:		*5.3*	*5.6*
(b) Over one year:		*0.0*	*0.9*
(c) Related to affiliates:		*17.7*	*5.6*

Income Statement

(€ million)	Notes	2017	2016
Operating income		17.4	20.4
Operating expenses		(22.7)	(43.8)
OPERATING INCOME (LOSS)	11	**(5.3)**	**(23.4)**
Charges and interest on debt owed to non-Group entities		(26.3)	(14.6)
Derivative sales		(0.0)	(14.8)
Current account interest		0.0	(2.0)
Reversal of financial impairment		0.0	164.0
Other financial income and expenses		0.4	3.7
FINANCIAL INCOME (LOSS)	12	**(25.9)**	**136.3**
CURRENT INCOME BEFORE TAX		**(31.2)**	**112.9**
Non-recurring income	13	(6.2)	(7.3)
Employee profit-sharing		0.0	0.0
Income tax	14	27.4	33.2
NET INCOME FOR THE PERIOD		**(10.0)**	**138.8**

Cash flow statement

(€ million)	Notes	2017	2016
Net income		(10.0)	138.8
Income and expense with no impact on cash		5.5	(160.7)
CASH FLOW		**(4.5)**	**(21.8)**
Change in working capital requirements		(1.7)	(196.7)
CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	15	**(6.2)**	**(218.5)**
(Purchases)/Disposals of non-current operating assets		0.0	(0.7)
Change in non-current financial assets		(2.6)	(782.5)
CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	15	**(2.6)**	**(783.2)**
Net change in financial debt		(0.7)	844.2
Capital increases		11.9	157.1
Dividends paid		0.0	0.0
CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	15	**11.1**	**1,001.3**
CHANGE IN CASH POSITION		**2.3**	**(0.4)**
CASH AT BEGINNING OF PERIOD		**6.1**	**6.5**
CASH AT END OF PERIOD		**8.4**	**6.1**

Change in shareholders' equity and other capital

€ million (before appropriation of earnings)	**Number of shares outstanding [a]**	**Share capital**	**Additional paid-in capital**	**Reserves and retained earnings**	**Net profit (loss) for the period**	**Shareholders' equity**
AS OF DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**28.0**	**174.7**	**716.1**
Appropriation of 2015 earnings				174.7	(174.7)	0.0
Capital increase	9,434,997	9.4	480.8			490.2
Regulatory provisions				3.6		3.6
Profit/Loss 2016					138.8	138.8
AS OF DECEMBER 31, 2016	**26,122,771**	**26.1**	**977.5**	**206.3**	**138.8**	**1,348.7**
Appropriation of 2016 earnings				138.8	(138.8)	0.0
Capital increase	535,364	0.5	11.3			11.9
Regulatory provisions				5.5		5.5
2017 Profit/Loss					(10.0)	(10.0)
AS OF DECEMBER 31, 2017 [a]	**26,658,135**	**26.7**	**988.8**	**350.6**	**(10.0)**	**1,356.1**

(a) €1 par value of shares.

5.4 / Notes

NOTE 1 HIGHLIGHTS OF THE PERIOD

New Fnac Darty Governance

At its meeting of June 9, 2017, the Board of Directors of Fnac Darty formally noted the resignation of Mr. Alexandre Bompard from his office as Chairman and Chief Executive Officer of the Company as of July 17, 2017.

On the recommendation of the Appointments and Compensation Committee, the Board of Fnac Darty on July 17, 2017, following the departure of Mr. Alexandre Bompard as Chairman and Chief Executive Officer, elected Mr. Jacques Veyrat Chairman of the Board of Directors and named Mr. Enrique Martinez Chief Executive Officer of the Company.

Change of corporate name

In 2017 the Fnac Darty company changed its corporate name from “Groupe Fnac” to “Fnac Darty.” Fnac Darty Participations Services, a subsidiary of Fnac Darty, also changed its corporate name from “Fnac SA” to “Fnac Darty Participations services”. Darty Limited, a Fnac Darty subsidiary, also changed its corporate name from “Darty Plc” to “Darty Limited”.

Value units plan

The 2014 value units plan expired on February 28, 2017. Vesting in the plan was subject to performance conditions (average market closing prices for February 2016 at €55.33), which were achieved. For the Executive Committee, payment of the final third of the value units was tied to a condition of employment at February 28, 2017. The cash payment was made over the month of February 2017 for a total of €2.0 million, including employer contributions.

Performance stock option plan

On the recommendation of the Appointments and Compensation Committee, on February 28, 2017, the Board of Directors decided to award performance options to certain Group executives with the aim of retaining them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments.

The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 2017 to May 2019 and May 2017 to May 2020) subject to the presence of the beneficiary within the Group at the expiration of each vesting period, and shall be subject to a market performance condition for Fnac Darty measured in April 2018 and April 2019 for the first period, and April 2020 for the second period, and a performance condition tied to the achievement of a level of synergies to be achieved in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the 2017 annual results of the Group and in 2019 after publication of the 2018 Group results for the first period, and in 2020 after the publication of the 2019 Group annual results for the second period. The options must be exercised between May 2, 2019 and May 1, 2020 for the first period, and between May 2, 2020 and May 1, 2021 for the second period.

The first tranche of the 2015 performance plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.2).

The second tranche of the 2014 performance option plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.2).

The third tranche of the 2013 performance option plan was vested on March 31, 2017. Given the average closing price of the Fnac Darty share over the 20 trading days before March 31, 2017 (average of €67.46) and the performance conditions, 100% of the options in the third tranche were vested to beneficiaries in service on March 31, 2017. These options were exercised between April 1 and April 30, 2017 or paid in cash in April 2017 for the Chairman and Chief Executive Officer (see section 3.3.2).

Bonus share plan

On the recommendation of the Appointments and Compensation Committee, on December 15, 2017, the Board of Directors noted the allotment of bonus shares to certain group employees (39 beneficiaries) in order to associate them with the Company’s performance through an increase in the share price. Settlement will be in equity instruments.

The duration of this plan is greater than two years (December 15, 2017 – 3rd trading day after publication of the annual results for 2019). The vesting of these bonus shares is subject to a two-year employment condition (December 15, 2017 to December 14, 2019), and to a market performance condition for Fnac Darty measured annually in 2019 and 2020 based on the Total Shareholder Return (TSR) of the company compared with that of the SBF120 companies, a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, and to a level of Current Operating Income to be achieved, measured in 2019 after the publication of the Group's 2018 annual revenues, and in 2020 after publication of the Group's annual 2019 revenues.

On the recommendation of the Appointments and Compensation Committee of April 28, 2017, the Board of Directors noted the award of bonus shares to certain Group employees (150 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The term of this plan is four years (May 2, 2017 to May 1, 2021). The vesting of these bonus shares is subject to a two-year employment condition (May 2, 2017 to May 1, 2019) for French residents and a four-year employment condition (May 2, 2017 to May 1, 2021) for foreign residents, along with a market performance condition for Fnac Darty measured annually in April 2018 and April 2019, based on the average of the 20 closing prices for the Fnac Darty share preceding May 1, 2018 and May 1, 2019, and a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the Group's 2017 annual revenues, and in 2019 after publication of the Group's annual 2018 revenues. In addition, the French residents must retain these shares for a period of two years (May 2, 2019 to May 1, 2021: holding period).

The 2015 bonus share plan expired on February 28, 2017 for the French residents. Based on the average of the closing market prices for the Fnac Darty shares in February 2017 (average of €58.61) and the performance conditions, 100% of the shares were vested for the beneficiaries present on February 28, 2017. These shares may be sold at the end of a two-year holding period. The cash payment for the Chairman and Chief Executive Officer was made in March 2017 (see section 3.3.2).

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

The 2017 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 governing 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 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 principal 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.

On the entry date, equity investments are recognized at the acquisition cost, including transfer taxes, fees, commissions and legal costs. The Company opted for including the acquisition costs in the entry cost of the shares (opinion of the CNC Emergency Committee of June 15, 2007).

At closing, the Company values its equity interests in Fnac Darty Participations et Services (FDPS) and Darty Limited at their value-in use. The value-in-use is determined on the basis of the market capitalization of the Fnac Darty share at December 31, 2017 and the application of economic criterion for allocation of this market value between the two subsidiaries. This valuation takes the company's debt into account. When this value is lower than the book value, an impairment is recorded for the amount of this difference.

2.2 / Receivables and payables

Receivables and payables are recognized at nominal value. Where appropriate, receivables are provisioned to take into account any potential recovery difficulties.

2.3 / Marketable securities and cash and cash equivalents

Marketable securities are recognized in the balance sheet at their acquisition price.

Acquisition costs of marketable securities are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Accounting Plan applicable to marketable securities.

Potential impairment provisions are determined by comparing this value with the probable trading value or average share price from the previous month for listed securities.

Treasury shares

Treasury shares acquired under a liquidity contract are recorded in transferable securities.

As of December 31, 2017, Fnac Darty did not hold any treasury shares.

Sicav

Sicav shares are recognized at cost. They are estimated at year end at their net asset value. Any unrealized capital loss is provisioned for impairment. Any unrealized capital gain is not taken into account.

2.4 / Tax consolidation

The Fnac Darty company notified the French tax authorities in writing on March 15, 2013 that the company and all of its subsidiaries were opting for the tax consolidation rules for 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 Fnac Darty and its subsidiaries and sub-subsidiaries is effective from January 1, 2013. As of December 31, 2017, it covered 16 companies.

Under these rules, Fnac Darty acts as a corporate tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Conditions for distribution of the corporate income tax are as follows:

- the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred if it had not been consolidated for tax purposes;
- Fnac Darty immediately takes into account the tax savings or liability resulting from the difference between the sum of the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on the total taxable income.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries will opt at the beginning of 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceases to exist as of January 1, 2018.

2.5 / Operating income (loss)

Operating income results from income and expenses related to the Company's current activities.

2.6 / Net financial income

Net financial income results from the income and expenses attached to the Company's financing and cash management.

2.7 / Non-recurring income

Non-recurring income includes income and expenses that, by their nature, occurrence or material character, do not fall within the Company's current operations.

2.8 / Performance-based compensation plans

The Company applies General Accounting Plan (PCG) Art. 642-1 *et sec.* relating to the accounting treatment of stock options 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.

NOTE 3 NET NON-CURRENT FINANCIAL ASSETS

(€ million)	As of December 31, 2016	Increase	Decrease	As of December 31, 2017
Gross value				
Equity investments				
FDPS and Darty Limited	1,954.1	1.1		1,955.2
Other non-current financial assets				
Daphni stake	0.7	1.5		2.2
GROSS VALUE	**1,954.8**	**2.5**	**0.0**	**1,957.4**
Impairment				
Equity investments	0.0			0.0
IMPAIRMENT	**0.0**	**0.0**	**0.0**	**0.0**
NET VALUES	**1,954.8**	**2.5**	**0.0**	**1,957.4**

Equity investments

As of December 31, 2017, Fnac Darty held:

- 46,421,807 shares of FDPS (Fnac Darty Participations Services) out of 46,421,808 shares for a gross value of €838.4 million;
- 529,553,216 shares of Darty Limited out of 529,553,216 shares for a value of €1,116.8 million.

At closing, the Company values its equity interests in Fnac Darty Participations et Services (FDPS) and Darty Limited at their value-in use. The value-in-use is determined on the basis of the market capitalization of the Fnac Darty share at December 31, 2017 and the application of economic criterion for allocation of this market value between the two subsidiaries. This valuation takes the company's debt into account. When this value is lower than the book value, an impairment is recorded for the amount of this difference. Therefore, at the end of 2017 no impairment was recognized in the Fnac Darty financial statements.

These equity investments are consolidated.

Other non-current financial assets

As of December 31, 2017, other non-current financial assets consisted of an equity interest in the Daphni Purple investment fund for €2.2 million, corresponding to a first drawdown of 31% out of a total commitment of €7.0 million. Fnac Darty has agreed to subscribe for the remaining 69% of shares for €4.8 million by 2026.

NOTE 4 TANGIBLE AND INTANGIBLE NON-CURENT ASSETS

As of December 31, 2017, Fnac Darty had no tangible or intangible non-current assets.

NOTE 5 RECEIVABLES

(€ million)	As of December 31, 2017	As of December 31, 2016
Current accounts of subsidiary	219.2	233.8
State - income tax	26.9	12.0
Group customers	7.5	10.7
Other receivables [(a)]	5.2	8.8
Deferred expenses [(a)]	17.5	21.5
TOTAL	**276.3**	**286.8**
Related to affiliates:	*226.7*	*244.5*
(a) Over one year:	*14.0*	*17.6*

The negative current account of €219.2 million reflects claims against the subsidiary Fnac Darty Participations and Services.

The amount of €26.9 million in 2017 for "Income tax" primarily represents tax credits.

The Group's receivables of €7.5 million consist of Fnac receivables for €3.6 million and Darty receivables in the amount of €3.9 million.

As of December 31, 2017, other receivables for €5.5 million primarily reflects €4.8 million for the equity interest in the Daphni Purplse investment fund. This receivable represented €6.3 million as of December 31, 2016.

Prepaid expenses for €17.5 million primarily reflect fees and commissions for placing the bond and credit lines granted to finance the Darty acquisition.

NOTE 6 MARKETABLE SECURITIES AND CASH AT BANK AND IN HAND

(€ million)	As of December 31, 2017	As of December 31, 2016
Treasury shares	0.0	0.0
Sicav	8.4	6.1
Marketable securities	**8.4**	**6.1**
Bank deposit and fund transfers	0.0	0.0
Cash and cash equivalents	**0.0**	**0.0**
CASH DEBT	**8.4**	**6.1**
Related to affiliates:	*0.0*	*0.0*

The marketable securities are SICAVs for €8.4 million, and correspond to the liquidity contract.

Fnac Darty may hold some of its own shares under a liquidity agreement intended primarily to promote liquidity for transactions and stabilize the share price.

In 2017, under the liquidity contract, 884,261 shares were purchased at an average price of €71.03 for a total amount of €62,805,205, and 884,261 shares were sold at an average price of €71.46 for a total of €63,186,565.

NOTE 7 SHAREHOLDERS' EQUITY

(€ million)	As of December 31, 2017	As of December 31, 2016
Share capital	26.7	26.1
Additional paid-in capital	988.8	977.5
TOTAL SHARE CAPITAL AND PREMIUMS	**1,015.5**	**1,003.6**
Legal reserve	2.6	1.7
Regulated reserves	0.0	0.0
Other reserves	0.0	0.0
TOTAL RESERVES	**2.6**	**1.7**
Retained earnings	338.9	201.0
Regulatory provisions	9.1	3.6
Net profit (loss) for the period	(10.0)	138.8
TOTAL SHAREHOLDERS' EQUITY	**1,356.1**	**1,348.7**

In 2017, the increase in share capital and additional paid-in capital of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016, and serviced in 2017.

The change in reserves and retained earnings correspond to the appropriation of the 2016 earnings of Fnac Darty.

In 2017, regulated provisions represented exceptional amortization of €9.1 million for the fiscal amortization of the Darty acquisition costs.

NOTE 8 FINANCIAL DEBT

In the context of the Darty acquisition, in 2016 Fnac Darty established new sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two groups.

Fnac Darty successfully issued €650.0 million in senior bonds with a seven-year maturity. This borrowing plus interest accrued but not due in the amount of €5.3 million represented €655.3 million on the balance sheet as of December 31, 2017.

A draw of €200.0 million on a medium-term loan (Senior Term Loan Facility) was made in 2016 and appears on the Fnac Darty balance sheet. It is amortizable as of the 30th month after it was drawn.

	As of December 31, 2017			
(€ million)	Total	Less than one year	1 to 5 years	Over 5 years
Bond	655.3	5.3		650.0
Other financial liabilities	200.0	20.0	180.0	
FINANCIAL DEBT	**855.3**	**25.3**	**180.0**	**650.0**

The drawdowns under the Loan Agreement (Senior Term Loan Facility) bear interest at a rate equal to the sum of the EURIBOR reference rate for the period and a margin that can be revised as a function of the Group's rating. Based on the BB/Ba2 rating obtained by the Group in September 2016, the applicable margin is 2.50% for the medium-term loan.

The bonds bear annual interest at 3.25% and are redeemable in 2023 ("High Yield" bonds). Interest is payable half-yearly. The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

These bonds are redeemable in whole or in part at any time until September 30, 2019 at a price equal to the amount of the nominal value plus an early redemption premium and outstanding accrued interest. As of September 30, 2019, they will be redeemable in full or in part at the values shown in the table below:

Redemption period commencing:	**Redemption price** *(as % of the principal)*
September 30, 2019	101.625
September 30, 2020	100.8125
September 30, 2021 and beyond	100.00

The redemption premiums will be amortized over the life of the loan as applicable.

NOTE 9 OTHER DEBTS

(€ million)	**As of December 31, 2017**	**As of December 31, 2016**
Tax consolidation current accounts	15.2	4.7
Tax and social security liabilities	4.7	18.5
Other liabilities	10.8	20.2
TOTAL	**30.7**	**43.4**
Related to affiliates:	*17.7*	*5.6*

The tax consolidation current accounts represent the tax consolidation debt to the subsidiaries under the tax consolidation agreement entered into on July 1, 2013 by Fnac Darty and its subsidiaries and sub-subsidiaries, which entered into force on January 1, 2013. As of December 31, 2017, it covered 16 companies.

The decrease in income tax and social security liabilities is primarily related to the settlements and discharge in 2017 of the performance-based compensation plans in cash.

As of December 31, 2017, other debts primarily represent the commitment of Fnac Darty in the context of its stake in the Daphni Purple fund for €4.8 million. In 2016, other debts included the commitment of Fnac Darty in the context of its purchase of a stake in the Daphni Purple fund for €6.3 million, and invoices for the placement of the Group's financing following the Darty acquisition.

NOTE 10 OFF-BALANCE SHEET COMMITMENTS

Retirement benefits

The Company applies the option provided by ANC Recommendation 2013-02 to recognize all retirement and similar commitments as off-balance sheet commitments. The amount of the retirement benefits was €1.0 million as of December 31, 2017, and €0.7 million as of December 31, 2016.

The main actuarial assumptions used to estimate the retirement commitments of Fnac Darty are as follows:

	2017	2016
Discount rate	1.55%	1.60%
Expected rate of increase in salaries	1.50%	1.50%

Other commitments

In the context of the Darty acquisition, Fnac Darty set up new sources of financing intended to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in the two groups.

The Senior Credit Facility totaling €600.0 million matures five years from the date it was signed, April 20, 2016. It is composed of two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200.0 million, amortizable as of the 30th month;
- a revolving line of credit (Revolving Facility) in the amount of €400.0 million to finance fluctuations in cash flows related to the season nature of its business.

In addition, on September 22, 2016, Fnac Darty issued senior bonds for €650 million maturing in 7 years.

In order to secure these financing lines obtained by Fnac Darty, the following companies of the Group were the guarantors: Fnac Darty Participations et Services, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

Furthermore, it should be noted that the revolving line of credit (“Revolving Facility”) in the amount of €400.0 million was not drawn as of December 31, 2017, and is therefore an off-balance sheet commitment.

NOTE 11 OPERATING INCOME (LOSS)

(€ million)	2017	2016
Group royalties	15.3	19.4
Other reinvoicings	1.6	0.9
Payroll expenses	(12.2)	(18.9)
Purchasing, external costs, and income and other taxes	(10.5)	(24.9)
Net amortization and depreciation and provisions	0.0	0.0
Other income and expenses	0.5	0.1
TOTAL	**(5.3)**	**(23.4)**

In 2016, operating income was impacted by the commission expense on the lines of credit in the amount of €19.4 million, included in external charges.

NOTE 12 FINANCIAL INCOME (LOSS)

(€ million)	2017	2016
Charges and interest on debt	(26.3)	(14.6)
Disposal of derivatives	0.0	(14.8)
Interest on Group checking accounts	0.0	(2.0)
Reversal of financial impairment	0.0	164.0
Other financial income and expenses	0.4	3.7
TOTAL	**(25.9)**	**136.3**
Related to affiliates:	*0.0*	*162.0*

In 2017, the financial result principally reflects the financial interest expense on the bond and the medium-term loan.

In 2016, financial income was €136.3 million, essentially due to the reversal of a provision on the shares of Fnac Darty Participations Services (FDPS) for €164.0 million.

Other financial expenses consisted of a loss on the disposal of a derivative (currency option) for €14.8 million, and then primarily of the interest and commissions on the lines of credit and the bond. Financial expenses and income resulted in net income of €3.7 million, primarily resultingfrom the sale of a currency instruments for €4.2 million.

NOTE 13 NON-RECURRING INCOME

(€ million)	2017	2016
Exceptional amortization	(5.5)	(3.6)
Darty consolidated costs	(0.7)	(3.7)
TOTAL	**(6.2)**	**(7.3)**

In 2017, the non-recurring result was an expense of €6.2 million, comprised of exceptional amortization in the amount of €5.5 million related to the fiscal amortization of the costs for the Darty acquisition and the costs and fees related to the Darty consolidation.

In 2016, the non-recurring result was an expense of €7.3 million, representing costs and fees of €3.7 million for the consolidation of Darty, and exceptional amortization of €3.6 million related to the fiscal amortization of the costs for the Darty acquisition.

NOTE 14 INCOME TAX

(€ million)	2017	2016
Tax consolidation gain/loss	27.4	33.2
TOTAL	**27.4**	**33.2**

As in 2016, Fnac Darty generated no income tax. In 2017, the net profit from tax consolidation was €27.4 million.

In the absence of tax consolidation, Fnac Darty would have had no tax liability because of its deficit tax position.

The cumulative total of Fnac Darty tax deficit carryforwards at December 31, 2017 was €114.2 million.

NOTE 15 CASH FLOW STATEMENT

In 2017, the change in cash was primarily related to the capital increase of €11.9 million representing the creation of 535,364 shares to remunerate the performance option plans settled in 2017 and 2016 and serviced in 2017. The remainder of the change is related to the increase in the stake in the Daphni Purple investment fund for €1.5 million, the receipt of the last invoices related to the acquisition of the shares of Darty limited for €1.1 million, and the cash resulting from the current operations of Fnac Darty in the amount of €-7.3 million.

In 2016, the change in cash flow from operating activities was an expense of €218.5 million, primarily the result of the increase of €194.3 million in current account advances with Fnac Darty Participations Services.

Investing activities represented an expense of €783.2 million, mainly related to the acquisition of the Darty shares.

Financing activities reflects the placement of the financing (bond for €650.0 million and draw on the medium-term line of credit in the amount of €200.0 million), as well as the stock issue reserved to Vivendi for €157.1 million net of issue costs.

NOTE 16 OTHER INFORMATION

16.1 / Compensation paid to corporate officer

For fiscal 2017, the gross amount paid to the Chairman and Chief Executive Officer, including in-kind benefits and contributions to the supplementary pension plan, totaled €14,399,693, including €492,500 for the fixed annual remuneration, €931,500 for the annual variable remuneration, €12,932,009 for the multi-year variable remuneration component, €27,558 in director's fees, €10,216 for benefits in kind, and €5,910 for contributions to the supplementary pension plan.

16.2 / Remuneration paid to the Chairman of the Board as of the date he assumed the new position

For 2017, the gross amount paid to the Chairman of the Board of Directors was €91,667.

This pay consists only of a fixed annual remuneration as the Chairman of the Board no longer receives director's fees as of the date of his election.

16.3 / Compensation paid to the Chief Executive Officer as of the date he assumed the new position

For 2017, the gross amount paid to the Chief Executive Officer, including in-kind benefits and contributions to the supplementary pension plan, totaled €238,682, including €227,151 for the fixed annual remuneration, €6,641 for benefits in kind, and €4,890 for contributions to the supplementary pension plan.

16.4 / Average number of employees

In 2017, the average number of employees of Fnac Darty was eleven persons.

16.5 / Related-party transactions

As of December 31, 2017, the Ceconomy Retail International group held 24.20% of the capital and 24.20% of the voting rights in Fnac Darty.

As of December 31, 2017, the Vivendi Group owned 11.05% of Fnac Darty's share capital and 11.05% of voting rights.

In 2015, a related-party agreement was previously authorized and signed with BDGS, a legal firm specializing in market transactions, particularly cross-border transactions, and in competition law. Antoine Gosset-Grainville, a member of the Board, is one of the founding partners, and the amount of the service for 2017 totaled €0.1 million before tax. The amount for this and other services totaled €4.1 million before tax for 2016.

16.6 / Supplier and customer payment schedules

	Invoices received, not paid and due at year-end						Invoices issued, not paid and due at year-end					
(€ million)	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total 1 days and over	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total 1 days and over
A) Late payment tranches												
Number of invoices concerned	26					5	12					0
Total inc. tax of invoices concerned	2.7	0.1	0.0	0.0	0.0	0.1	7.5	0	0	0	0	0
Fnac Darty	*2.5*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*7.5*	*0*	*0*	*0*	*0*	*0*
Percentage of total inc. tax for purchases for the year	25.6%	1.1%	0.0%	0.0%	0.0%	1.1%						
Percentage of revenues inc. tax for the year							36.5%	0	0	0	0	0
B) Invoices excluded from A) for disputed or not recognized liabilities and receivables												
Number of invoices excluded	17						None					
Total inc. tax of invoices excluded	0.4						None					
Invoices not arrived												
C) Reference payment deadlines used (contractual or legal period – Article L. 441-6 or Article L. 443-1 of the Commercial Code)												
Payment deadlines used to calculate late payments	Contractual deadlines: general expenses = 45 days end of month Contractual deadlines: Group invoices = 25th of the following month Legal deadlines: 45 days end of month						Contractual deadlines: Group invoices = 25th of the following month Legal deadlines: 45 days end of month					

NOTE 17 INFORMATION ON POST-BALANCE-SHEET EVENTS

No particular event has occurred since the close of 2017.

NOTE 18 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS

(€ million)	Share capital	Shareholders' equity excluding capital & income	Share of capital held	Dividends received during the year		Loans made by Fnac Darty not yet repaid	Securities and endorsements given by Fnac Darty	Revenues before tax of previous year	Profit or (loss) for last year ended	Dividends received by Fnac Darty during the year
				Gross	Net					
Subsidiaries owned at +50%										
Fnac Darty Participations et Services	325.0	216.9	99.99%	838.4	838.4	219.2	0.0	2,397.8	18.6	0.0
Darty Limited	168.2	(3.4)	100%	1,116.8	1,116.8	0.0	0.0	0.0	(1.9)	0.0
FNAC Luxembourg SA	0.03	0.0	100%	0.0	0.0	0.0	0.0	0.0	0.0	0.0

NOTE 19 FIVE-YEAR RESULTS

Five-year results	2017	2016	2015	2014	2013
CAPITAL AT YEAR-END					
Share capital *(€)*	26,658,135.0	26,122,771.0	16,687,774.0	16,595,610.0	16,595,610.0
Number of common shares outstanding	26,658,135	26,122,771	16,687,774	16,595,610	16,595,610
Maximum number of future shares to be created					
by conversion of bonds					
by exercise of stock options					
Transactions and results for the year *(€ thousands)*					
Income from ordinary activities	16,873.2	20,311.4	28,896.0	18,679.7	8,174.0
Earnings before tax, employee profit-sharing, amortization, depreciation and provisions	(31,883.5)	(54,961.5)	(15,409.5)	5,020.6	(9,034.7)
Employee profit-sharing payable for the year	(13.3)	(10.0)	(13.1)	(7.7)	0.0
Income tax (expense)/credit	27,369.0	33,162.1	26,108.2	22,912.3	10,200.0
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	(10,053.8)	138,832.0	174,684.5	27,920.2	1,165.3
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	(0.17)	(0.83)	0.64	1.68	0.07
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	(0.38)	5.31	10.47	1.68	0.07
Dividend:					
net dividend per share	0.0	0.0	0.0	0.0	0.0
STAFF					
Average number of employees during the year	11.0	11.0	10.0	11.0	5.0
Payroll for the year *(€ thousands)*	8,737.3	14,879.5	21,753.9	14,848.3	9,581.0
Amount paid for employee benefits for the year *(€ thousands)*	3,416.5	4,002.2	5,193.3	5,318.7	3,599.8

5.5 / Material change in financial or commercial positions

To the best of Fnac Darty's knowledge, no event likely to have a significant influence on the Group's activity, financial position and assets has occurred since December 31, 2017.

5.6 / Auditors' Report on the consolidated financial statements

Year ended December 31, 2017

To the Fnac Darty Shareholders' Meeting,

Opinion

In execution of the mission assigned to us by your Shareholders' Meetings, we have audited the Fnac Darty consolidated financial statements for the year ended December 31, 2017, as attached to this report.

We hereby certify that the consolidated financial statements present a true and fair view of the results of the operations for the past year and of the financial position and assets at year-end of the group formed by the persons and entities included in the consolidation in accordance with IFRS as adopted in the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' Responsibilities for the audit of the consolidated financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2017 to the date we issued our report, and we specifically provided no services prohibited by Article 5, Section 1 of Regulation (EU) 537/2014 or by the code of ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, and our responses to these risks.

The assessments made are part of our process of auditing the consolidated financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these annual financial statements taken in isolation.

Risk identified	Audit response provided
Valuation and recognition of discounts and commercial cooperation received from suppliers *(Notes 2.3.2 and 2.19 of the appendix to the consolidated financial statements)*	
Within the group, there is a large number of purchasing contracts and agreements with suppliers that stipulate: ■ commercial discounts given to the group based on quantities purchased or other contract conditions, such as reaching thresholds or growth in purchasing volumes ("discounts"); ■ amounts paid to the group for services rendered to suppliers in order to facilitate the sale of their products ("commercial cooperation"). Discounts and commercial cooperation received by the group from its suppliers are valued on the basis of contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contract conditions, such as thresholds reached or growth in purchasing volumes for discounts and the performance of services rendered to suppliers in the form of commercial cooperation. These are recognized as a reduction in the cost of sales. Given the large number of contracts and the features specific to each supplier, the correct valuation and recognition of discounts and commercial cooperation with respect to contract provisions and purchasing volumes constitute a key point of the audit.	We were informed of the internal control process and key controls established by the group concerning the process to value and recognize discounts and commercial cooperation, and tested their effectiveness on a sampling of contracts. Our other work, involving sampling, consisted of: ■ reconciling the commercial terms used in the calculation with the conditions stipulated in the purchasing contracts and agreements with suppliers; ■ comparing the estimates made for the previous year with the corresponding actual data in order to assess the reliability of the estimation process. In addition, we corroborated the business volumes used to calculate the amount of the discounts expected at December 31, 2017, with the business volumes recorded in the group's purchasing information systems.

Risk identified	Audit response provided
Valuation of the Darty and Vanden Borre brands *(Notes 2.7, 2.10, 15 and 18 of the appendix to the consolidated financial statements)*	
The values in use of the Darty and Vanden Borre brands are recognized for a net amount of €301.6 million and €35.7 million, respectively. They were valued using the relief from royalty method by an independent expert, in the context of the allocation of the Darty acquisition price in 2016. During each fiscal year, when events or circumstances indicated that impairment is likely to occur, management ensures that the net book value of these brands is not greater than their recoverable value. The recoverable value of the brands is their fair value minus exit costs, or their useful value, whichever is higher. The recoverable value of the brands was determined on the basis of the value in use of the brands defined by discounting royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half based on budgets and medium-term plans over a three-year horizon. To calculate value in use, a terminal value equal to capitalization to infinity of a normative savings is added to the value of the future expected savings. In this context, we considered the measurement of the recoverable value of the Darty and Vanden Borre brands to be a key point of the audit because of their particularly significant amount on the balance sheet assets at December 31, 2017, uncertainties related to the probability of achieving the budgets and medium-term plans used as the basis for projections of flows of future royalty savings, including measurement of their recoverable value, and sensitivity to changes in the data and assumptions on which the estimates were based.	We were informed of the process implemented by management in order to determine the recoverable value of the Darty and Vanden Borre brands. Our work consisted largely of: ■ assessing the relevance of the principles and method for determining recoverable values in terms of market practices used to value brands; ■ assessing the consistency of the projected revenue growth rates with available outside analyses; ■ assessing the royalty rates applied to the brands in calculating value based on future revenues; ■ assessing the reasonable nature of the discount rates applied to the estimated royalty flows, specifically by verifying that the various parameters comprising the weighted average cost of capital for each brand can approach the rate of return expected by market participants for similar activities. We also assessed the appropriateness of the information presented in Note 18 of the appendix to the consolidated financial statements.

Risk identified	Audit response provided
Valuation of Goodwill *(Notes 2.6, 2.10, 15 and 18 of the appendix to the consolidated financial statements)*	
Cash Generating Units containing goodwill are subject to a systematic annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. If the recoverable value of a Cash Generating Unit is lower than its net book value, an impairment is recognized. The recoverable value of a Cash Generating Unit is its fair value less selling costs or its value in use, whichever is higher. Value in use is determined in relation to projections of expected future cash flows, taking into account the time value and specific risks related to the Cash Generating Unit. Future expected cash flows were projected during the second half of the year based on budgets and medium-term plans over 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. At December 31, 2017, the net book value of the goodwill allocated to the France Cash Generating Unit was €1,402.2 million. We considered the measurement of the recoverable value of the France Cash Generating Unit to be a key point of the audit because of its weight in total assets at December 31, 2017, uncertainties related to the probability of achieving the projected future cash flows used in the measurement of recoverable value, and sensitivity to changes in the data and assumptions used.	We were informed of the process implemented by management to determine the recoverable value of the goodwill allocated to the France Cash Generating Unit. Our work consisted of: ■ verifying the completeness of the elements composing the net book value of the Cash Generating Unit; ■ assessing the relevance of the principles and method for determining recoverable values of the Cash Generating Unit under IAS36; ■ assessing the reasonableness of the cash flow projections in terms of the economic environment in which the Group operates in France; ■ assessing the consistency of the growth rate used for projected flows with available outside analyses; ■ assessing the reasonableness of the discount rate applied to the estimated cash flows by specifically verifying that the various parameters comprising the weighted average cost of capital of the Cash Generating Unit approaches the rate of return expected by market participants for similar activities; ■ comparing the accounting estimates of cash flow projections from previous periods with the corresponding actual data in order to assess reliability. We also assessed the appropriateness of the information presented in Notes 15 and 18 to the of the appendix to the consolidated financial statements.

Verification of information on the group provided in the Management Report

Consistent with professional standards applicable in France, we also performed the specific verification required by law of information relating to group data in the Board of Directors' Management Report.

We have no comments to make on its fair presentation and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the Auditors

Deloitte & Associés was appointed auditor of Fnac Darty by the Shareholders' Meeting of June 22, 1993, and KPMG S.A. by the Shareholders' Meeting of April 17, 2013.

As of December 31, 2017, the two firms were in the 5th year of their appointment since the Company's shares had been listed for trading on a regulated market. Deloitte & Associés is in the 25th year of its appointment without interruption, and KPMG S.A. in its fifth year.

Responsibilities of management and the individuals comprising corporate governance for the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a fair image, in accordance with IFRS as adopted in the European Union, and to implement the internal controls it believes necessary for the preparation of consolidated financial statements containing no material anomalies, whether as a result of fraud or errors.

During preparation of the consolidated financial statements, it is management's responsibility to assess the Company's ability to continue operation, to present in these statements any information concerning continuity of operations, and to apply the accounting principle of continuity of operations, unless it is planned to liquidate the company or terminate its activity.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and monitoring the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Auditor for auditing the consolidated financial statements

Audit purpose and process

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that, individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist in guaranteeing the viability or the quality of your Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. Moreover:

- the auditor identifies and measures the risks that the consolidated financial statements contain material anomalies, whether as a result of fraud or error, defines and implements audit procedures in light of these risks, and collects information deemed sufficient and appropriate on which to base an opinion. The risk of failure to detect a material anomaly resulting from fraud is greater than the risk of a material anomaly resulting from error, because fraud may involve collusion, embezzlement, voluntary omissions, false statements or bypassing of internal controls;
- the auditor is knowledgeable of internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;
- the auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the consolidated financial statements;

- the auditor assesses the appropriateness of management's application of the accounting convention of continuity of operations and, based on information collected, the existence or absence of significant uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the continuity of operation. If the auditor concludes that a significant uncertainty exists, he calls the attention of readers of the audit report to information provided in the consolidated financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;
- the auditor assesses the overall presentation of the consolidated financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events;
- for financial information on persons or entities included within the scope of consolidation, the auditor collects information believed to be sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and completion of the audit of the consolidated financial statements and for the opinion on those statements.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most important for the audit of the annual consolidated financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) 537-2014 confirming our independence, under the rules applicable in France specifically as established by Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Neuilly-sur-Seine and Paris La Défense, March 26, 2018

Statutory Auditors

Deloitte & Associés	**KPMG Audit**
	A department of KPMG S.A.
Stéphane Rimbeuf	Éric Ropert
Partner	*Partner*

5.7 / Auditors' Report on the annual financial statements

Year ended December 31, 2017

To the Fnac Darty Shareholders' Meeting,

Opinion

In the execution of the mission assigned to us by your Shareholders' Meetings, we have audited the Fnac Darty annual financial statements for the year ended December 31, 2017, as attached to this report.

We certify that, with regard to French accounting rules and principles, the annual financial statements are regular, accurate, and reflect a faithful image of the results of the operations for the past financial year as well as the Company's financial position and assets as of the end of that year.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' responsibilities for the audit of the annual financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2017 to the date we issued our report, and specifically we provided no services prohibited by Article 5, Section 1, of Regulation (EU) 537/2014 or by the code of ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the annual financial statements and our responses to these risks.

The assessments provided are part of our process of auditing the annual financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these annual financial statements taken in isolation.

Key points of our audit	Responses provided during our audit
Valuation of equity interests *Cf. Notes 2.1 "Non-current financial assets", 3 "Net non-current financial assets" and 18 "Table of subsidiaries and shareholdings" in the appendix to the annual financial statements.*	
As of December 31 2017, equity investments are recognized on the balance sheet for a net book value of €1,955.2 million, or 87% of total assets. On the entry date, they are recognized at acquisition cost, including related costs and fees. At year-end, the gross value of the investments is compared to value in use. Value in use is determined on the basis of the observed market capitalization of Fnac Darty shares at December 31, 2017 and the application of the economic criteria for allocation between the two subsidiaries. This valuation takes the Company's debt into account. When this value is lower than the book value, an impairment is recorded for the amount of this difference. The estimate of value in use is based on a specific valuation model, and requires an important judgment by management, particularly for allocation of the overall value resulting from the market observation of the two subsidiaries. Taking into account the weight of equity interests on the balance sheet and in the model used, we considered the measurement of the value in use of the equity interests to be a key point of our audit.	In order to assess the reasonableness of the estimate of the values in use of the equity interests in the subsidiaries Fnac Darty Participations et Services and Darty Limited, based on the information provided to us, our work consisted primarily in: ■ verifying that the estimate of these values in use determined by management is based on an appropriate justification of the valuation method and the data used; ■ recalculating the value in use of the equity interests in the two subsidiaries by our valuation experts; ■ verifying the correct application of the criterion for allocating the market value used between the equity interests in the subsidiaries Fnac Darty Participations Services and Darty Limited.

Verification of the management report and the other documents sent to shareholders

We also conducted the specific controls required by law in accordance with professional standards applicable in France.

Information on financial position and the annual financial statements provided in the management report and other documents sent to shareholders

We have no observations to make as to the fair presentation and consistency with the annual financial statements of the information provided in the Board of Directors' Management Report and in the documents sent to shareholders on financial position and the annual financial statements.

Information on corporate governance

We certify the existence of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code in the section of the Board of Directors' Management Report on corporate governance.

As regards the information provided pursuant to the provisions of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers and the commitments made to them, we have verified their consistency with the financial statements or with the data used to prepare these statements and, as applicable, with the items obtained by your Company from companies that control or are controlled by your Company. Based on this work, the fairness and accuracy of this information call for the following observation from us: as indicated in the Board's report on corporate governance, in the case of Enrique Martinez, this information represents compensation and benefits paid since his appointment as Chief Executive Officer. Therefore, it does not include compensation and benefits paid during the year before this appointment.

With respect to information on the items which your Company believes could have an impact in the event of a public tender or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we verified their consistency with the documents from which the information was drawn and which was provided to us. On the basis of this work, we have no comment to make about this information.

Other information

As required by law, we have made certain that you have been provided in the Management Report with various information on the identity of shareholders and voting rights.

Information resulting from other legal and regulatory obligations

Appointment of the Auditors

Deloitte & Associés was appointed auditors of Fnac Darty by the Shareholders' Meeting of June 22, 1993, and KPMG S.A. at the meeting of April 17, 2013.

As of December 31, 2017, the two firms were in the 5th year of their appointment since the Company's shares were listed for trading on a regulated market. Deloitte & Associés is in the 25th year of its appointment without interruption, and KPMG S.A. in its fifth year.

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It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and monitoring the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibility of the Auditor for auditing the annual financial statements

Audit purpose and process

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

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- the auditor is knowledgeable of internal controls relevant to the audit in order to defined appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;
- the auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the annual financial statements;
- the auditor assesses the appropriateness of management's application of the accounting convention of continuity of operations and, based on information collected, the existence or absence of significant uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the continuity of operation. If the auditor concludes that a significant uncertainty exists, he calls the attention of readers of the audit report to information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;
- the auditor assesses the overall presentation of the annual financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most importance for the audit of the annual financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) 537-2014 confirming our independence, under the rules applicable in France specifically as established by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Neuilly-sur-Seine and Paris La Défense, March 26, 2018

Statutory Auditors

Deloitte & Associés	KPMG Audit
	A department of KPMG S.A.
Stéphane Rimbeuf	Éric Ropert
Partner	*Partner*

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Risk factors and internal control

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 did not identify any other material risks, excluding those mentioned herein.

6.1 / Strategic and economic risks

The Group may not be able to find new growth levers and address strategic disruptions.

The Fnac and Darty banners operate in markets that are undergoing massive change, primarily due to the increasing reach 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 the Fnac and Darty banners operate, by significantly changing modes of consumption, consumer behavior (and customer-attraction and retention tools), as well as distribution methods (see section 1.3.2.1 "Digitization of distribution and changing consumer behavior"). The boom in e-commerce has especially spawned new web-only retailers ("pure players") to the detriment of traditional retailers like our two Banners. 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 markets of our two Banners.

In the consumer electronics market, the growth of the Internet continues to coincide with deflation and a low point in the innovation cycle, which limits the turnover of goods sold.

These elements could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Adapting Fnac Darty to new developments and to the shrinkage of its principal markets lies at the heart of the *Confiance+* strategic plan. The aim is primarily to expand the Group's territorial coverage through an ambitious development of franchises, extend the brand's territory by diversifying its product range, primarily by developing its marketplaces, developing new fast-growing product lines and adapting its sales models to customers' new expectations, by focusing on an omnichannel, multi-banner approach to distribution and by developing associated services.

The Group's markets are facing fierce competition.

The retail market for consumer electronics and editorial products is 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. Some pure players operate globally and promote intense price rivalry to drive up their sales and market share. Their pricing can be more competitive due to their purchasing volumes, and 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 have also emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as our Banners in the marketing and supply chain. Finally, piracy is undermining the attractiveness of the legitimate editorial products offered by the Fnac banner and constitutes a source of unfair competition.

In addition, the decline in the editorial markets in which the Fnac banner 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. Also, action plans such as the recent partnership forged with a major distribution company to pool technical product procurement is one of the approaches taken to address competition.

Risks relating to the Fnac Darty consolidation.

The main aim of the plan to merge the two Banners 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 1.4.3.2 "First-rate operational efficiency").

Also, implementing the consolidation while at the same time maintaining the operating activities of the two Banners, each with a strong corporate culture, is a key challenge. The timetable for implementing the plan might not be complied with, management might be faced with conflicts between plans with different prioritization concerns, the organizational revamp might have a structural operational risk, particularly in terms of pooling the tools for processing operations and associated flows such as logistical flows. Other material risks might also be generated by the Fnac Darty consolidation. For example, the new Group might face a lack of sales initiative during the transformation period, or our two Banners might be more strongly exposed to attempts of internal or external fraud which take advantage of management's focus on projects underway for the merger.

Action plans have been adopted to support the changeover process and to maintain constructive ongoing dialogue with staff representative bodies as well as with employees themselves. The new Group's *Confiance+* strategic plan is to engage in a major communication effort to generate maximum buy-in among employees and provide direction to the various strategic projects. A Q&A session is planned for top management to answer employees' questions. Lastly, Fnac Darty has opted to introduce internal training for Group employees to support the digital change process and accelerate the development of key skills.

These actions are key for the success of this banner consolidation project.

Risks that the Group may not be able to implement Competition Authority decisions and pursue its growth and partnership strategy.

In its July 27, 2016 decision, the French Competition Authority authorized Darty's acquisition by Groupe Fnac, subject to sale of the commercial leases and goodwill pertaining to one Fnac store, four Darty stores in Paris and one Darty store in Vélizy. Not all the stores have been sold to date, due to the Competition Authority's failure to authorize the sales within stated deadlines. The Group appealed but decisions are still pending. In general, the problems encountered by the Group in selling the designated stores and the Competition Authority issues associated with them, demonstrate the hurdles faced by the Group in its development and growth capacity.

6.2 / Operational risks

The Group's ability to organize compliance with European directives, diverse and new regulations in various countries, primarily tax-related, could 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 "Sapin 2" Law of December 9, 2016, places a heavier obligation on our Group to put in place anti-corruptionandinfluence-peddling measures in all our geographic regions.

The Group's operations in France are primarily subject to the 2008 Economic Modernization Act [loi de modernisation de l'économie (LME)] which in particular regulates payment terms. 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 our Banners distribute (such as obligations to dispose of or recycle consumer electronics and household appliances) or to the methods and cost of transporting products distributed by our Banners, or the costs they incur 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.

Moreover, financial penalties and/or the requirement to publish such penalties may be imposed on the Group if its compliance is considered to be insufficiently robust, impacting the Group's earnings and image.

Monitoring and taking account of statutory requirements is done at the country level by the local Finance and Legal 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 may be affected by a deterioration in its labor relations, including with its unions, or by a deterioration of the social climate within the Group.

The Group is constantly adapting its human resources and organizational structure; 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 Group may face a loss in motivation among its employees and a talent drain.

The Fnac Darty consolidation plan might well cause some concern to employees in both banners. Organizational changes may demotivate employees if they have not become sufficiently entrenched in the organizational goal. Similarly, departures caused by reorganization could create a "pull factor" resulting in a further loss of talent from both banners. Both companies have also put in place local action plans involving face-to-face communication with employees, and recently a large-scale project to promote employee engagement in the form of the Group strategic project *Confiance+*, as well as an employee shareholding plan.

The activities of the Group could be impacted by acts of terrorism.

Following the attacks in Paris in 2015, Nice in 2016, and Spain in 2017, extension by the government of the state of emergency in France, the national security system that is at its highest alert in both France and in Spain, the placement of Belgium at level 2 on a scale of 1 to 4, the Netherlands at 2 ("substantial") on a scale of 1 to 4, and the risk that also exists in the other countries where the Group is based, particularly Africa, a major critical risk was maintained in 2017. This risk concerns both the threat to the safety of the Groups employees, customers and service providers, and the threat to its goods which it needs to operate its business. An unanticipated risk of an attack on the safety of people and goods in our Group would do great harm to the image of our Brands, and the Group's business could be severely damaged, especially through a decrease in store traffic. Additionally, the Group, in conjunction with the Risk Prevention Department, has taken steps to strengthen the security of stores located in sensitive areas and has also reinforced its links with the authorities, has obtained "Securi-site" certification for its Paris stores, and has strengthened anti-terrorism measures in Île-de-France stores. Store staff has also received instruction in crisis management, and posters with anti-terrorism best practices have been put up in stores.

Our brands image could deteriorate.

The past success of our brands relies in part on the strong reputation and consumers' high opinion of our Fnac and Darty brands. In the context of the development of its network of franchises, the development of the marketplace, the development of partnerships, increasingly fierce competition, the development of social media that encourages the dissemination of opinions, comments and reviews, the Group's ability to maintain the reputation and distinctive character of its brands, and the loyalty of its customer bases including membership of its loyalty programs, are key factors for longevity. Lastly, our brand image could be affected by exceptional events such as liability incurred for marketing faulty products or non-compliance with applicable regulations.

The Group is also engaged in initiatives to tighten its evaluation of the third parties with which it does business.

The Group's operations could be impacted by security vulnerabilities in IT tools and the incompatibility of those tools and systems with operational changes.

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 business activity, as the end of the year.

With information systems constantly changing, particularly affecting the Fnac Darty consolidation project, the growth of portable technology and cybercrime, the tightening of regulations governing the personal data of customers and employees, with such personal as well our own commercial data being susceptible to piracy, forcing us to continually upgrade the security of our information systems, the security of its information systems is a key challenge for the Group.

Fnac Darty's Information Systems Department ensures that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents, particularly in the context of sharing tools due to the consolidation of the two Banners, and to arrange emergency plans. The success of the plan to merge the IT systems is key to preventing operational malfunctions, or even, in the worst case scenario, a complete standstill of logistical flows. As a result, a progressive rollout, a double-run operation and an unwind option have been provided to secure these operations.

From a security perspective, Fnac Darty's IT Systems Department, underpinned by the network of country or entity IT managers, helps safeguard the security of the information systems and the data they contain through appropriate governance, shared standards, and the dissemination of the charter for the proper usage of information systems to employees, in order to raise their awareness of these risks, and conduct regular checks as well as verify 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 by service providers processing banking data, and through the performance of tightened security audits of external contractors. Therefore, specifically in light of the phishing risk, audits were carried out to implement appropriate action plans, to include crisis simulation exercises, a tighter password policy, and data encapsulation of PCs. As the Group may thus face a CNIL/GDPR compliance risk in a legislative and regulatory environment undergoing significant change, specific projects and budgets have been assigned to ensure Fnac Darty's compliance.

The Group could be affected by a deterioration in its relations with certain suppliers, partners or service providers.

Fnac Darty 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 47% of the total purchases made in 2017. A major portion of the Group's operations depends on its capacity to negotiate under good conditions and maintain contracts and business relations with its suppliers, especially those (e.g. Samsung, Apple, Microsoft, Sony, etc.) for whose products there is no substitute as far as customers are concerned. Any deterioration in the banners' relationships with their main suppliers, the imposition of stricter conditions by suppliers, or the non-renewal or early termination of its main supply or service 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 and its relations with service providers who play a key role in its operations such as IT resources, including the hosting service performed by the Kering group, transport, delivery and payroll management.

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 seven-year period, which is conducive to the establishment of a relationship of trust and partnership.

Agreements with suppliers are periodically negotiated in accordance with local laws and regulations.

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 proceeds as often as necessary 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 and the rollout of shops-in-shops as part of the *Confiance+* strategic plan), control its rents or maintain and develop a network of stores in the best locations and on acceptable terms.

Fnac Darty'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 under 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. Fnac Darty's operations, earnings, financial position and outlook could be materially adversely affected if the Group's insurance coverage proved 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 result in an impairment of these assets, especially certain intangible assets like goodwill or the brands.

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. Accordingly, the Group's brands are also tested for impairment every year.

The recoverable value of groups of Cash Generating Units is determined on the basis of their value-in-use, which is in turn determined based on 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 driven mainly by the *Confiance+* strategic plan, 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 18 to the consolidated financial statements.

The absence of significant impairment charges in the future cannot be guaranteed, especially if market conditions were to deteriorate.

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 and the "Darty" brand, any infringement or misappropriation could have a material adverse effect on the Group's image, operations, financial position or earnings.

The main shareholders who hold a significant percentage of the Company's share capital could influence decisions made by Fnac Darty.

Upon completion of Ceconomy's purchase of the shares held by Kering, Ceconomy Retail International Group held 24.20% of the share capital and voting rights of the Company. It should be noted that none of the 12 board members have any ties to Ceconomy, as the recently appointed new Directors are all independent. In 2017, Vivendi held 11.05% of the share capital and voting rights of the Company, and two of the 12 board members had ties to it. In January 2018, Vivendi announced it had entered into an agreement with Société Générale Group as the underwriting counterparty to place securities with institutional investors. Consequently, no shareholder to date 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.

In early February 2018, SFAM bought 11% of Fnac Darty shares from the Knight Vinke Assets investment fund. To date, none of the 12 members of the Board of Directors have any ties with SFAM and there is no risk of SFAM influencing Group decisions at this stage.

Own-brand products and/or products under a trademark license are mainly manufactured abroad and distributed by the Group. The Group is consequently liable for both the regulatory compliance and the quality of the products.

Significant non-compliance of these products would result in a product recall and/or a major problem with a customer that might affect the image of our trademark and Brands. Controls are regularly carried out to monitor both the quality of the products and respect of the regulations. Assessments of third parties that we use in foreign countries are carried out on a regular basis prior to and during any business relationship with them. Also, the crisis management procedures that are in place at Group level will allow for effective tracking of potential risks, detailed above, if our Brands were faced with them.

The Group may not have the ability to implement its cost savings plans.

The most impactful, simple and readily implementable cost savings plans have already been accomplished. The projected synergies from the Fnac Darty consolidation have been achieved, but the Group still has to make further cost savings to ensure that its operational efficiency and earnings do not deteriorate. The performance culture is also central to the Group's strategy, to ensure that all departments contribute to the search for savings while maintaining operational efficiency. Furthermore, action plans to support its staff are in place, primarily through a matrix structure that permits decision-making without hampering Group-wide deployment and pays special attention to any potential human resource impacts in its entities.

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 "Investor Relations and Financing Department" and the "Treasury Department." The Group believes that monitoring market risk at the Group level allows for more effective risk management.

Market 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 28.2 to the consolidated financial statements.

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 28.1 to the consolidated financial statements.

Liquidity risk

Liquidity risk for the Group and each of its subsidiaries is closely and regularly evaluated by the Group through periodic financial reporting.

Exposure to liquidity risk is detailed in section 5.2, note 28.5 to the consolidated financial statements.

<u>Group financing</u>

In the bid to acquire Darty and for the purpose of financing the future Combined Group, the Group put in place a bank loan with a syndicate of fifteen or so European banks in April 2016.

In order to diversify its sources of financing and stimulate its liquidity, the Group intends to establish a Negotiable European Commercial Paper plan in 2018.

On September 22, 2016, the Group also successfully issued a seven-year senior bond for €650 million bearing annual interest of 3.25%.

As of December 31, 2017, Fnac Darty's net debt was €861 million, consisting mainly of:

- a €200 million bank term loan maturing in April 2021;
- €655.3 million in senior bonds maturing in September 2023 with capitalized interest.

Free cash flow from operations amounted to €199.2 million as of December 31, 2017.

The €400 million revolving facility maturing in April 2021 was unused.

The loan agreement and the bond issue contain clauses customary for these types of financing, namely financial commitments, general restrictive covenants and events of default.

As of December 31, 2017, all of the financial covenants relating to the Loan Agreement were being complied with (see section 4.3.2.2 of this Registration Document).

The Company conducts a specific periodic review of its liquidity risk.

All of the terms and conditions of the Group's financing lines are detailed in Section 4.3.2.2 of this Registration Document.

Centralized cash management

Fnac Darty Participations et Services has entered into centralized cash management agreements for an unlimited term with its foreign subsidiaries. The purpose of these agreements is to centralize the Group's cash management ("cash pool") 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 Darty Participations et Services, in exchange for which Fnac Darty Participations et Services finances their working capital requirements and capital expenditures.

Credit and/or counterparty risks

Credit risk: due to its great number of customers, the Group does not consider itself to be exposed to a significant concentration of credit risk. However, the development of these franchise and B2B activities, as presented in the *Confiance+* strategic plan, may have a dilutive effect on the Group's cash, earnings, or financial position. The Group has internal procedures to control these risks, especially through requested guarantees and insurance policies.

Counterparty risk: the Group's strategy is to invest its cash in bank deposits or short-term money-market UCITS that aim to achieve performance close to EONIA in compliance with the rules on diversification and quality of counterparty. According to the Group, these investments do not therefore expose it to significant counterparty risk. In addition, as part of its risk management policy relating to interest rates and currency, the Group decided it was necessary to enter into hedging agreements with leading financial institutions and in its view the counterparty risk can therefore be considered to be negligible.

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 28.2 to the consolidated financial statements.

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 28.1 to the consolidated financial statements.

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 impact 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; in this regard, note the recent purchase by SFAM in February 2018 of the stake held by the Knight Vinke Assets fund;
- 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 risks

The Group may be unable to comply with some of its obligations 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, whereby the agent of the Loan Agreement (Société Générale) could, and should, if so requested by the lenders, (i) terminate with immediate effect the obligations 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). In the event that the amounts due under the Loan Agreement are declared immediately due and payable, the Group might face a cash shortage. This situation could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets. As of December 31, 2017, all financial covenants were being complied with (see section 4.3.2.2. of the Comments on the period).

The Group's covenants under the Loan Agreement and the High Yield Bond could reduce its flexibility to conduct its business.

The Loan Agreement and the bond include commitments that significantly reduce the Group's flexibility in how it conducts its operations, including but not limited to, implementing certain investment or divestment operations including asset sales or purchases, modifying the Group's financial structure including its indebtedness, granting pledges or guarantees or implementing merger or restructuring operations. If as a result the Group were unable to make certain modifications to its operations or its structure, this might have a material adverse effect on the image, operations, results, outlook, financial situation and assets of the Group.

The Loan Agreement and the High Yield bond also include a clause under which the creditors of Fnac Darty could request full or partial early repayment of the loans in the event of a change of control. This restriction could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

The Group's earnings could be impacted by events requiring the revaluation of its pension plans.

The pension plan known as the "COMET pension plan," which is funded by Darty in the United Kingdom, has been taken over as part of the Fnac Darty consolidation. Darty's funding obligations depend on the future performance of the assets, the level of interest rates used to measure future commitments, actuarial projections and experience of changes in pension plans and the applicable regulations. Due to the many variables that determine the pension funding obligations, which are hard to predict, as well as any statutory changes, the future funding obligations for this pension plan in terms of cash could be larger than the amounts estimated as of December 31, 2017. In that case, the funding obligations could negatively impact the Group's financial position or operating results (see section 5.2, note 31.4 to the consolidated financial statements).

6.5 / Insurance

General overview

The Group took out all of its insurance policies under conditions that were tailored to the scale and type of the Group's risks.

The Group's insurance approach is coordinated by its Legal Department which is responsible, with the support of the other departments, for identifying risks, quantifying their consequences and reducing them:

- recommending preventive measures for risks that can be eliminated or reduced by these means;
- 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 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 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. As of May 1, 2017, Fnac Darty as a whole will have a shared insurance program with better indemnities, lower deductibles and lower consolidated cost has compared with the previous year.

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:

Damage and operating losses: The principal purpose of this policy is to particularly insure the Group 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. The cover limit is €400 million and €20 million per claim for direct damages and operating loss combined, for the Group over the insurance term expiring January 1, 2020.

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 damage covered in this respect is capped for the Group for an insured period expiring April 30, 2018. The cover limit is €75 million per claim per year for the Group.

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 2018 expiring April 30, 2018, is commensurate with the risks run. The cover limit is €3 million per claim.

Insurance costs borne by the Group: The cost to the Group of all insurance policies for the year ended are approximately €5 million.

6.6 / Risk management

The AMF defines risk as the possibility of an event whose consequences are likely to impact the persons, assets, environment and objectives of the Company or its reputation.

Risk management includes topics that encompass more than just financial risks: strategic, operational, market, corruption, 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 its goals;
- encouraging consistency between the Company's actions and its values;
- mobilizing the Company's workforce around a shared vision of the main risks.

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 achievement 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.

6.6.1 / THE RISK MANAGEMENT SYSTEM

The implementation of the risk management system in Fnac Darty is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.6.1.1 / Risk management structure and coordination with internal control

Organizational framework

This organizational framework includes:

- a structure that defines the roles and responsibilities of those concerned, establishes clear and consistent 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.

To control the risks within its remit, the Safety & Risk Prevention Department circulates a set of rules and best practices, on which the individual country Security Directors also rely. Its objectives at Group level are to harmonize procedures, reduce risks, and optimize safety costs by promoting synergies and raising the awareness of all Fnac and Darty personnel.

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

The Group instituted its risk management policy in 2011, which is based on the COSO II Framework, and then updated it in 2015. 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

- Risk identification: the Group treats risk identification as an ongoing business process. Risk identification helps to categorize and centralize major risks either with the Safety & Risk Prevention Department, or with the Internal Audit Department depending on the type of risk.
- Risk assessment: at the Group, this approach is 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, HR, legal or reputational 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 it to be continually improved.

The Audit Committee meets at least once a year to review the risk mapping prepared by the Group's Audit Department and monitor the progress of dedicated action plans.

The Group also conducts regular internal audits on both banners to assess and improve the effectiveness of its risk management systems.

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 system relies on the risk management procedures to identify the main risks to be contained;
- the audit plan relies mainly on 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 the ethical values specified in the business code of conduct.

6.6.1.2 / General internal control principles

Definition and objectives of internal control

The internal control system at Fnac Darty encompasses a number of appropriate resources, policies, practices, procedures and initiatives whose purpose is to ensure that the required measures are taken to control:

- 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, and in particular:

- human errors or malfunctions that occur when decisions are made or implemented;
- deliberate collusion between several persons making it possible to elude the control system in place;
- deliberate fraud by 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 Darty's internal control environment

This environment is structured around the principles and values shown in the internal codes and 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 was updated in 2017. It sets forth the ethical principles and the main rules of conduct, in accordance with applicable regulations, and the behavior expected of Fnac Darty employees.
- A “Gifts and Benefits Charter” updated in 2017 sets out in more detail the rules governing the various gifts and enticements from suppliers, third parties, and partners.
- A Fnac Values Charter, distributed in 2012 as the result of an internal collective process, specifies four key values: Commitment, Passion, Respect and Innovation. The key unifying values of Darty are Respect, Solidarity, Exemplary Performance, Spirit of Service, and Operational Excellence. These shared underlying values are reiterated in the updated business code of conduct.
- 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. Darty also has internal control guidelines that are regularly updated and sent to employees.
- A code of conduct for securities trading, updated in 2017, 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, and updated in 2017 for Fnac Darty 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 intranet sites of the two companies so that each employee can refer to them.

“Fnac’s Essential Rules,” distributed in 2012, set forth the 14 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. These “Fnac Darty Essential Rules” were updated in 2017 to take into account the full new scope of Fnac Darty.

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 Fnac Darty, 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 Fnac Darty 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 Fnac Darty management positions.
- An employee opinion survey is usually 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 structure of the Group's internal control involves persons throughout the chain of command, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the Appointments and Compensation Committee, the Corporate, Environmental and Social 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 Fnac Darty'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 Chief Executive Officer of Fnac Darty, and in 2017 included, in addition to himself, the CEO of Fnac Vanden Borre in Belgium, the Fnac Darty Human Resources Director, the Fnac Darty Services Director, the Fnac Darty Information Systems Organization Director, the Fnac Darty Chief Operating Officer, the Fnac Darty Operations Director, the Group Chief Financial Officer and General Secretary, the Fnac Darty Sales Director, the CEO of Fnac Spain in charge of Iberia Region coordination, the Fnac Darty Marketing and e-Commerce Director, the Fnac Darty Communication and Public Affairs Director.

The Director of Strategy and M&A at Fnac Darty 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 Chief Executive Officer. Its permanent members are the Group 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 Group IT Investment Committee is chaired by the Group's Chief Financial Officer and its permanent members are the Group Director of IT Systems Organization 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 relies on it for the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Group 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 for the objectives they have been assigned, and must comply with the control principles and rules. They may help to improve and detect malfunctions. 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 report.

Other internal control participants

- The Legal Department of Fnac Darty advises and assists the operational departments and subsidiaries on major legal questions.
- The Tax Department of Fnac Darty advises and assists the operational departments and subsidiaries on major tax issues.
- The Financial Control Department of Fnac Darty is in charge of implementing and ensuring compliance with the procedures for reporting and preparing the consolidated financial statements.
- The Human Resources Department of Fnac Darty advises and ensures that internal practices comply with labor laws and regulations.
- The Safety & Risk Prevention Department of Fnac Darty 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 Appointments and Compensation 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".
- In 2018, the Group's Ethics Committee was set up, chaired by the Human Resources Director, and its permanent members the Legal Director, the Safety & Risk Prevention Director, the Internal Audit Director, and the Head of Corporate Social & Environmental Responsibility. This Committee's primary responsibilities are to ensure that the Group's codes, policies and charters are kept up-to-date, to monitor the effectiveness of risk reduction plans when mapping specific risks involving corruption and duty of care, and to prepare an annual report of its work for the Executive Committee.
- A Personal Data Management Committee was set up in 2017 in anticipation of the implementation of the new European General Data Protection Regulation (GDPR) on May 25, 2018. This Committee is chaired by the Data Protection Officer (DPO) appointed by Fnac Darty for France. DPO appointments for other countries are in progress. The main objectives of this Committee, which meets every six weeks, are explained in section 2.5.3.2 of this Registration Document "Customer Personal Data Protection".

- The Internal Audit Department of Fnac Darty, through its missions, 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 risk mapping and monitoring of action plans. It is also in charge of the central administration and analysis of internal control pursuant to the Financial Security Law and the AMF's reference framework set out in the section below, "Oversight of the system". The Internal Audit Department of Fnac Darty, which reports to Fnac Darty's Chief Financial Officer and General Secretary, reports the main results of its assessments to the executive management and the Audit Committee.
- The statutory auditor learns the elements of internal control that are pertinent for the audit in order to take into consideration factors that may generate risks of material anomalies in the financial statements, and not for the purpose of formulating an opinion on the efficacy of the internal control process.

  At a time the statutory auditor deems appropriate, he communicates to management, at the appropriate level of responsibility, the weaknesses of the internal control identified during the audit which he believes to be of sufficient importance to merit attention, unless the auditor believes this approach would be inappropriate under these circumstances. The statutory auditor makes this communication in writing when it covers weaknesses he believes are significant. The statutory auditor communicates the significant weaknesses of the internal control process in writing to the bodies cited in Article L 823-16 of the French Commercial Code, at the time he deems appropriate.

Oversight of the system

The ongoing oversight of the internal control system and the regular review of how it is functioning entail three types of tasks: annual self-assessment exercises, internal audit engagements, and observations made by the Statutory Auditors, as indicated in the previous paragraph.

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 Darty's essential rules, through questionnaires filled in by key operational staff in each Group country organization. In 2017, 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 the 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 2017, all stores in France and abroad were self-assessed.

Internal audit

In 2017, the Internal Audit Department continued to strengthen its system for assessing the internal control and risk control of the organizations. 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.

    These 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;
- 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

Within the framework of their mission to certify the financial statements, the statutory auditors make observations. At a time the statutory auditor deems appropriate, he communicates to management, at the appropriate level of responsibility, the weaknesses of the internal control identified during the audit which he believes to be of sufficient importance to merit attention, unless the statutory auditor believes this approach would be inappropriate under these circumstances. The statutory auditor makes this communication in writing when it covers weaknesses he believes are significant. The statutory auditor communicates the significant weaknesses of the internal control process in writing to the bodies cited in Article L. 823-16 of the French Commercial Code, at the time he deems appropriate.

6.6.1.3 / Internal control procedures relating to the preparation of 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 Senior Management's instructions on financial reporting;
- 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 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 2017, the Finance Department and the Office of the General Secretary of Fnac Darty supervised the Financial Control Department, the Legal Department, the Tax Department, the Investor Relations and Financing Department, the Cash Management Department, the Darty Management Control Department, the Safety and Risk Prevention Department, the Real Estate Department, the Internal Audit Department, and the France Finance Department.

Standards

Accounting standards

The Group has a body of accounting rules and policies which must be applied to all consolidated subsidiaries.

These accounting rules, which are regularly updated, 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 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 account balance sheets and income statements, but also the controls and validations applying to key processes.

The Financial Control Department is responsible for improving the quality of formalized rules and updating them.

Management process

The production and analysis of financial and accounting information is based on a set of management procedures, such as:

- medium-term plan that measures the consequences of the strategic directions on the Group's major financial and management cornerstones. The plan is also used annually by the Group to assess the value-in-use of assets relating to the various Cash Generating Units;

- annual budgets compiled after discussions with Country and Group operational departments and general management; annual budgets identifying the major financial goals and operational action plans, are prepared in the fourth quarter of the fiscal year and definitively adopted in the following first quarter after taking any intervening events into account;
- 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; In addition, a rolling monthly forecast is provided as part of the monthly budget update, with the entities sending in their revised monthly earnings and cash flow forecasts based on their business activity estimates;
- 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, makes sure it is consistent and complies with the applied accounting treatments.

  The Group's CEO, its Chief Financial Officer, and the regional, 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 for annual and semi-annual financial statements, 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 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 a single SAP information system in all Fnac company activities to ensure consistent treatment, comparison and control of accounting and financial information. Financial management and accounting data is managed with an SAP information system that is different from Fnac's system for Darty France, with software developed in-house for Vanden Borre (Darty Belgium) and with the IT system Microsoft Dynamics Nav for BCC (Darty Netherlands).
- Financial reporting data and budget construction and tracking data is managed with a single information system in all Fnac Darty activities. This SAP BPC tool interfaces with the various accounting information systems.
- Consolidation data is collected in a single consolidation tool known as HFM, which interfaces with Fnac Darty's BPC consolidated reporting 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 standardized across the entire Group.

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 monthly 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 every six months, 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 and General Secretary, is responsible for preparing 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 and General Secretary after validation by the entities' Finance Departments. The Chairman and CEO and the Group Chief Financial Officer and General Secretary certify that the consolidated financial statements are true and present a fair view by signing a representation letter addressed to the Statutory Auditors.

6.6.2 / RISK MAPPING

Under its risk management and internal control procedures, Fnac Darty 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 Fnac Darty risk map are described in the previous parts of this section 6 on "Risk Factors". Additionally, in order to meet new regulatory requirements, a risk map specifically for anti-corruption measures has been carried out. The Group has also started work on developing risk mapping specifically for the French act establishing a duty of care that must be exercised by parent companies and ordering companies.

6.6.2.1 / Mapping of Fnac Darty business risks

Key business risks are mapped at Group level with contributions from the Group's countries and main operational departments, initially approved by the Executive Committee and then reviewed and approved by the members of the Audit Committee in December of every year.

The Audit Committee is updated on a regular basis on the progress of any risk mitigation plans.

6.6.2.2 / Specific mapping of Fnac Darty corruption risks

In accordance with the "Sapin 2" Law promulgated in December 2016, which came into effect in June 2017, the Group has established a corruption risk mapping process. Developed from interviews with the Group's various departments, it takes into account the geographical location of our activities, our interactions with third parties, the various business lines within the Group, our human resources policy, and existing procedures.

6.6.2.3 / Specific mapping of Fnac Darty risks relating to duty of care

In consideration of the French act establishing a duty of care that must be exercised by parent companies and ordering companies, the Group, in conjunction with the Company's stakeholders, has started work on identifying risks relating to fundamental human rights and freedoms, personal health and safety, ethics, and the environment, directly or indirectly resulting from its business activities. This work will be extended in 2018 to define a robust oversight plan that includes appropriate mitigation measures.

7

Information on the Company, capital and shareholders

7.1 / The Company

7.1.1 / HISTORY AND DEVELOPMENT

7.1.1.1 / Corporate name

The name of the Company is "Fnac Darty".

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 office, legal form and applicable law

Registered office

The registered office of Fnac Darty is 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

Fnac Darty is a French limited 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 limited company. It was transformed into a simplified joint 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 limited company with a 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 limited companies with a Board of Directors. The principal stipulations described below are taken from the Company's bylaws, as adopted by the Company's Ordinary and Extraordinary General Meeting of April 17, 2013.

They were amended:

- under the terms of the Twentieth Resolution passed by the Ordinary and Extraordinary General Meeting of the Company of May 29, 2015, with no double voting rights granted, as established by Law 2014-384 of March 29, 2014;
- under the terms of the Twenty-first Resolution passed by the Ordinary and Extraordinary General 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;
- under the terms of the Twenty-second Resolution passed by the Ordinary and Extraordinary General Meeting of May 24, 2017, to change the company's corporate name to "Fnac Darty" and to amend Article 3 of the bylaws accordingly.

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 senior management

Board of Directors

Internal rules of the Board of Directors

The Board of Directors has internal rules which aim 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 regulations)

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 is over age 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, when possible, must be at least half of the Board of Directors, two thirds of the Audit Committee, more than half for the Appointments and Compensation Committee, and at least half for the Corporate, Environmental and Social 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 Appointments and Compensation 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;
- not being an executive officer of a company in which the Company is, directly or indirectly, a director, or in which an employee appointed as such or an executive 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 are they directly or indirectly associated with any such person);
- the member has no close family relationship with a corporate officer;
- the member has not been 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 percent 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 Appointments and Compensation 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 decide 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 decide 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 regulations)

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 regulations)

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. Under the responsibility of the Board, these committees are tasked with examining the subjects that the Board or its Chairman submits for their examination and opinion to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal regulations 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 Appointments and Compensation Committee and (iii) a Corporate, Environmental and Social Responsibility Committee (see section 3.2.1 "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 regulations)

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 majority shall be deemed to include directors who take part in the meeting via videoconferencing 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 made 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 regulations)

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 General 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 the 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 it, 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 surety, endorsement or guarantee of any kind,
  - 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 corporate social responsibility principles and practices of the Group, Group Directors and employees.

Compensation of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's internal regulations)

The General Meeting may allocate an annual fixed sum to directors as directors' fees, which are distributed among them as determined by the Board. On the recommendation of the Appointments and Compensation 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 exceptional remuneration to some of its members for duties and offices assigned to them.

Senior 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 Chief Executive Officer is vested with the broadest powers to act in the Company´s name in all circumstances. He 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 cap 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 to 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 General Meeting of the Company on May 29, 2015, no double voting rights were granted, as instituted by Law 2014-384 of March 29, 2014.

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, spin-off 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 / General 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, 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 remotely 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 by 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, electronic forms may be recorded and signed using 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 issued in accordance with the regulations in force.

7.1.2.7 / Provisions 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 its control.

7.1.2.8 / Shareholding thresholds and identification of shareholders

Declaration of thresholds

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 acknowledgment 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 the ownership threshold is crossed). 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 general meetings if the absence of such a declaration has been noted at a meeting and if one or more shareholders holding at least 3% of the Company's share capital or voting rights so requests at said meeting. Such deprivation of voting rights applies to all general 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 greater or equal to the percentage referred to in the previous paragraph, must renew their declaration of intention, in accordance with the abovementioned terms, for each subsequent six-month period.

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.

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 / Share capital

7.2.1 / SHARE CAPITAL SUBSCRIBED AND AUTHORIZED SHARE CAPITAL NOT ISSUED

The share capital of the Company as of December 31, 2017 and February 21, 2018 was €26,658,135, divided into 26,658,135 shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class, representing the same number of theoretical and actual voting rights.

The table below shows the financial resolutions approved by the Combined Ordinary and Extraordinary Shareholders' Meetings of the Company on June 17, 2016 and May 24, 2017.

Subject of resolution	Maximum amount	Validity of authorization [(a)] [(b)]	Utilization of the authorization during the year
Share buy-backs and reduction in share capital			
Authorization to trade in Company's shares	263,085,710	18 months [(b)]	See 7.2.3.1
Authorization to reduce capital by canceling treasury shares	10% of share capital per 24 months	26 months [(b)]	This authorization has not been used
Issuance of securities			
Issue of ordinary shares giving access, as the case may be, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares in the Company, with preemptive subscription rights maintained	€13m [(c)]	26 months [(b)]	This authorization has not been used
Issue of ordinary shares giving access, as the case may be, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares in the Company, in the form of a public tender offer and/or as payment in a public exchange offering, with preemptive subscription rights waived and with a mandatory priority period	€5.2m [(d)]	26 months [(b)]	This authorization has not been used
Issue of ordinary shares giving access, as the case may be, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares in the Company, in the form of a public tender offer and/or as payment in a public exchange offering, with preemptive subscription rights waived and with an optional priority period	€2.6m [(d)] [(e)]	26 months [(b)]	This authorization has not been used
Issue of ordinary shares giving access, as the case may be, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares in the Company, with preemptive subscription rights waived, in the form of an offer stipulated in Article L. 411-2-II of the French Monetary and Financial Code (private placement)	€2.6m [(d)] [(e)]	26 months [(b)]	This authorization has not been used
Issue or shares or securities giving access to capital in remuneration for contributions in kind	10% of share capital on the day of the GM [(d)] [(e)]	26 months [(b)]	This authorization has not been used
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 share capital per year	26 months [(b)]	This authorization has not been used
Capital increase by capitalizing premiums, reserves, profits or other	€13m	26 months [(b)]	This authorization has not been used
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)]	This authorization has not been used
Capital increase through the issuance of shares or transferable securities giving rights to capital allocated to members of employee share savings plans, eliminating their preemptive subscription rights	€0.78m	26 months [(b)]	This authorization has not been used

Subject of resolution	Maximum amount	Validity of authorization [a] [b]	Utilization of the authorization during the year
Issue reserved for employees and executives			
Award of stock subscription or purchase options, eliminating preemptive subscription rights	5% of share capital on grant date (same cap as for the allotments of bonus shares below)	38 months [a]	Grant of 300,000 stock options (1.13% of share capital)
Bonus allotments of existing shares or shares to be issued to Group employees and corporate officers, or to some of them, eliminating preemptive subscription rights	5% of share capital on grant date (same cap as for the stock subscription or purchase options above)	38 months [a]	Grant of 122,000 bonus shares (0.46% of share capital) Grant of 92,500 bonus shares (0.35% of share capital)

(a) On or after June 17, 2016.
(b) On or after May 24, 2017.
(c) All other authorizations to increase capital (with the exception of grants of stock options and bonus shares) count towards this overall cap.
(d) Shared caps that count towards the overall cap noted in "c".
(e) Shared caps totaling €2.6m that count towards the overall caps in "c" and "d".
€m: million of euros.

By way of example (based on existing capital) the number of (i) stock options that may be granted or (ii) bonus shares that may be granted is capped at a nominal 750,877 shares (2.82% of existing 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 SHARE CAPITAL

Since September 22, 2016, the Group has at its disposal Senior bonds in the amount of €650 million, bearing 3.25% annual interest, maturing in 2023 (High Yield Bonds) as described in section 4.3.2.2 "Financial debt".

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 24, 2017, 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)	€263,085,710	10% of the Company's share capital

Authorized objectives

Acquisitions may be made for the following purposes:

a) to stimulate the secondary market or liquidity for Fnac Darty shares via a liquidity contract with an investment services provider in accordance with the Amafi Ethics Charter and permitted by regulations, it being understood that the number of shares used to calculate the aforementioned limit is the number of shares bought minus the number of shares sold;

b) to hold the purchased shares for future sale (as trade, payment or other transaction) as part of external growth operations;

c) to cover stock purchase options and/or bonus share allocation (or similar) schemes for the benefit of Group employees and/or corporate officers as well as allocations of shares in connection with a company or group savings plan (or similar), profit-sharing plan and/or any other form of share allocations to Group employees and/or corporate officers;

d) to cover investment securities that establish the right to Company shares, as required by applicable regulations;

e) to potentially cancel the purchased shares, in accordance with the authorization granted or to be granted by an Extraordinary General Meeting.

Buy-back mechanism

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, trades 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.

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 implementing 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. This amount was increased to €8 million by an amendment on July 17, 2017.

In 2017, under the liquidity contract, 884,261 shares were purchased at an average price of €71.03 for a total amount of €62,805,205, and 884,261 shares were sold at an average price of €71.46 for a total of €63,186,565. Under this liquidity contract, the following resources were in the liquidity account on December 31, 2017: 0 shares and €8,477,436.00.

On March 31, 2018, the Company held 30,000 shares.

Breakdown by objective of the shares held

- Number of shares held directly or indirectly: 30,000 representing 0.11% of the Company's share capital.
- Breakdown of number of shares held by objective: stimulate the share price via an Amafi liquidity contract: 30,000.

7.2.3.2 / Description of the share buyback program submitted to the General Meeting of May 18, 2018 for authorization

Presentation of the program submitted to the next General Meeting

A new authorization is being submitted for the approval of the Combined Ordinary and Extraordinary General Meeting of May 18, 2018 called to approve the financial statements for the year ended December 31, 2017, 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 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	€130	€346,555,690.00	10% of the Company's share capital

Acquisitions may be made for the following purposes:

- to stimulate the secondary market or liquidity for Fnac Darty shares via a liquidity contract with an investment services provider in accordance with the Amafi Ethics Charter and permitted by regulations, it being understood that the number of shares used to calculate the aforementioned limit is the number of shares bought minus the number of shares sold;
- to hold the purchased shares for future sale (as exchange, payment or other transaction) as part of potential external growth operations;
- to cover stock purchase options and/or bonus share allocation (or similar) schemes for the benefit of Group employees and/or corporate officers as well as allocations of shares in connection with a company or group savings plan (or similar), profit-sharing plan and/or any other form of share allocations to Group employees and/or corporate officers;
- to cover investment securities that establish the right to Company shares, as required by applicable regulations;
- potentially cancel the shares acquired.

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, trades 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

At the preparation date of this Registration Document, the potential capital consists of 147,837 stock options and 249,412 bonus shares being vested, as described in the Board's Special Report to the Meeting, below.

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 sole corporate officers) were approved by the Board of Directors on October 22, 2013, February 26, 2014 and April 4, 2016 on the recommendation of the Appointments and Compensation Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013 in its Thirtieth and Thirty-first Resolutions and by the General Meeting of June 17, 2016 in its Fourteenth 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, Group leadership directors, 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 Darty share performance condition defined for each vesting period.

The principles and implementation of a long-term incentive plan designed for the principal executives of the Group (including the sole corporate officers) were approved by the Board of Directors on April 28, 2017 and December 15, 2017 on the recommendation of the Appointments and Compensation Committee, in accordance with the authorization granted by the General Meeting of June 17, 2016 in its Fourteenth Resolution.

These plans consist of an award of stock subscription options to the corporate officer and principal executives, and bonus shares to the corporate officer, principal executives, Group leadership directors, and high-potential executives and managers, in order to link them to the Company's performance through the appreciation of its share price.

Stock Options

These options from the stock option plan 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 conditional on the performance of the Fnac Darty share price and on the achievement of specific synergy goals in the merging of Fnac and Darty, 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 (maturity) and October 22, 2013 to March 31, 2017 (maturity).

The plan established by the Board of Directors on February 26, 2014 stipulates two vesting periods: March 1, 2014 to September 30, 2016 (maturity) and March 1, 2014 to September 30, 2017 (maturity).

The plan established by the Board of Directors on February 26, 2015 stipulates two vesting periods: March 1, 2015 to September 30, 2017 (maturity) and March 1, 2015 to September 30, 2018.

The plan established by the Board of Directors on April 28, 2017 stipulates two vesting periods: May 2, 2017 to May 1, 2019 and May 2, 2017 to May 1, 2020.

Main features	2013 plan	2014 plan	2015 plan	2017 plan
Date of the authorization of the General Meeting	April 17, 2013	April 17, 2013	April 17, 2013	June 17, 2016
Date of Board of Directors' meeting	October 22, 2013	February 26, 2014	February 26, 2015	April 28, 2017
Exercise price	€20.28	€23.60	€44.10	€66.23
Performance conditions	Yes	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%	May 1, 2019: for 50% May 1, 2020: for 50%
Number of stock options initially allotted	393,922	211,040	98,972	300,000
Number of beneficiaries as of December 31, 2017	0	0	7	10
Currently being vested at December 31, 2017	0	0	35,051	112,786
Canceled at December 31, 2017	0	0	15,581	187,214
Vested at December 31, 2017	92,164 (1st tranche vested at March 31, 2015) 109,724 (2nd tranche vested at March 31, 2016) 145,497 (3rd tranche vested at March 31, 2017)	102,735 (1st tranche vested at September 30, 2016) 90,178 (2nd tranche vested at September 30, 2017)	48,340 (1st tranche vested at September 30, 2017)	0
TOTAL OPTIONS CURRENT BEING VESTED AT DECEMBER 31, 2017	**147,837**			

Allotment of bonus shares

The plan established by the Board of Directors on February 26, 2015 stipulates a bonus share plan with a duration of four years, two vesting years (March 2015 to February 2017) therefore now matured and two holding years for French residents and four vesting years (March 2015 to February 2019) for foreign residents. The performance condition is assessed on the average closing price of the Fnac Darty share at the end of February 2017.

The plan established by the Board of Directors on April 4, 2016 stipulates a bonus share plan with a duration of four years, two vesting years (June 17, 2016 to June 16, 2018) and two holding years for French residents and four vesting years (June 17, 2016 to June 16, 2020) for foreign residents. The performance condition is assessed on the average closing price of the Fnac Darty share for the 20 days preceding June 16, 2018.

The plan established by the Board of Directors on April 28, 2017 stipulates a bonus share plan with a duration of four years, two vesting years (May 2, 2017 to May 1, 2019) and two holding years for French residents and four vesting years (May 2, 2017 to May 1, 2021) for foreign residents. The performance condition relating to Fnac Darty's share price is assessed annually, in April 2018 and April 2019, on the share's average closing price over the 20 trading days preceding May 1, 2018 and May 1, 2019 respectively, and the performance condition relating to achievement of synergies in the merger of Fnac and Darty is assessed in 2018 after the publication of the Group's annual results for 2017, and in 2019 after the publication of the Group's annual results for 2018.

This plan established by the Board of Directors on December 15, 2017 stipulates a vesting period of more than two years (December 15, 2017 until the 3rd trading day following the publication of the 2019 annual financial statements.). The performance condition relating to Fnac Darty's share price is assessed in 2019 and 2020 based on the Company's Total Shareholder Return (TSR) compared to that of the companies in the SBF 120, and the performance condition relating to the achievement of synergies in the merger of Fnac and Darty and to a level of Current Operating Income (COI) are assessed in 2019 after the publication of the Group's annual results for 2018, and in 2020 after the publication of the Group's annual results for 2019.

Vesting of the bonus shares is subject to a continuous service condition and Fnac Darty performance conditions.

Main features	2015 plan	2016 plan	2017 plan	2017 plan
Date of the authorization of the General Meeting	April 17, 2013	June 17, 2016	June 17, 2016	June 17, 2016
Date of Board of Directors' meeting	February 26, 2015	April 04, 2016	April 28, 2017	December 15, 2017
Allotment price	€44.10	€50.86	€66.23	€86.82
Performance conditions	Yes	Yes	Yes	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	For French residents: June 16, 2018 + a two-year lock-in period until June 16, 2020 For foreign residents: June 16, 2020	For French residents: May 1, 2019 + a two-year lock-in period until May 1, 2021 For foreign residents: May 1, 2021	In 2020, the third trading day following the publication of the annual results for 2019
Number of bonus shares initially allotted	60,839	67,529	122,000	92,500
Number of beneficiaries as of December 31, 2017	27	103	139	39
Currently being vested at December 31, 2017	10,721	54,067	92,124	92,500
Canceled at December 31, 2017	11,228	13,462	29,876	0
Vested at December 31, 2017	38,890	0	0	0
TOTAL BONUS SHARES BEING VESTED AT DECEMBER 31, 2017				**249,412**

Companies affiliated with Fnac Darty 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, 2017, the Company had awarded a total of 249,412 bonus shares, as well as 147,837 options giving the right to subscribe to 147,837 shares in the Company. As of December 31, 2017, there were 26,658,135 Company shares. On that date, if all subscription options (2015 and 2017 plans) had been exercised, along with all bonus shares vested through the issue of new shares, 397,249 shares would have been created, representing a dilution of 1.49%.

7.2.5 / TERMS GOVERNING ANY VESTING RIGHT AND/OR ANY OBLIGATION ATTACHED TO THE 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 FIVE YEARS

The table below shows the change in the Company's share capital from September 26, 2012 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
04/17/2013	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
05/29/2015	Increase in the number of shares by exercise of stock options	16,595,610	1,776,921.92	16,595,610	16,687,774	1.00	16,687,774
05/24/2016	Increase of capital reserved for Vivendi	16,687,774	156,079,753	16,687,774	19,632,675	1.00	19,632,675
07/29/2016	Capital increase as remuneration for the Darty shares tendered as securities for the Darty plc acquisition offer	19,632,675	N/A	19,632,675	26,103,758	1.00	26,103,758
09/15/2016	Capital increase as remuneration for the Darty shares tendered as securities for the Darty plc acquisition offer following the forced disposal notifications	26,103,758	N/A	26,103,758	26,122,771	1.00	26,122,771
01/09/2017	Increase in the number of shares by exercise of stock options	26,122,771	3,749,880.60	26,122,771	26,299,576	1.00	26,299,576
03/01/2017	Increase in the number of shares resulting from the final vesting of bonus shares	26,299,576	(38,890)	26,299,576	26,338,466	1.00	26,338,466
12/15/2017	Increase in the number of shares by exercise of stock options	26,338,466	7,614,068.08	26,338,466	26,658,135	1.00	26,658,135

The following major transactions involving the Company's shares were completed between September 26, 2012 and the filing date of this Registration Document:

- the Shareholders' General 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 completed on December 27, 2012;
- the General Meeting held on April 17, 2013 modified and reorganized the share capital of the Company per the following terms:
  - the meeting approved the principle of a capital reduction, motivated by losses, of €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).

Following the subdelegation option granted by the Board of Directors:

- the Chairman and Chief Executive Officer, in a decision dated May 25, 2016, noted the capital increase of €159,024,654 with a share premium of €156,079,753 reserved to Vivendi, through the issue of 2,944,901 new shares; the share capital was therefore raised from €16,687,774 to €19,632,675 (divided into 19,632,675 shares with a par value of €1);
- the Chairman and Chief Executive Officer, in a decision dated July 29, 2016, noted the capital increase of €6,471,083 through the issue of 6,471,083 new shares with a par value of €1, as remuneration for the Darty shares tendered as securities for the buyback offer; the share capital was therefore raised from €19,632,675 to €26,103,758 (divided into 26,103,758 shares with a par value of €1);
- the Chairman and Chief Executive Officer, in a decision dated September 15, 2016, noted the capital increase of €19,013 through the issue of 19,013 new shares with a par value of €1, as remuneration for the Darty shares tendered as securities for the buyback offer; the share capital was therefore raised from €26,103,758 to €26,122,771 (divided into 26,122,771 shares with a par value of €1);

- the Chairman and Chief Executive Officer, in a decision dated January 9, 2017, noted the capital increase of €176,805 through the issue of 176,805 new shares with a par value of €1, following the exercise of share subscription options in 2016, thus bringing the share capital from €26,122,771 to €26,299,576 (divided into 26,299,576 shares with a par value of €1);
- the Chairman and Chief Executive Officer, in a decision dated March 1, 2017, noted the capital increase of €38,890 through the issue of 38,890 new shares with a par value of €1, following the final vesting of bonus shares, thus increasing the share capital from €26,299,576 to €26,338,466 (divided into 26,338,466 shares with a par value of €1);
- the Chief Executive Officer, in a decision dated December 15, 2017, noted the capital increase of €319,669 through the issue of 319,669 new shares with a par value of €1, following the exercise of share subscription options in 2017, not recognized as of March 1, 2017, thus increasing the share capital from €26,338,466 to €26,658,135 (divided into 26,658,135 shares with a par value of €1).

7.3 / Shareholders

7.3.1 / SHAREHOLDING

As of December 31, 2017, the share capital and voting rights of the Company were distributed as follows:

Shareholders	Number of shares	Number of voting rights	% of share capital	% of voting rights
Ceconomy Retail International	6,451,845	6,451,845	24.20%	24.20%
Vivendi Universal	2,944,901	2,944,901	11.05%	11.05%
Knight Vinke Asset Management	2,735,458	2,735,458	10.26%	10.26%
DNCA Investments	1,396,082	1,396,082	5.24%	5.24%
Public	13,129,849	13,129,849	49.25%	49.25%
TOTAL	**26,658,135**	**26,658,135**	**100.00%**	**100.00%**

According to the Euroclear report and the Company's shareholder register, at the end of 2017 the Company had more than 1,500 bearer shareholders. Approximately 38% of shareholders at that date were residents.

To the Company's knowledge, no other shareholder directly or indirectly, solely or jointly, holds more than 5% of the share capital or voting rights.

Declaration of thresholds

The following declarations of share ownership thresholds surpassed by registered intermediaries or fund managers for the year 2017 have been notified to the AMF and/or the Company:

- In a letter dated March 8, 2017, DNCA declared that it had dropped below the statutory threshold of 8% of capital and voting rights. On that date, it held 2,090,362 shares, representing 7.94% of the capital and voting rights of Fnac Darty.
- In letters dated June 13 and 30, 2017, DNCA declared that it had dropped below the statutory threshold of 7% of capital and voting rights, excluding the shares held via CFD contracts. As of June 30, 2017, DNCA Finance and DNCA Finance Luxembourg jointly held 1,866,492 shares including 14,400 held via CFD contracts, i.e., 7.09% of the capital of Fnac Darty.
- In a letter dated August 17, 2017 DNCA Finance and its subsidiary DNCA Finance Luxembourg declared that, on August 10, 2017, they had exceeded the statutory threshold of 6% of the capital and voting rights of Fnac Darty. On that date, DNCA Finance and its subsidiary DNCA Finance Luxembourg jointly held 1,584,392 shares in Fnac Darty, representing 5.97% of the Company's capital and voting rights.
- In letters dated August 22, 24 and 29, 2017, CECONOMY AG declared that it held directly and indirectly through its subsidiary METRO Vierzehnte, 6,451,845 shares representing approximately 24.33% of the capital and voting rights in the Company, and that on August 18 and 24, 2017, it had exceeded the statutory thresholds of 5%, 10%, 15% and 20% of the capital and voting rights of Fnac Darty *(AMF Notice: 217C1976 and 217C2005).*

  This breach of thresholds is a result of the forward sale contract for Fnac Darty shares concluded on July 26, 2017 between Ceconony AG and Metro Vierzehnte on the one hand and Artemis SA on the other, the conditions precedent in the sale contract having been met.

  In its press release, Ceconomy AG reported that it had paid €70 per share, a total of €452 million, with Artemis able to obtain a price supplement in the event of a buyout by a third party within two years, under certain conditions.

  Pursuant to Article L. 233-7, VII of the French Commercial Code and Article 223-17 the AMF General Regulations, Ceconomy AG declares that its intentions for the next six months and those of Metro Vierzehnte which it directly controls, are as follows:

  - *"The acquisition of 6,451,845 Fnac Darty shares was funded by the issuance of promissory notes and commercial paper;*
  - *Ceconomy AG controls Metro Vierzehnte and these companies do not act jointly with any third party in their relations with Fnac Darty;*
  - *Ceconomy AG and Metro Vierzehnte intend to acquire additional Fnac Darty shares as market opportunities arise, while remaining within the ceiling of 30% of the share capital and voting rights in Fnac Darty;*
  - *Ceconomy AG and Metro Vierzehnte have no intention of taking control of Fnac Darty;*
  - *Ceconomy AG and Metro Vierzehnte support the strategy put in place by Fnac Darty and its management team;*
  - *Ceconomy AG and Metro Vierzehnte have no intention of entering into any of the transactions mentioned in Article 223-17, I, 6 of the AMF General Regulations;*
  - *Ceconomy AG and Metro Vierzehnte are not parties to any agreement, and do not hold any of the financial instruments, mentioned in Article L. 233-9-4 and 4 bis of the French Commercial Code;*
  - *Ceconomy AG and Metro Vierzehnte are not parties to any temporary sale agreement involving shares or voting rights in Fnac Darty;*
  - *Ceconomy AG and Metro Vierzehnte intend, after the completion date, to propose the cooptation of three directors to the Fnac Darty Board of Directors."*
- In a letter dated August 29, 2017 ARTEMIS declared that, on August 24, 2017, it had dropped below the statutory threshold of 20%, 15%, 10% and 5% of the capital and voting rights of Fnac Darty and that it no longer held any shares in Fnac Darty *(AMF Notice: 217 C2009).*

  These threshold breaches result from the sale of all the Fnac Darty shares held by Artémis, to Ceconomy AG and Metro Vierzehnte, under a forward sale contract for Fnac Darty shares concluded on July 26, 2017.
- In a letter dated November 29, 2017, AMUNDI declared (as a joint declaration by five of AMUNDI's underlying investment companies – Amundi Asset Management, Société Générale Gestion, Étoile Gestion, CPR Asset Management, BFT Investment Managers–- as part of a unified voting rights policy) that it had dropped below the statutory threshold of 3% of the capital and voting rights of Fnac Darty. On that date, the five underlying AMUNDI management companies jointly held 788,844 shares in Fnac Darty, representing 2.95% of the Company's capital and voting rights.

It should be noted that since 2017 year-end, the breakdown of capital and voting rights presented above has changed as follows:

- In letters received on January 18 and 19, 2018, Société Générale declared that on January 17, 2018, as a result of a series of transactions whereby Société Générale took a long position on a forward contract for Fnac Darty shares, it had exceeded the statutory thresholds of 5% and 10% of the capital and voting rights of Fnac Darty and held 3,077,454 Fnac Darty shares representing the same number of voting rights, i.e., 11.54% of the capital and voting rights of Fnac Darty *(AMF Notice 218C0168)*.
- In letters received on February 8, 2018, SFAM Group SAS declared that it held 3,026,422 Fnac Darty shares representing the same number of voting rights, i.e., 11.35% of that company's capital and voting rights, and that on February 6, 2018 it had exceeded statutory thresholds directly and indirectly through SFAM Développement SAS which it controls *(AMF Notice 218C0376):*
  - SFAM Développement solely: the thresholds of 3%, 4%, 5%, 6%, 7%, 8% and 9% of the capital and voting rights of Fnac Darty;
  - SFAM Group, under the similarity provisions in Article L. 233-9, I, 2 of the French Commercial Code: the thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and 11% of the capital and voting rights of Fnac Darty;
  - SFAM Développement and SFAM Group, jointly: the thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and 11% of the capital and voting rights of Fnac Darty.

  In the same letter, SFAM Group declared that:

  - *it is not acting jointly with a third party;*
  - *it intends to acquire additional shares as market opportunities arise;*
  - *it has no intention of taking control of Fnac Darty;*
  - *it supports the strategy announced by the management team, which does not require entering into any transaction listed in Article 223-17-6 of the AMF General Regulations;*
  - *it is not party to any temporary sale agreement involving shares or voting rights in Fnac Darty;*
  - *it intends to discuss with the Fnac Darty management team its ability to contribute to the development of the diversification strategy and enhance its business activities, potentially through a seat, as shareholder, on the Board of Directors.*
- In a letter received on February 9, 2018, Knight Vinke Asset Management LLC, acting for the fund that it manages, stated that on February 6, 2018 it had dropped below the statutory thresholds of 10% and 5% of the capital and voting rights of Fnac Darty and the statutory thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9% and 10%, by a block sale of 2,678,571 Fnac Darty shares, and on behalf of those funds held 102,784 Fnac Darty shares representing the same number of voting rights, i.e., 0.39% of the capital and voting rights of Fnac Darty *(AMF Notice 218C0386)*.
- In a letter received on February 9, 2018, the limited partnership DNCA Finance, acting for the funds that it manages and acting jointly with DNCA Finance Luxembourg, declared that on February 6, 2018 it had dropped below the statutory thresholds of 5% of the capital and voting rights of Fnac Darty, and jointly held on behalf of those funds 1,054,335 Fnac Darty shares representing the same number of voting rights, i.e., 3.96% of the capital and voting rights of Fnac Darty *(Avis AMF 218C0396)*.

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. Fnac Darty's main shareholders do not have different voting rights from the other shareholders.

7.3.3 / CONTROL STRUCTURE

No shareholder controls Fnac Darty Group.

Ceconomy holds 24.20% of the Company's capital and voting rights but is not represented on the Company's Board of Directors or Board Committees. Two independent directors, Daniela Weber-Rey and Delphine Mousseau were coopted by the Board of Directors at its meeting of December 15, 2017 on the recommendation of Ceconomy, and Ceconomy proposed the appointment of a third independent director Caroline Grégoire Sainte Marie (see section 3.1.1 "Composition of the administrative and executive bodies" of this Registration Document).

By holding 11.05% of the Company's capital and voting rights, Vivendi Group has minority representation on the Company's Board of Directors and Corporate, Social and Environmental Responsibility Committee (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 / EQUITIES MARKET

Fnac Darty shares have been listed on Euronext Paris since June 20, 2013.

Codes and classification of Fnac Darty shares

ISIN code: FR0011476928

Mnemo: Fnac

Euronext code: FR0011476928

Where listed: Euronext Paris

Compartment: A

Indices: SBF120

7.4.2 / FNAC DARTY SHARE PRICE AND TRADING VOLUMES (ISIN CODE FR0011476928)

At the time of the IPO, the reference price for Fnac Darty 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 2017, the closing price of Fnac Darty shares was €100.7, a very sharp increase of 57% over the year. In addition, Fnac Darty market capitalization reached €2,684.5 million.

(€)	Average closing price	High	Low	Number of shares traded on all platforms
January 2017	61.8	65.9	59.4	1,528,644
February 2017	58.6	61.2	55.0	908,610
March 2017	67.1	70.8	60.1	2,265,216
April 2017	66.1	68.0	63.5	1,399,821
May 2017	64.3	69.1	60.6	1,691,092
June 2017	67.4	71.5	61.8	2,461,876
July 2017	75.3	82.4	70.9	1,796,992
August 2017	78.1	80.1	74.9	7,758,760
September 2017	78.3	83.0	73.9	1,384,484
October 2017	81.2	84.0	78.5	1,344,358
November 2017	82.1	88.7	78.6	1,347,557
December 2017	96.2	102.0	88.2	1,876,798
January 2018	98.6	106.6	91.4	11,522,427
February 2018	93.5	96.6	87.7	6,424,724

(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: +33 1 57 78 34 44
Fax: +33 1 57 78 32 19
Email: ct-contact@caceis.com

7.5 / Dividend distribution policy

The Group's dividend distribution policy depends on the Company's financial results, applicable restrictions related to the Group's financing, the financial position of the Group, general business conditions, and all other factors considered pertinent by the Company's Board of Directors. The Group's short-term priority remains to generate synergies, continue its capital investment, and maximize free cash flow with the aim of reducing debt and improving the Group's financial flexibility. When the Group's situation is more normalized, the dividend policy may be redefined.

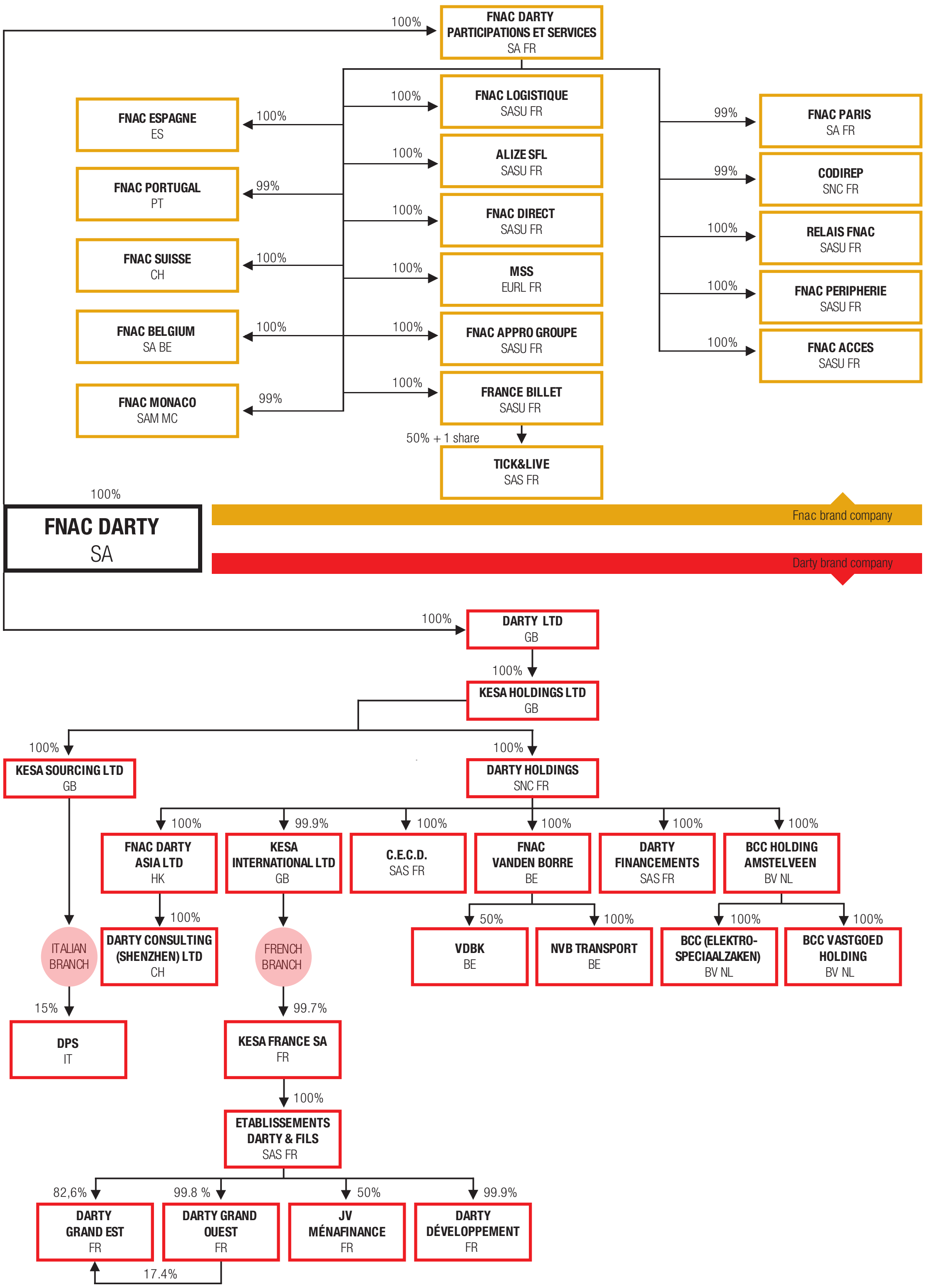
On the other hand, under the Loan Agreement, the Company may make dividend distributions or any other type of distribution related to its capital only to the extent that (A) such a distribution and/or payment does not represent, for a year, more than 50% of the distributable profits for the previous 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 4.3.2.2 "Financing under the Loan Agreement" of this Registration Document).

It should be noted that no dividends have been paid out over the past five years.

7.6 / Organization of the Group

7.6.1 / SIMPLIFIED GROUP ORGANIZATIONAL CHART

The following simplified organizational chart shows the legal structure of the Group's principal subsidiaries as of December 31, 2017:



7.6.2 / MAIN SUBSIDIARIES AND EQUITY ASSOCIATES

7.6.2.1 / General Overview

Fnac Darty is the parent company of a group of companies including, as of December 31, 2017, 70 consolidated subsidiaries (40 in France, one in Monaco and 29 in other countries). The Company also heads a tax consolidation group consisting of 16 French subsidiaries. Darty Holding SAS established a tax consolidation group with the French subsidiaries it holds directly or indirectly.

The Company is a holding company with no operations in its own right. Its principal asset is nearly 100% of the shares of Fnac Darty Participations et Services SA and Darty Ltd. The simplified organizational chart provided in section 7.6.1 "Simplified Group organizational chart" includes the main subsidiaries and all direct and indirect interests of the Company as of December 31, 2017. The consolidated subsidiaries are also listed in note 37 "List of subsidiaries consolidated as of December 31, 2017" of the Company's 2017 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.

7.6.2.2 / Main subsidiaries

Fnac Darty's main direct and indirect subsidiaries are described below:

- **Fnac Darty Participations et Services SA** is a French limited company 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 775661390. Fnac Darty holds nearly 100% of the capital and voting rights of Fnac Darty Participations et Services SA. Fnac Darty Participations et Services 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, Communications Department, Marketing and Brand Department, Financial Department, Internal Audit Department, Legal Department, Tax Department and Human Resources Department.
- **Fnac Paris** is a French limited company with capital of €21,676,480. 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. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Paris. Fnac Paris' main business activity is the operation of Fnac stores.
- **Fnac Direct** is a French single-shareholder simplified joint stock company [société par actions simplifiée unipersonnelle] with capital of €13,583,280. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and is registered with the Créteil Business and Trade Register under number 377853536. Fnac Darty 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 with capital of €70,777,648. 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. Fnac Darty 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.
- **France Billet** is a French single-shareholder simplified joint stock company with capital of €352,512. 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. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Billet. France Billet's main business activity is the marketing and retailing of tickets for sports, 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] with capital of €23,085,326. 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 343282380. Fnac Darty indirectly holds 100% of the capital and voting rights of Codirep. Codirep's main business activity is the operation of Fnac stores.
- **Alizé-SFL** (Société Française du Livre) is a French single-shareholder simplified joint stock company with capital of €38,962,737. Its registered office is located at 3, avenue Charles-Lindbergh in Wissous (91320) (France) and it is registered in the Évry Business and Trade Register under number 349014472. Fnac Darty 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 with capital of €8,559,675. 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. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Périphérie. Fnac Périphérie's main business activity is the operation of Fnac stores.

- **Fnac Logistique** is a French single-shareholder simplified joint stock company with capital of €8,148,416. 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. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Logistique. Fnac Logistique's main business activity is the operation of the Banner's warehouses.
- **Grandes Almacenes Fnac España** is a Spanish single-shareholder joint stock company with capital of €1,202,000. 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 (Tax ID number). Fnac Darty 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 Commerce Register under Number 503952230. Fnac Darty 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.
- **Fnac Belgium** is a Belgian limited company 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. Fnac Darty 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 limited company with share capital of CHF100,000. 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. Fnac Darty 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.
- **Établissements Darty et Fils** is a French simplified joint stock company with capital of €23,470,382. Its registered office is located at 129 avenue Gallieni, 93140 Bondy (France) and it is registered in the Bobigny Business and Trade Register under number 542 086 616. Établissements Darty et Fils SAS is the parent company of two regional subsidiaries, Darty Grand Ouest, a French general partnership company with capital of €30,612. Its registered office is located at Parc Tertiaire de l'Eraudière, 32 rue Coulongé, 44300 Nantes (France), and it is registered with the Nantes Trade Register under number B 339 403 933, and Darty Grand Est, a French general partnership company with capital of €394,205. Its registered office is located at RN 6 Lieudit l'Époux 69760 Limonest (France) and it is registered with the Lyons Trade Register under number B 303 376 586. The main business activity of Établissements Darty et Fils SAS, Darty Grand Ouest SNC and Darty Grand Est SNC consists of operating Darty brand stores. Établissements Darty et Fils SAS also operates the website darty.com. These three subsidiaries had 218 points of sale as of December 31, 2017.
- **Darty Développement** is a French simplified joint stock company with capital of €50,000. Its registered office is located at 14 route d'Aulnay, 93140 Bondy (France) and it is registered in the Bobigny Business and Trade Register under number 490 596 020. The main business activity of Darty Développement SAS is development of the network of franchise stores under the Darty brand and licensed stores. The network of franchise stores and licensed stores consisted of 132 points of sale as of December 31, 2017.
- **Fnac Vanden Borre SA** is a Belgian limited company with share capital of €22,652,461. Its registered office is located at Slesbroekstraat 100, 1600 Saint Peters Leeuw (Belgium) and it is registered with the Brussels Register of Legal Entities under VAT number BE 04 1207 23419. The main business activity of Fnac Vanden Borre SA is operating Vanden Borre brand stores in Belgium (71 stores).
- **Ménafinance SA** is a French limited company accredited as a financial company [société anonyme agréée en qualité de société financière] with capital of €5,931,456. Its registered office is located at Bois Sauvage 91038 Évry Cedex (France) and it is registered in the Évry Business and Trade Register under number 319 416 764. The main business activity of Ménafinance is conducting credit transactions for Darty Group customers.
- **BCC Elektro-Speciaalzaken B.V.** is a Dutch limited liability company. Its registered office is located at Amstelveen and established at Bellsingel 61, Schiphol-Rijk, Netherlands. It is registered with the Dutch Chamber of Commerce under number 33156765, and its main business activity is operating BCC brand stores in Holland (71 stores).

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 / RELATED PARTY TRANSACTIONS

Transactions with related parties are described in note 34 to the consolidated financial statements.

7.7.2 / REGULATED AGREEMENTS

7.7.2.1 / Transactions with the Kering Group

Agreement for exit from the Kering SA tax consolidation group of Fnac Darty 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, Fnac Darty SA and Fnac Darty'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 during the 2017 period. For this reason, it is described in 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. During the 2017 financial year, no amount was paid to Kering to settle a tax dispute concerning a subsidiary of Fnac Darty. At its annual review of regulated agreements conducted at its meeting on January 25, 2018, the Board approved the continuation of this agreement.

Other transactions with the Kering Group

The Group continued to benefit in 2017 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 Darty Participations et Services SA for €2,235,073.20 before tax.

7.7.2.2 / Agreements with Alexandre Bompard

Non-compete agreement

In 2013, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chairman and Chief Executive Officer, Mr. Alexandre Bompard. This commitment, limited to a term of two years starting from the end of Mr. 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, Mr. Alexandre Bompard will receive gross compensatory wages 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 General 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 2016. It is also described in section 3.3.2 "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 commitment has no effect on the 2016 and 2017 periods. 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, which was confirmed by the renewal of Mr. Alexandre Bompard's term as director at the General Meeting of June 17, 2016 and his appointment by the Board of Directors to the position of CEO for the term of his office as director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors announced on July 17, 2018 that it was waiving the enforcement of Alexandre Bompard's non-compete clause. Consequently, no corresponding compensation was paid.

This agreement terminated on July 17, 2017 and is not being continued in 2018.

Supplementary defined-contribution pension plan

During 2013, a regulated agreement was reached whereby Chairman and CEO Mr. Alexandre Bompard became a member of a supplementary defined-contribution pension plan for all executives of French companies in the Group. 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. It is also described in section 3.3.2 "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 membership for 2017 was €5,909.73. 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, which was confirmed by the renewal of the term of office of Director Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

This agreement ended on July 17, 2017 and is not being continued in 2018.

7.7.2.3 / Agreements with Enrique Martinez

Non-compete agreement

In 2017, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chief Executive Officer, Mr. Enrique Martinez. This commitment, limited to a term of two years starting from the end of Mr. Enrique Martinez's term of office, covers the retail sector specializing in household appliances and cultural and electronic products for the consumer market in the countries where the Group operates. In return for this undertaking, Mr. Enrique Martinez will receive a gross compensatory wages amounting to 70% 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 implementation of the clause. This undertaking was approved by the Board of Directors on July 17, 2017 and will be submitted to the next Ordinary General Meeting for ratification. It is also described in section 3.3.3 "Compensation and benefits of the 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 commitment has no effect for 2017.

Supplementary defined-contribution pension plan

During the 2017 period, a regulated agreement was reached whereby CEO Mr. Enrique Martinez became a member of a supplementary defined-contribution pension plan for all executives of French companies in the Group included in this contract. This undertaking was approved by the Board of Directors on July 17, 2017 and will be submitted to the next Ordinary General Meeting for ratification. It is also described in section 3.3.4 "Compensation and benefits of the 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 membership for 2017 was €4,889.78.

Provident insurance plan

During the 2017 period, a regulated agreement was reached whereby CEO Mr. Enrique Martinez became a member of a supplementary defined-contribution pension plan for all employees of French companies in the Group included in this contract. This undertaking was approved by the Board of Directors on July 17, 2017 and will be submitted to the next Ordinary General Meeting for ratification. It is also described in section 3.3.4 "Compensation and benefits of the 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 membership for 2017 was €2,737.04.

7.7.3 / MAJOR INTRA-GROUP TRANSACTIONS

- **Tax consolidation agreement:** in 2013, a regulated agreement was signed by Fnac Darty 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 Darty Participations et Services has entered into centralized cash management agreements for an unlimited term with certain of its subsidiaries in France, Belgium, Spain, Switzerland and Portugal, as well as with Kesa International Ltd (Darty Group). Kesa International Ltd (French branch of Kesa International Ltd), entered into a centralized management agreement with the companies Établissements Darty & Fils, Darty Grand Ouest, Darty Grand Est, Darty Développement, A2I Darty Ouest, A2I Darty Rhône Alpes, A2I Île-de-France, Darty Holdings, Kesa Electricals, Kesa France, C.E.C.D. 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 Darty Participations et Services SA, in exchange for which Fnac Darty Participations et Services SA finances their working capital requirements and capital expenditures. Cash agreements have also been entered into between Fnac Darty Participations et Services SA and the French subsidiaries of Darty.
- **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 Darty Participations et Services 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 Darty Participations et Services 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 Darty Participations et Services 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 Darty Participations et Services 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 has entered into purchasing agent agreements for terms of one year, 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 a fixed amount per number of products billed from the relevant subsidiary.
- **Service agreements:** Fnac Darty SA entered into two service agreements with Fnac Darty Participations et Services SA and Etablissements Darty & Fils SA for a renewable one-year term. The purpose of these agreements is to provide the contracting subsidiaries with the expertise of Fnac Darty SA as it relates to the following: Chairmanship, Strategy Department, definition of the Group's marketing policy, organization and coordination of financial operations, definition of IT system requirements, definition of HR policy.
- Fnac Darty Participations et Services 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 Darty Participations et Services 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 Darty Participations et Services 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 Darty Participations et Services 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 Darty Participations et Services SA receives an annual license fee, calculated annually based on software development, maintenance and investment costs.
- **Trademark licensing agreements:** Fnac Darty Participations et Services 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 Darty Participations et Services SA receives an annual license fee based on a percentage of the relevant subsidiary's revenues.
- A **service agreement** was also entered into between Fnac Darty SA and Etablissements Darty & Fils under which Fnac Darty SA provides Etablissements Darty & Fils with various services such as its Chairmanship and Strategy Department, Communications Department, Financial Department, Operations Department and Sales Department, IT Department and HR Department. In return, Fnac Darty is compensated based on the personnel costs and external expenses incurred plus a 5% margin.

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 4.3.2.2 "Financing for the Group's acquisition of Darty" and section 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

Enrique Martinez, Chief Executive Officer of Fnac Darty.

8.1.2 / CERTIFICATION OF 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 statements contained herein and have read this document in its entirety."

Ivry-sur-Seine, April 3, 2018

Enrique Martinez

Chief Executive Officer

8.1.3 / PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Jean-Brieuc Le Tinier

Group Chief Financial Officer

Le Flavia
9, rue des Bateaux-Lavoirs
94200 Ivry-sur-Seine

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 Eric Ropert

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

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 a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

8.3 / Statutory Auditors' fees

The Statutory Auditors' fees are presented in note 36 of section 5.2 on the consolidated financial statements of this 2017 Registration Document.

8.4 / Information from third parties, expert certifications and declarations of interests

Some of the information found in section 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 / Documents available to the public

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.fnacdarty.com) and on the website of the Autorité des Marchés Financiers (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

- the Fnac Darty bylaws may be viewed on our website www.fnacdarty.com;
- any reports, correspondence and other historical financial information or documents, assessments and statements prepared by an expert at the Company’s request, of which a part is included or referred to in the Registration Document;
- historical financial information included in the Registration Document;
- information about the Darty plc acquisition offer is available on our website at www.fnacdarty.com;
- historical information about the Darty company is available on our website at www.fnacdarty.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 also 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 a percentage of equity that could have a material impact on the value of its assets, financial position or its earnings is provided in section 7.6 “Organization of the Group” and in Note 38 “List of subsidiaries consolidated as of December 31, 2017” in section 5.2 “Notes to the consolidated financial statements for the year ended December 31, 2017.”

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 year ended December 31, 2016: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the 2016 Registration Document filed with the AMF on April 14, 2017, on pages 104 to 105, 18 to 26, 103 to 131, 128 to 130, 135 to 209 and page 226;
- for year ended December 31, 2015: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the 2015 Registration Document filed with the AMF on April 19, 2016, on pages 96 to 97, 21 to 31, 95 to 121, 117 to 120, 124 to 181 and page 196.

The information contained in the 2015 and 2016 Registration Documents, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document. The 2015 and 2016 Registration Documents are available at the Company’s headquarters and on its website at: www.fnacdarty.com, Finance page.

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 year just ended	4.2.2
Business results for the Company, its subsidiaries and the companies that they control	4.2
Key performance indicators of a financial and non-financial nature	Introduction, 4.2.1
Analysis of changes in business, earnings and the financial position	4.2
Progress made or difficulties encountered	4.2.2
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	5.2.28; 5.2.29; 6.4
Information about market risk (interest rates, foreign exchange, equity)	5.2.28; 6.3
Information about country risk	5.2.28
Important events since the closing date of the balance sheet and the date of the Management Report	4.4.2, 5.2.37; 5.4.17
Foreseeable developments for the Company and entities included in the consolidated group and future prospects	4.4.1
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
CSR	
Social information	2.3
Environmental information	2.4
Societal information	2.5
Information about the technological accident risk policy	N/A
Share capital and shareholder structure	
Employee share ownership	N/A
Main shareholders and ownership structure and voting rights as of December 31, 2017	7.3.1
Information about factors likely to have an impact in the event of a public tender offer	3.5.2
Special report on stock subscription and purchase options, and allotments of bonus shares	7.2.1, 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

N/A: Not applicable.

Management Report categories	Section
Other	
Dividends paid during the last three 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 years	5.4.19
Injunctions or financial penalties for anti-competitive practices	N/A
Report on Corporate Governance	**3**
Organization of governance	3.1
Functioning of the administrative and supervisory bodies	3.2
The executive compensation policy for the current year ("ex ante" vote): the principles and criteria for determining, splitting and awarding fixed, variable and exceptional components to executives based on their duties for the current year (2018)	3.3.1
Individual compensation (fixed, variable, exceptional) of executive corporate officers for the current year ("ex post" vote)	3.3.2; 3.3.3; 3.3.4
Profit-sharing, collective incentive plans and long-term incentives	3.4
Elements that could have an impact during a public offering period	3.5
Other information	3.6
Regulated Agreements and Commitments	7.7.2

N/A: Not applicable.

8.8.2 / ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE (ARTICLE 222-3 OF THE AMF GENERAL REGULATIONS)

Annual Financial Report categories	Section
Fnac Darty parent company financial statements	5.3, 5.4 and 5.5
Fnac Darty 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
Auditors' Report on the Annual Financial Statements	5.6
Auditors' Report on the Consolidated Financial Statements	5.7
Auditors' fees	5.2.36, 8.3

8.8.3 / CONCORDANCE WITH THE SECTIONS 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	Introduction, 4.2.1
3.2	Selected financial information for interim periods	N/A
4.	**Risk factors**	**5.2.28, 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	1.1, 1.2, 1.4, 4.2.2
5.2	Investments	
5.2.1	Investments made	4.3.3.1
5.2.2	Main investments in progress	4.3.3.1
5.2.3	Main investments planned	4.3.3.1
6.	**Business activities of the Group**	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and principal activities	1.3.3
6.1.2	New products or major services introduced on the market	1.3.3
6.2	Principal markets	1.3.1, 1.3.2
6.3	Exceptional factors	1.2
6.4	Dependence	5.2.33.5
6.5	Basis for any statements made by the Company regarding its competitive position	1.1, 1.3, 1.4
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**	
8.1	Significant existing or planned property, plant and equipment	1.5, 5.2.17
8.2	Environmental issues that may affect the use of property, plant and equipment	2.4

N/A: Not applicable.

Prospectus number	Prospectus categories	Section
9.	**Review of the Group's financial position and results**	
9.1	Financial position	4.2
9.2	Operating income (loss)	
9.2.1	Significant factors	4.2.2.3
9.2.2	Significant changes to net sales or revenues	4.2.3.1
9.2.3	Strategies or factors that could influence the Company's operations	1.1, 1.4
10.	**Group cash and capital resources**	
10.1	Information on the Company's short- and long-term capital resources	4.3.2, 5.1, 5.2.23
10.2	Sources and amounts of the Company's cash flows	4.3.3, 5.2.31
10.3	Information on the Company's borrowing requirements and funding structure	4.3, 5.2.30, 5.2.31
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	5.2.28
10.5	Information regarding anticipated sources of funds	5.2.27
11.	**Research and Development, patents and licenses**	**1.6, 5.2.33**
12.	**Information on trends and forecasts**	**4.4**
13.	**Profit forecasts or estimates**	**4.4**
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	3.1.8
15.	**Compensation and benefits of senior executives**	
15.1	Compensation of corporate officers	3.3, 5.4.35
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, 3.3.2, 3.3.3, 3.3.4, 5.2.24
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	3.1.8
16.3	Information about the Company's Audit and Remuneration Committees	3.2.1
16.4	Statement of compliance with France's corporate governance system	3.2.3
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	3.1.3
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**

Prospectus number	Prospectus categories	Section
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	4.1
20.3	Financial statements	5.1, 5.3
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, 5.6, 5.7
20.4.2	Other information verified by the Statutory Auditors	2.6, 3.7
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	5.2.33.5
20.9	Material change in the financial or commercial position	5.5
21.	**Additional information**	
21.1	Capital stock	
21.1.1	Capital stock subscribed and capital authorized but not issued	7.2.1
21.1.2	Securities not representing 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 capital stock over the past three 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, liens, and restrictions attached to 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 capital stock	7.1.2.9
22.	**Major contracts**	**4.2.2.3, 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**	**5.2.38, 8.6**

N/A: Not applicable.

8.9 / Glossary of alternative performance indicators

Indicator title	Indicator definition	Sections reconciling indicators with financial statements
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.	4.2
EBITDAR	EBITDA before rental payments.	4.2
Free cash flow from operations	Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.	4.2
Changes in revenue at constant exchange rates	Change in revenues at constant exchange rates means that the impact of changes in exchange rates has been excluded. The impact of exchange rates is eliminated by recalculating sales from year N-1, on the basis of exchange rates used for Year N.	4.2
Changes in revenue on a like-for-like basis	Changes in revenue on a like-for-like basis mean 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 January 1, of year N-1 are excluded from calculations of the change.	4.2
Changes in revenue on a same-store basis	Changes in revenue on a same-store basis mean that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed since January 1 of year N-1 are excluded from calculations of the change.	4.2

Notes

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FNAC DARTY

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Fnac Darty
A French joint stock company *(société anonyme)* with capital of €26,658,135
Créteil Trade Register 055 800 296