fnac

REGISTRATION DOCUMENT FNAC #2014

Including the Financial Annual Report

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Registration Document | 2014

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This Registration Document was filed with the French Securities Regulator (Autorité des marchés financiers (AMF)), in conformity with Article 212-13 of its general regulations, on April ~~24~~, 2015, under number ~~R 14-021~~. It may be used in support of a financial operation when supplemented by an operations memo as specified by the AMF. This document was drafted by the issuer and renders its signatories liable.

Registration, in conformity with the provisions of Article L. 621.8.1-I of the Monetary-Financial Code was carried out after the AMF verified that «the document is complete and understandable, and that the information it contains is consistent.» This does not entail the AMF authenticating the accounting and financial information presented.

1

Presentation of the Group

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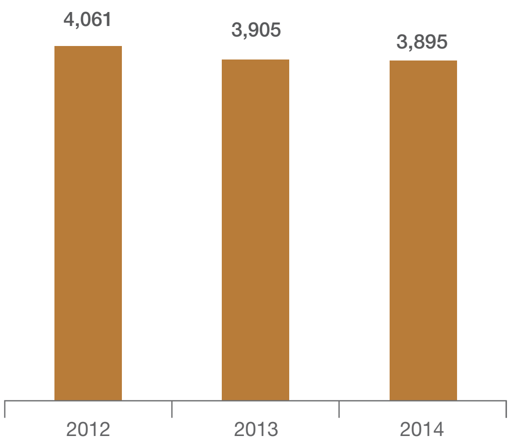
1.1 Overview of Fnac

1.1.1 Consolidated key figures

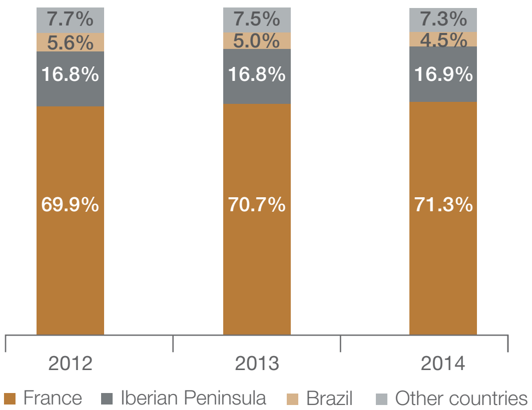
(€ million)	**2014**	**2013**	**2012**
Revenues	3,895	3,905	4,061
Gross margin	1,144	1,164	1,219
EBITDA	147	140	134
Current operating income	77	72	63
Current profit margin	2.0%	1.8%	1.6%
Net income from continuing operations	41	16	(116)
Net income, Group share	42	15	(142)
Free cash flow from operations	72	48	(57)
Net financial debt	(535)	(461)	(292)

1.1.2 Key figures

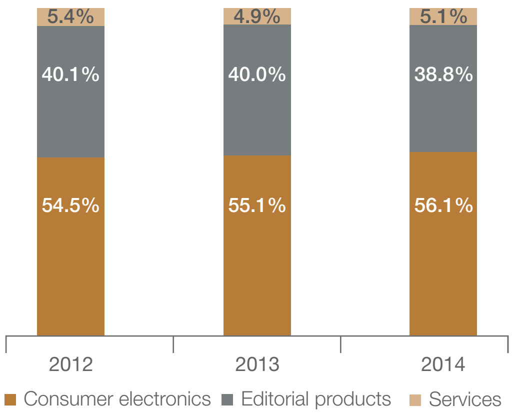
Change in revenues (€m)



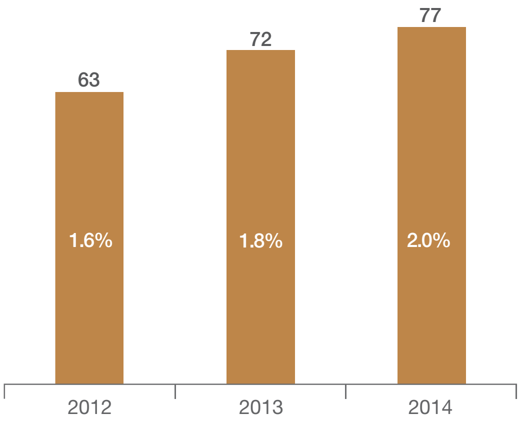
Revenues by geographic region



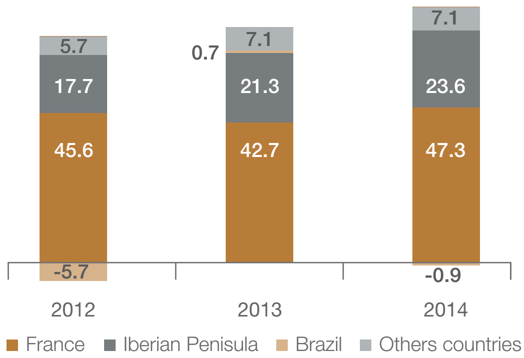
Revenues by category



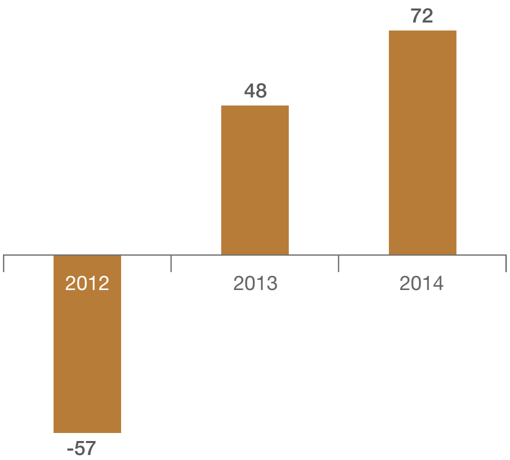
Change in current operating income (€m) and operating margin



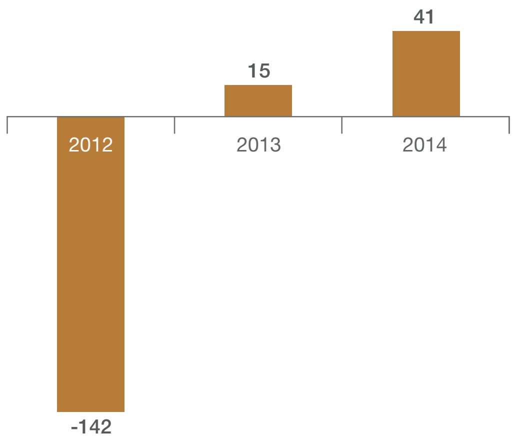
Current operating income by geographic region (€m)



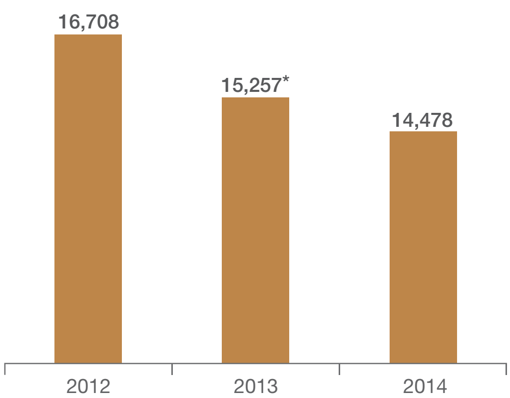
Free Cash Flow (€m)



Consolidated net income (€m)

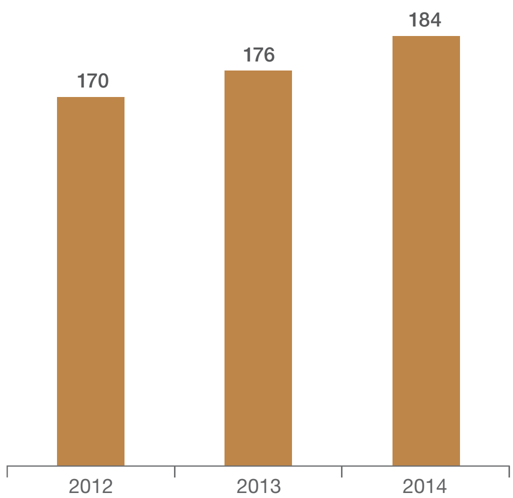


Workforce



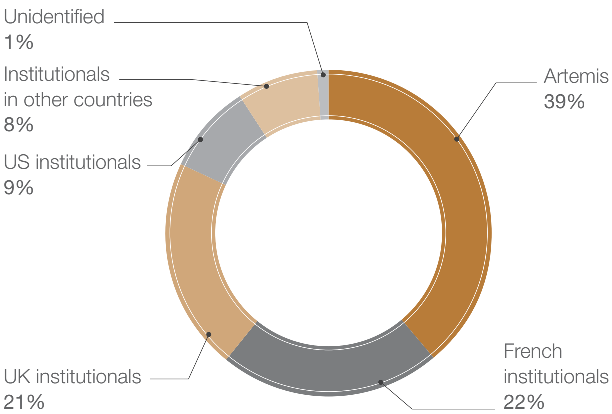
* *Excluding DATASPORT Ouest Eurl, DATASPORT SA et J.F.C.L. SAS which were consolidated on December 31, 2013, but excluding Information System applied to Human Resources.*

Number of stores



Fnac share closing price

Shareholding structure in capital and voting rights at December 31, 2014



1.1.3 Presentation of Fnac

With revenues of nearly €4 billion and over 14,500 employees in 2014, Fnac is the leader in the leisure and entertainment retail market in France and a major market player in the other countries where it operates, such as Spain, Portugal, Brazil, Belgium and Switzerland.

Fnac offers an unrivaled range of editorial products (38% of sales) and consumer electronics (57% of sales), along with a full range of other services (5% of sales) that complement its core product offering, as well as ticketing and box office services.

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

Fnac has a dense network of 184 multi-format stores in key locations combined with a fast-developing internet offering that attracts a high number of visitors. With over 9.5 million unique visitors per month, fnac.com is the third-largest e-commerce website in France, and the most visited e-commerce website of all brick & mortar retailers. In 2014, online sales accounted for 14% of Fnac's revenues.

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

The brand's reputation and marketing concept enable it to generate a huge amount of traffic both in-store and online. As a result, Fnac has a large customer base, with a core platform of 5.6 million loyalty program customers who account for more than half of its revenues. This is unique in the retail sector. These loyalty program members are customers with high purchasing power and are generally more urban-based and more adept internet users than the average consumer.

1.2 History

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

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

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

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

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

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

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

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

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

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

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

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

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

In **2000,** Fnac ratcheted up its international development, adding two new countries: Italy and Switzerland.

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

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

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

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

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

1.3 Strategy

1.3.1 Groupe Fnac's competitive advantages

1.3.1.1 The benchmark brand within its markets

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

These three values are:

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

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

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

Fnac has a strong customer loyalty base, with a total of 5.6 million members, of whom 3.6 million are in France (data at end 2014). In return for a membership fee, members receive ongoing benefits (discounts, private sales events, gift vouchers and exclusive offers) and advance information. This membership base represents a key competitive advantage for Fnac and the number of members increased significantly between 2010 and 2014 (by over 37%). Revenues generated by members account for 55% of all Fnac's revenues.

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

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

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

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

At the end of 2014, Fnac had a network of 184 stores (112 in France) located in key city-center locations or outlying metropolitan areas.

Fnac has had an online presence for over 10 years and has e-commerce websites in all its countries of operation. After Amazon and Cdiscount, fnac.com is the third most-visited website in France, with an average of nearly 9.5 million unique visitors per month, and it is the leading click & mortar site (in terms of unique visitors per month – source Fevad).

The brand's online offering was enhanced in September 2009 by the creation of the Marketplace in France (see section 1.4.3.3 "Omni-channel strategy positioning" of this Registration Document) and the development of m-commerce solutions, which enable access to a mobile-enhanced website via a mobile device or a mobile app.

1.3.1.4 Leading positions on its markets

Fnac owes its leadership position in the retailing of editorial products and consumer electronics to the high level of traffic it generates: 122 million visitors to stores in France in 2014 and an average of nearly 9.5 million unique visitors per month on fnac.com [(2)].

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

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

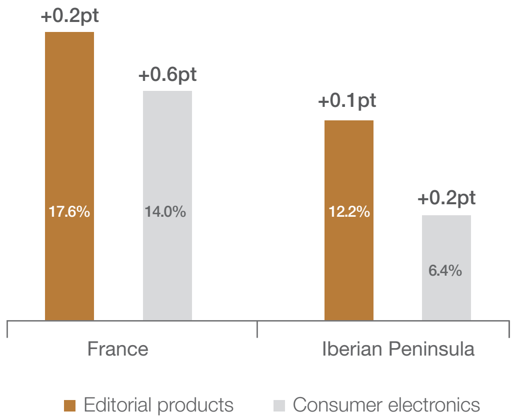
Fnac is France's leading retailer of books (47 million books sold in 2014), music (over 12 million audio CDs sold in 2014), videos (14 million DVDs and Blu-Ray discs sold in 2014), computers (laptops and tablets) and photography products.

Fnac has steadily expanded its extensive product range to include ticketing and box-office activity and a high-margin service offer. Fnac is now the leader in France for event ticket sales with a market share of 50% (nearly 56,000 events offered and 13 million tickets sold in 2014, over 54% of them online). Naturally, this activity reinforces Fnac's image as the leader in cultural promotion.

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

Despite a difficult economic environment since 2010, the Group has demonstrated its resilience by improving its market shares. In 2014, the Group's market share in consumer electronics and editorial products in France increased by 0.6 and 0.2 basis points respectively. In the Iberian Peninsula, the Group increased its market share in consumer electronics by 0.2 and in editorial products by 0.1.

Change in market shares



1.3.2 Markets

1.3.2.1 Description of the markets

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

* **editorial products:** books (physical or digital), CD audio, DVD/Blu-Ray, new and used video games, games and toys, and stationery;
* **consumer electronics:** photography, TV, video, sound (hi-fi and roaming products), microcomputing (computers and tablets), and small domestic appliances, telephony and Connected Devices;
* **services:** after-sales, insurance, tickets.

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

Size of markets in France in millions of € (source: GfK, February 2015)

Consumer electronics	2014	Change compared to 2013	Editorial products	2014	Change compared to 2013
TV & video	2,227	-3.3%	Books	3,245	-1.3%
Sound	906	1.7%	Audio	414	-13.2%
Photo	912	-16.5%	Video	636	-12.6%
IT (hardware)	4,782	-5.1%	Gaming	1,549	1.2%
Small domestic appliances	2,800	3.7%	Toys & Games [(a)]	2,032	1.8%
Telecom	1,190	52.4%	Stationery	3,200	3.2%
Connected Devices	150	100.0%			

(a) Source: NPD HT.

1.3.2.2 Market trends

Internet revolution

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

The success of e-commerce has resulted in the emergence of new specialized online competitors, known as pure players, who focus on competitive prices and ever-expanding product ranges. Some of these pure players, like Amazon and Pixmania, 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 development of the internet and the advent of pure players have changed consumer behavior: e-commerce websites have expanded the range of available products and facilitated instant price comparisons. Consumers now have much better information about the features of products via technical factsheets and consumer reviews. With greater knowledge derived from this information, they are becoming more demanding in-store in terms of price, advice and product ranges.

The rapid development of the internet has led to the phenomenon of digitization, 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 are increasingly turning to dematerialized editorial products, partly because they are cheaper than their physical counterparts but also because of the advantages they offer: saving on space, accessibility, immediate consumption, etc. However, the phenomenon of dematerialization affects each segment of editorial products in a different way. The segments that have been most affected are audio CD, DVD and gaming, with penetration of the digital sector of 16%, 24% and 27% [(1)] respectively. Although the digital book market is growing in France, it is still a nascent segment, with less than 2% of the book market in 2014.

Competitive environment

Fnac's main competitors are:

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

Markets correlated to household income

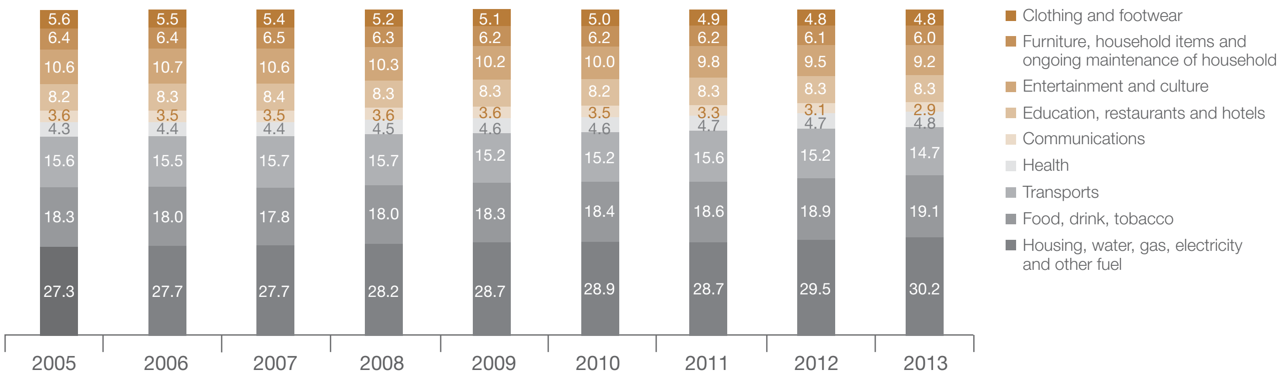
Growth in the consumer electronics and editorial products markets is sensitive to changes in disposable household income, which in turn is based on changes in gross domestic product (GDP), the tax burden on households and their rate of savings. Since 2008, the downturn in macroeconomic conditions has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

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

(1) Source: GfK study, February 2015.

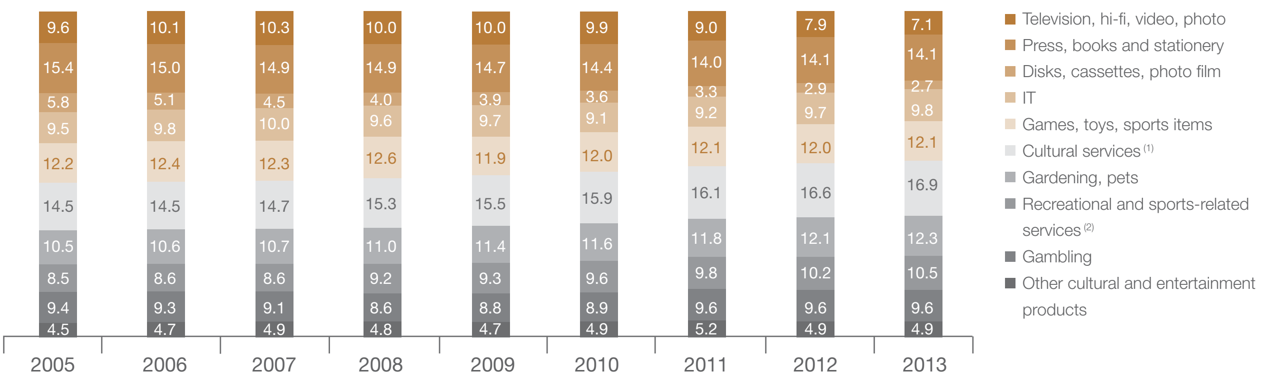
Over the past twenty years, it seems that a growing proportion of disposable household income is allocated to secondary expenses. However, more recently, there is an observable change in this growth, with the proportion of primary expenses in the household budget increasing gradually to the detriment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

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



The following graph (source INSEE) shows the change in French household consumption in entertainment and cultural products for the period 2005-2013.

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



(1) Movies, live shows, museums, audiovisual subscriptions (incl. TV license), photo print development, etc.
(2) Sport, hiring sports equipment, funfairs, amusement parks, holiday packages, weekends, etc.
Scope: France (excluding Mayotte prior to 2011).
Source: Insee, national accounts - 2010 basis.

It can be noted that within secondary expenses, consumer electronics and editorial products have been particularly impacted. The weight of the audiovisual and photographic category (corresponding to consumer electronics) thus fell by 9.6% in 2005 to 7.1% in 2013. Both the other categories including books and CDs (corresponding to editorial products) are also down.

Impact of innovation cycles

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

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

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

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

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

Market outlook (source GFK)

According to GFK, the more positive momentum observed in 2014 in the TV-Video market is expected to continue in 2015, due mainly to the new 4K technology and to the change in the broadcasting standard that is expected in the spring of 2016, which should step up the pace at which new televisions are purchased.

GFK forecasts a continuation of the positive trends in the sound market, driven by innovations in the wireless headset and speaker segments.

The hardware market should remain down, according to GFK which anticipates another drop in tablet sales in 2015. It should be noted that some segments such as PC and Note Book tablets are expected to continue to show momentum, taking particular advantage of the introduction of Windows 10 in the middle of the year.

Given that there is considerable competition from smartphones, which offer increasingly high-performance cameras, the Photo market should remain in very poor health.

The telephony market is expected to continue to grow in volume in 2015, driven by innovation and the continued development of subscriptionless telephony which might account for over 50% of the total market.

50% of the French population now has smartphones. This penetration rate, which is expected to continue to increase, will promote the development of the connected device market, which is considered to be the growth vector in the high tech sector for the next few years. Although in 2015 growth in the connected device market is expected to be driven by the wearables segment (particularly bracelets and connected watches), the connected home segment represents huge long-term potential.

Although prospects for growth remain bearish in the book market, the market is still solid and less impacted by the digitalization experienced by cultural products.

The change in the way audio and video products are used has significantly reduced the size of those markets over recent years. The downward trend is expected to continue in 2015, and growth in audio/video streaming will not manage to offset the decreased use of physical media.

With the advantage of a new innovation cycle and the introduction of 8th generation consoles, the positive sales trends in the gaming market are expected to continue in 2015.

1.3.3 "Fnac 2015" strategic plan

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

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

1.3.3.1 Ramping up the omni-channel strategy

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

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

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

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

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

To achieve this, connections between stores and warehouses have been improved in order to offer "click-and-collect" whereby the customer orders online and the goods are delivered to a store, and "click-and-store" giving the customer in the store access to the entire range of products available online. A new warehouse for online sales was opened in September 2012. It was fully operational at the end of 2013, and has helped to substantially increase the range of ready-to-dispatch products stored and halved order preparation time.

The internet channel enjoyed steady growth in 2014, buoyed by strong growth in omni-channel sales, which accounted for over 35% of internet sales in France (up 6 points from 2013) as against 12% in 2011. This growth is largely due to the advance of new functionalities such as 1-hour click-and-collect and click-and-store.

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

* **Fnac Express+** is an unlimited service offering all products available in stock on fnac.com (excluding Marketplace products) with home delivery within one business day, anywhere in France, with no minimum purchase;
* **Fnac 3h Chrono** is the fastest home-delivery service in the market. It gives customers the possibility of ordering their electronic products online and having them delivered to their home within three hours. At the end of 2014, this service was available in the cities of Paris, Neuilly-sur-Seine, Clichy-la-Garenne and Levallois-Perret;
* **Retrait Colis gratuit** ("free parcel collect") supplements the "free home delivery" service: customers living over 30 km (≈ 20 miles) from a Fnac store can have their purchase delivered free to a parcel collect point near their home.

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

The Group also has created Marketplaces to increase the number of available products and stimulate online traffic. Marketplaces saw growth in business value of over 25% in 2014, benefiting on the one hand from the rapid development of the Marketplaces in Spain (launched in June 2013) and Portugal (launched in November 2013), and on the other hand from the rapid escalation of the Marketplace in France (which offers 7.6 million individual products). Marketplaces now account for 15% of online business volume.

The Group has also invested to boost its m-commerce platform. In France, mobile traffic has increased by over 50%, contributing 25% to fnac.com trade. A host of new apps have been launched in recent months:

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

1.3.3.2 Increasing commercial attractiveness and strengthening customer relationship

Marketing policy/price image

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

The main levers used were:

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

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

The price differential with pure players has narrowed in the last two years and on fnac.com, Fnac offers members very competitive prices compared to internet pure players.

Close ties with customers

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

Three key initiatives have been implemented:

* **unique customer record** – To better understand consumer preferences and tailor the customer experience, Fnac has developed a unique customer record (UCR) database that consolidates all the information relating to a customer that can be found in the Group's various databases (purchase history, loyalty program points available, preferred stores, birthday, etc.). This database has been operational since mid-2012 for stores and the fnac.com website and was supplemented in mid-2013 by merging the databases of the call centers, after-sales service and ticketing. The UCR is a tool to help Fnac create a targeted marketing policy by better mining of customer information data and more precise feedback. It will also help Fnac promote its omni-channel mix by sending personalized web-only offers to customers who only shop in stores to encourage them to make purchases on fnac.com;
* the second initiative is the introduction of a customer satisfaction measurement tool, the **Net Promoter Score,** which enables the systematic measurement via e-mail of satisfaction rates for members who have made a purchase (extending to all customers from 2013). Members who give a customer satisfaction score of six or less out of 10 are considered potential critics of the Group, and are therefore the focus of targeted and personalized service. The NPS customer satisfaction indicator continued to improve in 2014 (up 4 points from 2013);
* a major training program for sales staff called **REVER** has been set up to enhance the customer focus and improve the quality of service. By the end of 2014, the entire sales force had been trained under this program.

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

1.3.3.3 Developing the offer

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

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

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

Telephony areas were successfully introduced in all stores in France in the first quarter of 2014 and enabled the Group to gain an important foothold in this market.

After opening dedicated **Connected Devices** corners in all stores in the fall of 2013, a flagship store dedicated to telephony and Connected Devices was opened on the Champs Elysées in Paris in June 2014. This helped the Group strengthen its leading position in connected health & sport and the connected home.

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

With the launch of Fnac Jukebox (online music streaming) and Pass Location (an exclusive rental service for consumer electronics), the Group has also signaled its intention to provide innovative responses to new consumer practices.

1.3.3.4 Increasing the density of the store network

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

* the **"Travel"** format, which is used to penetrate high-traffic areas such as stations and airports with a specific product range. This format raises Fnac's profile and enables it to serve customers with a new shopping experience;

- a **"Proximity"** format, with a surface area of between 300 and 600 m², stocking the full catalogue of Fnac products and services, which will allow the Company to open stores in medium-sized towns (under 100,000 inhabitants) that cannot support "Traditional" or "Outskirts" formats. The "Travel" and "Proximity" formats have omni-channel functionalities and thus contribute to the development of fnac.com.

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

Expansion with new store formats gathered pace in France and other countries in 2014. Eleven stores were opened in 2014 (compared to five in 2013), taking the total number of new-format stores at the end of December 2014 to 34. This new impetus is largely based on the proximity format with six new stores opened in France (under franchise) and four in the Iberian Peninsula (directly owned).

In France, the new stores include the transformation of two "Culture and Leisure" areas as part of ongoing discussions with Intermarché.

Backed by all the omni-channel functionalities, these new formats contribute to the development of the Group's websites and to strengthening the omni-channel strategy.

At the same time, Fnac intends to ramp up the establishment of its brand in high-potential countries using the franchise system. In December 2011, Fnac opened its first store in Morocco (Casablanca) under a partnership agreement with Aksal, one of the Moroccan leaders in the specialist retailing segment. The Group also announced that it had signed a franchise agreement with Darwish Holding, a pioneer in the specialist-retailing segment in the Middle East, to establish a presence in Qatar. The first store operating under the Fnac banner will open in the first half of 2015.

1.3.3.5 Improving operational efficiency

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

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

Savings made in 2013 and 2014 amounted to €118 million (€55 million in 2013 and €63 million in 2014), well above the target of €80 million.

1.4 Activities

1.4.1 Geographical breakdown

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

1.4.1.1 France

In France, Fnac had a network of 112 stores at the end of 2014: 85 directly operated and 27 under franchise, including six new proximity-format stores. Since the opening of the first store in Paris in 1957, the network has been steadily reinforced in Paris and the major provincial cities. All the stores are sited in key locations in the city-center or town outskirts and have generated a total of 122 million visits. In 1999, Fnac launched its fnac.com website, which is the third-biggest e-commerce website in France in terms of average number of unique visitors per month [(1)].

(1) Source: FEVAD/Médiamétrie.

In 2014, Fnac continued to expand:

Location	Date of opening	Format [(a)]
Puy-en-Velay	June 2014	Proximity
Boulogne-sur-Mer	June 2014	Proximity
Compiègne	September 2014	Proximity
Beauvais	October 2014	Proximity
Belleville-sur-Saône	October 2014	Proximity
Crest	November 2014	Proximity

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

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

	Data at end 2014
Revenues	€2,776.9m
% revenues online	15.8%
Current operating income	€47.3m
Number of loyalty program members	3.6 million
Number of stores	112

1.4.1.2 Iberian Peninsula

Fnac's retail network in the Iberian Peninsula included 47 stores at year-end 2014. It generated consolidated revenues of €659.1 million and current operating income of €23.6 million (across all channels).

At the end of 2014, the subsidiary in Spain had 25 stores, including one "Travel" format store in Valencia's railway station. The first store opened in 1993 in Madrid, and the fnac.es website was launched in 2000. In 2014, Fnac's footfall in Spain was 34 million. A new proximity-format store opened in December 2014 in Valladolid.

In Portugal, Fnac has a network of 22 stores. The first store opened in 1998 in Lisbon and the fnac.pt website was launched in 2002. In 2013, Fnac's footfall in Portugal was 30 million. Three proximity-format stores were opened at the end of 2014 in Setubal, Faro and Oeiras.

	Data at end 2014
Revenues	€659.1m
% revenues online	9.7%
Current operating income	€23.6m
Number of loyalty program members	1.2 million
Number of stores	47

1.4.1.3 Brazil

Fnac has 12 stores in Brazil, including a travel store in Guarulhos which opened in May 2014, and the fnac.com.br website. The first store opened in 2000 in São Paulo. In 2014, Fnac had 15 million visitors in Brazil.

	Data at end 2014
Revenues	€174.9m
% revenues online	20.7%
Current operating income	(€0.9m)
Number of loyalty program members	0.2 million
Number of stores	12

1.4.1.4 Other countries

Fnac's Other Countries network included 13 stores at year-end 2014, and generated consolidated revenues of €284.2 million in 2014 and current operating income of €7.1 million (across all channels). In Belgium, Fnac has nine stores which in 2014 welcomed over 10 million visitors. Fnac's first Belgian store opened in Brussels in 1981, and the fnac.be website was launched in 2006.

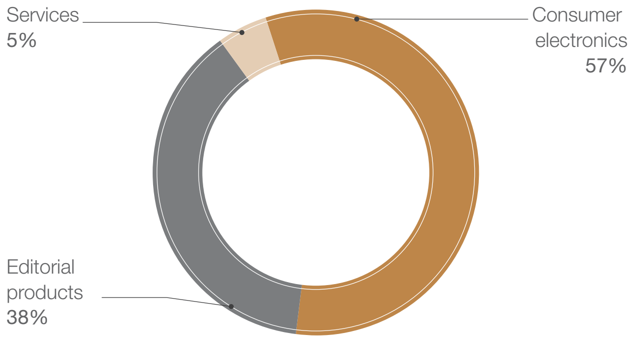
Fnac has four stores recording 5 million visitors in 2014 in French-speaking Switzerland. Its first Swiss store was opened on Rue de Rive, Geneva, in 2000. The fnac.ch website, launched in 2004, has limited functions, and focuses primarily on services such as ticketing and box office services, gift boxes, photo processing and e-books.

	Data at end 2014
Revenues	€284.2m
% revenues online	1.0%
Current operating income	€7.1m
Number of loyalty program members	0.5 million
Number of stores	13

1.4.2 Product range

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

2014 revenues by category



1.4.2.1 Consumer electronics

Consumer electronics includes photography, TV-video, audio, and IT products. In 2014, Fnac generated consolidated revenues of €2,184.8 million from the sale of consumer electronics, representing 57% of its consolidated revenues.

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

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

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

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

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

With its focus on innovation, at the end of 2014, Fnac launched the "Startup Fnac Pro" award on fnacpro.com. This is aimed at the French entrepreneurs who will be the producers of the products and services of tomorrow. The three winners were each given a budget to equip their company with the best tools to see their entrepreneurial project to fruition. (See section 2.5.2.1 "Dialogue with stakeholders").

1.4.2.2 Editorial products

Physical products

Editorial products include music, video, books, and gaming products. In 2014, Fnac generated consolidated revenues of €1,512.3 million from editorial products sales, representing 38% 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 82,000 titles.

It is the leader on the video market with some 30,000 video, DVD and Blu-Ray titles.

Fnac is the leading bookseller in France [(1)] and offers the widest range of products on the market with a catalogue covering all sub-segments. Fnac has a catalog of approximately 1.7 million titles available on its fnac.com website. In 2014, Fnac sold 49 million books in France (more than 380,000 different titles), and the Group sold over 150,000 e-readers and nearly 550,000 e-books.

In gaming, Fnac has a catalogue of 12,000 titles in France, including 5,000 used video game titles. In 2010, Fnac launched secondhand video games offering based on the buyback of used video games.

Digital products

To be in line with and position itself on a digitalized 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 2014, the brand offered for sale over 3 million e-book references.

Similarly, Fnac is expanding its digital content offerings. In March 2014, Fnac announced the launch of a general public music streaming service called "Fnac Jukebox", offering a catalog of several million titles, which further strengthened its presence in the music segment.

(1) Ranking source: Company on GfK database.

1.4.2.3 New segments

In 2014, new product families (Maison & Design, Kids, Stationery, Connected Devices and Telephony) accounted for nearly 11% of total revenues, an increase of over 5 percentage points compared to 2013.

Home & Design

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

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

Toys & Games

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

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

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

Stationery

To supplement its Books Department, Fnac has created stationery sections based on Premium position brands. Deployment of these sections was ramped up in France in 2014. The new sections have delivered better-than-expected results and confirm the category's potential.

Connected Devices

Since September, within its 85 stores in France, Fnac has created a new section devoted to Connected Devices. This new product range is also available on fnac.com. Fnac is the only company in France to offer a section entirely devoted to innovative, on-trend, Connected Devices.

The range is segmented into four themes:

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

Telephony

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

At the beginning of 2014, Fnac extended its partnership with SFR to sell sim-free devices and take advantage of this very dynamic market, which experienced strong growth in 2013. Unlocked phones and smartphones accounted for 41% of handset sales in 2014 compared to 26% in 2012. This move has been of particular benefit to retailers who now sell more phones than the operators, especially the multi-specialists whose market share has increased significantly since 2012.

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

In June 2014, Fnac opened a 125 m² flagship store on the Avenue des Champs Elysées in Paris, entirely devoted to telephony and Connected Devices. Designed to provide customers with a unique and fun experience, this new store combines the largest Connected Devices and telephony offer on the market with an innovative retail concept.

Following the success of this store, Fnac has created a new **"Fnac Connect"** store concept for telephony and Connected Devices, which can be deployed in existing stores or in dedicated 80 to 100 m² stores. The first "**Fnac Connect**" store will open in Angoulême, France, in March 2015.

1.4.2.4 Services

To promote its services in the stores, Fnac has created dedicated **"Service Area"** sections where customers can get advice on after-sales service, home delivery, guarantees or at-home training. At the end of 2014, all the stores in France had a Service Area and 36 stores (including franchises) had the new-concept Service Area with optimized shop fittings and layout to welcome customers.

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

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

Fnac has also strengthened its delivery service.

In June 2014, it launched **Fnac Express+.** This new service means that any product available in stock on fnac.com (excluding Marketplace products) can be delivered to a customer's home or a Relais Colis pick-up point anywhere in France within one business day, with no minimum purchase required. Since November 2014, Fnac has offered another new delivery service that is the fastest on the market: **"3 HEURES CHRONO".** This is an express home-delivery service, available from the fnac.com website, giving customers the opportunity to order consumer electronics products online and have them delivered to their home within three hours. The cities covered by this service are Paris, Neuilly-sur-Seine, Clichy-la-Garenne and Levallois-Perret.

1.4.2.5 Fnac ticketing

Fnac has a Ticketing and Box Office Services Division, known as "France Billet", with a market share of over 50% in France, making it the leading ticketing and box office player for shows and events. In 2014, through the biggest sales network in France (1,524 outlets), two wholly owned websites (fnacspectacles.com and francebillet.com), over 500 white-label websites and over 7,500 affiliates, France Billet sold approximately 12 million tickets, 54% online, representing a business volume of around €446 million in France. This service has the largest offering in France, with nearly 56,000 events per year across all segments.

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

After the acquisition of 100% of Kyro in 2011, France Billet also became the owner of a proprietary software solution, which provides venues and show producers with a complete box office solution. Kyro has several types of clients: theaters, sports clubs, producers, one-off events, etc. Fimalac joined with Groupe Fnac to take a 50% stake in Kyro via a capital increase completed at the end of May 2014. This stakeholding contributed to financing the acquisition of Datasport, the leading sports ticketing operator for over 20 years. This enabled the Group to offer a software solution for 300 clients and 20 million tickets.

In order to optimize the in-store collection of tickets ordered online, Fnac installed 66 ticket collection terminals in 43 stores in 2014. The machines have been hugely successful with a utilization rate (the percentage of tickets collected in-store) of nearly 80% in the last quarter of 2014.

1.4.2.6 Fnac Voyages

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

1.4.3 An omni-channel distribution network

1.4.3.1 Store network

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

Under the "Fnac 2015" plan, Fnac has started to diversify its presence and continue to establish stores in new regions, via new formats, with a particular priority on franchises. This mode of operation limits investment costs while furthering the goal of increasing Fnac's visibility at a rapid pace. At the end of 2014, this type of operation involved 27 stores. The franchisee then pays a fee for the use of the brand's distinctive features based on a percentage of revenues at the relevant sales point.

These new formats are:

* the **travel retail** format (railway stations, airports, and duty-free) with 19 stores at the end of 2014, 16 of which are in France. Fnac has signed a strategic partnership with Lagardère Services via Aelia and MRW to develop the **travel retail** stores in France under a franchise operation;
* the **proximity** format had 15 stores at the end of 2014. During the year, six stores were opened in France (Boulogne-sur-Mer, Puy-en-Velay, Compiègne, Beauvais, Crest, Belleville-sur-Saône) and four abroad (Setubal, Fao, Oeiras, Valladolid). The new stores in Belleville-sur-Saône and Crest were created from the conversion of Culture & Leisure areas following discussions with the Intermarché group.

At the end of 2014, Fnac had 184 stores in total, including 112 stores in France. Fnac's stores are in one of four formats.

Format	Date of concept	Average surface area	Location	Offering	Number of stores
Traditional	1974	2,400 m²	• City center – Shopping mall	Entire range	136
Outskirts	2006	2,000 m²	• City outskirts	Entire range	14
Proximity	2012	300 to 1,000 m²	• Towns and smaller cities • Big cities to supplement the store network	Entire range	15
Travel *(Aelia and MRW)*	2011	60 to 300 m²	• Airports and stations	Topical editorial products Consumer electronics focused on mobility	19

1.4.3.2 Websites and Marketplaces

Fnac has had a website in France since 1999 and internationally since 2000. Through the fnac.com website, Fnac is currently the third-biggest e-commerce merchant in France in terms of average unique visitors per month. In 2014, the fnac.com website generated total revenues of €440.1 million (Marketplace commissions included), and Fnac Direct, the company running fnac.com, generated positive current operating income. This was not the case for all comparable players in its sector.

fnac.com extends the range of products of the categories available in-store and it also offers product categories that are not available in the stores. The website offers products that are sold either under the Fnac logo or via Marketplace. The fnac.com website offers approximately 7.6 million new and used articles in France, that can be accessed both online and by customers in-store.

Marketplace, which is an intermediary platform linking buyers and sellers, supports Fnac's online strategy by increasing the choice available on fnac.com and the number of items available to online shoppers. This helps increase the website's traffic and visibility and contributes to customer loyalty. The platform allows more than 2,730 professional sellers and several hundred thousand private sellers, who meet Fnac's service quality criteria and are managed by a dedicated Fnac team, to be listed and to use the fnac.com site as a sales interface, making the most of Fnac's visibility, reputation and transaction security. Marketplace generated Group business volume (the volume of sales achieved on Marketplace) of nearly €90 million in 2014.

The Group has also invested to upgrade its m-commerce platform, which saw traffic in France double in 2014 and now accounts for over 25% of fnac.com traffic. The Group has ramped up the number of new apps launched in recent months:

* an IOS fnac.com app launched in France at the end of 2013;
* an Android fnac.com app launched in France in May 2014;
* a “Fnac Spectacles” app in France in 2013;
* a fnac.pt app in Portugal launched in June 2014.

1.4.3.3 Omni-channel strategy positioning

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

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

* **“click & 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 store 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;
* **“click & collect 1H”:** where the customer orders a product on fnac.com that is in stock in a particular Fnac retail store and collects it from that store within an hour, free of charge. This allows customers to obtain their products quickly and at the same time to ensure the product will be available before making the trip to the store;
* **“click & relais colis”:** where the customer purchases a product on fnac.com and collects the product free of charge within two to four days from the Fnac store of his or her choice (specifically for products that are not in stock in the store);
* **Fnac Express+:** unlimited service offering access to all the products in stock on fnac.com (excluding Marketplace products) with delivery to the customer's home within one business day, anywhere in France, with no minimum purchase;
* **Fnac 3h Chrono:** the fastest delivery service on the market. This gives customers the possibility of ordering their consumer electronics products online and having them delivered to their home within three hours. At the end of 2014, the service was available in Paris, Neuilly-sur-Seine, Clichy-la-Garenne and Levallois-Perret;
* **Retrait Colis gratuit** (“free parcel collect”) supplements the “free home delivery” service: customers living over 30 km (≈ 20 miles) from a Fnac store can have their purchase delivered free to a parcel collect point near their home.

1.4.4 Fnac's customers

1.4.4.1 Characteristics of the customer base

In France, Fnac has a good mix of customers. They are mainly town and city dwellers (58%) and regular internet users (80%) [1].

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

2013	% Men	Average age	% Family [a]	% Urban [b]	% CSP	Student	Paris region	Daily web visitors
Members [c]	54% [d]	46	27%	70%	41%	9%	41%	82%
Customers [c]	50%	43	31%	58%	37%	13%	30%	80%
French average [e]	48%	47	28%	47%	27%	8%	19%	66% [c]

(a) Including at least one child under 15.
(b) Living in cities of over 100,000 inhabitants.
(c) Source: BVA Report, February 2014.
(d) Source: Datamining.
(e) Source: Insee.

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

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

1.4.4.2 Members and the customer loyalty program

Fnac has a strong customer loyalty base, with a total of 5.6 million members, of whom 3.6 million are in France (data at end 2014). Revenues generated by loyalty program members accounted for 55% of Group revenues (and 56% in France)~~, one percentage point higher than in 2012.~~ The number of loyalty program members increased by 37% from 2010 to 2014. This membership base gives Fnac a strong competitive advantage as described in section 1.3.1.2 on "Loyalty membership".

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

In France, since 2009, Fnac has also offered a membership card called "One" which is a program intended for the biggest-spending members. At the end of 2014, Fnac had over 170,000 One card members (approximately 4.7% of the members in France) who benefit from the One program's exclusive services and premium-quality service.

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

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

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

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

(1) Source: BVA Report, February 2014.

1.4.4.3 Recognition

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

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

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

* **Expertise** – Among specialty retail brands, Fnac is known for its expertise in the products it sells. The Company maintains its reputation for expertise by focusing on three main areas: laboratory testing with 835 tests in 2014 (see section 2.5.2.1 on "Dialogue with stakeholders" and 1.4.5.3 on "Testing laboratories"), the quality of its sales force, and its advertising.
* **Independence** – Since its foundation, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to Fnac's recommendations to customers and enables it to develop closer ties with them. Beginning 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating (see section 2.5.2.1 on "Dialogue with stakeholders").
* **Cultural promotion** – Fnac is a major cultural player and a company committed to artists, not just through its extensive range of cultural products, but also through the events (over 12,000) organized in-store or externally:
  - in the literary field: the Prix Goncourt des Lycéens (for high school students), the Prix du Roman Fnac (for novels) and the Prix de la BD Fnac (for cartoons);
  - in the music field: the "Fnac Live" free music festival at the Hôtel de Ville in Paris (formerly the Fnac Indétendances festival);
  - in the photographic and film field: photo marathons, photo exhibitions in store or on external walls, master-classes with film directors, the opening of a pop-up store at the photography trade fair in November 2014;
  - in the video games field: gaming trophies and a presence at major trade fairs;
  - Fnac is also contributing to cultural access and education mainly via the charitable schemes *Grande Collecte* and *Braderie Solidaire* in Dijon. These two events are detailed in section 2.5.2.2 "Partnership and charitable actions".

1.4.5 Other activities

1.4.5.1 Purchasing policy

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

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

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

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

1.4.5.2 Logistics and transport

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

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

In Spain, Fnac has a single 14,000 m^2 integrated warehouse and a single 9,000 m^2 integrated warehouse in Portugal. The Group intends to strengthen the logistics links between France and the Iberian Peninsula countries, specifically via common handling of small consumer electronics.

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

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

The transportation of Group products is outsourced to reputable carriers.

1.4.5.3 Testing laboratory

Fnac's testing laboratory is a unique concept that has served the Company's customers since 1972. Every year, its experts, equipped with a range of sophisticated measuring equipment, test the technical performance of hundreds of new electronic products. Labo Fnac's objective scientific methods are recognized by the big brands that regularly send it their prototypes for evaluation. The test results are published on the fnac.com website every month and included in the Technical Factsheet comparisons. Some 835 tests were conducted in 2014.

1.5 Property, plant and equipment

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

The following table summarizes the areas occupied by the Group (including franchises) as at December 31, 2014 in the various countries where the Group maintains operations (excluding discontinued operations). The Group's geographical locations are described more fully in section 1.4.1 on "Geographic presence".

Stores (including franchises)	Number of sites	Customer retail area (in m²)
France*	139	232,938
Spain	25	53,250
Portugal	22	34,789
Brazil	12	25,699
Belgium	9	18,885
Switzerland	4	7,683
TOTAL	**184**	**362,233**

* *Including one store in Morocco.*

Warehouses/Offices (excluding franchises)		Number of sites	Surface area occupied (in m²)
France	Warehouses	5	138,186
	Offices	7	21,030
Belgium	Offices	1	1,332
Brazil	Offices	0	0
Switzerland	Stores and warehouses	1	50
	Offices	1	655
Spain	Warehouses	1	15,000
	Offices	1	3,024
Portugal	Warehouses	1	9,262
	Offices	1	1,876
TOTAL		**19**	**190,415**

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

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

1.6 Research and Development, patents and licenses

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

The Group owns a portfolio of approximately 382 trademarks registered across the world under the name "Fnac" and its derivatives used in the context of commercial promotions.

The Group also owns a portfolio of approximately 680 domain names.

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

2

Corporate social and environmental responsibility

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2.1 Our commitments

2.1.1 Our commitments

Fnac has been committed to corporate responsibility since 2005. This allows it to improve risk management, reduce certain costs, and meet the needs of consumers who are conscious of transparency and the efforts made by the Company to improve its impact on society.

The Group's actions are based on three key goals:

* Social: attracting staff, fostering commitment and promoting best practices, particularly with regard to equal opportunity and diversity;
* Environmental: reducing the environmental impact related to its operations by reducing its CO_2 emissions and promoting product recycling or reuse (repurposing);
* Societal: improving access to culture for as many people as possible and contributing more to the local economy.

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

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

2.1.2 Organization of data collection

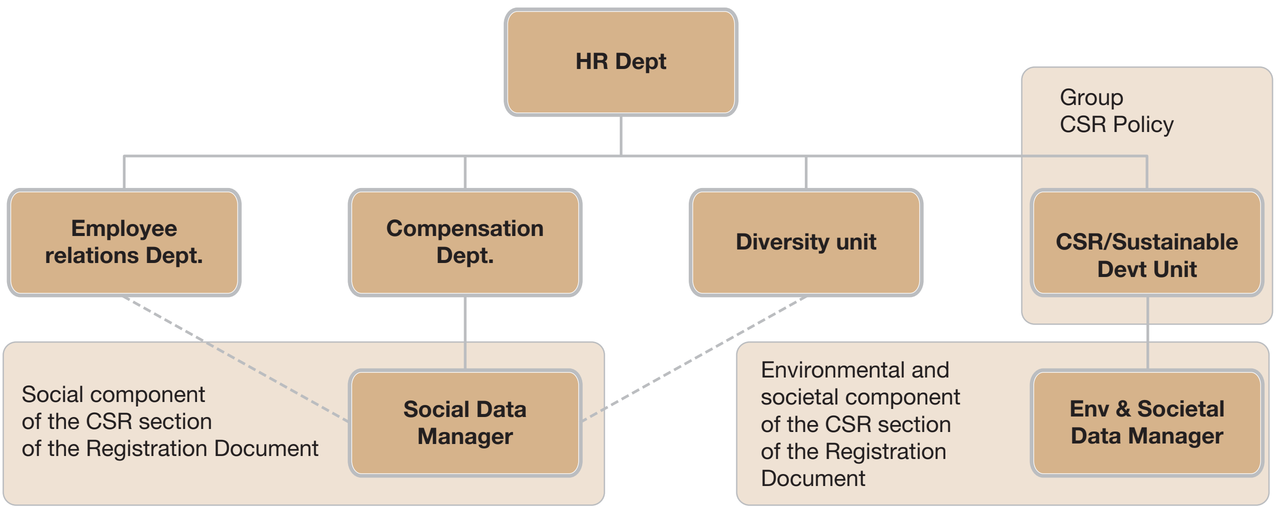
The Group's CSR strategy is defined by the CSR unit in the Human Resources Department.

This strategy is reflected in a policy aimed at reinforcing the "essentials" (regulatory aspects and managing its environmental and social performance) and boosting its core business by influencing its cultural activities, customer relations and products. It also aims to question the Company's economic model to make it more "sustainable" while preserving its performance. An Annual Report detailing the Group's CSR policy and the actions taken is available on the corporate website.

This section, the purpose of which is to address the 42 themes of Article 225 of the Grenelle II law, has been drafted and coordinated by the CSR manager and the Social Data manager who both report to the HR Department. It is based on information gathered from head office, establishments, subsidiaries, and countries.

The Social Data manager is responsible for the social aspects of this section. She sources quantitative and qualitative information from the Compensation, Diversity, Training and Employee Relations managers.

The CSR manager is responsible for the environmental and societal aspects. She sources quantitative and qualitative information primarily from Indirect Purchasing, Logistics, Maintenance and Cultural Activities.



Since 2013, Fnac has had a Corporate, Environmental and Social Responsibility Committee tasked with reviewing the social, environmental and societal policies pursued by the Company along with related published information. Its composition and a more detailed description of its duties are contained in section 3.1.

2.2 Methodology note

2.2.1 Background

Fnac has reported on its social and environmental performance since 2005, with data consolidated by the PPR/Kering Group to which it belonged until 2013.

Since 2014, Fnac has reported in its own right but still uses the same tool (Enablon) because of its proven performance and to maintain data handling continuity. The CSR team reviews the materiality of environmental and societal indicators to ensure they are relevant to the Company's activity, which has the added benefit of improving the necessary buy-in for group-wide data collection.

2.2.2 Drafting of a "Reporting Protocol"

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

2.2.3 Organization of data collection

Social data

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

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

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

Environmental and societal data

Data is collected at multiple levels: "French store" data is collected by the logistics or maintenance manager of each store or by a manager at head office, depending on the nature of the indicator; "country store" data is collected by the country's CSR manager; and "Group" data is collected by a manager at head office.

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

2.2.4 Scope

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

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

Incidentally, the environmental and societal data for Brazil has not been consolidated because it has not been sufficiently available. The data for KYRO CONCEPT is not reported separately but is in large part consolidated in the data of the head office hosting this subsidiary.

Methodological specifications for the social portion

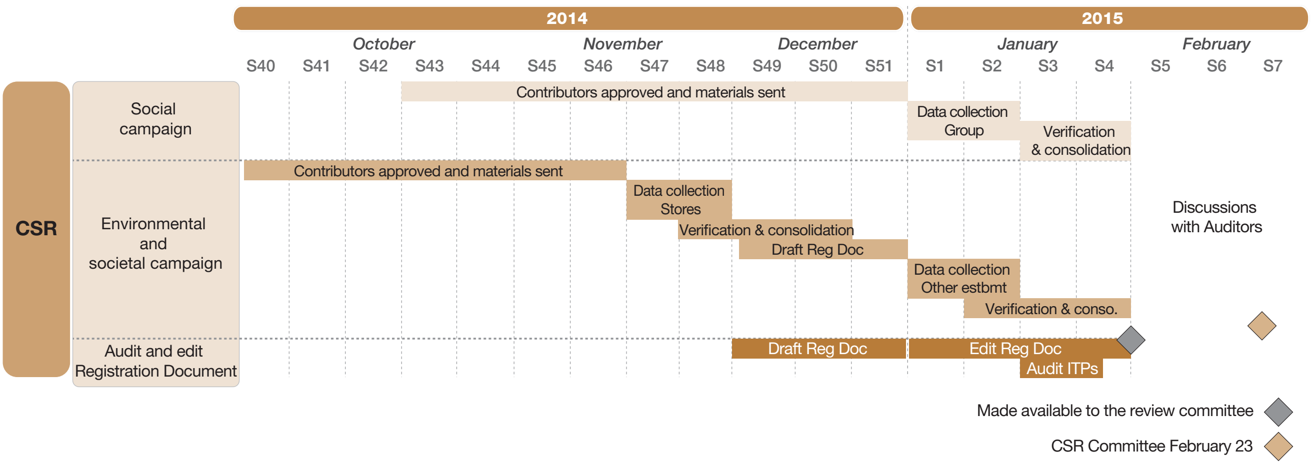
Data collection is per calendar year, from January 1 to December 31. The application scope is based on employees listed in the payroll software.

Methodological specifications for the environmental and societal portion

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

* Period used for stores: data entry occurs in November of the reporting year in order to avoid the Christmas period and covers the period from November of the previous year to the end of October of the reporting year.
* For all other contributors, data entry occurs from January 1 to 15 of the year following the reporting year and covers the period January 1 to December 31 of the reporting year.

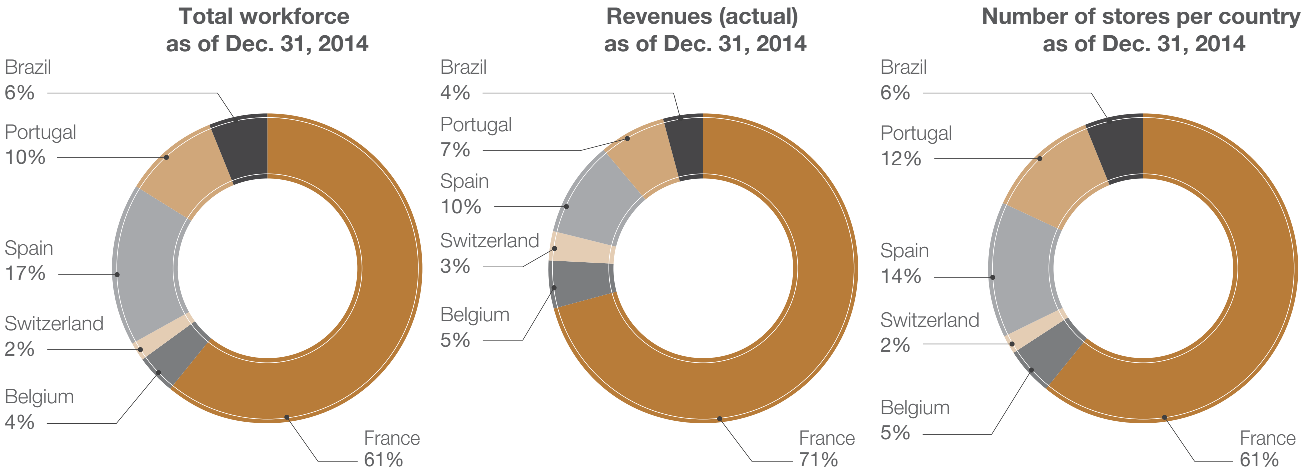
Retrospective schedule showing the main stages in the CSR campaign



ITP = Independent Third Party.

In order to take into account the weight of exclusions affecting certain environmental and societal indicators, we show below the breakdown of workforce, number of stores and revenues by country.

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



Indicators

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

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

With regard to the reporting of greenhouse gas emissions, the conversion factors used are from the carbon accounting method suggested by the French environment and energy management agency Ademe in version 7 of its *Bilan Carbone.*

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

2.3 Social information

The Group's human resources policy has for a long time been centered on human and cultural diversity, which presents a constant challenge as well as an economic and competitive advantage. This policy aims to create a balance between the need to help the Group develop its markets and corporate and economic model, and the desire to maintain meaningful social dialogue.

Overhauling Fnac's model involves making the customer the focus of each employee's sales and management activities. This priority is characterized by a major customer-centric training effort and the quest to develop the skills and talents required to promote customer satisfaction.

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

ITP: independent third party

2.3.1 Workforce

2.3.1.1 Employees

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

Geographical regions (employees on open-ended and fixed-term contracts)	December 31, 2014	December 31, 2013
France	8,816	9,430
Spain and Portugal	3,940	3,951
Brazil	819	888
Belgium and Switzerland	903	988
TOTAL	**14,478**	**15,257**

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

The total workforce in France fell by 6.5% mainly due to the job preservation plans implemented in 2013 and 2014. Internationally, the Group posted a 5% decline in workforce.

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

Socio-professional categories (employees on open-ended contracts only)	December 31, 2014	December 31, 2013
Executives and Supervisors (managers)	2,409	2,405
Manual workers, office workers, technicians (non-managers)	9,975	10,890
TOTAL	**12,384**	**13,295**

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

Male/Female ratio	December 31, 2014	December 31, 2013
Percentage of women in the workforce	43.9%	44.7%
Percentage of women managers	40.7%	41.2%

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

Percentage of type of contract	December 31, 2014	December 31, 2013
Open-ended employment contracts	85.5%	87.1%
Fixed-term employment contracts	8.2%	7.0%
Temporary workers	*6.3%*	*5.9%*

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

Age distribution of employees on open-ended contracts	December 31, 2014	December 31, 2013
Under 25	5.7%	7.6%
25 - 30	14.3%	18.1%
31 - 40	39.9%	38.0%
41 - 50	27.8%	25.5%
51 - 55	7.7%	6.7%
56 - 60	4.0%	3.3%
Over 60	0.6%	0.8%

The age distribution remained largely unchanged during 2014. There was, however, a shift towards the 31-60-age bracket, with 31-50 year-olds accounting for 68% of the 2014 workforce versus 63% in 2013.

The measures taken to employ, or keep in employment, persons over the age of 50 have been successful as employees aged 50 and over represented 12% of the permanent workforce as of December 31, 2014, one percentage point more than the previous year.

2.3.1.2 Working hours

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

Breakdown of working hours for employees on open-ended contracts	December 31, 2014	December 31, 2013
Full-time	9,301	9,879
Part-time	3,083	3,416
Percentage of part-time employees on open-ended contracts	*24.9%*	*25.7%*

The percentage of part-time employees declined slightly by 0.8 point in 2014 to close to 10%. Belgium and Spain remain the largest users of part-time employees with, respectively, 44% and 54% of their workforce on open-ended contracts.

2.3.1.3 Recruitment and departures

In this section, the term "recruitment" refers to all acts related to engaging a person and linking such person to a company through a work contract to perform a specific work task. It includes apprenticeship or vocational training contracts but excludes internships. The term "termination" refers to the means by which an employer unilaterally terminates a work contract that connects the employer to the employee.

In fiscal 2014, the Group hired 892 employees on open-ended contracts versus 1,338 in 2013 in its six host countries, a 33% reduction in new hires. Also, in 2014, the Group recorded a monthly average of 918 temporary workers, a slight 1.5% increase on the previous year.

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

Workforce	2014	2013
Turnover of staff with open-ended employment contracts [(a)]	16.0%	15.8%
Voluntary turnover of staff with open-ended employment contracts [(b)]	8.2%	8.4%
Hiring rate of staff with open-ended employment contracts	7.2%	10.1%
Number of disabled workers/registered employees	3.5%	3.3%

(a) Excluding internal transfers.
(b) Resignations, trial periods terminated on the employee's initiative.

The Group had no recruitment problems in 2014 and turnover remained unchanged for the fiscal year.

The table below shows the distribution of departures of staff with permanent employment contracts in France and abroad by reason for departure:

Reason for departure	2014 Number of departures	2014 % of total	2013 Number of departures	2013 % of total
Departures on the initiative of the employee	1,020	50.2%	1,123	48.6%
Termination for economic reasons	170	8.4%	173	7.5%
Termination for non-economic reasons	736	36.2%	726	31.4%
Departures because of retirement	30	1.5%	46	2.0%
Mobility, death	58	2.8%	221	9.6%
Breach of contract	18	0.9%	20	0.9%
TOTAL	**2,032**	**100%**	**2,309**	**100%**

In general, the number of departures remained relatively unchanged in 2014, declining by 12% from the previous year. Full year 2014 was, however, marked by a drop in internal mobility, from 214 in 2013 to 51 in 2014.

The table below shows the change in the Group's absenteeism over the last two years, which remains stable:

Working conditions	2014	2013
Absenteeism rate due to illness [a]	4.4%	4.2%

(a) Number of days of absence out of the total number of theoretical working days due to illness, long-term illness, workplace accident or commuting accident.

2.3.2 Remuneration

The Group's payroll (in France and abroad) amounted to €374 million as of December 31, 2014 versus €387 million as of December 31, 2013.

2.3.2.1 Remuneration policy

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

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

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

At the end of 2014, 90% of employees, managers and non-managers, benefited from variable remuneration systems linked to economic indicators and the achievement of individual targets.

For example, the variable system for store employees in France rewards individual and collective performance and promotes customer satisfaction.

Profit sharing and incentive plans enable Group employees in France to benefit collectively from a share of profits. Incentive plans are governed by agreements specific to each of the Group's French subsidiaries. Profit sharing comes under a discretionary agreement at Group level, which was renegotiated in 2013 for the period 2013 to 2015. Group employees with more than three months' service can immediately allocate all of the sums paid to them under incentive and profit-sharing plans to a group savings plan. This scheme benefits from exemptions from tax and social security contributions under the applicable regulations.

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

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

2.3.2.2 Remuneration of Directors

Remuneration of Group Directors is monitored by the Group Human Resources Department to ensure consistency and internal equity.

In addition, the Remuneration and Appointments Committee, comprising Group Board members, reviews the components and terms and conditions of corporate officers' remuneration and issues recommendations to the Board of Directors accordingly. Information is provided to the committee by Senior Management regarding the remuneration components of Fnac Executive Committee members as well as the Group's remuneration policy.

Fnac's Board of Directors uses the principles of the AFEP-MEDEF Code as the framework of its corporate governance and therefore adheres to the AFEP-MEDEF guidelines of October 6, 2008, revised in June 2013, regarding the remuneration of Corporate Directors of listed companies. It considers these guidelines to be consistent with the Group's corporate governance procedures detailed herein (see section 3.3.1).

2.3.3 Employee relations

2.3.3.1 Organization of social dialogue

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

After the Group was listed on the stock exchange, negotiations were held to form a Works Council for France in line with the 2013 agreement.

In 2014, the Works Council met twice, on June 12 and November 6.

Negotiations will be held in the first half of 2015 to set up a European Works Council covering France, Spain, Belgium and Portugal.

In France, social dialogue has three levels of structure: establishment, company and Group.

In each establishment, there are staff representatives and an establishment council. Management chairs the bodies and may negotiate agreements with union representatives. As regards health and safety, all Group establishments are covered by Health, Safety and Working Conditions Committees (CHSCT).

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

Lastly, at Group level, management regularly negotiates agreements to be applied in all Group companies with unions (for example, agreements on employee profit sharing, employee benefits or employment of seniors).

2.3.3.2 Collective agreements in France

Group subsidiaries are covered by agreements that are either mandatory or left to the initiative of management and social partners.

The background of the agreements has led to a significant improvement in employees' individual and collective benefits in respect of legal provisions for each area. Five Group subsidiaries are thus covered by "company agreements" covering areas of labor law (including leave and allowances, breaks, etc.) on a company-wide basis.

At Group level, negotiations resulted in a profit-sharing plan and the creation of a Group committee. Negotiations on health insurance and employment of seniors were concluded and agreements signed in 2014.

In addition to Group or subsidiary agreements, the Group has acted on a number of unilateral decisions, primarily to introduce basic measures relating to certain fundamental issues (such as remuneration, work organization and working hours, gender equality, and the professional integration and continuing employability of people with disabilities).

Social dialogue is at the heart of several negotiations at Group subsidiaries, including in respect of reorganizations.

Social dialogue has led to agreements with major unions under two job preservation plans implemented in 2014 at Fnac SA, Fnac Relais SAS and SNC Codirep, in accordance with the provisions of France's job security law of June 4, 2013.

2.3.4 Health and safety

2.3.4.1 Occupational health and safety practices

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

For example, pursuant to its legal obligations, management annually updates a single document for each establishment to identify the risks for employees' physical and psychological health and automatically associates an action plan to each identified risk. This update is performed with the help of employees and in collaboration with CHSCT members.

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

The Group also has two social assistants and a help-line to provide employees with assistance where difficult situations have been identified.

2.3.4.2 Health and safety agreements signed

No workplace health and safety agreements were signed in 2014.

2.3.4.3 Work injuries and occupational illnesses

The Group considers it a fundamental duty to ensure its employees' physical and psychological health and safety. For each risk that is identified and referenced in the risk assessment guide, Fnac implements a measure to reduce or remove the risk, in cooperation the CHSCTs. Fnac will therefore identify, assess and mitigate the main risks associated with its operations to reduce the number of work injuries and limit the number of declarations of occupational illness or musculoskeletal disorders. To meet these goals, some of the sites more likely to be affected, such as Fnac Logistics establishments, turn to external providers to help create ergonomic workstations or assist with operational automation and mechanization (limiting the weight of loads carried, systems for moving merchandise, and so on).

In 2014, the total number of lost-time accidents occurring in the workplace or during work-related travel in France and abroad was 330 versus 365 in 2013, a 9% decrease after an initial significant drop of 12% between 2012 and 2013. There were no fatal accidents in 2014. There were also 20 employees with occupational illnesses during the period.

Work injuries to employees on open-ended or fixed-term contracts – Group	2014	2013
Lost-time accident frequency rate [(a)]	16.1%	17.3%
Serious accident frequency rate [(b)]	0.5%	0.4%

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

In 2014, work injuries resulted in 10,768 days of absence versus 7,985 days in 2013. There were actually fewer lost-time accidents but average lost-time per accident was longer.

In 2014, 9,403 hours of safety training were given to 1,991 Group employees in France.

In 2014, the Group allocated a budget of around €3.7 million to staff training, which represents an average of 1.1% of the Group's payroll.

2.3.5 Training

As part of its “Fnac 2015” strategic plan, and in accordance with its legal requirements, Fnac has continued its training policy which is based on two key components:

* the first component is the one that enables Fnac employees, irrespective of country, to maintain or acquire the skills needed to carry out their duties in light of developments in the areas in which they work and changes in product trends. The Group also dispenses first-class in-house or outside training enabling employees to progress within the Group, while acquiring the relevant skills;
* the second component is underpinned by the desire to improve the customer experience, whether this is in stores or in any contact with Group employees.

As part of this strategy, Fnac has based its training since 2012 on the REVER (DREAM) program (*Recevoir, Explorer, Vendre, Élargir, Remercier* – Receive, Explore, Sell, Broaden, Thank).

This major training campaign is stepping-up the pace of the Group’s transformation, the aim of which is to promote an enhanced customer in-store experience. Sales associates provide customers with expert advice as part of an experience that makes the customer want to return.

As part of the omni-channel strategy, and given the growth of the web, Fnac wants to ensure its customers are fully satisfied each time they visit a store and thus build up loyalty.

This training was given to nearly 6,000 employees over the last three years, throughout the stores network and franchise operations. In 2015, the REVER e-learning program will provide a refresher for employees who have already received training and will facilitate the rapid acquisition of the basics of Customer Relations for all new hires.

Training data France	2014	2013
Total training expense *(€)*	3,065,727	3,150,303
Employees who have received training	3,737	4,829
Managers	807	1,001
Non-managers	2,930	3,828
Total number of hours of training (excluding security staff)	61,480	72,049
Average number of hours of training per employee trained [(a)]	16	15

(a) Items relating to training in 2014 are provisional in view of first-quarter consolidation periods. They will not be finalized until the annual statement on employers’ participation in the development of ongoing professional training, sent to the relevant institution at the end of May 2015.

2.3.6 Equal treatment

Fnac meets some of its strategic challenges through its commitment to equal treatment, diversity and non-discrimination: the Group has implemented group-wide initiatives to promote talent, encourage staff commitment and creativity, and remove any barriers to performance and innovation.

This commitment is one of the elements upholding the Group’s values, which are Commitment, Passion, Respect and Innovation – the cornerstones of the Group’s 2015 enterprise project.

Equal treatment in Fnac Group relies in particular on:

* sharing the commitment:
  - with all staff; for example, sharing the commitments of the Diversity Charter (France), posters about disability, intranet articles, CSR Report (France), and others,
  - with all HR teams and managers, particularly via awareness campaigns (France), e.g. on disability, equal opportunities, and rules for living together... which serve as a reminder of their meaning, goal and legal framework and are accompanied by appropriate tools,
  - with job applicants, particularly via Fnac’s corporate website, the Fnac Talents website, the widespread publication of job vacancies (on dedicated websites such as Agefiph.fr or senioragir.fr, Cap Emploi, and so on), presence of Fnac at dedicated trade shows, etc.,
  - with customers; for example, publication of *Contact* in braille, themed presentation of works during Disability Week in certain stores, an information stand in sign language, an accessibility audit of the fnac.com website, and more;

* procedures, tools, and training in the area of Management and Human Resources, geared toward applicants' and employees' skills, experience and potential at different career stages:
  - when they are hired (e.g. skills guidelines, Handi2day recruiter memo and guide for recruiters),
  - during skills and performance assessments (e.g. annual job appraisal, manager guides),
  - to identify training needs (e.g. work interview, catalog of training available online on the intranet, the development of online training),
  - to build on each career stage (e.g. publication of jobs available on the intranet, development reviews to offer different perspectives, career interviews for seniors),
  - for diplomas recognizing workplace-acquired skills (VAE) (e.g. helping employees obtain a school-leaving certificate, vocational qualifications, Bachelors' and Masters' degrees),
  - careful communication by HR to reflect the diversity of job applicants and employees, particularly through imagery (HR News on the Intergenerational Agreement, the drafting of job vacancies, etc.).

Since 2010, a member of the HR Department has been in charge of managing initiatives relating to diversity.

Diversity Charter

In 2014, Fnac wanted to reaffirm its commitment to diversity throughout its staff, by signing the Diversity Charter in its own name, on October 13 at Unesco, in the presence of Labor Minister François Rebsamen. This signing was on the 60th anniversary of Fnac and the 10th anniversary of the Diversity Charter.

On that occasion, Fnac reaffirmed its commitment to:

* raise awareness and educate our Directors and employees involved in recruitment, training and career management in the challenges of non-discrimination and diversity;
* respect and promote the application of the principle of non-discrimination in all its forms and at all stages of human resource management from recruitment, training, and promotion to professional development;
* strive to reflect the diversity of French society and in particular the cultural and ethnic diversity of our workforce, at the various levels of ability and expertise;
* communicate to all our employees our commitment to non-discrimination and diversity, and report the practical results of this commitment;
* make the development and implementation of the diversity policy a subject for discussion with staff representatives;
* include in the Annual Report a section describing our commitment to non-discrimination and diversity, including the actions taken, practices and results.

(Text of the corporate Diversity Charter).

This event was communicated to the press, and relayed to staff via the intranet and by posters (France).

Opinion survey of Fnac employees 2014

In 2014, the Group launched a new in-house opinion survey. Conducted group-wide, the purpose of the survey was to measure, among employees, the level of job satisfaction, understanding of strategic challenges, and perception of how the Company operates, through questions about organization, management and tools. At the end of the questionnaire, an "open" question allowed employees to express themselves about any topic of their choice.

The survey attracted a high response rate: 90% group-wide (an improvement over the previous study in 2011).
(employees on open-ended or fixed-term contracts for at least one year and present in September 2014).

The results will be shared with managers and staff in the first half of 2015, and will lead to action plans at Group, country, regional, and company level in France.

Recognition of workplace-acquired skills

Fnac operates an initiative that helps employees obtain a diploma recognizing their workplace-acquired skills: Since 2004, more than 500 employees in France (30% of them women) benefited from mentoring and received diplomas recognizing their skills and know-how acquired on the job.

Apprenticeships: support for schools that encourage integration into the job market of the long-term unemployed

In 2014, Fnac made the choice to devote a major part (€140,000) of the amount paid in apprenticeships to schools and centers encouraging integration into the job market of the long-term unemployed, in particular "second-chance schools" and Adapt (association for the social and professional integration of people with disabilities) centers.

In coming years, Fnac's goal is to organize the sharing of best practices in equality of treatment, promotion of diversity and non-discrimination in all its host countries.

2.3.6.1 Gender equality

In addition to the gender breakdown in the workforce (in France and abroad, women account for 44.7% of hires, 40.7% of managers, and 43.9% of the overall workforce), gender equality efforts in France are based on dialogue between management and employees. Equal Opportunity Agreements and Action Plans managed by the companies seek to promote gender equality in jobs at all levels of responsibility. It means – on the basis of equal skills – implementing initiatives in terms of recruitment, access to training and professional development, parenthood, and so on.

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

Fnac is a signatory of the corporate Parenthood Charter, which is a commitment to change perceptions related to parenthood in the Company, create a favorable environment for working parents and particularly for pregnant women, and comply with the anti-discrimination principle regarding the professional development of working parents.

In late 2012, Fnac Spain signed with its social partners a 4-year Professional Equality Plan (Igualdad Plan).

In 2014, new actions were introduced, notably to raise awareness among managers and staff, reinforce communication concerning support for working parents, and collaborate further with associations to encourage the hiring of women who have been away from the job market...

2.3.6.2 Support for seniors and youth

The Group is committed to employing seniors and integrating young people.

In line with the Group's three-year agreement (2010-2012) to employ seniors in Fnac companies, and pursuant to its legal obligations, in 2013 the Group began negotiating an "intergenerational" agreement.

Discussions with unions continued in 2014 and resulted in the signing of an Intergenerational Agreement in December 2014.

The main actions relate to:

* the recruitment and integration of young people (integration pathway, follow-up);
* the recruitment and job security of seniors (for example, the possibility of flexible working hours from age 56 with an adjustment to pension contributions by the Group and protection of retirement benefits, gradual early retirement in the last two years of service with an adjustment to pension contributions by the Group, health checkups during working hours, etc.);
* late stage career planning (meetings offered with the HR manager, skills assessments, etc.);
* transition into retirement, especially through workshops and individual information meetings;
* intergenerational knowledge transfer (seniors appointed as mentors for new hires, induction courses for students on sandwich programs and trainees, pair-working to encourage intergenerational job knowledge and skills transfer, etc.).

2.3.6.3 Recruiting and integrating people with disabilities

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

The Disability Project has been in existence since 2005.

As of December 31, 2014, the Group had 501 employees with disabilities (in France and abroad), 3.5% of its workforce.

The Group releases information on its initiatives in this area every year during France's National Disabled Workers Week when it takes part in "Handichat", organized by Agefiph (France's Fund Management Organization for the Professional Integration of People with Disabilities). At this event, Fnac presents its policy to promote the employment of people with disabilities (involving recruitment, vocational training, continuing employability, and awareness), as well as its activities and occupations, and conducts direct Q&A sessions with applicants. In 2014, an information poster campaign on the realities of Disability (incapacitating illnesses in particular) and, in terms of prevention, the importance of Disability "recognition" initiatives, was conducted in all establishments, along with events aimed at raising employee awareness (e.g. at head office, introduction to non-verbal communication and sign language, reading in the dark, quizzes) and the showcasing of books and DVDs to raise customer awareness. The Group also attended dedicated employment forums, particularly online forums such as Handi2day (in April and October 2014), which attracted more than 20 recruiters. Fnac publishes all its job offers on the Agefiph website and sends them to Cap Emploi. It also duplicates its Hanploi.fr job offers on Monster.

The Disability Project informs and provides assistance to those with disabilities, at the recruitment stage and throughout their career path, in their administrative procedures to develop their working conditions, access training and develop skills, as well as to employees who become beneficiaries of the law on disability.

To promote the recruitment of workers with disabilities, the Group has introduced a special professional development program offering more than 300 hours of block-release training. In 2014, two new sessions were organized with France's adult education network GRETA and the national civil service center *(Centre National de la Fonction Publique)*:

* one led to eight people getting jobs as cashiers;
* the other led to five people getting warehouse-related jobs.

In 2015, further sessions are planned to bring people with disabilities into these occupations (France).

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

Fnac is a member of the "Tremplin – Études, Handicap, Entreprises" ("Springboard – Studies, Disability, Companies") association whose purpose is to encourage high school and college students with disabilities to continue to higher education, to prepare them throughout their studies for future employment by individualized support, backed by a network of partner companies.

In addition, the Group develops partnerships with the disabled sector under France's "ESAT" and "EA" initiatives (establishments or services that help people with disabilities return to work). For example, it outsources the laundering of Fnac waistcoats to this sector. (In 2013 it had forged 40 partnerships in the sector).

In 2014, it awarded contracts to the disabled sector (sheltered-employment organizations and disability-adapted companies) for the printing and mailing of documents and letters, and the upkeep of green spaces. Workers with disabilities also wrapped gifts ordered on fnac.com, all year round.

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

In coming years, the Group intends to open discussions with its social partners (France) aimed at signing a Disability Agreement.

2.3.7 Non-discrimination policy

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

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

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

2.3.8 Promoting and respecting the provisions of the ILO core agreements

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

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

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

2.4 Environmental information

The Group pays close attention to the environmental footprint of its operations by controlling its CO_2 emissions linked to BtoB transport and reducing its energy consumption, and by waste collection.

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

2.4.1 General environmental policy

2.4.1.1 Organization of assessment or certification systems

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

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

In 2013, following an environmental management initiative launched in 2010, the Group's subsidiary Société Française du Livre (SFL) was awarded ISO 14001 certification. Teams at both sites (Saint Denis and Rottembourg) adhere to sustainability principles and apply best practices in an effort to improve SFL's environmental performance.

2.4.1.2 Staff training and information initiatives

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

The CSR unit informs employees of the measures taken and results obtained via a CSR page on the Group's website, on which is also published the annual CSR Report. Regular reports of key figures and major events are posted on the Group's intranet.

2.4.1.3 Resources allocated to the prevention of environmental and pollution risks

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

2.4.1.4 Provisions and guarantees earmarked for environmental risk

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

2.4.2 Pollution and waste management

2.4.2.1 Waste

Waste in the air, water and ground does not constitute a material impact for the Group. The only emissions that may significantly affect the environment are greenhouse gas emissions.

2.4.2.2 Waste prevention, recycling and elimination measures

Aware of the negative impact on the environment of consumer electronics that have increasingly short lifespans, Fnac promotes product repurposing and responsible management of a product's end of life.

Repurposing consumer electronics

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

* either through repair or reconditioning by Fnac customer services teams, followed by re-sale to our customers via the fnac.com Marketplace;
* or by reselling them to players offering a responsible end-of-life at the very least: recycling or repair and resale via a charitable distribution network. Fnac works with outreach players such as Emmaüs-Ateliers du Bocage and ENVIE. Since 2014, any player wanting to buy lots has had to sign a responsibility charter whereby it commits to responsible waste management and the systematic erasure of data.

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

Repurposing editorial products

In 2013 Fnac launched a national program to collect books, CDs and DVDs at its stores in France to benefit Libraries Without Borders. This annual event is described in section 2.5.2.2 devoted to the Company's societal initiatives.

Waste management

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

Given the Group's substantial use of cardboard boxes, Fnac makes every effort to recover these from the French logistics center, which in 2014 returned 2,157 metric tons of cardboard to its contractor for recycling.

Fnac's head office is also interested in waste management; in 2014 an initiative was set up at the site to recycle paper/cardboard as well as drinks containers (cans, bottles, cups). More than 25 metric tons of cardboard and paper were recycled. This initiative has a social dimension as our partner is a disability-adapted company that promotes jobs for workers with disabilities (see section 2.3.6.3).

Furthermore, the renewal in 2014 of sales staff vests allowed Relais (an Emmaüs France member) to recover nearly five metric tons of textile fibers. Sent on to the automotive industry, the fibers were recycled to form the complete interiors for 217 cars.

Last but not least, Fnac manages the end of life of hazardous waste resulting from its own use and from customer returns: fluorescent tubes, batteries, electrical and electronic equipment waste, used oils, photo lab waste, paint, aerosols, soiled packaging, and ink cartridges.

WEEE [1], batteries and ink cartridges in France (excluding Monaco for Batteries and WEEE, non-SFL)

(in metric tons)	2014	2013	2012
WEEE sent for recycling or re-use	412	469	710
Batteries collected and sent for recycling	13	16	25
Ink cartridges sent for recycling and reconditioning	7	7	11

This table relates to waste produced by stores, head office and warehouses as well as waste returned by customers at our establishments.

It shows a decrease in quantities of WEEE collected (-12% in 2014 vs. 2013) which has been the case year-on-year since 2012. This trend is also evident among all French distributors (-16% in 2014) and reflects the large reduction in screen-related tonnage (70% of Fnac WEEE).

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

2.4.2.3 Noise pollution

The Group's activities produce little noise pollution.

(1) Waste Electrical and Electronic Equipment.

2.4.3 Sustainable use of resources

2.4.3.1 Consumption and sourcing of water depending on local restrictions

Water is not a major issue for Fnac. Firstly, as a retailer, Fnac only uses water for sanitary use, and secondly, it does not operate in countries that exceed the threshold for water scarcity indicating a situation of water stress [(1)].

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

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

Paper consumption

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

In 2014, 296 metric tons of office paper were consumed. This year, the Information Systems Department has discontinued automatic daily printing in stores, which has avoided printing nearly one-and-a-half million pages (7 metric tons).

A similar trend can be seen in paper buying for finished products, 99% of which now comes from recycled fibers or certified responsible sources.

Fnac is thus continuing its commitment to reduce its consumption of paper. Launched in 2011, this policy has eliminated hard copies of technical manuals (which are now in digital format only), significantly reduced the volume and number of pages of its promotional literature, by digitizing them and distributing them on the internet, has optimized printing systems, and reduced paper weight.

Packaging consumption

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

Cardboard

In France, the tonnage of cardboard bought by Logistics increased by 13% in 2014 to 1,600 metric tons. The increase reflects the growth in internet operations and internet orders in 2014.

The logistics teams are always looking for the right balance between better protection for its products and lighter packaging. This concern resulted in a special audit of packaging in 2014 carried out by an external provider (Eco-Emballages). The conclusion was that the cardboard used was very efficient in terms of weight/protection. Fnac, however, decided to go further in its commitment by putting sorting instructions on its boxes to help consumers better contribute to recycling.

Plastic packaging

Fnac has considerably reduced its use of plastic bags since 2012 by charging for them (€0.05 each) and by offering reusable totes for sale for €0.50 and €1. Its plastic bags have also been designed to be made of recycled and recyclable material.

The following table is an overview of the total consumption of plastic packaging since 2012. The two sources of plastic packaging are shopping bags and stretch film used over packages (particularly for palletization).

Scope: France, Belgium

(in metric tons)	2014	2013	2012	Change 2013-2014
France	334	291	502	15%
Belgium	22	26	33	(15%)
TOTAL PLASTIC PACKAGING	**356**	**317**	**535**	**12%**

(1) The water stress threshold is defined by convention as below 1,700 m^3 per capita/year. Source: Aquastat – FAO data.

In 2014, the consumption of plastic packaging rose in France after the creation of special plastic bags for the Christmas period. The surplus stock will be used in 2015.

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

Since 2010, the Group Maintenance Director has conducted a policy for streamlining energy consumption of equipment by introducing best practices summarized in the "Fnac Ecoguide" and by choosing low-energy lighting and air conditioning equipment.

Since 2013, this energy optimization policy has been reflected in France in the introduction of centralized technical management (CTM) at many sales outlets. In 2014, a drop in energy consumption was seen in stores that had installed them the previous year (-22% consumption for Fnac Noisy, -14% for Fnac Clermont, for example). On the strength of this finding, the system was installed in some ten other stores in the last quarter of 2014 and will continue being rolled out in 2015. CTM controls lighting schedules, air treatment units, computer and other service rooms, all of which improves overall technical management and thereby reduces energy consumption.

In Belgium and Switzerland, Fnac makes every effort to procure energy from renewable sources [1]. In Switzerland, more than 80% of the electricity for its head office and three stores (Rive, Lausanne and Balexert) comes from renewable sources. Of that green energy, 60% is from hydro (from Switzerland and other parts of Europe) and 40% from solar and biomass (from Switzerland, including Geneva).

Electricity consumption

Scope: entire Group

	2014		2013		Change vs. previous year	
	MWh	KWh/m²	MWh	KWh/m²	MWh	KWh/m²
France	73,239	172	77,365	181	(5%)	(5%)
Belgium	6,070	279	6,150	283	(1%)	(1%)
Switzerland	2,345	251	2,554	273	(12%)	(12%)
Spain	22,048	237	21,550	234	2%	4%
Portugal	13,233	301	13,501	307	(2%)	(2%)
TOTAL	**116,937**	**197**	**121,120**	**204**	**(3.5%)**	**(3.4%)**

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

* actual reduction in the Group's environmental footprint (MWh): as scope changes are not taken into account, it reflects the impact of the Group in terms of raw data;
* environmental performance (KWh/m²): highlights energy-saving efforts and incorporates scope changes (store openings/closings).

Only Spain saw its electricity consumption rise, for two reasons: Madrid stores opening Sundays and the extension of warehouse working hours.

In 2014, the Group used close to **117 GWh** of electricity, nearly 4% less than in 2013.

(1) Renewable energy: Energy produced by various natural processes (sunlight, wind, wood, falling water, geothermal energy, etc.). In contrast to fossil fuels, these energy sources are inexhaustible and do not emit greenhouse gases. Source: Ademe.

Natural gas consumption

A second major variable in the Group's energy consumption is natural gas, which is only used in France (18 establishments) and Belgium (all establishments). The scope was unchanged between 2013 and 2014.

Scope: France, Belgium

(in MWh)	2014	2013	Change vs. previous year
France	7,154	12,754	(44%)
Belgium	1,295	ND	N/A
TOTAL NATURAL GAS	**8,449**	**N/A**	**N/A**

The major reduction in natural gas consumption between 2013 and 2014 is attributable partly to better control of heating systems in stores and partly to a very mild winter in 2014.

2.4.3.3 Ground Use

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

2.4.4 Climate change

2.4.4.1 Greenhouse gas emissions

The Group's main two sources of CO_2 emissions are energy consumption (mainly for heating, air conditioning and lighting at points of sale, warehouses and offices) and transport of goods and people.

CO_2 emissions related to energy consumption

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

Scope: entire Group

	2014	2013	Change vs. previous year
Natural gas (France, Belgium)	8 GWh	ND	N/A
Electricity	117 GWh	121 GWh	(3%)
TOTAL ENERGY	**125 GWH**	**N/A**	**N/A**
Emissions related to natural gas (direct)	1,834 tCO_2 eq.	ND	N/A
Emissions related to electricity (indirect)	21,763 tCO_2 eq.	22,045 tCO_2 eq.	(1.3%)
TOTAL ENERGY-RELATED EMISSIONS	**23,597 TCO_2 EQ.**	**N/A**	**N/A**

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

CO_2 emissions related to transport

Transport flows included in the reporting correspond only to transport controlled by the Group, meaning transport paid for by the Group.

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

BtoB transport

BtoB transport, covering supply flows from warehouses to the stores, supplier returns, and upstream carriage from publishers.

These flows, which are exclusively by road, are expressed in ton-kilometers (tkm). This unit corresponds to the distance covered per journey, multiplied by the total tonnage transported during that journey. This makes it possible to calculate the tonnage of emitted CO_2.

For the 2014 reporting period, data are provided by Logistics, which cover:

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

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

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

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

CO_2 emissions related to goods shipment are shown in the historical table below.

(in tCO_2 eq.)	2014	2013	2012	2011
BtoB transport	2,823	3,020	3,633	3,809

Regarding BtoB transport, the decrease seen in recent years continues with **a 6.5% drop in CO_2** emissions for the full year 2014. This reflects the drop in tonnages shipped coupled with the implementation of various efficiency improvements:

* consolidation of delivery schedules for stores in Province and extended to seven Paris/Paris Region stores;
* greater optimization of flows of palletized consumer electronics and consolidation of time slots;
* exclusive use of trucks rated Euro 4 to 6 emission standard, for flows in Province.

BtoC transport

BtoC transport, covering customer deliveries of fnac.com purchases.

To calculate the emissions relating to fnac.com shipments, the Group uses the number of parcels sent.

The parcels affected are:

* fnac.com orders;
* deliveries of non-urgent, in-store purchases in the Paris region;
* deliveries of regional non-stocked in-store purchases (excluding televisions over 42”).

To distinguish between air shipments and road shipments (because their respective emission factors are very different), it was decided to split shipments into two main flows:

* parcels shipped to an address abroad: these are shipments carried by Chronopost International, DHL, Bpost;
* other parcels: these are all other flows, most of them shipped by the Post Office.

(in tCO_2 eq.)	2014	2013
BtoC transport	4,862	4,725

BtoC transport for fnac.com accounts for nearly 63% of total transport-related emissions. There was a 3% increase in 2014 due to the increase in shipments to addresses abroad.

In total in 2014, 7,685 metric tons of CO_2 equivalent were attributable to transport.

2.4.4.2 Adaptation to consequences of climate change

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

2.4.5 Protecting biodiversity

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

2.5 Societal information

2.5.1 Fnac’s territorial, economic and social impact

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

In 2014 in France, Fnac had stores in nearly 9% of towns with over 10,000 inhabitants thanks to six new franchises opening in the country: Le Puy-en-Velay, Boulogne-sur-Mer, Compiègne, Beauvais and Belleville-sur-Saône (vs. 7.5% in 2009).

Meanwhile, the stores’ cultural initiatives reflect the Group’s societal policy and investment (see section 1.4.4.4):

* free in-store or outdoor events (1,125 in 2014 in France attracting around 200,000 people according to our estimates):
  - concerts, book signings, interviews, and talks, so that local artists in particular can meet the public,
  - well-known cultural prizes: the *Prix du Roman* Fnac, the *Prix de la BD,* and the *Prix Goncourt du Lycéen*,
  - “Fnac Live” festival;
* partnerships with local cultural institutions (concert halls or theaters, festivals, museums, operas, etc.) to increase the reach of their initiatives and to which Fnac customers (more than two million of them members) are invited so they can discover the stores’ programs.

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

2.5.2.1 Dialogue with stakeholders

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

Stakeholders	Main methods of dialogue
Customers	Stores Social media Consumer surveys Free cultural events
Employees	Internal survey (conducted in 2014 but results will not be available until 2015) intranet/Newsletters/Fnac in 2014: "Fnac Revelations" contest
Employee partners	Regular meetings with employee representative bodies Corporate agreements Info Consult
Shareholders, investors and rating agencies	Corporate website Press releases and financial reports General Meeting
Suppliers	Annual Supplier/Vendor meeting organized by Fnac
NGOs and non-profits	National partnerships and ad hoc initiatives set up by stores
Entrepreneurs	Fnac Pro Start-up Competition

With regard to its customers, Fnac is deeply committed to its retailers providing independent advice generated by Labo Fnac (Fnac laboratory), which assesses and compares the characteristics and performance of consumer electronics. For nearly 40 years, Labo Fnac has stood out for its product expertise and independence vis-à-vis its suppliers. The results of these studies are provided to consumers free of charge. In 2014, its team of highly qualified technicians carried out 835 tests on 387 products to compare them based on performance criteria that could be difficult to assess at the point of sale. There is no equivalent to Labo Fnac in any other retail store: it embodies a culture of independence that differentiates it from its competitors. The credibility of its specifications allows it to develop an unrivalled relationship of trust with consumers.

A new system of environmental labeling on televisions was implemented in stores and on fnac.com in September 2013, underscoring Fnac's role in providing advice. In 2014, customers thus had access to new selection criteria related to a product's impact on the climate and on non-renewable natural resources throughout its life cycle, from manufacture to shipping, use and its eventual waste. Over the past year, on average, 90% of the televisions offered for sale in Fnac stores or on fnac.com had an environmental rating that was calculated independently based on Ademe-approved criteria. At fnac.com, 30,000 clicks were logged on the environmental rating in 2014. Last but not least, customers can get additional advice on more energy efficient use, plus information on how Fnac recycles old electronics. In 2015, this commitment to providing information will be reinforced with the extension of the environmental rating to new product families: PCs, tablets and smartphones.

Intended for its employees in all its stores and establishments in France, in 2014 Fnac organized the internal contest "Fnac Revelations". Set up for the Group's 60th anniversary and fully in line with its mission to promote new talent, the purpose of the contest is to highlight and promote its employees' artistic talents. For two months, employees were invited to submit their application and publish their work on a dedicated website, in one of three categories: literature, photography and music. Each category had its own jury composed of Fnac experts and was sponsored by an artist (Sorj Chalandon for literature, Olivia Ruiz for music, Matthieu Pernot for photography). In July, the submissions were presented to the three juries, which chose one winner per category. At the same time, all employees were able to vote on the website to elect the "People's Favorite". With widespread interest internally among both management and staff, strong peer pressure and the development of contacts between sites and businesses, the initiative was a great success, ending up with more than 200 works competing, 6,800 online visitors, and more than 4,000 votes cast on the website. The four winners also benefitted from the Group's support to help them professionally develop their artistic talents.

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

2.5.2.2 Partnership and sponsorship initiatives

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

In April 2014, during Sustainable Development Week, Fnac launched the second edition of the national Collection Drive for the benefit of Bibliothèques sans Frontières (Libraries Without Borders). This widespread drive to collect books, CDs and DVDs mobilized employees and customers alike, enabling the association to receive some 170,000 books, publications etc. compared to 70,000 in 2013. This project was also awarded the Special Jury Prize by the "Responsible Generation" Club, an association of CSR and sustainable development professionals.

The aim is to make this a major annual event so that Fnac can boost its position as a gateway to culture.

In the same spirit of solidarity and for the sixth year running, Fnac Dijon organized, in partnership with Secours Populaire, a "Braderie Solidaire" clearance sale. This event, which attracted 6,000 people in 2014, offers the public a chance to buy new products (unsold Fnac products throughout France) at rock-bottom prices. The takings, handed over in full to Secours Populaire, amounted to €132,900. In addition to its support for cultural products, Fnac Dijon involved itself on a human scale through its staff working the event as volunteers.

Alexandre Bompard, Chairman and CEO of Fnac, is also the patron of the city's sports association, which strives to integrate young people through playing sport.

Last but not least, April 2013 saw the launch of the "Ze GIVE" program, in which fnac.com customers can round up their purchase to the nearest euro with the proceeds benefiting the Group's long-term partner associations Libraries Without Borders, Ateliers du Bocage, Sport dans la Ville (Sport in the City) and ELA (a non-profit association focusing on ALS).

2.5.3 Relations with subcontractors and suppliers

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

Fnac also tends to favor socially responsible companies and to this end has set up a structure within Fnac Occasion to deal responsibly with all products bearing its "100% refund" guarantee.

The system is part of the Company's effort to expand product repurposing and is described in more detail in the environmental section herein.

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

2.5.4 Fair practices

2.5.4.1 Anti-corruption initiatives

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

2.5.4.2 Measures taken regarding consumer health and safety

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

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

Given its area of business, Fnac does not provide information relating to consumer health.

2.5.4.3 Other actions in favor of human rights

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

(1) CNPP: National Center for Prevention and Protection.
Perifem: Technical Association for Businesses and Retail.

2.6 Independent third-party report on the consolidated social, environmental and societal information reflected in the Management Report

Fiscal year ending December 31, 2014

To the Shareholders,

In our capacity as licensed accountants appointed as the independent third party for Groupe Fnac, authorized by Cofrac (the French Accreditation Committee) under number 3-1080, we hereby present our report on the consolidated social, environmental and societal information for the year ending December 31, 2014 presented in the Management Report (hereinafter the "CSR Information"), established for the fiscal year ending December 31, 2013, pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

The Company's responsibility

The Board of Directors is tasked with preparing a Management Report containing the CSR Information specified in Article R. 225-105-1 of the French Commercial Code in accordance with the corporate, social and environmental protocols used by the Company (hereinafter, the "Benchmark"), the summary of which is reflected in the management report in section 2.2 "Methodology note" and available on request at its registered office.

Independence and quality control

Our independence is defined by the regulations and code of ethics governing the profession, enshrined in the decree dated March 30, 2012, with regard to exercising the activity of accounting expert. In addition, we have set up a system of quality control in compliance with the professional standards of quality control governing our profession.

Responsibility of the independent third party

It falls upon us, based on our work, to:

* certify that the CSR Information legally required is contained in the Management Report or, in the event of omission, is the subject of an explanation pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of the existence of CSR Information);
* express a conclusion of moderate assurance that the CSR Information, taken in its entirety, provides a true and fair view in all material aspects, in accordance with the Benchmark (reasoned opinion on the truth of the CSR Information).

Our work was conducted by a team of four between November 2014 and February 2015, over a period of approximately four weeks. To aid us in the conduct of our tasks, we called upon our CSR experts.

1. Certification of inclusion of CSR Information

In accordance with the professional standards applicable to specific certifications, and the Order of May 13, 2013 determining the methods used by independent third parties to conduct their mission, we performed the following tasks:

* based on interviews with the managers of the departments concerned, we took due note of the sustainable development strategies presented, on the basis of the social and environmental consequences linked to the Company's activity and its societal commitments and, where applicable, the initiatives or programs arising from these;
* we compared the CSR Information set out in the Management Report with the list provided in Article R. 225-105-1 of the French Commercial Code;
* where some consolidated information was missing, we checked that explanations were provided in accordance with the provisions of paragraph 3 of Article R. 225-105 of the French Commercial Code;
* we ascertained that the CSR Information presented consolidated coverage, i.e. the Company along with its subsidiaries as defined by Article L. 233-1 and the companies that it controls as defined by Article L. 233-3 of the French Commercial Code within the limits specified in the methodology note in section 2.2 "Methodology note" of the Management Report.

Based on this work and within the limits described above, we certify that the CSR Information legally required is included in the Management Report.

(1) Portée disponible sur le site www.cofrac.fr.

2. Reasoned opinion on the fairness of the CSR Information

Nature and extent of the work

In accordance with the professional standards applicable to specific certifications, the Order of May 13, 2013 determining the methods used by independent third parties to conduct their mission, and the "International Standard on Assurance Engagements" (ISAE 3000), we performed the following tasks:

We conducted six interviews with the persons responsible for the preparation of the CSR Information in the departments charged with the data collection process and, where applicable, the persons responsible for internal control and risk management, in order to:

* assess the adequacy of the Benchmark with regard to its relevance, thoroughness, reliability, neutrality and comprehensibility, taking into consideration, where applicable, the best practices of the sector;
* verify that a data collection, compilation, processing and control procedure has been established with the aim of ensuring that the CSR Information is thorough and consistent, having reviewed the internal control and risk management procedures relating to the preparation of CSR Information.

We determined the nature and extent of our tests and controls in accordance with the nature and significance of the CSR Information as it related to the characteristics of the Company, the social and environmental issues involved in its activities, its strategies with regard to sustainable development and the best practices of the sector.

As regards the CSR Information we considered most significant [1]:

* at the level of the consolidating entity, we consulted documentary sources and conducted interviews to corroborate qualitative data (organization, policies, initiatives); conducted analyses on the quantitative data and, using random sampling, checked the calculations as well as the consolidated data; and ascertained their coherence and consistency with the other data reflected in the Management Report;
* at the level of a representative sampling of establishments and sites that we selected (2) based on their activity, their contribution to the consolidated indicators, where they are located, and a risk analysis, we conducted interviews to verify the proper application of procedures and identify any omissions, and carried out detailed tests on a sample basis, which entailed verifying the calculations made and reconciling the data with supporting vouchers. The sample selected in this manner represents an average of 80% of the study population, and between 66% and 100% of the quantitative environmental data.

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

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

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

Conclusion

Based on our work, we have not detected any significant anomaly of such a nature as to raise doubts about whether the CSR Information as a whole provides a true and fair view, in accordance with the Benchmark.

Paris, February 24, 2015

Independent Third Party

Grant Thornton

French member of Grant Thornton International

Vincent Papazian
Partner

(1) Quantitative indicators: personnel by age and gender; hours of training; waste production; cardboard consumption; energy consumption, CO_2 emissions related to transport. Qualitative information regarding equal treatment; territorial, economic and social impact of Fnac activity (based in French towns with over 10,000 inhabitants and cultural activities of outlets); environmental labeling system; repurposing of consumer electronics.

(2) Logistics platform of Massy, Fnac France, Fnac Belgium, Fnac Saint-Lazare store.

3

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3.1 Administrative and executive bodies

3.1.1 Composition of the administrative and executive bodies

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

3.1.1.1 Board of Directors

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

At December 31, 2014, the Board of Directors had ten members, of whom six were independent.

Alexandre Bompard

42 years

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

Chairman, Chief Executive Officer

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

Positions and offices held at December 31, 2014

- Chairman, Chief Executive Officer, Fnac
- Director, Les Éditions Indépendantes [(a)]

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

- Chairman, Europe 1 Télécompagnie
- Chairman, Europe 1 Sport
- Manager, Europe News
- Manager, Europe Interactive
- Permanent Representative, Lagardère Active
- Director, Lagardère Active Broadcast

Number of shares held

364

(a) Listed French companies.

Patricia Barbizet

60 years

12, rue François 1er
Paris (75008) – France

Director and Vice Chairman

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

Positions and offices held at December 31, 2014

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

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

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

Number of shares held

1,130

(a) Listed French companies.

Stéphane Boujnah

51 years

40, rue de Courcelles
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2014

Positions and offices held at December 31, 2014

- Chief Executive Officer, Santander Global Banking & Markets for continental Europe
- Member of the Board of Directors, Paris Europlace
- Director, Cinétévé
- Chairman of the Board of Directors, En Temps Réel, Association pour la Recherche et le Débat
- Chairman of the Board of Directors of the Orchestral Ensemble "Accentus/Erda/Insula"

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

- Managing Director, Deutsche Bank

Number of shares held

300

Carole Ferrand

44 years

12, rue François 1er
Paris (75008) – France

Director

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

Positions and offices held at December 31, 2014

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

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

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

Number of shares held

250

(a) Listed French companies.

Antoine Gosset-Grainville

49 years

44, avenue des Champs-Élysées
Paris (75008) – France

Independent Director

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

Positions and offices held at December 31, 2014

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

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

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

Number of shares held

250

(a) Listed French companies.

Alban Gréget

38 years

12, rue François 1er
Paris (75008) – France

Director

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

Positions and offices held at December 31, 2014

- Director, Artémis 21, Artémis 31 and Artémis 32
- Director and Chairman of the Board of Directors, AGEFI
- Director and Chief Executive Officer, Finintel
- Director, Capi
- Director, Immobilier Neuf
- Director, Courrèges
- Director and Chief Executive Officer, La Centrale de Financement
- Permanent Representative of Artémis, Director, Michel & Augustin
- Chairman, Marigny
- Permanent Representative of Artémis, Director, Optimhome Portugal
- Chairman and permanent representative of Rocka, Director, Optimhome SAS

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

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

Number of shares held

250

Nonce Paolini

66 years

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

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2014

Positions and offices held at December 31, 2014

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

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

- Permanent Representative of TF1, Director, Mediamétrie
- Director, TF1 Thématiques
- Chairman, NT1
- Chairman, HDI
- Chairman, TF1 Management
- Permanent Representative of TF1 Management, Managing Director, La Chaîne Info
- Permanent Representative of TF1 Management, Managing Director, TF1 DS
- Chairman, TF1 Publicité
- Chairman, Programmes Européens Francophones Audiovisuels Spéciaux 4
- Chairman, HOP (Holding Omega Participations)

Number of shares held

250

(a) Listed French companies.

Arthur Sadoun

42 years

133, avenue
des Champs-Élysées
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2014

Positions and offices held at December 31, 2014

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

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

- None

Number of shares held

250

Brigitte Taittinger-Jouyet

55 years

74, rue Raynouard
Paris (75016) – France

Independent Director

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

Positions and offices held at December 31, 2014

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

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

- Chairman, Société des Parfums Annick Goutal

Number of shares held

250

(a) Listed French companies.

Jacques Veyrat

52 years

4, rue Eule
Paris (75008) – France

Independent Director

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

Positions and offices held at December 31, 2014

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

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

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

Number of shares held

250

(a) Listed French companies.

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

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

* the first group, comprised of three Directors (Carole Ferrand, Brigitte Taittinger-Jouyet and Alban Gréget), resigned from office prior to the Company's Annual General Meeting called in 2014 to approve the financial statements for the 2013 fiscal year;
* the second group, also comprised of three Directors (Stéphane Boujnah, Nonce Paolini and Arthur Sadoun), will resign from office prior to the Company's Annual General Meeting called in 2015 to approve the financial statements for the 2014 fiscal year; and
* the third group, comprised of the remaining three Directors (Patricia Barbizet, Antoine Gosset-Grainville and Jacques Veyrat), will serve out their terms of office until the Company's Annual General Meeting to be held in 2016 to approve the financial statements for the 2015 fiscal year.

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

Personal information regarding the members of the Board of Directors

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

Patricia Barbizet – Vice Chair of the Board of Directors – Graduate of the *École Supérieure de Commerce de Paris*. Ms. Barbizet started her career in the Renault Group as Treasurer of Renault Véhicules Industriels before becoming Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. In 1992, she helped found Artémis, becoming in that same year its Chief Executive Officer. Then from 2005 to 2012 she sat on the Board of Directors of Total and PSA Peugeot-Citroën. She is currently the Chief Executive Officer of Artémis Group, the Pinault family's investment arm, Vice Chair of the Board of Directors of Kering and the Chair & CEO of Christie's International.

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

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

Antoine Gosset-Grainville – Independent Director – Graduate of the *Institut d'Études Politiques* de Paris, "Banking and Finance" DESS from Université Paris-IX Dauphine, graduate of the *École Nationale de l'Administration* (Léon Gambetta class). After being appointed to the General Inspectorate of Finance in 1993, he became Deputy Secretary General of the Economic and Financial Committee of the European Union in 1997. From 1999 to 2002, he was an economic and industrial affairs advisor for Pascal Lamy at the European Commission. Mr. Gosset-Grainville is an attorney licensed in Paris and Brussels. In 2002, he became a partner at the law firm of Gide Loyrette Nouel. In 2007, he was appointed Deputy Director of the Office of Prime Minister François Fillon, where he was in charge of economic and financial matters. In March 2010, he became Deputy Chief Executive Officer of the *Caisse des Dépôts* in charge of finance, strategy, investments and oversight of European and international activities, then interim Chief Executive Officer of the Caisse des Dépôts Group from February to July 2012. In April 2013, he formed the law firm BDGS Associés.

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

Nonce Paolini – Independent Director – Master's degree in literature and graduate of the Paris *Institut d'Études Politiques* (class of 1972). Mr. Paolini began his career with EDF-GDF, where he held operational and management positions. In 1988, he joined the Bouygues group, where he successively held the positions of Director of Development and Director of Human Resources, before going on to become corporate Communications Director in 1990. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Deputy Chief Executive Officer. In 2002 he was appointed Deputy Chief Executive Officer of Bouygues Telecom and then Managing Director and Board member in April 2004. In 2007, he was appointed CEO of TF1 Group and its Chairman & CEO in 2008.

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

Brigitte Taittinger-Jouyet – Independent Director – Graduate of the *Institut d'Études Politiques* de Paris with a master's degree in history from the Université des Sciences Humaines. Ms. Taittinger-Jouyet was Head of Advertising at Publicis (1984-1988), and in 1988, she became project manager for the Marketing Division at the groupe du Louvre in charge of industrial and budget hotel products. From 1991 to 2012, she was Chair of the Société des Parfums Annick Goutal. Since 2013, she has been Director of Strategy and Development at the *Institut d'Études Politiques* de Paris (*Sciences Po* – Paris).

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

3.1.1.2 Executive management

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

3.1.1.3 Management Committee

The Group's Management Committee consists of the following:

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

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

3.1.1.4 Statement relating to the members of the Board of Directors

To the Company's knowledge, at the date of this Registration Document, there were no family ties between the members of the Company's Board of Directors.

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

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

3.1.2 Conflicts of interest

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

To the Company's knowledge, no pact or agreement of any kind, other than commercial contracts signed with companies (of which some of the Company's Directors are the legal representatives) as part of the normal course of business and on regular market terms and conditions, has been made with shareholders, customers, suppliers or other parties by virtue of which any member of the Company's Board of Directors has a direct interest.

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

3.2 Functioning of the administrative and executive bodies

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

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

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

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

To the Company's knowledge, at the date of this Registration Document, there were no service contracts linking members of the Board of Directors to the Company or to any of its subsidiaries that provides them with benefits, save for the business contracts mentioned in section 3.1.2 signed in the normal course of business and on prevailing market terms.

3.2.3 Board of Directors Committees

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

In accordance with this provision, the Company's Board has established three committees: an Audit Committee; an Appointments and Compensation Committee; and a Corporate Environmental and Social Responsibility Committee. The composition, duties and practices of these committees are set forth below.

3.2.3.1 Audit Committee

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

Composition

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

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

The composition of the committee was ratified going forward, by the Board of Directors at its meeting of February 26, 2015 subject to the renewal of the directorship of Stéphane Boujnah by the Shareholders' Meeting of May 29, 2015.

Duties

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

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

* *monitoring the preparation of financial information* – The Audit Committee is responsible for examining the annual or interim parent company and consolidated financial statements prior to their presentation to the Board, including any provisions and related adjustments and any situation that could create a material risk for the Group, as well as any financial information, any report concerning quarterly, semi-annual or annual performance, or any reports prepared for a specific transaction (such as a capital contribution, merger or market transaction);
* *monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and accounting information* – The Audit Committee is tasked with ensuring the relevance, reliability and correct implementation of the Company's internal control, identification, hedging and risk management procedures relating to its business activities and its financial and accounting information. The committee also regularly examines the mapping of business risks, as well as the material off-balance sheet risks and commitments of the Company and its subsidiaries;
* *monitoring the review of the individual company and consolidated financial statements by the Company's Statutory Auditors* – The Audit Committee will request information from and oversee the Company's Statutory Auditors (including in the absence of senior executives), particularly in relation to their general work schedule, any difficulties encountered while conducting their audit, changes they believe should be made to the Company's financial statements or other

accounting documents, accounting irregularities, discrepancies or inaccuracies, material uncertainties and risks relating to the preparation and treatment of accounting and financial information, and any material weaknesses they may have discovered in internal control procedures;

* *monitoring the independence of the Statutory Auditors* – On the occasion of the reappointment or appointment of the Statutory Auditors, the Audit Committee drives the procedure for selecting the Statutory Auditors and submits its recommendation to the Board of Directors. Also, to allow the committee to monitor the independence and objectivity of the Statutory Auditors throughout their terms of office, the Audit Committee requires from the Statutory Auditors an annual: (I) statement of independence; (II) the amount of fees paid to the network of Statutory Auditors by the companies controlled by the Company, or the entity that controls the Company, for services that are not directly related to the Statutory Auditors' responsibilities; and (III) information on services rendered in respect of tasks falling directly within the Statutory Auditors' responsibilities. The Audit Committee, together with the Statutory Auditors, must also examine any risks to their independence and the measures taken to guard against such risks.

Practices

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

3.2.3.2 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 Directors of listed companies.

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

The composition of the committee was ratified going forward, by the Board of Directors at its meeting of February 26, 2015 subject to the renewal of the directorship of Nonce Paolini by the Shareholders' Meeting of May 29, 2015.

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 compensation and benefits awarded to the Group's corporate officers and Executive Directors or senior executives, including any deferred benefits and/or voluntary or compulsory redundancy payments awarded by the Group.

Accordingly, it carries out the following functions:

* *proposing the appointment of members of the Board of Directors, executive management and the Board's committees* – The Appointments and Compensation Committee is responsible for making proposals to the Board concerning appointments of members of the Board (by the General Meeting or by co-option), and of the Managing Director(s), as well as of members and the Chairman of each of the other Board committees. When making its recommendations, the committee takes into particular consideration such criteria as (I) the desired balance of the Board's composition in view of the composition of and changes in the Company's shareholders, (II) the desired number of independent members, (III) the proportion of men and women required under applicable regulations, (IV) the desirability of renewing terms of office 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 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 executive 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 and share purchase options, the allotment of performance shares, pension and private health care plans, retirement benefits, benefits in kind or specific benefits, and any other direct or indirect compensation that the compensation of executive management might include. It is informed of these aspects of the compensation of the Group's senior corporate officers and the relevant compensation policies that have been implemented within the Group. In 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 allocation of Directors' attendance fees* – The Appointments and Compensation Committee makes suggestions to the Board regarding the allocation of attendance fees and the individual payments to be made to members of the Board, taking into account their attendance at Board and Committee meetings, their responsibilities and the time they are required to devote to their duties. The committee also makes suggestions regarding the compensation 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 deems necessary, but must meet at least once a year, prior to the meeting in which the Board assesses whether its members meet the Company's independence criteria (for more information on the concept of "independence" see section 3.5.2.5 "Independence of Directors"), and, in all cases, prior to any Board meeting deciding on the compensation of Senior Executives or the allocation of attendance fees.

3.2.3.3 Corporate Environmental and Social Responsibility Committee

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

Composition

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

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

The composition of the committee was ratified going forward, by the Board of Directors at its meeting of February 26, 2015 subject to the renewal of the directorship of Arthur Sadoun by the Shareholders' Meeting of May 29, 2015.

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, environmental and social.

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

* *examining the corporate, environmental and social policies enacted by the Company* – The Corporate Environmental and Social Responsibility Committee is responsible for the annual examination of the corporate, environmental and social 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. Once a year, 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, environmental and social 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 societal 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. It also monitors and distributes the recommendations adopted by the Board;
* *examining the environmental impact of the Group's activities* – Each year, the Corporate Environmental and Social Responsibility Committee examines the impact of the Group's activities on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the Group's activities, and initiatives promoting the collection and recycling of end-of-life products. Where necessary, it summarizes its observations as recommendations and submits them to the Board. It also monitors and distributes the recommendations adopted by the Board;
* *establishing a focus on social sustainability within the Group* – The Corporate 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 Group's corporate, environmental and social policies* – Each year, the Corporate Environmental and Social Responsibility Committee draws up proposals to strengthen employees' involvement in the Group's corporate, environmental and social 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, environmental and social 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.

3.2.4 Statement relating to corporate governance

The Company refers to the recommendations of the MEDEF and AFEP Corporate Governance Code for listed corporations (the "AFEP-MEDEF Code"), updated in June 2013, particularly in the context of preparing the Chairman of the Board's Report required by Article L. 225-37 of the French Commercial Code on the composition of the Board and application of the principle of balanced representation of men and women within it, the conditions for preparing and organizing the Board's work, as well as the internal control and risk management procedures implemented by the Company.

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

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

AFEP-MEDEF Code recommendation	Explanation of exceptions
Present the statement of executive compensation in the form of a table (Article 24.2 "Annual Information")	No part of the Chairman & CEO's multi-year variable compensation was due or paid for fiscal year 2014. Consequently, the presentation of executive compensation in the form of standardized tables does not seem appropriate. Furthermore, the Company considers that the information provided in section 3.3.1 accurately and fully reflects the elements of compensation paid to Alexandre Bompard.
The variable compensation component must be proportionate to the fixed portion (Article 23.2.3-11 "Variable Compensation of executive corporate officers")	The compensation of corporate officers includes a multi-year variable component based on an allocation of value units and performance options. These arrangements are not capped but are subject to service and share price performance requirements. Consequently, multi-year variable compensation may be a substantial portion of a corporate officer's total compensation.

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

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

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

3.3 Compensation and benefits for administrative and executive bodies

3.3.1 Compensation and benefits of the Chairman and Chief Executive Officer

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

Alexandre Bompard does not have an employment contract.

At its meeting on February 26, 2014, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided upon the elements of the compensation package for the Chairman & Chief Executive Officer, Alexandre Bompard and the terms of establishing a new multi-year variable compensation system.

(1) http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Code_de_gouvernement_d_entreprise_des_societes_cotees_juin_2013_FR.pdf.

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

The amounts of compensation payable for 2014 and 2013 detailed below amount to €1,854,015 and €1,846,679 respectively, including annual variable compensation of €902,056 and €867,329 respectively.

Fixed compensation

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

For 2013, the fixed compensation due and paid to Alexandre Bompard came to €955,865 (amounts due and paid for Fnac SA for the first part of the year, including the balance of all Fnac SA and Groupe Fnac accounts for the second part of the year).

Annual variable compensation

For fiscal 2014, the annual variable compensation of the Chairman & Chief Executive Officer is a maximum of 105% of the fixed annual compensation.

Identically to 2013, 80% was based on financial targets and 20% on qualitative targets.

The 2014 financial targets set with regard to the variable portion are specified below:

* Group current operating income (COI);
* Group free cash flow (FCF);
* Group revenues;
* Evolution of Group market share.

The level of attainment of the variable targets in 2014 was 100.23% of the fixed annual compensation and the amount payable for fiscal 2014 totaled €902,056.

For the record, in 2013 the level of attainment of the variable targets was 96.37% of the fixed annual compensation and came to a total of €867,329, which was paid in March 2014.

In 2013, the amount paid for Fnac SA under its 2012 variable amount was €293,756.

Variable multi-year compensation

The Board of Directors meeting on February 26, 2014, decided, on the recommendation of the Appointments and Compensation Committee, to implement the variable multi-year compensation system in value units.

The system consists of the award of 58,051 value units to Alexandre Bompard The value per unit corresponds to the average price of the Groupe Fnac share in February 2016. If the price of the Groupe Fnac share in February 2016 is below a predefined price, no payment will be made.

The vesting of these value units is also subject to conditions of presence: two-thirds of the associated payment will be paid in cash in April 2016 and one-third in February 2017, subject to the condition of presence on each of these dates.

The valuation of the gross amounts on the award date of the value units awarded in 2014, before spreading the cost over the vesting period as stipulated in IFRS 2, was €913,333 for the April 2016 payment and €456,667 for the February 2017 payment. This valuation corresponds to the number of value units awarded multiplied by a reference share price on the award date of €23.60 (average of the 20 share prices preceeding February 26, 2014) per share. These amounts are not vested to the corporate officer as they are subject to performance and presence conditions.

For the record, in 2013, 197,925 value units were awarded and two-thirds of the cash payment will be paid in cash in October 2015 and one-third in July 2016, subject to the condition of presence on each of these dates.

The value per unit corresponds to the average price of the Groupe Fnac share in July 2015. If the price of the Groupe Fnac share in July 2015 is below a predefined price, no payment will be made.

The valuation of the gross amounts on the award date of the value units awarded in 2013, before spreading the cost over the vesting period as stipulated in IFRS 2, was €2,400,000 for the October 2015 payment and €1,200,000 for the July 2016 payment This valuation corresponds to the number of value units awarded multiplied by a reference share price on the award date of €18.19 (average of the 20 share prices preceeding July 30, 2013) per share. These amounts are not vested to the corporate officer as they are subject to performance and presence conditions.

The Board of Directors meeting on February 26, 2014, on the recommendation of the Appointments and Compensation Committee, decided to implement the variable multi-year compensation system in 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 (March 2014 – September 2016 and March 2014 – September 2017) subject to the beneficiary's presence in the Group at the expiration of each period in question (or on the decision of the Appointments and Compensation Committee if the condition of presence is not fulfilled).

The options will be subject to a condition of Groupe Fnac's stock market performance defined for each of the two periods. These options will be paid in cash if the Groupe Fnac share price is below a predefined price, no payment will be made

On the maturity date of September 30, 2016, 82,738 options could be vested and on September 30, 2017, 72,628 options.

The valuation of the gross amounts on the award date of the value units awarded in 2014, before spreading the cost over the vesting period as stipulated in IFRS 2, was €319,522 for the September 30, 2016 payment and €280,478 for the September 30, 2017 payment. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €23.60 (average of the 20 share prices preceeding February 26, 2014) per share, volatility of 30% and a Euribor swap risk-free interest rate. At maturity, the value of a performance option will correspond to the underlying capital gain between the share price at maturity and the reference price These amounts are not vested to the corporate officer as they are subject to performance and presence conditions.

For the record, in 2013, the performance options awarded were 67,160 options at maturity on March 31, 2015, 79,959 options at maturity on March 31, 2016, and 115,495 options at maturity on March 31, 2017 which could be acquired depending on the presence condition (or as decided by the Appointments and Compensation Committee if the presence condition is not fulfilled) and performance condition.

The valuation of the gross amounts on the award date of the value units awarded in 2013, before spreading the cost over the vesting period as stipulated in IFRS 2, was €204,589 for the March 31, 2015 payment and €243,579 for the March 31, 2016 payment, and €351,832 for the March 31, 2017 payment. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €20.28 (average of the 20 share prices preceeding October 22, 2013) per share, volatility of 30% and a Euribor swap risk-free interest rate.

At maturity, the value of a performance option will correspond to the underlying capital gain between the share price at maturity and the reference price. These amounts are not vested to the corporate officer as they are subject to performance and presence conditions.

There is no ceiling on these variable multi-year compensation arrangements.

No variable multi-year compensation amount linked to the value units and performance options awarded in 2014 and 2013 was due or paid to Alexandre Bompard in 2013 and 2014.

Performance shares

In 2014, Alexandre Bompard definitively acquired 3,400 Kering shares, awarded under the Kering plan of April 25, 2012 (2012-I plan) which were reinvoiced in 2013 for a total of €259,160 (refer to the Kering 2014 Registration document for more details).

Attendance fees

Attendance fees payable to Alexandre Bompard for his service in 2014 on Groupe Fnac's Board of Directors totaled €28,733.

In March 2014, he was paid €18,720 in attendance fees for 2013.

Benefits in kind

In 2014, Alexandre Bompard had the use of a company car which represented a benefit in kind of €6,555. This benefit amounted to €4,765 in 2013. In 2014, Alexandre Bompard benefited from unemployment insurance and a supplementary education annuity the payments for which were made in 2014, of €13,827 (including €4,090 for 2013) and €2,844 respectively. These payments were subject to social security and employment costs and were treated as benefits in kind. No contribution was paid in 2013 for this unemployment insurance or education annuity.

Supplementary retirement plan

The Board of Directors authorized Alexandre Bompard's membership of the defined contribution supplementary pension plan on identical terms to those of all Groupe Fnac executives in France.

Subscriptions in 2014 and 2013 amounted to €10,337.04 and €7,589.56 respectively. This commitment, subject to Article L. 225-42-1 of the French Commercial Code was approved by the Ordinary General Meeting of May 15, 2014.

Non-compete commitment

The Board of Directors has signed a limited non-competition commitment with Alexandre Bompard in 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 commitment is limited to two years starting at the end of his term of office. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office. The Board of Directors is entitled to decline implementing this clause.

This commitment, subject to Article L. 225-42-1 of the French Commercial Code, was approved by the Ordinary General Meeting of May 15, 2014.

With the exception of the non-competition undertaking, there is no arrangement to pay Alexandre Bompard any severance pay or benefits that are or may be due in the event of his resignation or change of function.

3.3.2 Compensation of corporate officers – attendance fees

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

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

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors on February 26, 2014, determined the allocation of attendance fees to members of the Board and the specialized committees held during 2013.

Based on the date of the Company's listing on the Euronext Paris stock market, i.e. June 20, 2013, and the significant amount of work carried out in 2013, the sum of €240,000 was allocated out of the total €300,000.

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

The balance (40% of the amount) was divided equally between the members of the Audit Committee and the members of the Appointments and Remuneration Committee as no meeting of the Corporate Environmental and Social Responsibility Committee was held in 2013. This amount is allocated based on members' attendance at the Committee meetings.

The Chairman of the Board of Directors and the Chairmen of the committees are paid a 50% higher fee for their attendance at each meeting.

A total €230,629 was paid in fiscal year 2014, of the total annual amount of attendance fees of €300,000 approved by the Combined Ordinary and Extraordinary Meeting of April 17, 2013, for fiscal year 2013, as follows:

Names	Amount paid in 2013 for 2012	Amounts paid in 2014 for 2013
Patricia Barbizet	none	€27,634
Alexandre Bompard	none	€18,720
Stéphane Boujnah	none	€34,491
Carole Ferrand	none	€27,634
Antoine Gosset-Grainville	none	€25,234
Alban Gréget	none	€11,520
Nonce Paolini	none	€34,491
Arthur Sadoun	none	€13,920
Brigitte Taittinger-Jouyet	none	€13,920
Jacques Veyrat	none	€23,063
TOTAL		**€230,629**

The total amount of attendance fees for the 2014 fiscal year is €271,810.

The Directors do not receive any other compensation, except for Alexandre Bompard, Chairman and CEO, as indicated in section 3.3.1 of the Registration Document. No payment of attendance fees was made in fiscal year 2013 for 2012.

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

3.4.1 Profit-sharing agreements and incentive schemes

3.4.1.1 Profit-sharing agreements in France

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

3.4.1.2 Collective incentive schemes in France

Collective incentive schemes are optional schemes whose purpose is to establish a closer link, by means of a calculation formula, between employees as a whole and the Company's results and performance, through the payment of immediately available bonuses, in accordance with Article L. 3312-1 of the French Labor Code. As a result, incentive scheme agreements have been entered into for a number of French entities of the Group. Each agreement includes its own formula for calculating the incentive bonus. Some agreements that expired at the end of 2014 will need to be renegotiated in 2015.

3.4.1.3 Group savings schemes

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

3.4.2 Long-term incentive plan

The Group's senior executives benefit from annual variable compensation arrangements the first of which were implemented in 2013 and which have vesting periods until March 2017.

In 2014, on the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award value units to certain Group employees (125 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The value units will vest on February 28, 2016 subject to performance and employment conditions. The value per unit is based on an average of the Groupe Fnac share prices. If the share price of Groupe Fnac in February 2016 is lower than a predefined price, there will be no payment. The associated cash payment will be effective in April 2016 and February 2017.

On the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award performance options to certain Directors of the Group in order to link them to the Company's performance through changes in the share price.

These options will be vested in stages, at the end of two successive vesting periods (March 2014 – September 2016 and March 2014 – September 2017), subject to the beneficiary's presence in the Group at the end of the period in question, and will be subject to a performance condition defined for the Groupe Fnac share for each of the two periods. The number of remaining options in the 2014 plan at the end of the fiscal year corresponds to 168,754 value units and 366,406 performance options.

The 2013 and 2014 share subscription option plans (detailed in section 7.2.4 of this Registration Document) provide for each of the early exercises of the options in the following cases in particular:

1. The filing of a public tender offer for the Company's shares declared in compliance by the AMF (as mentioned in section 3.5.2.8 of this Registration Document);

2. A takeover of the Company consisting in: (I) a change of control as defined in Article L. 233-3 of the Commercial Code, (II) a change in the majority of the members of the Board of Directors all at the same time on the initiative of a new shareholder(s) acting in concert or (III) the direct or indirect holding by a company of a fraction of the Company's voting rights that is greater than 30% along with, for a period of nine months, a change in more than 20% of the members of the Board of Directors.

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

Pursuant to Article L. 225-37, paragraph 6 of the French Commercial Code, as amended by Law No. 2008-649 of July 3, 2008, the conditions for the preparation and organization of the work of the Board of Directors and the internal control and risk management procedures instituted by the Company are reiterated below, specifically detailing the procedures relating to the development and treatment of the accounting and financial information for the consolidated financial statements and parent company financial statements. The first part of this report was presented to the Appointments and Compensation Committee on February 23, 2015, and the second part was discussed by the Audit Committee on February 24, 2015.

The entire report was approved by the Board of Directors at its meeting of February 26, 2015 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

3.5.1 Composition of the Board of Directors

3.5.1.1 Current composition of the Board

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

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

The Board is currently composed of ten Directors:

Name	Age	Nationality	Independent Director	Office	Start of 1st term	Expiration of current term	Membership of a committee: Audit	Appointments and Compensation	Corporate Environmental and Social
Alexandre Bompard	42	French		Chairman and CEO	2013	2016			X
Patricia Barbizet	60	French		Vice Chair	2013	2016		X	
Stéphane Boujnah	51	French	X	Director	2013	2015	X		
Carole Ferrand	44	French		Director	2013	2017	X		
Antoine Gosset-Grainville	49	French	X	Director	2013	2016		X	
Alban Gréget	38	French		Director	2013	2017			X
Nonce Paolini	66	French	X	Director	2013	2015		X	
Arthur Sadoun	43	French	X	Director	2013	2015			X
Brigitte Taittinger-Jouyet	55	French	X	Director	2013	2017			X
Jacques Veyrat	52	French	X	Director	2013	2016	X		

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

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

3.5.1.2 Composition of the Board

Pursuant to the provisions of the Law of January 27, 2011 (amending Article L. 225-37 of the French Commercial Code) on the balanced representation of men and women on Boards of Directors and Supervisory Boards and on gender equality at work, which governs the drafting of this report, the principle of balanced representation of men and women has been taken into account on the Board in accordance with the law. Accordingly, it can be seen that women now represent 30% of the members of the Board of Directors, thus exceeding the minimum proportion of 20% required by law.

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

3.5.2.1 Internal regulations of the Board of Directors

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

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

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

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

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

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

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

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

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

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

3.5.2.2 Executive Management

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

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

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

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

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

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

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

3.5.2.4 Compliance with a corporate governance code

The Company refers to the AFEP-MEDEF "Corporate Governance Code of listed companies" revised in June 2013.

3.5.2.5 Independence of Directors

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

* not being or having been in the past five years a Company employee or officer, or an employee or Director of any company consolidated by the Company;
* not being an officer of a company for which the Company is, directly or indirectly, a Director or for which a Company employee designated in that capacity or an officer (current or within the last five years) is a Director;

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

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

Accordingly, six Directors out of ten on the Board may be classified as Independent Directors.

3.5.2.6 Work of the Board and its specialized committees

Work of the Board of Directors in 2014 through to February 26, 2015

Work of the Board of Directors in 2014

The Board met six times in 2014 with an average attendance rate of 87%, all chaired by the Chairman & Chief Executive Officer.

Dates	Directors present (attendance rate)
January 29	10/10 (100%)
February 26	9/10 (90%)
May 15	10/10 (100%)
July 18	7/10 (70%)
July 30	8/10 (80%)
October 22	8/10 (80%)

On January 29, the Board devoted most of its work to:

* updating the internal rules of the Board of Directors and of the Appointments and Compensation Committee to bring them into compliance with the revised AFEP-MEDEF Code of June 30, 2013;
* splitting the Directors into three groups so that the Board can be renewed in thirds;
* reviewing the work of the Audit Committee of December 6, 2013;
* reviewing business progress in the fourth quarter of 2013 and reviewing the 2014 budget strategy.

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

* reviewing the work of the Audit Committee of February 24, 2014;
* reviewing and approving the parent company and consolidated financial statements for the fiscal year ended December 31, 2013, and approving the 2014 budget;
* reviewing the work of the Appointments and Compensation Committee of February 21, 2014 (including in particular the remuneration of the Chairman and Chief Executive Officer for fiscal years 2013 and 2014, reviewing a long-term incentive arrangement for certain Group executives, setting the method for allocating the attendance fees, and a proposal to renew Directors' terms of office);
* assessing the operation and work of the Board and its committees;
* reviewing the work of the Corporate Environmental and Social Responsibility Committee of February 18, 2014;
* approving the Chairman's Report on governance and internal control procedures;
* approving the draft report on stock subscription options.

On May 15, the Board provided an update on the Group's activities and prepared the General Meeting of that date.

On July 18, the Board approved the terms of an amendment to a loan agreement.

At its July 30 meeting, the Board considered the work of the Audit Committee, which had met on July 28, heard from the Statutory Auditors, reviewed the report of work conducted in the first half of 2014 and approved the interim financial statements and report.

At its meeting on October 22, the Board primarily considered the work of the Group to the end of September 2014, and approved the Company's management forecasts.

Work of the Board of Directors in 2015 through to February 26, 2015

The Board of Directors met twice between January 1 and February 26, 2015:

* at its meeting on January 20, 2015, the Board considered the work of the Audit Committee meeting held on December 8, 2014 (specifically the work of the Audit Committee in 2014, the audit plan for 2015 and the risk mapping for 2014), business progress in the fourth quarter of 2014 and the 2015 budget strategy.
* at its meeting on February 26, 2015, the Board of Directors:
  - having reviewed the work of the Audit Committee, approved the annual financial statements and reports for fiscal 2014, approved this report and approved the resolutions to be submitted to the Annual General Meeting,

- reviewed and approved the 2015 budget,
- conducted the annual review of regulated agreements,
- set the prior authorization triggers for the Board of Directors and set the Chairman & CEO's annual limit for issuing sureties, endorsements and guarantees,
- considered the work of the Appointments and Compensation Committee on February 23, 2015 and decided on the variable compensation for 2014 of the Chairman & Chief Executive Officer and the amount and terms of his fixed and variable compensation for fiscal 2015,
- set the allocation of the attendance fees paid for fiscal 2014,
- considered the work of the Corporate Environmental and Social Responsibility Committee of February 23, 2015, and approved the social and environmental information to appear in the Management Report.

Board of Directors' assessment

In accordance with its internal regulations, the Board of Directors conducted an annual assessment of its operation at its meeting on February 26, 2015.

Audit Committee

Formed at the end of June 2013, the main role of the Audit Committee, within the limit of the operations of the Board of Directors, is to examine the annual and interim financial statements, verify the relevance, continuity and reliability of the accounting methods in force in the Company and the main subsidiaries, and ensure that the Group's internal control and risk management procedures are being implemented. In the exercise of its mission, it heard the Report of the Statutory Auditors and was able to question them. The committee is informed of the main issues identified by the Internal Audit Department.

It reports regularly to the Board and submits opinions and recommendations to the Board for matters within its sphere of expertise. Minutes of the Committee's meetings are written and approved.

The committee can call on experts from outside the Company and interview anyone it chooses.

It reviews the fees for the Statutory Auditors every year and assesses their independence.

Groupe Fnac's Audit Committee is composed of three Directors: Stéphane Boujnah, Chairman of the committee and Independent Director, Carole Ferrand, and Jacques Veyrat, Independent Director.

The composition of the committee was ratified going forward, by the Board of Directors at its meeting of February 26, 2015 subject to the renewal of the directorship of Stéphane Boujnah by the Shareholders' Meeting of May 29, 2015.

All the members of the Audit Committee have recognized expertise in financial or accounting matters, together contributing their knowledge in executive, operational and financial management gained in the course of their professional careers in banks and companies (see section 3.1.1 "Personal information regarding the members of the Board of Directors" of the Registration Document).

In accordance with the AFEP-MEDEF Code, two thirds of the committee's members are Independent Directors.

Work of the Audit Committee in 2014 through to February 24, 2015

Work of the Audit Committee in 2014

In 2014, The Audit Committee met five times.

Dates	Directors present (attendance rate)
February 24	2/3 (67%)
May 15	3/3 (100%)
July 28	3/3 (100%)
October 22	3/3 (100%)
December 8	2/3 (67%)

The first meeting was held on February 24, 2014 and was mainly devoted to:

* the presentation of the financial results of Groupe Fnac at December 31, 2013;
* a review of the preparation of the parent company and consolidated financial statements as at December 31, 2013;
* a review of the independence of the Statutory Auditors, the fees they were paid, and the services they rendered that were directly connected with their assignment;
* a review of the Chairman's draft report on the work of the Board, internal control procedures, and risk management.

The Committee's meeting on May 15, 2014, was mainly devoted to:

* a review of the progress of the 2014 internal audit;
* a presentation of the Group's real estate interests.

The Committee's meeting on July 28, 2014, was mainly devoted to:

* the presentation of the financial results of Groupe Fnac as at June 30, 2014;
* a review of the preparation of the consolidated financial statements as at June 30, 2014 and the draft semi-annual financial statements.

The Committee's meeting on October 22, 2014, was mainly devoted to:

* a presentation of the Group's insurance arrangements;
* a review of the Group's key outstanding legal, tax and industrial disputes and audits.

The meeting held on December 8, 2014 was mainly devoted to the following points:

* a review of the 2014 risk mapping;
* a summary and assessment of the internal audit assignments conducted in 2014;
* the proposed audit plan for 2015;
* approval of the 2015-2017 Business Plan per cash generating unit (CGU) serving as the base for impairment tests and goodwill at December 31, 2014.

The committee met again on February 24, 2015, primarily to review the December 31, 2014 financial statements.

Appointments and Compensation Committee

The role of the Appointments and Compensation Committee is to assist the Board in the composition of the Company and Group's executive management bodies and in the regular assessment of all compensation and benefits to the Group's corporate officers and executive managers.

The Compensation and Appointments Committee is composed of the following three Directors: Nonce Paolini, Chairman of the committee and Independent Director, Patricia Barbizet, Director, and Antoine Gosset-Grainville, Independent Director.

The composition of the committee was ratified going forward, by the Board of Directors at its meeting of February 26, 2015 subject to the renewal of the directorship of Nonce Paolini by the Shareholders' Meeting of May 29, 2015.

In accordance with the criteria of the AFEP-MEDEF Code, Independent Directors thus comprise two thirds of the Appointments and Compensation Committee.

Work of the Appointments and Compensation Committee in 2014 and through to February 23, 2015

In 2014, the committee met once, with an attendance rate of 100%.

The meeting held on February 21, 2014 was devoted to finalizing the terms of compensation for the Chairman and Chief Executive Officer and the establishment of long-term incentive plans for certain senior executives and a wider group of managers.

On February 23, 2015, the committee met to examine the statement of variable elements of compensation for the Chairman and Chief Executive Officer for 2014 and the conditions for his fixed and variable compensation for 2015. It examined the conditions for the compensation of the Group's senior executives and the principles of long-term incentive plans. The committee also proposed the renewal of members of the Board of Directors and its committees. At the same meeting, the committee conducted the annual assessment of the independence of members of the Board of Directors and a review of the financial or accounting expertise of members of the Audit Committee. Other items on the agenda for that meeting were the allocation of attendance fees for 2014 and the definition of the allocation method for attendance fees for 2015 and a review of the Board's draft report on corporate governance.

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

Compensation policy for corporate officers

Attendance fees paid to members of the Board of Directors

Attendance fees paid in 2014 for 2013

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 allocation of attendance fees according to the actual attendance of members at meetings of the Board and the specialized committees held during the year in question.

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors on February 26, 2014, determined the allocation of attendance fees in 2014 to members of the Board and specialized Committee meetings held during 2013.

Based on the date of the Company's listing on the Euronext Paris stock market, i.e. June 20, 2013, and the significant amount of work carried out in 2013, the sum of €240,000 was allocated out of the total €300,000.

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

The balance (40% of the amount) was divided equally between the members of the Audit Committee and members of the Appointments and Remuneration Committee as no meeting of the Corporate Environmental and Social Responsibility Committee was held in 2013. This amount was allocated according to members' attendance at the Committee meetings.

The Chairman of the Board of Directors and the Chairmen of the committees are paid a 50% higher fee for their attendance at each meeting.

For fiscal year 2013, in accordance with the Board of Directors decision of February 26, 2014, a total of €230,629 was paid in 2014. This compensation to Board of Directors members is disclosed in detail in section 3.3.2 of this Registration Document.

Attendance fees to be paid in 2015 for 2014

Based on the recommendations of the Appointments and Compensation Committee, in 2013 the Board of Directors decided on the allocation of attendance fees for 2013 and 2014.

In line with the allocation for 2013 in 2014, 60% of the total €300,000 was allocated to the Board of Directors and 40% to the members of specialized committees.

Of the 60% for the Board of Directors, 30% was a fixed component and 70% a variable component. The variable component was allocated based on members' attendance rate at Board of Directors' meetings.

The 40% specialized committees component was allocated 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 strictly committee attendance-based.

The Chairman of the Board of Directors and the Chairmen of the committees are paid a 50% higher fee for their attendance at each meeting.

The Board of Directors meeting of February 26, 2015 allocated a total €271,810 to Board of Directors and committee members to be paid in 2015 for 2014.

Other compensation

The compensation and benefits awarded to the Chief Executive Officer were decided by the Board of Directors at its meeting held on February 26, 2014, on the recommendations of the Appointments and Compensation Committee. The variable annual and multi-year compensation was structured so as to strengthen the link between the compensation paid and the Group's performance. Identically to 2013, in addition to a fixed compensation, a mechanism for annual variable compensation was established, 80% of which is based on financial targets. The Board of Directors used four financial criteria for 2014. These were based on the Group's performance indicators in terms of the generation of free cash flow, current operating income, Group revenues and the increase in the Group's market share. If the targets are achieved, the variable portion amounts to 105% of the Chairman and Chief Executive Officer's fixed compensation.

The Chief Executive Officer also benefits from a multi-year variable compensation designed to link him to the Company's performance through the performance of the Groupe Fnac share.

The Board of Directors on February 26, 2014, awarded value units and performance options to Alexandre Bompard.

The value units will be vested on February 28, 2016 subject to performance and employment conditions. The value per unit is based on an average of Groupe Fnac share price. If the share price of Groupe Fnac in February 2016 is lower than a predefined price, there will be no payment. Part of the associated payment, in cash, will be implemented in April 2016 and part of it in February 2017, subject to the condition of presence on each of these dates.

These options will be vested in progressive stages, in tranches, at the end of two successive vesting periods (March 2014 – September 2016 and March 2014 – September 2017) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for the Groupe Fnac share for each of the three periods. These options will be paid in cash. If the Groupe Fnac share price is below a predefined price, no payment will be made.

In the event of his departure, the Chief Executive Officer does not benefit from a specific severance package.

The individual compensation of the Chief Executive Officer is detailed in section 3.3.1 of the Registration Document.

Corporate Environmental and Social Responsibility Committee

The role of the Corporate Environmental and Social Responsibility Committee is to review the corporate, environmental and social policies conducted by the Company

After explaining the Group's CSR strategy, it reports on the previous year's actions and results and presents the strategy for the current year.

It covers social dialog, equal opportunity, gender parity, youth and senior employment, diversity, environmental impact management, cultural initiatives and social inclusion.

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

The committee is composed of three Directors: Brigitte Jouyet-Taittinger (Chair and Independent Director), Arthur Sadoun (Independent Director) and Alban Greget (Director).

In accordance with the AFEP-MEDEF Code, two-thirds of the committee's members are Independent Directors.

Work of the Corporate Environmental and Social Responsibility Committee in 2014 and through to February 23, 2015

The Corporate Environmental and Social Responsibility Committee met once in 2014, and once so far in 2015.

On February 18, 2014, the committee reviewed the Group's general CSR policy, the report of actions and results for 2013, and the goals and strategy for 2014. It also verified that the Group had met its data publications obligations under Article L. 225-102-1-5 and 6.

On February 23, 2015, the committee reviewed the Group's general CSR policy, the report of actions and results for 2014, and the goals and strategy for 2015. It also verified that the Group had met its data publications obligations under Article L. 225-102-1-5 and 6.

All information relating to the Group's CSR policies and its social and environmental performance is disclosed in section 2 "Social and Environmental Responsibility" of this document.

3.5.2.7 Shareholder participation

Every shareholder is entitled to participate in General Meetings under the conditions prescribed by law. The methods for participating are detailed in the provisions of Article 22 of the bylaws and are reiterated in section 7.1.2.5 of the Registration Document.

3.5.2.8 Factors likely to have an impact in the event of a public tender offer

No factor other than those relating to (i) the current capital structure (Artémis Group currently holds 38.88% of the capital and voting rights of Groupe Fnac), (ii) the cases for early repayment of the loan agreement (as described in section 4.2.2.2 "Financing under the Loan Agreement"), and (iii) the authorizations given by the General Meeting to increase the capital, as expressly described in the Registration Document, is likely to have a significant impact in the event of a public tender offer, or have the effect of delaying, deferring or preventing a change of control.

In the case of a public tender offer giving the right to early exercise of warrants issued by the Company, the dilutive impact of the exercise of all options held at December 31, 2014 would be 3.65% (as stated in section 7.2.4).

To the Company's knowledge, there is no agreement between shareholders that could place restrictions on the transfer of shares or the exercise of voting rights.

3.5.3 Internal control and risk management procedures instituted by the Company

This section of the Chairman of the Board of Directors' Report on the risk management and internal control procedures instituted by Fnac is based on the AMF's reference framework published on July 22, 2010. This reference framework takes into account changes in the laws and regulations that have occurred since it was first published in 2007, including the Law of July 3, 2008 and Ordinance of December 8, 2008.

AMF's reference framework takes into account not only the aforesaid French and EU laws and regulations, but also the best practices and international guidelines on internal control and risk management including ISO 31000: 2009 and COSO II.

3.5.3.1 General principles of risk management

The AMF defines risk as the possibility of an event occurring the consequences of which might impact the persons, assets, environment and objectives of the Company or its reputation.

Risk management includes themes that encompass more than just financial risks: strategic, operational, reputational or compliance risks. Risk management is a management tool that contributes to:

* creating and protecting the Company's value, assets and reputation;

* securing the Company's decision-making process and other processes to help meet its targets;
* encouraging consistency between the Company's actions and values;
* mobilizing the Company's workforce around a shared approach to managing the main risks.

Components of risk management

Fnac's risk management procedures provide an organizational framework, a three-step risk management process and ongoing management of these procedures.

An organizational framework

This organizational framework includes:

* an organization that defines the roles and responsibilities of those concerned, establishes clear and coherent procedures and standards; and
* a risk management policy that formalizes the goals of the procedures.

Organization of risk management at country level

Managing the exposure to decentralized risks is the responsibility of the country CEO and local managers, who are closest to the risks associated with the activities they exercise or supervise:

* monthly performance reviews help to detect the appearance or occurrence of risks;
* Country Security Departments are responsible for the security of the Company's tangible and intangible assets and for the security and safety of everyone at all the Group's sites, and implement all human, organizational and technical means to handle risks of an accidental or intentional nature;
* the Support Services Departments, in their role of securing and driving progress, may identify risks and propose an action plan for their containment.

Organization of risk management at Group level

* The Internal Audit Department organizes, for management, the process of mapping the Group's major internal and external risks based on an institutionalized approach of identifying and assessing risks.
* The Risk Prevention Department coordinates and manages the network of Country Security Directors, and disseminates all the rules and best practices on managing risks under its responsibility.
* The Legal Department identifies and analyzes the Group's material legal risks and the insurable risks to be included in the Group's financial statements.
* Preparation of the strategic plan by the Strategy Department provides the opportunity to assess the major external risks and update the mapping of the Group's major risks. In accordance with the guidelines, this is sent to the Internal Audit Department.

Risk management policy

Fnac instituted its risk management policy in 2011, which is based on the COSO II guideline. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

A three-step risk management process

* Identifying risks: with respect to Fnac activities, risk identification is carried out on an ongoing basis. Risk identification helps to categorize and centralize major risks either with the Risk Prevention Department, or the Internal Audit Department depending on the type of risk.
* Risk analysis: with respect to Fnac activities, this process is ongoing and completed at least once a year, when the Internal Audit Department carries out its own risk assessment. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, HR-related, legal or 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 process is audited and reviewed regularly: monitoring the process ensures that it is continually improved.

The Audit Committee meets at least once a year to examine the risk mapping prepared by the Group's Audit Department and monitor the progress of dedicated action plans.

3.5.3.2 Links between risk management and internal control

The risk management and internal control procedures are complementary to the management of the Group's activities:

* the risk management procedures aim to identify and analyze the main risks. Such risks are addressed and are the subject of action plans. These plans may propose a change to the organization, the implementation of projects and the introduction of controls. These controls to be implemented are in line with internal control procedures and may be reviewed in light of the risk mapping;
* the internal control procedures rely on the risk management procedures to identify the main risks to be contained;
* the audit plan relies on the risk mapping to test the assessment of the level of control of identified risks.

The coordination and balance between the two systems depend on their shared underlying control environment, and, more specifically, the Company's specific risk and control culture and ethical values.

3.5.3.3 General internal control principles

Definition and objectives of internal control

The internal control system at Fnac encompasses a number of appropriate resources, policies, practices, procedures and initiatives whose purpose is to ensure that the required measures are taken to address:

* the activities, efficiency of its operations and efficient use of resources;
* the risks likely to have a material impact on the Company's assets or its ability to meet its objectives, whether of an operational, financial or compliance nature.

Internal control is defined as a process conducted by executive management under the control of the Board of Directors, and implemented by the Directors and all employees. Irrespective of its quality and extent of application, it cannot entirely guarantee that the objectives in the following areas will be achieved:

* compliance with applicable laws and regulations;
* implementation of instructions and strategy adopted by executive management;
* proper functioning of internal processes, including those contributing to protecting the assets;
* reliability of financial information.

Limits of internal control

The following limitations inherent in any internal control system affect the probability that the Company will achieve its established objectives:

* human errors or malfunctions that occur when decisions are taken or implemented;
* deliberate collusion between several persons making it possible to elude the control system in place;
* deliberate fraud by the management; or
* where the implementation, or even maintenance, of a control would be more burdensome than the risk which it is supposed to alleviate;
* moreover, when endeavoring to achieve the above-mentioned objectives, companies are confronted with events and hazards that are outside of their control (unforeseen changes in markets and competition, unforeseen change in the geopolitical situation, errors in forecasting or estimating the impact of such changes on the organization, etc.).

Components of internal control

The quality of the internal control system depends on the following components:

* a control environment based on rules of conduct and integrity upheld by the executive management and communicated to all employees;
* the existence of a clear and appropriate definition of roles and responsibilities;
* a system for categorizing, analyzing and managing the main risks;
* ongoing monitoring of the internal control system, and regular review of its performance.

Fnac's internal control environment

This environment is structured around the principles and values shown in the internal codes or charters governing the behavior and ethics of all employees and is based on the management of human resources guaranteeing the competence, ethics and involvement of employees.

Principles and values

* The Business code of conduct, which was first distributed in 2005 and then redistributed in 2009 to all employees, was updated and supplemented in 2013. It sets forth the ethical principles and the main rules of conduct and behavior expected of Fnac employees.
* A "Suppliers gifts and benefits charter" distributed in 2006 sets forth the rules concerning the various gifts and enticements from suppliers and third parties.

* A Fnac Values Charter, distributed in 2012 as the result of an internal collective process, specifies four key values: Commitment, Passion, Respect and Innovation.
* An Internal Control Charter, issued in 2010, was updated and supplemented in 2013. It defines the role, as set forth by the AMF framework, of each individual involved in internal control.
* A code of conduct for securities trading, circulated in 2013, in compliance with AMF instructions, defines the obligations incumbent on persons holding privileged information.
* A charter relating to the appropriate use of IT systems was first released in 2008, then re-issued in 2012, for computer systems users to raise awareness and increase user responsibility for the rights and duties incumbent on them.

These codes and charters have been validated by the Group's executive management.

* "Fnac's Essential Rules", distributed in 2012, set forth the fourteen main operational and administrative cycles of Fnac's activities, the key rules of internal control related to legal or regulatory compliance, and how to achieve such objectives while efficiently allocating resources. In addition to these rules, there is a "Store Best Practices" corpus and a "Risk Prevention in management" glossary, which was also updated in 2012.

Human resources policy

The human resources policy contributes to internal control, in particular by delegations of power and responsibilities, descriptions of functions, an employee assessment system and investments in training.

* Given the size of Groupe Fnac, the size of its workforce, the diversity of its activities, and the geographical dispersion of its different entities, it is necessary to delegate powers and responsibilities for the business to operate effectively. Responsibilities are delegated to appropriate people and entities, along with all the powers and resources they need to carry them out, in compliance with applicable regulations. Official job descriptions exist for key functions. These descriptions refer to the necessary controls for the supervision of the activity and also serve as a framework for the individual assessment system. The identification and description of key skills (managerial and business specific) for the Group allows for the gradual implementation of a shared system for managing skills.
* Training, a component of annual plans, is focused on business-specific skills, combining specific know-how and management expertise. It is provided from the time new recruits first join the Group and continues throughout their careers ensuring their individual development.
* All Group managers and employees benefit from an Annual Meeting to appraise their performance and skills and take into account their training and professional development needs. Group Human Resources is responsible for Group senior executives (recruitment, international mobility, career management and training). Succession plans are in place for the principal Group management positions.
* A survey of employees is conducted every two years.
* Compensation policies are managed and controlled by Group Human Resources for principal management functions and by Country Human Resources for other functions, in accordance with the main defined goals.
* Group Human Resources deploys and coordinates the Group's Corporate Environmental and Social Responsibility Committee policy.

Organization

The organization of the Group's internal control involves persons in the entire chain of responsibility, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the 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 the Group's main strategic policies and their impact on the major financial and management equilibrium. It examines the work of internal and external auditors. It decides which directions to take and which action plans to follow.

It is chaired by the Chairman and Chief Executive Officer, and its other members in 2015 were the Director of Strategy, the Managing Director for Northern Europe (France-Belgium-Switzerland), the Managing Director for Southern Europe (Spain-Portugal), the Director of Operations, the Director of Information Systems, the Chief Financial Officer, the Communications Director, the Brand, Marketing and E-commerce Director, and the Human Resources Director.

The Strategy Director runs and coordinates all Executive Committee projects.

Investment Committees

Since 2008, the Group Investment Committee has examined and authorized all investment decisions on major projects and projects related to:

* the creation of directly owned or franchised stores;
* the acquisition or disposal of companies or businesses.

The Group Investment Committee is chaired by the Group's Chairman and Chief Executive Officer and its permanent members are the Chief Financial Officer and the Financial Control Director. Country projects are presented by the country CEO assisted by his Chief Financial Officer and the experts involved in the projects (e.g. the Property Department for a real estate project).

The IT Investment Committee has examined and authorized all investment decisions on major IT projects since 2012.

The IT Investment Committee is chaired by the Group Chief Financial Officer and its permanent members are the Director for Information Systems and Digitalization and the Financial Control Director. Country projects are presented by the country CEO, assisted by his or her Chief Financial Officer.

Operational managers and employees

Management is the operational agent for internal control and is essential to the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Fnac manager. This responsibility begins at the first level of supervision. The delegation of powers and responsibilities is the first step in making the principal participants more aware of these internal controls.

As part of their delegated powers and formalized responsibilities, each Director and manager defines, implements and manages the internal control system. In particular, store, subsidiary and entity Directors are responsible for maintaining a satisfactory level of internal control on the assets and cash flows of the unit or company they manage.

Employees must be aware of the internal control systems in respect of the objectives they have been assigned, and must comply with the control principles and rules, and can be a source of improvement and malfunction detection. They are informed of the existing provisions when they sign their employment contracts and by the internal regulations of the legal entities to which they are attached.

Other internal control participants

* The Legal Department advises and assists the operational departments and subsidiaries on major legal questions.
* The Tax Department, which was created in 2012, advises and assists the operational departments and subsidiaries on major tax questions.
* The Financial Control Department is in charge of implementing and ensuring compliance with the procedures for reporting and preparing the consolidated financial statements.
* The Human Resources Department advises and ensures that internal practices comply with labor laws and regulations.
* The Risk Prevention Department 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 Environmental and Social Responsibility Committee's responsibility is "to examine the principal risks and opportunities for the Group in corporate environmental and social matters".
* The Internal Audit Department, through its mandate, contributes to the assessment of the internal control system and draws up recommendations for the improvement of its practices. The Internal Audit Department is in charge of managing and coordinating risk management, through annual mapping of risks and monitoring of action plans. It is also in charge of the central administration and analysis of internal control pursuant to the Law of Financial Security and the AMF's reference framework set out in the section below, "Oversight of the system". The Internal Audit Committee, which is linked to the Group Chief Financial Officer, reports the main results of its assessments to the executive management and the Audit Committee.

* The Statutory Auditors review the internal control systems to certify the financial statements by identifying strengths and weaknesses, assessing the risk of material misstatement and, if necessary, making recommendations.

System for managing main risks

The risk management system described above in section 3.5.3.1 "General principles of risk management" is structured as described above in section 3.5.3.2 "Links between risk management and internal control" with the internal control system in order to contribute to its ongoing assessment and improvement.

Oversight of the system

The ongoing oversight of the internal control system and the regular review of how it is functioning comprise three types of tasks: annual self-assessment exercises, internal audit mandates and observations made by the Statutory Auditors.

Self-assessment

Those in charge are asked to apply the internal control system to assess the level of internal control achieved through key controls for the proper functioning of their activities.

This approach helps to:

* raise awareness among operational and functional managers of the internal control procedures for which they are responsible;
* provide a structured and objective framework for analyzing risks and sharing internal control best practice;
* launch action plans and, if necessary, improvement plans.

The internal control analysis strategy is based on the following principles:

* an annual self-assessment of Fnac's Essential Rules, through questionnaires filled in by key operational staff in each Fnac country organization. In 2014, fourteen cycles were self-assessed. The questionnaire for the "Finance, Accounting and Management" cycle sent to country Chief Financial Officers takes into account AMF's reference framework and, in particular, its application guide.

  These questionnaires help operational staff to assess the quality of internal control procedures for which they are responsible. They standardize the level of internal control across all activities and have them benefit from best practices. They enable the launch of improvement action plans based on the results obtained;
* an annual self-assessment of "Essential" in-store controls, which is based on "Store Best Practices", is managed and coordinated by the finance network of country organizations. In 2014, all stores in France and abroad were self-assessed.

Internal Audit

In 2014, the Audit Department continued to strengthen its system for assessing organizations' internal control and risk control. The main actions undertaken concern:

* Internal Control Committees for all French and foreign subsidiaries. The purpose of these committees includes:
  - formalizing feedback from operational managers concerning identified and/or proven risks, and
  - ensuring that control activities are implemented and that they cover the subsidiary's risks.

  The Control Committees met on fifteen occasions between January and December with the country and subsidiary CEOs and CFOs, and the Legal Department, Tax Department, Financial Control Department and Internal Audit Department;
* around twenty on-site audit missions were carried out, both in France and abroad, including audits of store operational cycles and audits of the cycles of the main support functions at the head offices of subsidiaries (product procurement and overheads, HR, marketing etc.).

Statutory Auditors

As part of their mandate of certifying the financial statements, the Statutory Auditors included internal control in their assessment.

3.5.3.4 Description of internal control procedures relating to the preparation of accounting and financial information

General principles of organizing accounting and financial internal control

Definition and objectives

Accounting and financial internal control includes the processes that provide accounting data: financial information production, account-closing processes and communication actions.

The accounting and financial internal control system aims to ensure:

* compliance with accounting regulations and proper implementation of the principles on which the financial statements are prepared;
* implementation of the instructions given by the executive management in respect of financial information;
* the preservation of assets;
* the quality of information reported for the preparation of published financial statements and the reliability of their centralized treatment for group consolidation with a view to the distribution and use of that information for management purposes;
* the control of production of financial, accounting and management items.

Scope

The scope of application of internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all subsidiaries included in the consolidated accounts.

Organization and management process of the accounting and finance function

Organization

Group financial and accounting information is prepared by the Group Finance Department.

In 2014, the Group Finance Department supervised the Financial Control Department, the France Finance Department, the Legal and Insurance Department, the Tax Department, the Investor Relations and Financing Department, the Risk Prevention Department, the Corporate Development Department, the Property and Expansion Department and the Internal Audit Department. In 2015, it also supervises the Public Affairs Department.

Standards

Accounting standards

The Group has a body of accounting rules and policies which must be applied to all consolidated subsidiaries to ensure that the financial information reported is consistent and reliable.

These accounting rules, which are regularly updated and were last updated in the 2013 fiscal year, take into account changes in accounting regulations and standards.

* The accounting standards establish the principles required for the consistent treatment of operations. They specify, in particular, the recording methods pursuant to International Financial Reporting Standards (IFRS).
* The single centralized chart of accounts and budgetary and closure procedures ensure consistency in the treatment of data.

Management standards

Management standards not only specify the rules applying to the valuation of certain major nominal and income statement accounts, but also the controls and validations applying to key processes.

The Financial Control Department is responsible for improving the quality of formalization and updating such rules.

Management process

The production and analysis of financial and accounting information is based on a set of management procedures, such as:

* medium-term plans that measure the consequences of the strategic directions on the Group's major financial and management axes. Such plans are also used annually by the Group to assess the values in the use of assets relating to the various cash-generating units;
* annual budgets, which are drafted in two stages based on information exchanged between the operational departments and the Group and country executive management: a budget detailing the major financial balances and operational action plans is drawn up in the fourth quarter of the fiscal year and endorsed in the following first quarter, taking into account, where applicable, events that have occurred in the interim;
* the annual budgets are updated at least twice a year to ascertain whether the budgetary targets have been met and, if necessary, to revise them by taking into account results to date and changes in the internal and external environment;
* the reporting that is carried out each month on the basis of monthly result closures performed by all entities dependent on the Group, allows rapid reporting of financial information and regular monitoring of operational performance. The Financial Control Department, based on the controls delegated to country or subsidiary Chief Financial Officers, monitors its consistency and reliability and whether it complies with the applied accounting treatments.

  The Chairman and CEO, the Group Chief Financial Officer, and the zone, country or subsidiary CEOs, meet regularly with the managers of the various activities to assess the development of business, based on financial and operational aspects;
* the Financial Control Department oversees, on a regular basis, off-balance sheet commitments of consolidated legal entities, including as part of the statutory consolidation processes or with regard to how they are required to list all their commercial or financial commitments and monitor them over the fiscal years.

Information systems

Financial and accounting information systems implemented in the Group have the purpose of meeting the requirements of compliance, security, reliability, availability and traceability of information.

* Financial management and accounting data is managed with one and the same information system in all Group activities to ensure consistent treatment, comparison and control of accounting and financial information.
* Consolidation data is collected in a single consolidation tool, interfaced with the accounting information system.

To strengthen internal control of systems, the Organization and Information Systems Department works to strengthen the systems for dividing tasks and improving right of access controls.

Preparation of accounting and financial information

Operational bookkeeping processes

All bookkeeping processes, including sales, purchases and inventory management, fixed assets, payroll and cash are the subject of specific monitoring procedures and accounting validation and authorization rules.

Consolidation of accounts

The statutory consolidation of accounts is performed at the end of June and December using the single consolidation application that allows financial information of consolidated subsidiaries to be transmitted in real time after a comprehensive validation process of consolidation files by their Statutory Auditors, CEOs and CFOs, who sign a representation letter, thus ensuring the quality of financial information transmitted.

The Financial Control Department conducts the consolidation process.

Financial communication

The Investor Relations and Financing Department, which reports to the Group Chief Financial Officer, is responsible for the task of establishing a precise timetable for releasing the latest financial information on the Group's activities to the financial markets.

This timetable is in line with the requirements of market authorities. Managers verify, with help from the Legal Department, that the information is released within the required time and in compliance with the laws and regulations it monitors on an ongoing basis.

All material information communicated to the financial community accurately and transparently reflects the situation of the Group's activity, and is released in accordance with the principle of equality of information between shareholders.

Statutory Auditors

As part of their ongoing assignment, the Statutory Auditors audit the annual and interim accounts and financial statements of consolidated entities. The Group's annual consolidated financial statements are prepared under the supervision of the Financial Control Department under the responsibility of the Group Chief Financial Officer after validation by the entities' Finance Departments. The Chairman and CEO and the Group Chief Financial Officer certify that the consolidated financial statements are true and present a fair view by signing a representation letter addressed to the Statutory Auditors.

Ivry-sur-Seine, February 26, 2015

Alexandre Bompard

Chairman, Chief Executive Officer

3.6 Statutory Auditors' Report prepared in accordance with Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Groupe Fnac SA

Fiscal year ended December 31, 2014

To the Shareholders,

As Statutory Auditors of Groupe Fnac and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly as regards corporate governance.

Our task is to:

* report to you on the information contained in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information; and
* certify that the report reflects those other items of information required by Article L. 225-37 of the French Commercial Code, specifying that we are not responsible for verifying the truth of these other items of information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control and risk management procedures related to the preparation and treatment of accounting and financial information

Professional standards require that we perform the necessary checks to assess whether the information provided in the Chairman's Report in respect of internal control and risk management procedures relating to the preparation and treatment of accounting and financial information is true and fair. These tests and examinations primarily consist of:

* obtaining an understanding of the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information on which the information presented in the Chairman's Report is based and of the existing documentation;
* reviewing the work that has given rise to the preparation of this information and the existing documentation;
* determining whether any major deficiencies in internal control concerning the preparation and treatment of the financial and accounting information that we may have noticed in the context of our assignment are reported appropriately in the Chairman's Report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and treatment of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other Information

We hereby attest that the Chairman's Report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 10, 2015

Statutory Auditors

KPMG Audit
A department of KPMG S.A.
Hervé Chopin

Deloitte & Associés
Stéphane Rimbeuf

3.7 Special Statutory Auditors' Report on Regulated Agreements and Commitments

General Meeting to approve the financial statements for the fiscal year ended on December 31, 2014

To the Shareholders,

As Statutory Auditors of your Company, we are presenting our report on regulated agreements and commitments.

Based on the data that we have been given, it is our responsibility to inform you of the principal features and forms of the agreements and commitments we were told about, or that we may have discovered in the course of our assignment; we are not required to express an opinion as to their utility or suitability or to investigate whether other agreements and commitments exist. According to Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the appropriateness of entering into these agreements and commitments. with a view to approving them.

In addition, it is our task to inform you, where appropriate, of the data stipulated in Article R. 225-31 of the French Commercial Code regarding the execution of agreements and commitments in the course of the last fiscal year that were already approved by the General Meeting.

We have applied the procedures we considered necessary with regard to the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) with regard to this mission. These procedures consisted of checking the consistency of the data we were given against the basic documents from which they were drawn.

Agreements and commitments submitted for approval to the General Meeting

Agreements and commitments authorized during the last fiscal year

We have not been given notice of any agreement or commitment authorized during the last fiscal year to be submitted for approval to the General Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in past fiscal years, which continued to be executed during the last fiscal year

Pursuant to Article L. 225-30 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments that have already been approved by the General Meeting in previous years continued during the last fiscal year.

Inclusion of Alexandre Bompard, Chairman and Chief Executive Officer, in a supplementary pension plan

- Person concerned

  Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

- Nature and subject

  In a decision dated July 30, 2013, the Board of Directors of your Company gave prior authorization for the membership of Alexandre Bompard in the supplementary defined-contribution pension plan for all Groupe Fnac executives in France.

- Forms

  Alexandre Bompard has a supplementary defined-contribution pension identical to the one given to all Groupe Fnac executives in France.

Payments made for this membership came to a total of €10,337.04 in fiscal year 2014.

Agreements and commitments approved in past years, which were not exercised during the last fiscal year

We have also been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years, which have not given rise to execution during the last fiscal year.

Agreement on removal from the tax consolidation group between Kering SA, Groupe Fnac SA and its French subsidiaries

- Persons concerned

  Kering SA, holding over 10% of the voting rights in Groupe Fnac SA until June 18, 2013, and Jean-François Palus, Director of Groupe Fnac SA until June 20, 2013 and a Director of Kering SA; subsequently Patricia Barbizet, Director of Kering SA, was appointed Director of Groupe Fnac SA.

- Nature and subject

  On January 1, 2013, Kering SA turned over slightly more than 5% of the capital of Groupe Fnac SA to the Dutch company KERNIC MET BV. This disposal brought about the removal of Groupe Fnac SA and its French subsidiaries held by at least 95%, from the Kering SA sphere of tax consolidation, effective as of 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 removal of Groupe Fnac SA and its French subsidiaries from the tax consolidation sphere of Kering SA, to which it had been subject. This agreement was signed on April 23, 2013.

- Forms

  The removal of these companies from the tax consolidation sphere of Kering SA has given rise to the signature of an agreement of removal from tax consolidation concluded between Kering SA and Groupe Fnac SA and its French subsidiaries. The agreement primarily provides that the tax deficits, net long-term capital losses and tax credits accrued during the period of belonging to the consolidated Kering Group will remain posted to the consolidated Kering Group.

Non-compete commitment for Alexandre Bompard, Chairman and Chief Executive Officer

- Person concerned

  Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

- Nature and subject

  In a decision dated July 30, 2013, the Board of Directors of your Company gave prior authorization to a non-compete commitment concluded between your Company and its Chairman and Chief Executive Officer, Alexandre Bompard.

- Forms

  This commitment, limited to a term of two years starting from the end of Alexandre Bompard's term of office, covers the retail sector specializing in cultural and/or technological and leisure products for the mass market in France, Belgium, Spain, Switzerland, Portugal and Brazil.

  In return for this commitment, Alexandre Bompard will receive a gross compensation payment amounting to 80% of his fixed monthly compensation for a period of two years to be counted from the effective end of his term of office, although it is specified that the Board of Directors may waive implementation of this clause.

Paris La Défense and Neuilly-sur-Seine, March 10, 2015

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé Chopin	Stéphane Rimbeuf

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4.1 Analysis of business activities and consolidated results

4.1.1 Key financial information

The financial information below is derived from the consolidated financial statements for the years ended December 31, 2013 and 2014, prepared in accordance with IFRS as adopted by the European Union, set forth in section 5.1 "Group consolidated financial statements at December 31, 2014 and 2013" in this Registration Document.

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the years ended December 31, 2013 and 2014 in section 5.1 "Group consolidated financial statements at December 31, 2014 and 2013", in this Registration Document; (ii) the breakdown of the Group's cash and equity capital shown in section 4.2 "Cash and capital resources", in this Registration Document; and (iii) the information on trends and forecasts presented in section 4.3 "Recent events and outlook", in this Registration Document.

Key income statement data for the Group

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013 restated*	Change
Revenues	3,895.1	3,905.3	(0.3%)
Gross margin	1,143.9	1,164.4	(1.8%)
Current operating income	77.1	71.8	7.4%
Operating income	68.0	43.2	57.4%
Net income from continuing operations	41.4	15.9	160.4%
Net income, Group share	41.8	14.8	182.4%
(as a % of revenues)			
Gross margin	29.4%	29.8%	(0.4)pt
Current operating margin	2.0%	1.8%	0.1pt
Other financial data not derived from the audited financial statements			
EBITDA [(a)]	147.3	139.7	5.4%
EBITDAR [(b)]	276.6	278.7	(0.8%)

(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 plus rental payments excluding any ancillary costs and expenses incurred in connection with such operating leases.

** Interpretation Ifric 21 adopted by the European Union on June 17, 2014 was applied early as of January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Selected segment information

	Year ended December 31, 2014		Year ended December 31, 2013	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Revenues				
France	2,776.9	71.3%	2,761.9	70.7%
Iberian Peninsula	659.1	16.9%	654.3	16.8%
Brazil	174.9	4.5%	197.2	5.0%
Other countries	284.2	7.3%	291.9	7.5%
TOTAL	**3,895.1**	**100.0%**	**3,905.3**	**100.0%**
Current operating income				
France	47.3	61.3%	42.7	59.5%
Iberian Peninsula	23.6	30.6%	21.3	29.7%
Brazil	(0.9)	(1.2%)	0.7	1.0%
Other countries	7.1	9.2%	7.1	9.9%
TOTAL	**77.1**	**100.0%**	**71.8**	**100.0%**

Key balance sheet data for the Group

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Non-current assets	603.7	618.9	(15.2)
Current assets	1,288.9	1,193.9	95.0
Shareholders' equity	595.4	549.6	45.8
Non-current liabilities	69.4	59.1	10.3
Current liabilities	1,227.8	1,204.1	23.7
Financial debt	0.5	0.7	(0.2)
Cash and cash equivalents	535.6	461.6	74.0

Key cash flow statement data for the Group

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Net income from continuing operations	41.4	15.9	25.5
Income and expenses with no impact on cash	57.1	59.0	(1.9)
Financial interest income and expense	5.6	3.8	1.8
Net tax liability payable	18.1	12.3	5.8
Cash flow from operations before tax, dividends and interest	**122.2**	**91.0**	**31.2**
Change in working capital requirements	12.5	15.4	(2.9)
Net cash flows from operating activities	**121.1**	**96.5**	**24.6**
Purchase of non-current tangible and intangible assets	(48.7)	(48.6)	(0.1)
Net cash flows from investing activities	**(50.0)**	**(45.0)**	**(5.0)**
Net cash flows from financing activities	2.7	119.6	(116.9)
Net change in cash	**74.0**	**168.3**	**(94.3)**

4.1.2 General overview

4.1.2.1 Introduction

The following table provides a breakdown of the Group's 2014 revenues by geographical region and category of products and services.

	Year ended December 31, 2014							
	Consumer electronics		Publishing products		Services		Total	
	(€ million)	(as a % of the region's revenues)	(€ million)	(as a % of the region's revenues)	(€ million)	(as a % of the region's revenues)	(€ million)	(as a % of revenues from all regions)
France	1,512.7	54.5%	1,095.0	39.4%	169.2	6.1%	**2,776.9**	**71.3%**
Iberian Peninsula	397.7	60.3%	244.3	37.1%	17.1	2.6%	**659.1**	**16.9%**
Brazil	124.1	71.0%	46.9	26.8%	3.9	2.2%	**174.9**	**4.5%**
Other countries	150.3	52.9%	126.1	44.4%	7.8	2.7%	**284.2**	**7.3%**
TOTAL	**2,184.8**	**56.1%**	**1,512.3**	**38.8%**	**198.0**	**5.1%**	**3,895.1**	**100.0%**

Operating segments

The Group manages its operations based on the following geographical segments:

* **France** *(71.3% of Group revenues in 2014, and 61.3% of Group current operating income in 2014).* "France" is the leading region in terms of Group revenues with a contribution of €2,776.9 million in 2014. The Group conducts its business in France primarily through its 85 (at the end of 2014) directly owned stores, 27 franchise operations (including the Morocco store) and through online sales, primarily fnac.com. The Group's internet operations generated 15.8% of revenues in France in 2014.

* **Iberian Peninsula** *(16.9% of Group revenues in 2014, and 30.6% of Group current operating income in 2014).* The Group conducts its business in the Iberian Peninsula through directly owned store networks (25 in Spain and 22 in Portugal at the end of 2014) and through the fnac.es and fnac.pt websites. The operations of fnac.es and fnac.pt accounted for 9.7% of revenues in the Iberian Peninsula in 2014.

* **Brazil** *(4.5% of Group revenues in 2014, and -1.2% of Group current operating income in 2014).* The Group conducts its business in Brazil through 12 directly owned stores and through the fnac.com.br website. The Group generated revenues of €174.9 million in Brazil in 2014. Revenues from internet operations in Brazil accounted for 20.7% of the Group's revenues in that country in 2014.

* **Other countries** *(7.3% of Group revenues in 2014, and 9.2% of Group current operating income in 2014).* "Other countries" incorporates the Group's operations in Belgium and Switzerland where the Group operated nine and four directly owned stores respectively at the end of 2014. The Group has a website in Belgium (fnac.be).

Product and service categories

In each geographical region where it operates, the Group analyzes its sales by category of products and services. This analysis focuses on three main categories:

* **Consumer Electronics** *(56.1% of Group revenues in 2014).* The consumer electronics category generated revenues of €2,184.8 million in 2014. It includes two product sub-categories:

  - *"Microcomputing",* which includes sales of the following products: desktop computers, laptops, tablets, software, printers, e-readers, telephones, and computer products and accessories. Microcomputing accounted for 66.2% of revenues from the consumer electronics category in 2014,

  - *"Retail Electronics",* which includes sales of the following products: cameras and photography accessories, televisions and video accessories such as DVD players, Blu-Ray players and other accessories (home cinema), and audio items and accessories (MP3 players, headphones, docking stations and related accessories) and household appliances ("House & Design"). The "Retail Electronics" sub-category generated 33.8% of consumer electronics revenues in 2014;

* **Editorial Products** *(38.8% of Group revenues in 2014).* The editorial products category generated revenues of €1,512.3 million in 2014. It includes two product sub-categories:
  - *"Books, Toys and Games and Stationery",* includes physical books, e-books, and stationery products, as well as the Toys & Games offered in the "Fnac Kids" Departments. The sub-category "Books, Games and Toys, and Stationery" accounted for 54.0% of Editorial Products revenues in 2014,
  - *Discs and Gaming* includes music (CDs), videos (DVDs and Blu-Ray discs), gaming including video games (new and used) and consoles, as well as derivative products (gadgets, t-shirts, musical instruments, and so on). This sub-category accounted for 46.0% of Editorial Products revenues in 2014;
* **Services** *(5.1% of Group revenues in 2014)*. The Services category, which includes the "services" and "other income" line items, generated revenues of €198.0 million in 2014, and primarily includes the following items:
  - services relating to goods sold, such as the sale of extended warranties, after-sales service, and deliveries and installations,
  - rental services for consumer electronics and delivery services,
  - ticketing and gift boxes,
  - sales of membership cards for the Group's loyalty program,
  - the invoicing of shipping costs to internet customers,
  - commissions received through Marketplace, and partnerships with suppliers,
  - royalties from stores operated under franchise.

4.1.2.2 Key factors affecting the Group's business

General economic conditions in the countries where the Group operates

Because economic conditions influence consumer spending, demand for the products and services sold by the Group can be heavily affected, either positively or negatively, by general economic conditions in the regions and countries in which it operates.

Generally speaking, consumers in Europe are still affected by a difficult economic environment and higher tax burdens, which have reduced the disposable income available to purchase products and services such as those offered by the Group (see section 6.1 "Strategic and economic risks" of this Registration Document). Consumer spending has been stagnant in France and other countries, but despite a difficult economic context and changes in Fnac's markets, the Group's revenues grew in Europe.

The Brazilian economy was also faced with a slowdown in 2014. Consumption in all durable and semi-durable consumer goods categories is now declining and the consumer confidence index has fallen sharply.

Competitive environment

In its markets, the Group encounters competition not only from traditional retail brands, some of which are developing internet offers under their core brand names, but also from internet pure players that have emerged from the growth in e-commerce. These are companies that compete on the basis of price and an increasingly broad product offering (see section 6.1 "Strategic and economic risks" of this Registration Document). In recent years the Group has also seen new forms of competition emerge, such as from manufacturers, ISPs or digital platforms, which are fueling a phenomenon of disintermediation in the sector (see section 1.3.2 "Markets" in this Registration Document).

Although the market share of pure players across all internet channels is still in the minority on Fnac's markets, these pure players are exerting strong competitive pressure. This pressure has intensified price competition in Fnac's markets, which may adversely affect the Group's revenue growth, but may also offer opportunities to the extent that pricing pressure affects all players in the market. In 2014, the Group continued to win market share in the main regions in which it operates: France and the Iberian Peninsula. (See section 1.3.1.4 "Leadership positions in its markets" in this Registration Document).

The Group has also strengthened its omni-channel presence. In 2014 in France, the value of orders placed on the fnac.com website and collected or initiated in stores accounted for 35.5% of revenues, an increase of 6 points over 2013.

Number of stores in 2014

The following table shows the growth in the number of stores over the period:

	2014		2013	
Number of stores	Owned	Franchise	Owned	Franchise
France [(a)]				
"Traditional" format [(a)]	71	1	71	1
"Suburban" format	14		16	
"Convenience" format		10		4
"Travel" format		16		16
FRANCE	**85**	**27**	**87**	**21**
Iberian Peninsula				
"Traditional" format	40		41	
"Convenience" format	5		1	
"Travel" format	2		2	
IBERIAN PENINSULA	**47**	**0**	**44**	**0**
Brazil				
"Traditional" format	11		11	
"Travel" format	1		0	
BRAZIL	**12**	**0**	**11**	**0**
Other countries				
"Traditional" format	13		13	
"Travel" format				
OTHER COUNTRIES	**13**	**0**	**13**	**0**
TOTAL	**157**	**27**	**155**	**21**

(a) Includes a store operated as a franchise in Morocco, which opened in 2011.

The Group opened five directly owned stores and six stores under franchise. Two stores were closed in France and one in Spain because of their negative outlook for growth and profitability.

The financial results of directly owned stores are fully consolidated in the Group's financial statements. The Group analyzes its financial results over a given period on an actual basis including all stores, as well as a same-store basis, i.e. the revenues generated by stores that, as of January 1 of a given fiscal year, were in operation for the full twelve months of the previous fiscal year.

The Group recognizes goods sold to stores operated under franchise as product revenues, and royalties on revenues generated by franchise stores as services revenues.

Unless otherwise indicated, all financial data in this section include revenues from all stores and are presented on a current exchange rate basis.

Traffic, average checkout value, checkout transactions and number of loyalty program members

The Group's revenues are a function of the number of checkout transactions and average checkout values. Checkout transactions depend on customer traffic (visits to a store or website) and the sales conversion rate.

In France, customers who are members of Fnac's loyalty program make purchases more often and generate higher checkout values than non-members. Members of the loyalty program receive promotional offers that create a strong incentive to make purchases from the Group. In 2014, the number of members (5.6 million at the end of 2014) increased by 4.6% while the proportion of revenues they generated was more or less stable.

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 fiscal 2014, the Group generated 35.8% of its consolidated revenues for the year in the fourth quarter, versus a fourth quarter share of 35.6% in 2013.

Fluctuations in foreign exchange rates

The impact of fluctuations in foreign exchange rates on the Group's results is limited and primarily consists of the impact of exchange rate fluctuations on results resulting from the translation of local currency results of the Group's subsidiaries in Switzerland and Brazil into euros (see section 6.3 "Market risks" of this Registration Document).

The Group saw its revenues decrease by 0.3% in 2014 at current exchange rates. At constant exchange rates, revenues were stable at 0.1%.

The foreign exchange risk incurred on purchases made by the Group is relatively low as the Group's subsidiaries make the vast bulk of their sales and generate the vast bulk of their costs in the local currency, i.e. primarily in euros.

Factors influencing the gross profit margin

The Group's gross profit margin is a function of a number of factors, including:

* the average cost of goods purchased from suppliers, which represents the largest component of cost of sales. To optimize its costs in this area, since 2011 the Group has introduced pooled purchasing arrangements under which purchases of some products sold in the "Other countries" region are pooled with purchases for the Group's stores in France. This arrangement was continued and expanded in 2014;
* the Group's pricing policy, which may result in lower margins on certain products in order to offer lower prices or discounts to customers, whether in response to competition, to drive traffic by offering popular products at attractive prices, or in the context of promotional offers for loyalty program members or the entire customer base;
* the relative contributions of different product and service categories, some of which generate higher gross profit margins than others. For example, editorial products generally have higher gross profit margins than consumer electronics. In the consumer electronics segment, the sale of accessories allows the Group to partially offset the lower gross profit margins earned on its main products;
* the relative contributions of the Group's different geographical regions, some of which generate higher margins than others, as purchasing terms are primarily a function of sales volumes. France generated the highest gross profit margin in 2014, followed by the "Other countries" region, and then the Iberian Peninsula, and lastly, Brazil;
* the product/service mix, because the gross profit margin for services is generally higher than that for products. For most services, the Group acts as an agent and records the full commission in both revenues and gross margin;
* the relative contributions of the Group's two main sales channels. Over the relevant period, the gross profit margin of the Group's internet business was lower than the gross profit margin of its stores. This is primarily due to the proportion of categories sold and a marketing strategy designed to meet the higher level of competition online.

Continuation of the "Fnac 2015" strategic plan

The continuation of the "Fnac 2015" strategic plan is having a significant impact on the Group's income (see section 4.1.3.1 "Impact of the Fnac 2015 strategic plan" in this Registration Document) thanks to the rollout of new product categories, omni-channel development and the expansion of new store formats.

4.1.2.3 Significant events during the fiscal year

Changes in the scope of consolidation

In October 2013, the Fimalac Group and Groupe Fnac announced their intent to form a partnership to develop ticketing solutions.

The Fimalac Group took a 50% stake in Kyro, a subsidiary of France Billet, which offers a ticketing solution for entertainment professionals, venues and producers. This purchase, authorized by the competition authorities on April 11, 2014, was completed on May 23, 2014.

In the second half of 2014, Groupe Fnac continued its commitment to optimizing its legal organization. Kyro absorbed Datasport SAS (previously called J.F.C.L) by universal transfer of assets. In the first half of 2014, Datasport SAS itself had already absorbed its two subsidiaries Datasport and Datasport Ouest by universal transfer of assets.

Financing

On July 24, 2014, the Group signed an amendment with the syndicate of lenders to extend the €250 million revolving credit facility that had been concluded on April 19, 2013.

The principal terms of this amendment related to the loan period, reflecting the Group's stronger financial profile.

The maturity of the credit facility was extended to July 24, 2017 (versus April 18, 2016 initially). The early repayment clause if the stake of Artémis in the equity of Groupe Fnac should fall below 38.8% before April 18, 2015 and 25% before April 18, 2016 was maintained in its original form without extension until the new maturity of the credit facility.

Fnac anniversary

For its 60th birthday and in keeping with its role as cultural leader, Fnac launched a major program of "Fnac 60th Birthday Events" which ran from October 10 to 26. The brand offered the public the possibility of experiencing special moments with well-known entertainers across France.

During this period, Fnac also offered innovative and exclusive products and exceptional reductions on all its product lines, in all its stores and on fnac.com.

Launch of new services

Groupe Fnac launched a number of new services in 2014:

Fnac Express+: unlimited express delivery service throughout France

Fnac is enhancing the quality of its Customer Service by offering a new express delivery service as part of the Fnac 2015 strategic plan. This new service means that any product available in stock on fnac.com (excluding Marketplace products) can be delivered to a customer's home or a Relais Colis pick-up point anywhere in France within one business day, with no minimum purchase required, for an annual subscription fee of €49.

In addition to home or "Relais Colis" delivery anywhere in France within hours, customers also enjoy multichannel in-store "express" services, such as priority checkout via a dedicated checkout terminal and a special after-sales service hotline.

Fnac Express+ is the latest in a range of services that Fnac has developed over the last three years:

* multichannel delivery services: One-hour in-store pick-up (orders placed on fnac.com can be collected free of charge at any store within one hour) and free in-store delivery of products (in stock or on the Marketplace platform) ordered in stores via fnac.com;
* purchase-related services: multichannel after-sales service, Fnac Occasion ("second-hand Fnac"), Fnac Reprise ("Fnac buy-back"), Immediate 100% Guarantee.

Pass Location: an exclusive rental service for consumer electronics products

Fnac launched a new innovative and exclusive service, "Pass Location", which offers customers the opportunity to rent a consumer electronics product for 24 months before deciding whether to buy it, exchange it or return it. This new service, which initially applied only to Apple products (Mac, iPhone and iPad), was subsequently extended to other brands, then to all computer products and then to games consoles.

This gives Fnac's customers access to the latest technological trends while also giving them the opportunity to test a product before buying it.

"Pass Location" reinforces Fnac's customer strategy of offering the greatest innovation, in terms of both service and products.

The "free in-store delivery" service throughout France has been supplemented by a new offer enabling customers who do not live near a Fnac store to collect their purchase free or charge from a "relais colis" pick-up point near their home.

Growth drivers

Groupe Fnac is continuing to deploy its strategic plan, called Fnac 2015, announced on July 19, 2011, which is mainly based on the development of growth drivers, such as new product families and new store formats.

Telephony: development of partnership with SFR and sales of subscription-free telephones

Fnac has continued to develop its partnership with SFR and since February 2014 has been positioned on the sale of subscription-free phones in order to profit from this very dynamic market.

In all its stores it offers a range of unlocked handsets (mobile phones and Smartphones), supplemented by SFR's RED no-commitment service plans. This offer is also available on fnac.com. Under the terms of this partnership, 24 stores will have an SFR corner.

Connected Devices: offering a new range of innovative, on-trend products

On June 30, 2014, Fnac opened a 125 m² flagship store on the avenue des Champs-Élysées that is entirely dedicated to Connected Devices, smartphones and their accessories.

Designed to provide customers with a unique and fun experience, this new store combines the largest Connected Devices and telephony offer on the market with an innovative retail concept. Customers have the opportunity to try out the products for themselves, while the demonstration areas showcase the products' many uses and latest innovations.

In fall 2013, Fnac launched a new section devoted to Connected Devices in all of its stores in France. This new product offer is also available on fnac.com.

Fnac Jukebox: launch of a consumer streaming service

In early March 2014, Fnac launched "Fnac Jukebox", a service that offers unlimited music streaming on the web and on mobile devices. This new service is available via several monthly subscription plans, including an unbeatable offer for €2 per month, without advertising and with no commitment.

"Fnac Jukebox" offers access to a catalog of several million titles with excellent sound quality in which subscribers can create their own music library and playlists and share them with their friends. They can also get advice and recommendations from "guides", Fnac music stores and professionals from the world of music. This service also includes the Digicopy offer, which already allows free downloads of the digital version of any CD or disc bought at Fnac.

Expanding the network of stores with new formats

The Group has continued its expansion with new store formats in France, opening six proximity stores, two during the first half of the year (Le Puy-en-Velay and Boulogne-sur-Mer) and four in the second half (Compiègne, Beauvais, Belleville-sur-Saône and Crest).

These latter two are the result of transforming two "Culture and Leisure" areas at Intermarché superstores in Belleville-sur-Saône (Rhône) and Crest (Drôme). The new stores are the fruit of discussions between Fnac and Intermarché's management and independents on the continued conversion of existing areas (note that Intermarché has 15 "Culture and Leisure" areas in France).

The Group also continued its development in the Iberian Peninsula with the inauguration at the end of 2014 of four new directly owned proximity stores – three in Portugal (November 11 at Setubal, November 28 at Faro and December 15 at Oeiras) and one in Spain (December 6 at Valladolid).

In Brazil, the Group opened a new Travel format store in the Guarulhos Airport in São Paulo.

Furthermore, the Group closed the stores in Villiers-en-Bière on May 31, 2014, Portet-sur-Garonne on June 28, 2014, and Xanadu in Spain on August 17, 2014.

4.1.3 Comparison of the Group's annual results for the 2013 and 2014 fiscal years

The table below shows the Group's consolidated income statement for the fiscal years ended December 31, 2013 and December 31, 2014, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Year ended December 31 2014		Year ended December 31 2013		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	**Change**
Revenues	**3,895.1**	**100.0%**	**3,905.3**	**100.0%**	**(0.3%)**
Gross margin	**1,143.9**	**29.4%**	**1,164.4**	**29.8%**	**(1.8%)**
Personnel expenses	(555.2)	(14.3%)	(558.8)	(14.3%)	0.6%
Other current operating income and expenses	(511.6)	(13.1%)	(533.8)	(13.7%)	4.2%
Current operating income	**77.1**	**2.0%**	**71.8**	**1.8%**	**7.4%**
Other non-current operating income and expenses	(9.1)	(0.2%)	(28.6)	(0.7%)	68.2%
Operating income	**68.0**	**1.7%**	**43.2**	**1.1%**	**57.4%**
(Net) financial expense	(12.1)	(0.3%)	(11.7)	(0.3%)	(3.4%)
Income tax	(14.5)	(0.4%)	(15.6)	(0.4%)	7.1%
Net income from continuing operations	**41.4**		**15.9**		**160.4%**
Net income from discontinued operations	0.0		(1.1)		-
Consolidated net income	**41.4**		**14.8**		**179.7%**
Group share	41.8		14.8		
share attributable to non-controlling interests	(0.4)		0.0		

4.1.3.1 Impact of the “Fnac 2015” strategic plan

In 2014, the Group continued to benefit from actions implemented under the Fnac 2015 strategic plan:

* the 11% contribution of new product families to revenues represented a significant increase compared to 6% in 2013; this is due to the success of the telephony sections in France and the good performance of the families deployed in previous quarters (Toys & Games, Stationery, House & Design and connected Objects);
* the number of Group loyalty program members continued to increase in 2014, from 5.3 million at the end of 2013 to 5.6 million at the end of 2014, 4.3% higher, reflecting the attractiveness of the service offers proposed;
* the Group continued to build up its network, opening five directly owned stores (out of a total of 157 directly owned stores at the end of 2014), and six stores under franchise (out of a total of 27 franchise stores at the end of 2014);
* the Group continued its cost-savings policy, generating €63 million of savings in 2014. In 2013 and 2014, the Group managed to cut €118 million, exceeding the initial target of €80 million.

4.1.3.2 Revenues

In 2014, with consumer spending down in all its geographical regions, the Group suffered a 0.3% fall in revenues. There was a negative 0.4 percentage point exchange rate impact, primarily due to the drop in value of the Brazilian real against the euro. At constant exchange rates, the Group’s revenues were stable at 0.1%. Store closures and the opening of new directly owned stores in 2013 and 2014 had a negative 0.3 percentage point impact on revenues in 2014. At constant exchange rates and on a same-store basis, the Group’s revenues increased by 0.4%.

After several years of decline, the Group’s revenues stabilized, despite a difficult consumer environment and falling markets in all the countries in which the Group operates. This performance reflects the successful execution of the transformation plan.

Despite this difficult context, the Group continued to gain market share, both in France and the Iberian Peninsula.

The table below provides a breakdown of revenues for the fiscal years ended December 31, 2013 and December 31, 2014 by geographical region.

	Year ended December 31, 2014		Year ended December 31, 2013		Change at current exchange rates	Change (constant exchange rates)
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*		
France	2,776.9	71.3%	2,761.9	70.7%	0.5%	0.5%
Iberian Peninsula	659.1	16.9%	654.3	16.8%	0.7%	0.7%
Brazil	174.9	4.5%	197.2	5.0%	(11.3%)	(3.4%)
Other countries	284.2	7.3%	291.9	7.5%	(2.6%)	(3.1%)
TOTAL	**3,895.1**	**100.0%**	**3,905.3**	**100.0%**	**(0.3%)**	**0.1%**

The table below provides a breakdown of revenues for the fiscal years ended December 31, 2013 and December 31, 2014 by category of products and services.

	Year ended December 31, 2014		Year ended December 31, 2013		Change at current exchange rates	Change (constant exchange rates)
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*		
Consumer electronics	2,184.8	56.1%	2,150.1	55.1%	1.6%	2.1%
Publishing products	1,512.3	38.8%	1,563.1	40.0%	(3.2%)	(3.0%)
Services	198.0	5.1%	192.1	4.9%	3.1%	3.3%
TOTAL	**3,895.1**	**100.0%**	**3,905.3**	**100.0%**	**(0.3%)**	**0.1%**

Increased revenues from consumer electronics were due to higher sales in the “Microcomputing” sub-category, driven by the Telephony segment. This segment has done well from the introduction in France of a subscription-free telephone offer and strong sales of Smartphones abroad. The “Retail Electronics” sub-category contracted due to the drop in sales in the TV-video and Photo segment, which were not offset by growth in the Sound segment.

The decline in revenues from editorial products is mainly due to the fall in revenues in the “Disks and Gaming” sub-category which was penalized by the structural decline in video and audio disks (a consequence of the dematerialization phenomenon), combined with historically high sales of CDs. The growing Gaming segment is benefiting from the new generation games console. Books held up well, in particular in the second half, thanks to stronger editorial impetus. Sales in the Games and Toys and Stationery categories were significantly boosted by good performance and continued deployment.

Growth in revenues from services is due to the increase in the sale of services linked to consumer electronics, the increase in Ticketing activities and gift boxes, and higher Marketplace commissions and royalties linked to development of the franchise.

4.1.3.3 Gross margin and gross profit margin

The Group’s gross margin came to €1,143.9 million in 2014, compared with €1,164.4 million in 2013, giving a margin of 29.4% in 2014, compared to 29.8% in 2013.

The gross profit margin held up well despite investments in marketing in the more promotional markets. The drop in the margin was less marked in the second half due to a better category mix.

4.1.3.4 Personnel expenses

Personnel expenses amounted to €555.2 million (14.3% of revenues) for the 2014 fiscal year, compared with €558.8 million (14.3% of revenues) for the 2013 fiscal year, a decrease of 0.6%.

This was due to all the initiatives implemented to improve the operational efficiency of the organizations across all geographical sectors.

4.1.3.5 Other current operating income and expense

Other current operating income and expense amounted to a net expense of €511.6 million (13.1% of revenues) for the 2014 fiscal year, compared with €533.8 million (13.7% of revenues) for the 2013 fiscal year, a decrease of 4.2%.

This was due to the initiatives introduced to reduce running costs in accordance with the goals of the “Fnac 2015” strategic plan.

Rental expenses were significantly lower, down by 7.0%, from €139.0 million in 2013 to €129.3 million in 2014. This fall, chiefly evident in France and the Iberian Peninsula, is largely due to lease renegotiation efforts which broadly offset the unfavorable effects of indexation and expansion.

Net allocations to depreciation and impairment on non-current operating assets were up 3.2% in 2014 compared to 2013, from €68.0 million in 2013 to €70.2 million in 2014.

4.1.3.6 Current operating income

Current operating income amounted to €77.1 million for the 2014 fiscal year, compared with €71.7 million in 2013, or an increase of 7.4%.

“Current operating income margin” stood at 2.0% in 2014 versus 1.8% in 2013.

	Year ended December 31, 2014		Year ended December 31, 2013	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*
France	47.3	61.3%	42.7	59.5%
Iberian Peninsula	23.6	30.6%	21.3	29.7%
Brazil	(0.9)	(1.2%)	0.7	1.0%
Other countries	7.1	9.2%	7.1	9.9%
Current operating income	**77.1**	**100.0%**	**71.8**	**100.0%**

4.1.3.7 EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Year ended December 31, 2014		Year ended December 31, 2013	
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*
Current operating income	**77.1**	**2.0%**	**71.8**	**1.8%**
Net amortization and depreciation [a]	70.2	1.8%	68.0	1.7%
EBITDA	**147.3**	**3.8%**	**139.7**	**3.6%**
Rents [b]	129.3	3.3%	139.0	3.6%
EBITDAR	**276.6**	**7.1%**	**278.7**	**7.1%**

(a) Net amortization and depreciation corresponds to net impairment and provisions on non-current operating assets recognized in current operating income.
(b) Rents correspond to property rental expense excluding ancillary costs and expense incurred in connection with such operating leases.

4.1.3.8 Other non-current operating income and expense

This line item represented an expense of €9.1 million in 2014 compared with an expense of €28.6 million in 2013.

The following table summarizes the breakdown of this item in 2013 and 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013
Non-current operating expenses	**(12.7)**	**(36.1)**
Restructuring costs	(12.7)	(29.4)
Litigation and disputes		(4.7)
Other risks		(2.0)
Non-current operating income	**3.6**	**7.5**
Gains on asset disposals		7.5
Litigation and disputes	3.6	
TOTAL	**(9.1)**	**(28.6)**

The total expense of €9.1 million in 2014 consisted mainly of the following:

* restructuring charges of €12.7 million in France and abroad;
* net proceeds from litigation and disputes of €3.6 million.

The total expense of €28.6 million in 2013 consisted mainly of the following:

* restructuring charges of €29.4 million in France and abroad;
* litigation and disputes and other operating and tax risks of €6.7 million;
* capital gain of €7.5 million on the disposal of equity securities in Cyrillus Deutschland GmbH, and the disposal of the Form@Home subsidiary.

4.1.3.9 Operating income

The Group's operating income produced a profit of €68.0 million in 2014 compared with a profit of €43.2 million in 2013. This is mainly due to the improvement in current operating income and the significant fall in other non-current operating income and expense in 2014.

4.1.3.10 Net financial expense

In 2014, net financial income/expense comprised a financial expense of €12.1 million, versus €11.7 million in 2013.

The composition of the Group's net financial expense in 2014 and 2013 was as follows:

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change *(%)*
Cost of net financial debt	(0.3)	(0.3)	0.0%
Other financial income and expense	(11.8)	(11.4)	(3.5%)
Net financial expense	**(12.1)**	**(11.7)**	**(3.4%)**

The cost of net debt of €0.3 million was stable compared with 2013 as there was little change to the Group's financial structure.

The net charge from other financial income and expense increased by €0.4 million in 2014 compared with 2013. This increase is mainly due to the cost of the €250 million revolving credit facility that was set up in April 2013 and renegotiated in July 2014. This increase was partially offset by the reduction in the cost of consumer credit.

4.1.3.11 Income tax

Since January 1, 2013, all the Group's French companies have been included in Groupe Fnac's tax consolidation scope.

Income tax includes income tax paid, or for which a provision is recorded for the fiscal year, together with any potential tax reassessments paid or provisioned during the fiscal year. The Group recognized corporate income tax expense of €14.5 million for the 2014 fiscal year, compared with €15.6 million for the 2013 fiscal year, a decrease of €1.1 million.

(€ million)	2014	2013
Earnings before tax	**55.9**	**31.5**
Current tax liability	(8.9)	(2.4)
Tax liability due related to the corporate value-added tax (CVAE)	(9.2)	(9.9)
Deferred tax income/(expense)	3.6	(3.3)
TOTAL TAX LIABILITY	**(14.5)**	**(15.6)**
Effective tax rate	**25.94%**	**49.52%**

4.1.3.12 Net income from continuing operations

Net income from continuing operations amounted to a profit of €41.4 million for the 2014 fiscal year, compared with a profit of €15.9 million for the 2013 fiscal year.

Adjusted for non-current items net of tax, the Group's share of net income from continuing operations excluding non-current items amounted to €49.7 million in 2014 compared with €43.5 million the previous year, €6.2 million higher.

4.1.3.13 Net income from discontinued operations

In 2014, no transactions related to discontinued operations. In 2013, net income from discontinued or sold operations amounted to a net expense of €1.1 million, related to the disposal of Fnac Italy.

4.1.3.14 Net income, Group share

Net income, Group share for the consolidated entity posted a gain of €41.8 million in 2014, compared with a gain of €14.8 million in 2013.

4.1.3.15 Net earnings per share

The weighted average number of Groupe Fnac ordinary shares used to calculate net earnings per share was 16,595,610 for fiscal 2014 (identical to 2013).

At December 31, 2014, net earnings per share amounted to €2.53. It came to €0.89 the previous year.

Excluding non-current items, net earnings per share from continuing operations came to €3.00 in 2014 compared with €2.62 in 2013, an increase of 14.5%.

4.1.4 Breakdown of revenues and current operating income by geographical region for the 2013 and 2014 fiscal years

4.1.4.1 Comparison of results of fiscal years 2013 and 2014 for France

The following table shows the key items in the income statement for France for the fiscal years ended December 31, 2013 and December 31, 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Revenues	2,776.9	2,761.9	0.5%
Current operating income	47.3	42.7	10.8%
Operating profitability	1.7%	1.5%	0.2pt

Revenues in France

Revenues amounted to €2,776.9 million for the 2014 fiscal year compared with €2,761.9 million for the 2013 fiscal year, an increase of 0.5%. The Group closed two directly owned stores (Villiers-en-Bière and Portet-sur-Garonne). In 2013, the Group had opened one directly owned store and closed two stores. On a same store basis, the Group's revenues grew by 1.3%.

The revenue dynamic improved each quarter, with sales up 1.4% in the second half (after a drop of 0.7% in the first half).

This performance reflects the successful execution of the transformation plan in what it still a difficult consumer environment.

In 2014, the Group continued to win market share.

The number of loyalty program members in France was up by 6.8% in 2014, from 3.4 million at the end of 2013 to 3.6 million at the end of 2014.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

During the period, revenues generated by Consumer Electronics increased by 2.6%. This was largely due to very good performance in the "Microcomputing" sub-category, driven by the boom in the telephony sections that were deployed in 2014 and good performance from Connected Devices. The "Retail Electronics" sub-category dropped slightly on the back of the fall in the Photo sector while Sound notched up good progress.

Revenues from Editorial Products were down 2.7%, impacted by the "Discs and Gaming" sub-category, which suffered from weak editorial impetus and the decline in the markets for CDs and DVDs. The Gaming sector continues to benefit from the replacement of new-generation consoles that started at the end of the previous year. The "Books and Stationery" sub-category did well out of the good performance in the Games and Toys sector and from Stationery which benefited from 28 new outlets in 2014. After a subdued first half due to weak editorial impetus, the Books segment gained ground in the second half.

Services saw growth of 4.1% in the period mainly due to the establishment of the consumer electronics rental service and the expansion of Marketplace.

Current operating income in France

Current operating income In France amounted to €47.3 million for the 2014 fiscal year compared with €42.6 million for the 2013 fiscal year. This increase is due to the slight growth in revenues and effective execution of savings measures, leading to a fall in other current operating income and expense.

The current operating income margin came to 1.7% in 2014 versus 1.5% in 2013.

Operating income in France

Operating income in France came to €40.7 million in 2014 versus €13.2 million in 2013.

4.1.4.2 Comparison of results of fiscal years 2013 and 2014 in the Iberian Peninsula

The following table shows the key items in the income statement for the Iberian Peninsula for the fiscal years ended December 31, 2013 and December 31, 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Revenues	659.1	654.3	0.7%
Current operating income	23.6	21.3	10.8%
Operating profitability	3.6%	3.3%	0.3pt

Revenues in the Iberian Peninsula

Revenues in the Iberian Peninsula amounted to €659.1 million for the 2014 fiscal year compared with €654.3 million for the 2013 fiscal year, an increase of 0.7%. The trend improved during the year with stable revenues in the first half and growth of 1.3% in the second half.

In the Iberian Peninsula, the Group opened four new stores (three in Portugal and one in Spain). One store was also closed in Spain. On a same-store basis, revenues declined by 0.7% in 2014.

Portugal saw an increase in sales while Spain suffered from very promotional markets.

In this difficult economic context, the Group continued to build its positions on the market.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics were up 1.9%. The good performance of the "Microcomputing" sub-category was driven by good results in the Telephony sector which benefited from the introduction of subscription-free phones. In Spain, all stores have a telephone corner in partnership with Movistar, which is Fnac Spain's exclusive operator. Sales in the "Retail Electronics" sub-category were down, penalized by a difficult Iberian market in the TV, Photo and Sound sectors.

Editorial product revenues were 1.4% lower. The decline in the "Discs and Gaming" sub-category was due to the ongoing impact of dematerialization and the absence of any major new products. The increase in the Gaming sector, which benefited from the launch of new versions of some gaming consoles in late 2013 failed to offset the sharp declines in Audio and Video. Revenues in the "Books, Games and Toys and Stationery" sub-category fell very slightly, with good performance in Stationery and Kids partially offsetting the decline in book sales.

Services were up 6.3%, largely driven by the sales of services and guarantees attached to consumer electronics and Marketplace commissions.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula amounted to €23.6 million for the 2014 fiscal year compared with €21.3 million for the 2013 fiscal year. This increase was due to the ongoing optimization plans on other current operating income and expense in line with the "Fnac 2015" strategic plan, which offset the costs incurred in new store openings.

The current operating income margin rose from 3.3% in 2013 to 3.6% in 2014.

Operating income in the Iberian Peninsula

Operating income in the Iberian Peninsula amounted to a profit of €20.5 million for the 2014 fiscal year, compared with a profit of €20.3 million for the 2013 fiscal year.

4.1.4.3 Comparison of results of fiscal years 2013 and 2014 in Brazil

The following table shows the key items in the income statement for Brazil for the fiscal years ended December 31, 2013 and December 31, 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Revenues	174.9	197.2	(11.3%)
Current operating income	(0.9)	0.7	(228.6%)
Operating profitability	(0.5%)	0.4%	(0.9)pt

Revenues in Brazil

Revenues in Brazil amounted to €174.9 million for the 2014 fiscal year compared with €197.2 million for the 2013 fiscal year, a decrease of 11.3%. Revenues were down 3.4% at constant exchange rates.

In the "Brazil" region, the Group opened a new Travel format store in Sao Paulo airport in 2014. On a same-store and constant exchange basis, revenues were down 3.9% in 2014.

The region's economic environment deteriorated in 2014 with a break in the trend during the summer, and the consumer confidence index at its lowest level since the 2008 crisis. Sales activity was negatively impacted by the football world cup held in the country and then by the presidential elections. On a same-store basis, revenues fell by 6.2% in the second half of the year, while the drop had been limited to 0.8% in the first half.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics in local currency were up 2.4% in 2014, driven by the "Microcomputing" sub-category, and mainly by good performance in the Telephony sector due to the marketing strategy focused on unlocked (subscription-free) smartphones. The Hardware sector was down due to the decline in sales of Tablets.

Revenues from editorial products in local currency were down 14.9%, largely because of the decline in the "Discs and Gaming" sub-category, which was hit by a lack of new products and lack of momentum in the CD and DVD market. The "Books, Games and Toys and Stationery" sub-category experienced a decline. Revenues from books were down due to a record 2013, driven by the success of a number of international bestsellers.

Services in local currencies were down 18.3%, largely because of a reduction in services attached to sales of consumer electronics as a result of fewer sales of TVs and computers.

Current operating income in Brazil

Current operating income for Brazil amounted to a €0.9 million loss for the 2014 fiscal year compared with €0.7 million profit for the 2013 fiscal year. The decline in gross margin in value terms was only partially offset by ongoing plans to cut the cost of personnel and other current operating income and expenses.

The current operating income margin deteriorated, from a positive 0.4% to a negative 0.5%.

Operating income in Brazil

The Group generated an operating profit of €1.5 million in Brazil for the 2014 fiscal year, compared with an operating profit of €4.4 million for the 2013 fiscal year.

4.1.4.4 Comparison of results of fiscal years 2013 and 2014 for other countries

The following table shows the key items in the income statement for other countries for the fiscal years ended December 31, 2013 and December 31, 2014.

(€ million)	Year ended December 31, 2014	Year ended December 31, 2013	Change
Revenues	284.2	291.9	(2.6%)
Current operating income	7.1	7.1	0.0%
Operating profitability	2.5%	2.4%	0.1pt

Revenues in Other Countries

Revenues in other countries, i.e. Belgium and Switzerland, amounted to €284.2 million for the 2014 fiscal year compared with €291.9 million for the 2013 fiscal year, a decrease of 2.6%. On a constant exchange rate basis, the decrease was 3.1%.

The sales trend improved significantly in the second half of the year. The turnaround was particularly due to the success of marketing operations and the advances made by new product families and the website in Belgium.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues for consumer electronics were down 2.7% at constant exchange rates. This fall was partly due to the "Retail Electronics" sub-category, linked to the downturn in the Photo and Sound sectors. The Microcomputing sector was helped by progress in the Telephony sector.

Revenues from editorial products were down 3.4% at constant exchange rates, largely because of the decline in the "Discs and Gaming" sub-category, in which sales in the Audio and Video sectors fell sharply.

Current operating income in other countries

Current operating income in other countries amounted to €7.1 million for the 2014 fiscal year compared with €7.1 million for the 2013 fiscal year. The decline in activity was partially offset by the margin holding up and ongoing savings in terms of performance.

The current operating income margin increased from 2.4% in 2013 to 2.5% in 2014.

Operating income in other countries

Operating income in other countries amounted to a profit of €5.4 million for the 2014 fiscal year, compared with €5.2 million for the 2013 fiscal year.

4.1.5 Accounting principles affected by IFRS

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book values of certain assets and liabilities, income and expenses, and information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Amounts in future financial statements could differ from the current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main estimates made by management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory and revenues from ordinary activities, plus the assumptions used to calculate obligations relating to employee benefits, share-based payments, and deferred tax. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

For a description of the assumptions used by the Group in the preparation of its financial statements, see note 2.3.2 "Use of estimates and judgment" to the annual financial statements included in section 5.1 "Group Consolidated Financial Statements" in this Registration Document.

4.2 Cash and capital resources

4.2.1 General overview

Groupe Fnac's main cash requirements stem from its working capital requirements and operating investments. Groupe Fnac's recapitalization in 2012 and 2013 for a total amount of €609.6 million, the issue of deeply subordinated notes in 2013 for €60 million, and control over the working capital requirement enabled it to generate surplus cash in 2014, as it had done in 2013.

4.2.2 Financial resources

4.2.2.1 Overview

In 2014, the Group had the following financing sources:

* *Available cash.* Cash and cash equivalents amounted to €535.6 million at December 31, 2014 (versus €461.6 million at December 31, 2013);
* *Operating activities,* which generated positive net cash flows of €121.1 million at December 31, 2014 (versus €96.5 million at December 31, 2013);
* *Debt.* Given its cash surplus throughout 2014, the Group did not use debt to finance its operations.

The composition of the Group's financial debt is as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
Gross financial debt	0.5	0.7
Cash and cash equivalents	(535.6)	(461.6)
Net financial debt	**(535.1)**	**(460.9)**

4.2.2.2 Financial debt

Financial debt as of December 31, 2014

The Group's gross debt at December 31, 2014 stood at €0.5 million.

(€ million)	As of December 31, 2014	As of December 31, 2013
Other borrowings from credit institutions	0,0	0.0
Finance lease liabilities	0.5	0.7
Bank overdrafts	0.0	0.0
Other financial liabilities	0.0	0.0
TOTAL	**0.5**	**0.7**

The table below sets out the Group's gross debt by currency as of December 31, 2014.

(€ million)	As of December 31, 2014	As of December 31, 2013
Euro	0.5	0.7
TOTAL	**0.5**	**0.7**

The table below sets out the maturities of the Group's financial debt as of December 31, 2014.

	As of December 31, 2014					
(€ million)	Total	N+1	N+2	N+3	N+4	N+5
Long-term borrowings and financial debt	**0.3**	**0.0**	**0.2**	**0.1**	**0.0**	**0.0**
Finance lease liabilities	0.3		0.2	0.1		
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2				
Bank overdrafts	0.0					
Other financial liabilities	0.0					
TOTAL	**0.5**	**0.2**	**0.2**	**0.1**	**0.0**	**0.0**

Financing of the Group after admission of the Company's shares to trading on Euronext Paris

In the first half of 2013, the Group obtained two new sources of external financing following the admission of the Company's shares to trading on Euronext Paris.

* On April 19, 2013, Fnac SA entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate consisting of Crédit Agricole Corporate and Investment Bank, Société Générale, Crédit Lyonnais, Natixis, Banque Fédérative du Crédit Mutuel (Groupe Crédit Mutuel – CIC), BNP Paribas, Banco Espirito Santo, Caixabank SA and Arkéa Corporate and Institutional Banking, under which certain Fnac SA subsidiaries (Fnac Paris, CODIREP and Relais Fnac) will act as borrowers (the "Loan Agreement").
* At the same time, on April 24, 2013 the Company also entered into an issuance and subscription agreement (the "Subscription Agreement") involving the issue of sixty perpetual deeply subordinated notes (TSSDI) with a nominal value of €1 million each, i.e. a total nominal amount of €60 million.

On July 24, 2014, Groupe Fnac signed an amendment to the revolving credit facility with the lending syndicate. The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in case of changes in the stake of Artémis in the capital of Groupe Fnac. The maturity of the credit facility was extended to July 24, 2017 (versus April 18, 2016 initially). The early repayment clause if the stake of Artémis in the equity of Groupe Fnac should fall below 38.8% before April 18, 2015 and 25% before April 18, 2016 is maintained in its original form without extension until the new maturity of the credit facility.

Financing under the Loan Agreement

A. Overview of the Loan Agreement

The purpose of the Loan Agreement is to enable the financing of the working capital requirements of Fnac SA and its subsidiaries.

The maturity of the Loan Agreement is three years as from the date of the amendment to the Loan Agreement (July 24, 2014).

Drawdowns on the Loan Agreement are made in euros, and bear interest at a contractually determined rate, which is equal to the total of:

* a base rate determined on the basis of Euribor; and
* a margin of 3.50% per annum, reviewable every six months if applicable, as a function of the average rent adjusted leverage ratio.

The Loan Agreement provides for an undrawn commitment fee equal to 40% of the applicable margin, as calculated on the undrawn and uncancelled amounts.

B. Guarantees relating to the Loan Agreement

The obligations of Fnac SA and the other borrowers under the Loan Agreement are guaranteed by the following securities:

* a first-demand guarantee issued by Fnac SA for the purpose of guaranteeing the obligations of the other Group borrowers;
* a first-ranking pledge over the shares that Fnac SA owns in its main French subsidiaries, and in its Spanish subsidiary; and
* a pledge over certain business assets owned by Fnac Paris, CODIREP and Relais Fnac, in their capacity as borrowers, in order to guarantee their respective obligations.

C. The Group's main restrictive covenants under the Loan Agreement

The Loan Agreement includes customary covenants for this kind of financing, and specifically the following clauses:

* ***Financial covenants*** – The credit facility entered into by Groupe Fnac includes several financial covenants, which are defined for each full and half year.
  - The Group's Rent-Adjusted Debt Ratio (as defined below), tested on a half-yearly basis, must remain below the thresholds set in the Loan Agreement, which range between 1.55 and 3.20. For the requirements of this covenant, the "Group's Rent-Adjusted Leverage Ratio" is defined as "Total Adjusted Debt" (i.e. the aggregate of the Group's long-term borrowings and financial debt and the Group's short-term borrowings and financial debt, minus the Group's cash and cash equivalents, plus five times the amount of the rent incurred for operating leases (excluding ancillary charges) as shown in the latest consolidated financial statements of the Group) divided by "Consolidated EBITDAR" (i.e. the Group's recurring operating income plus net charges to depreciation, amortization and provisions on non-current operating assets, plus the amount of the rent incurred for operating leases (excluding ancillary charges) as shown in the Group's latest consolidated financial statements).
  - The level of shareholders' equity, tested on a half-yearly basis, must remain above the thresholds set in the Loan Agreement, which range between €365 and €440 million.
  - The level of cash, tested on an annual basis, must remain above the thresholds set in the Loan Agreement, which range between €290 and €300 million.

  As of December 31, 2014, all financial covenants were complied with:
* ***General restrictive covenants*** – These involve covenants including but not limited to certain restrictions relating to the granting of securities or guarantees, to the execution of merger or restructuring transactions, to the disposal or purchase of assets and to the Group's debt.
* ***Restrictive covenants specific to the Company*** – The Company also undertakes to comply with the following specific covenants:
  - retaining 100% of the share capital and voting rights in Fnac SA [1],
  - not granting any security or allowing any security to remain on its assets and on the shares that the Company owns in Fnac SA,
  - paying any dividends or making any other kind of payment relating to its share capital, and making any payment in relation to the perpetual deeply subordinated notes only to the extent that (A) such distribution and/or payment in any fiscal year does not exceed 50% of the distributable earnings for the previous fiscal year, and (B) no event of default under the Loan Agreement has occurred or will be triggered by such distribution/payment, and
  - making available to Fnac SA (whether in the form of a capital increase by Fnac SA or a subordinated inter-company loan) all net proceeds received in connection with any funds raised by the Company in the capital markets or any financial debt subscribed by the Company, subject in all cases to receipt of the net proceeds in question.
* ***Early repayment in the event of a change of control*** – The Loan Agreement requires the early repayment of all the amounts due to all the lenders and the cancellation of any remaining amounts available under the revolving credit facility in the following cases:
  - a person or a group of persons acting in concert (within the meaning of Article L. 233-10 of the French Commercial Code) other than Artémis and/or any of its subsidiaries, gains control (within the meaning of Article L. 233-3 of the French Commercial Code) of the Company,
  - Artémis ceases to own, directly or indirectly (through one or more of its subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code) at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of the signing of the Loan Agreement, or (ii) 25% of the Company's share capital or voting rights at any time after that date until April 18, 2016 (which corresponds to the initial maturity of the Loan Agreement). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) until after the initial maturity of the Loan Agreement (i.e. April 18, 2016) not to trigger an early repayment event and cancellation of unused commitments available under the Loan Agreement by sole reason of the Triggering Event. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase, directly or indirectly (through one or more of its subsidiaries) any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company, or

(1) Except for the shares held by subsidiaries or Directors of Fnac SA to represent the minimum number of shareholders of a limited company *(société anonyme)*.

- Kering ceases to own, directly or indirectly (through one or more of its wholly owned subsidiaries, directly or indirectly) 100% of the perpetual deeply subordinated notes before the initial maturity of the Loan Agreement, it being noted that, pursuant to a separate agreement, Kering has agreed (for itself and its subsidiaries) that, until after the initial maturity date of the Loan Agreement (i.e. April 18, 2016), it will not trigger any mandatory early repayment event under the Loan Agreement due to breaching this obligation.

* *Mandatory early repayment* – Under the terms of the Loan Agreement, lenders have the right to declare that all or part of the amounts outstanding under the Loan Agreement shall become immediately due and payable, and specifically in the event of non-compliance with one of the covenants listed above, of default, of non-payment, or of the occurrence of events that are likely to have a material adverse effect on the financial situation or in certain cases business of the Company, of Fnac SA, of one of the other borrowers or of the Group as a whole, or on the ability of the Company, Fnac SA, or one of the other borrowers to perform any of their obligations under the Loan Agreement and the other finance documents.

Financing under the perpetual deeply subordinated notes

The Perpetual deeply subordinated notes (TSSDI) Subscription Agreement includes the following terms and conditions:

* ***Nature and form:*** the TSSDIs are perpetual deeply subordinated notes issued in accordance with Articles L. 228-38 et seq. of the French Commercial Code.

* ***Subscriber:*** Kering BV, a company incorporated under Dutch law and a wholly owned direct and indirect subsidiary of Kering.

* ***Maturity:*** subject to mandatory repayment events, amortization events and the right to voluntary early repayment provided for in the Subscription Agreement (and described below), the perpetual deeply subordinated notes have no stated maturity.

* ***Ranking and subordination:*** the principal and interest amounts due under the perpetual deeply subordinated notes constitute direct, unsecured, unconditional obligations of the Company, and shall rank pari passu with any other existing or future perpetual deeply subordinated notes issued by the Company, except that repayment is subordinated to prior payment by the Company of all the amounts due by the Company under any participatory loans granted to it, and any participatory shares that it has issued, together with any other ordinary subordinated notes, regardless of their form (security, loan or other) and with its non-subordinated notes, regardless of their form (security, loan, or other) and in accordance with the provisions of Article L. 228-97 of the French Commercial Code. In the event that the Company is liquidated, the perpetual deeply subordinated notes have priority only over payment of amounts due to holders of the Company's equity securities.

* ***Interest:*** 8% per year.

* ***Payment of the interest:*** interest is payable only in the event that one of the events listed below occurs:

  - in full, in the event that any full cash repayment of the perpetual deeply subordinated notes occurs, but only after repayment of all the amounts due to the lenders under the Loan Agreement; and

  - within five business days following the Company's decision to undertake any of the following:

    (i) distribution of a dividend, premium or reserves,

    (ii) amortization or reduction of its share capital (which is not caused by losses and which gives rise to a payment to shareholders), or

    (iii) purchase by the Company of its own shares at a premium.

  Interest is therefore payable in full or in part, and in any event, within the limit of an amount that enables the performance of the perpetual deeply subordinated notes and the Groupe Fnac share to be equalized on a certain date, on the understanding that the Company will under no circumstances be required to make any payment in connection with the perpetual deeply subordinated notes if such payment would result in an event of default under the Loan Agreement.

  In addition, if at a given date "T", the performance of the Groupe Fnac share (FFGS (T)) exceeds the performance of the perpetual deeply subordinated notes (TSSDI (T)), the principal amount of the perpetual deeply subordinated notes will be amortized, in addition to the payment of all interest accrued and capitalized, in an amount of "X" for each perpetual deeply subordinated note, so that it equalizes the performance of the Groupe Fnac share and the performance of the perpetual deeply subordinated notes at said date "T".

* ***Capitalization of interest:*** unpaid interest will be capitalized annually on each anniversary of the Execution Date, and will itself bear interest, at the interest rate, in accordance with Article 1154 of the French Civil Code.

* ***Mandatory full repayment in cash:*** the Company will be required to repay the principal and accrued and capitalized interest on all the perpetual deeply subordinated notes outstanding, after the repayment of all the amounts due under the Loan Agreement, in the event of a takeover of the Company or a merger, demerger or winding-up process performed with the approval, or on the recommendation of, the Board of Directors.

* ***Voluntary full repayment in cash:*** the Company may decide at any time during the term of the perpetual deeply subordinated notes to repay them in full, after it has repaid all the amounts due to the lenders under the Loan Agreement and has cancelled all the lenders' commitments under said Loan Agreement, in an amount equal to that of the remaining principal amounts still due, plus accrued and capitalized interest.

4.2.3 Breakdown of cash flows

(€ million)	As of December 31, 2014	As of December 31, 2013
Net cash flows from operating activities	121.1	96.5
Net cash flows from investing activities	(50.0)	(45.0)
Net cash flows from financing activities	2.7	119.6
Cash flows from discontinued operations	0.0	(1.2)
Impact of fluctuations in exchange rates	0.2	(1.6)
Net change in cash	**74.0**	**168.3**

4.2.3.1 Net cash flows from operating activities

(€ million)	As of December 31, 2014	As of December 31, 2013
Cash flow before tax, dividends and interest	122.2	91.0
Change in working capital requirements	12.5	15.4
Income tax paid	(13.6)	(9.9)
Net cash flows from operating activities	**121.1**	**96.5**

Cash flow from operations in 2014 amounted to €121.1 million compared with €96.5 million in 2013. The increase of €24.6 million is mainly due to the improvement in cash flow before tax, dividends and interest of €31.2 million, as a result of an increase in EBITDA and a decrease in non-current items, mainly following a reduction in restructuring costs. The change in the working capital requirement continued to improve in 2014 (€12.5 million generated).

4.2.3.2 Cash flow from operations before tax, dividends and interest

Cash flow before tax, dividends and interest came to €122.2 million in 2014 compared with €91 million in 2013. The increase was due to improved operating performance and a reduction in restructuring costs ("Fnac 2015" plan).

4.2.3.3 Change in working capital requirement

As a percentage of revenues, the working capital requirement was -10.2% in fiscal 2014 versus -10.1% in 2013 (see details of WCR in section 5.2, note 23 to the consolidated financial statements).

In 2014, the working capital requirement amounted to -€398.9 million. In 2013, the change in the Group's working capital requirement generated a surplus of €12.5 million (versus €15.4 million as of December 31, 2013). This improvement is mainly due to the continuing reduction in inventories and rigorous management of the supplier payables item.

4.2.3.4 Income tax paid

As of January 1, 2013, Groupe Fnac obtained from the French fiscal authorities the status of a consolidated tax group for all its French subsidiaries.

At December 31, 2014, all Groupe Fnac's French subsidiaries were consolidated in this tax grouping apart from Kyro (50% owned).

4.2.3.5 Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for purchases and disposals of property, plant, and equipment and intangible assets (net operating investments), as well as acquisitions and disposals of subsidiaries net of cash acquired or transferred, acquisitions of other financial investments, and interest and dividends received (net financial investments).

Operating and financial investments made by the Group in 2014 amounted to €50 million (versus €45 million in 2013).

(€ million)	As of December 31, 2014	As of December 31, 2013
Net operating investments excluding finance leases	(48.7)	(48.5)
Net financial investments	(1.3)	3.5
Cash flows from investing activities	**(50.0)**	**(45.0)**

(Net) operating investments

The Group's net operating investments in fiscal 2014 amounted to €48.7 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets (€54.1 million), primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	As of December 31, 2014	As of December 31, 2013
France	(42.8)	(42.9)
Iberian Peninsula	(9.2)	(6.3)
Brazil	(0.6)	(0.9)
Other countries	(1.5)	(2.5)
Purchases of tangible and intangible non-current assets excluding investment in finance leases and excluding changes in payables and receivables relating to non-current assets	**(54.1)**	**(52.6)**
Change in debt and receivables relating to non-current assets	5.4	4.0
Purchases of tangible and intangible non-current assets excluding finance leases and including changes in receivables and payables relating to assets	**(48.7)**	**(48.6)**
Operating investments in finance leases	0.0	(0.1)
Purchase of tangible and intangible non-current assets including investments in finance leases and including changes in receivables and payables relating to assets	**(48.7)**	**(48.7)**
Disposals of non-current tangible and intangible assets	0.0	0.1
Net operating investments	**(48.7)**	**(48.6)**
Net operating investments excluding finance leases	**(48.7)**	**(48.5)**

Net operating investments, i.e. purchases of property, plant and equipment and intangible assets less disposals of property, plant and equipment and intangible assets, including changes in asset-related receivables and debts, used €48.7 million in 2014. Gross capital expenditure (i.e. purchases of property, plant, and equipment and intangible assets) used €54.1 million and was primarily related to store openings, extensions, remodeling and renovation, and website maintenance and development.

In 2013, net operating investments accounted for €48.6 million. Gross expenditure on operating investments accounted for €52.6 million, mainly for store openings, extensions and renovations, the maintenance and development of websites, and finalization of the Group's new logistics platform. Disposals of property, plant and equipment amounted to €0.1 million in 2013.

Investments in 2014

In 2014, the Group's total gross operating investments came to €54.1 million, compared with €52.6 million in 2013 in line with the target of €55 to 60 million. The investments mainly enabled the opening of new sales outlets in the Iberian Peninsula, the creation of new sections and merchandising, and the development of the fnac.com, fnac.be, and ticketing websites.

The table below shows gross operating investments by geographical area for the 2013 and 2014 fiscal years:

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2014					
Sub-total for investments in stores and internet websites	25.1	6.9	0.4	1.3	33.7
Sub-total for operating investments excluding points of sale	17.7	2.3	0.2	0.2	20.4
TOTAL OPERATING INVESTMENTS*	**42.8**	**9.2**	**0.6**	**1.5**	**54.1**
December 31, 2013					
Sub-total for investments in stores and internet websites	24.0	5.4	0.3	2.2	31.9
Sub-total for operating investments excluding points of sale	18.9	0.9	0.6	0.3	20.7
TOTAL OPERATING INVESTMENTS*	**42.9**	**6.3**	**0.9**	**2.5**	**52.6**

* *Purchases of tangible and intangible non-current assets excluding investment in finance leases and excluding impact of changes in payables and receivables relating to non-current assets.*

Main investments planned

At the date of the approval stamp on this Registration Document, no significant financial investments were required under covenants or other firm undertakings towards third parties. Our strategy in terms of setting up future Group stores is detailed in section 1.3.3.4.

The Group expects that in 2015, gross operating investments should be in line with levels seen in prior years. The priorities for 2015 are as follows:

* to continue to introduce new product families and new sales concepts in stores;
* to open new sales outlets;
* to continue to roll out the omni-channel strategy and develop cutting-edge IT solutions for our websites, mobile apps and stores.

These investments will be financed through the Group's operating cash flow and cash on hand.

The Group plans in 2015 to continue its controlled investment policy with a total amount of €55 to 60 million.

Net financial investments

(€ million)	As of December 31, 2014	As of December 31, 2013
Purchase of subsidiaries net of cash acquired	(2.7)	(2.5)
Disposals of subsidiaries net of cash transferred	0.0	(0.3)
Purchase of other financial assets	(0.2)	(2.0)
Disposals of other financial assets	0.8	7.6
Interest and equivalent payments, and dividends received	0.8	0.7
(Net) financial investments	**(1.3)**	**3.5**

The Group's net financial investments represented an outflow of €1.3 million in 2014 compared with an inflow of €3.5 million in 2013.

Net financial investments realized in 2014 principally included payment for the second tranche of the acquisition price for Datasport for €2.7 million.

In 2013, net investments principally included payment for the first tranche of the acquisition price for Datasport for €2.5 million, and the proceeds received from the sale of Cyrillus Deutschland GmbH shares for €7.6 million.

4.2.3.6 Net cash flows from financing activities

(€ million)	As of December 31, 2014	As of December 31, 2013
Increase/decrease in equity and other transactions with shareholders	8.5	70.1
Issue of TSSDI	0.0	60.0
Dividends paid to shareholders, parent company	0.0	0.0
Redemption of borrowings	0.0	0.0
Increase/decrease in other financial debt	(0.3)	(0.6)
Interest and equivalent payments	(5.5)	(9.9)
Net cash flows from financing activities	**2.7**	**119.6**

Net cash flows from financing activities generated net income of €2.7 million in 2014 and €119.6 million in 2013.

As of December 31, 2014, the capital increase represented the share of the capital increase of the company Kyro, underwritten by the Fimalac Group, under the terms of the partnership between Groupe Fnac and the Fimalac Group to develop Ticketing solutions. The Fimalac Group thus acquired a 50% stake in Kyro.

Interest and equivalent payments correspond to the commission on the unused €250 million line of credit and the commission related to its amendment on July 24, 2014.

There was no significant change to other financial debts in 2014.

Groupe Fnac was listed in 2013 after a capital increase of €70 million, with no issue premium.

In 2013, Groupe Fnac also entered into an issuance and subscription agreement for the issue of deeply subordinated notes for a total of €60 million.

4.2.3.7 Free cash flow from operations

The table below shows the trend in the Group's free cash flow from operations for the periods indicated. Free cash flow from operations is equal to net cash flows from operating activities minus net operating investments.

(€ million)	As of December 31, 2014	As of December 31, 2013
Cash flow from operations before tax, dividends and interest	**122.2**	**91.0**
Change in working capital requirements	12.5	15.4
Income tax paid	(13.6)	(9.9)
Net cash flows from operating activities	**121.1**	**96.5**
Operating investments net of disposals, excluding finance leases	(48.7)	(48.5)
Free cash flow from operations	**72.4**	**48.0**

The Group generated positive free cash flow from operations of €72.4 million in 2014 compared with €48 million in 2013. This improvement was largely due to the increase in net cash flow from operating activities.

4.2.3.8 Net change in cash

The net change in cash for the 2014 and 2013 fiscal years was as follows:

(€ million)	As of December 31, 2014	As of December 31, 2013
Net cash at January 1	**460.9**	**292.0**
Free cash flow from operations	72.4	48.0
Investment in finance leases	0.0	0.0
Interest paid net of interest and dividends received	(4.7)	(9.2)
Purchases and disposals of subsidiaries net of cash acquired or transferred	(2.7)	(2.8)
Purchases and disposals of other financial investments (net)	0.6	5.6
Increase/decrease in equity and other transactions with shareholders	8.5	70.1
Issue of TSSDI	0.0	60.0
Borrowings related to discontinued operations	0.0	(1.2)
Other [(a)]	0.1	(1.6)
Net change in cash	**74.2**	**168.9**
Net cash at December 31	**535.1**	**460.9**

(a) Primarily includes the impact on net cash of currency translation differences.

4.3 Recent events and outlook

4.3.1 The Group's objectives

The 2014 results reflect the Group's acceleration and transformation together with its capacity to innovate in order to adapt its business model to changing consumer trends.

In a consumer environment set to remain buoyant in 2015, the Group is well positioned to continue to strengthen its leadership by building on its omni-channel strategy, continuing its focused policy of enhancing its range of products and services, and ramping up and expanding its proximity formats in France and other countries.

The Group will continue its policy of improving its operational efficiency and has set cost-saving targets (on a like-for-like store basis and gross) of €30-40 million for 2015. It will also continue its initiatives to maximize cash generation thanks mainly to a controlled investment policy within a total package of €55 to 60 million euros and the optimization of working capital requirements.

Over the longer term, the Group confirms its target of current operating profitability of over 3%, once the transformation of its model is complete and assuming stable market and especially macroeconomic conditions.

The above objectives do not constitute projections or estimates of future Group profits, but represent strategic targets under its action plan. These objectives are based on data, assumptions and estimates that the Group considers to be reasonable. These data, assumptions and estimates may change or be modified over time as a result of uncertainties relating to the financial, economic, competitive and regulatory environment in which the Group operates. Moreover, one or more of the risks described in section 6 "Risk Factors", in this Registration Document could have an impact on the Group's business, results, financial situation or outlook and therefore jeopardize the achievement of the objectives described above. The Group cannot guarantee and gives no assurance that the objectives described in this section will be achieved.

4.3.2 Recent events

No particular event has occurred since the closure of fiscal year 2014.

First-quarter revenues

		Change vs. Q1 2014		
	Q1 2015 in €M	**reported**	**at constant exchange rates**	**on a same-store basis***
France	592	1.3%	1.3%	2.0%
Iberian Peninsula	151	(1.2%)	(1.2%)	(3.5%)
Brazil	35	(9.6%)	(10.1%)	(10.9%)
Other Countries	67	4.3%	(0.6%)	(0.6%)
Group	**844**	**0.5%**	**0.1%**	**0.2%**

(*) At constant exchange rates and on a comparable basis.

The Group's consolidated revenues increased by 0.5% in the first quarter to €844 million.

The impact from exchange rates was a positive 0.4% mainly due to the appreciation of the Swiss franc against the euro.

At constant exchange rates, revenues grew by 0.1%.

Sales momentum maintained in France

With sales on a same-store basis up 2.0%, France confirmed the good sales momentum of the second half of 2014 in a consumer environment that remained sluggish.

Good resistance of international operations

Iberian Peninsula sales were down -1.2% in sluggish and competitive markets. Activities in Brazil were affected by the deteriorating economic situation in the country; sales were down -9.6% (-10.1% at constant exchange rates).

Sales in the Other Countries region, which includes Switzerland and Belgium, were almost stable at constant exchange rates (-0.6%) and increased +4.3% as reported.

Sustained online growth

Online experienced a double-digit increase in sales.

Growth in revenues from marketplaces was maintained at a very high rate, close to 25%, and was supported by the ongoing ramping up of the marketplace in Portugal and the strong growth of marketplaces in France and Spain. Marketplaces accounted for over 17% of online business volume in the first quarter. Omnichannel sales continued to increase significantly thanks to the emphasis on new features in recent months in France and abroad. In France, they accounted for 44% of orders on Fnac.com in the first quarter of 2015 (versus 30% in the first quarter of 2014).

Increasing contribution from new product families

New product families have once again contributed greatly to the sales momentum. They represented 13% of revenues (versus 8% in the first quarter of 2014 and 11% for all of 2014).

In the first quarter, the Group launched a new space concept in France dedicated entirely to connected objects and telephony called Fnac Connect, which will be developed in the form of dedicated boutiques (80 to 100m^2) or corners in Fnac stores (shop in shop). The first Fnac Connect boutique opened on March 19 in Angoulême and is operated as a franchise. The Fnac Connect corners will be deployed throughout the France stores network by the end of 2015. This new concept is fully consistent with the Group's strategy of being a benchmark in growing categories with strong potential.

Continued expansion into new formats

After Belleville-sur-Saône and Crest, a third "Culture & Loisirs" store, located in Aubenas, was transformed into Fnac Proximity as part of ongoing discussions with the Intermarché Group. The performance of the converted stores has been very satisfactory. New openings are planned in the coming months in the Intermarché network, notably including one new creation (in Dole).

At end-March 2015, there were a total of 36 new format stores (28 in France and 8 international). The expansion momentum will continue in the coming months, both in France and internationally, with a target of about ten openings throughout the year.

Gross margin rate under control

The Group has pursued an aggressive commercial policy in markets that are characterized by an intense level of promotion. The good management of commercial operations and strengthening of collaboration with key suppliers enabled the gross margin to withstand these pressures, with some erosion which was lower than the erosion experienced in the second half of 2014.

Continued momentum to lower costs

The Group continued its policy to improve operational efficiency and cost reduction, in line with its objective to generate €30 million to €40 million in cost savings in 2015.

5

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5.1 Groupe Fnac's consolidated financial statements as of December 31, 2014 and 2013

Consolidated income statement for the fiscal years ended December 31, 2014 and 2013

(€ million)	Note	2014	2013 restated*
INCOME FROM ORDINARY ACTIVITIES	**5**	**3,895.1**	**3,905.3**
Cost of sales		(2,751.2)	(2,740.9)
Gross margin		**1,143.9**	**1,164.4**
Personnel expenses	6-7	(555.2)	(558.8)
Other current operating income and expense		(511.6)	(533.8)
Current operating income	**8**	**77.1**	**71.8**
Other non-current operating income and expense	9	(9.1)	(28.6)
Operating income		**68.0**	**43.2**
(Net) financial expense	10	(12.1)	(11.7)
Pre-tax income		**55.9**	**31.5**
Income tax	11	(14.5)	(15.6)
Share of profit from equity associates		0.0	0.0
Net income from continuing operations		**41.4**	**15.9**
Group share		*41.8*	*15.9*
share attributable to non-controlling interests		*(0.4)*	*0.0*
Net income from discontinued operations	**12**	**0.0**	**(1.1)**
Group share		*0.0*	*(1.1)*
share attributable to non-controlling interests		*0.0*	*0.0*
Consolidated net income		**41.4**	**14.8**
Group share		*41.8*	*14.8*
share attributable to non-controlling interests		*(0.4)*	*0.0*
Net income, Group share		**41.8**	**14.8**
Earnings per share *(€)*	13.1	2.53	0.89
Diluted earnings per share *(€)*	13.1	2.50	0.89
Net income from continuing operations, Group share		**41.8**	**15.9**
Earnings per share *(€)*	13.1	2.53	0.96
Diluted earnings per share *(€)*	13.1	2.50	0.96
Net income from continuing operations, Group share, excluding non-current items		**49.7**	**43.5**
Earnings per share *(€)*	13.2	3.00	2.62
Diluted earnings per share *(€)*	13.2	2.97	2.62

* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Consolidated comprehensive income statement

(€ million)	Note	2014	2013 restated*
Consolidated net income		**41.4**	**14.8**
Currency translation adjustments		0.2	(5.1)
Items that may be reclassified as profit or loss		**0.2**	**(5.1)**
Revaluation of net liabilities for defined benefit plans [(a)]		(4.9)	6.4
Items that may not be reclassified as profit or loss		**(4.9)**	**6.4**
Other comprehensive income items, after tax	**14**	**(4.7)**	**1.3**
Total comprehensive income		**36.7**	**16.1**
Group share		*37.1*	*16.1*
share attributable to non-controlling interests		*(0.4)*	*0.0*

(a) Net of taxes.

* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Consolidated statement of financial position for the years ended December 31, 2014 and 2013

Assets

(€ million)	Note	2014	2013 restated*
Goodwill	15	332.4	332.0
Intangible non-current assets	16	68.1	69.6
Tangible non-current assets	17	163.2	181.3
Non-current financial assets	20	6.9	7.6
Deferred tax assets	11.2	33.0	28.1
Other current assets and liabilities		0.1	0.3
Non-current assets		**603.7**	**618.9**
Inventories	21	469.4	472.9
Trade receivables	22	129.7	121.5
Tax receivables due	11.2	6.2	13.1
Other current financial assets	23	4.9	5.5
Other current assets [(a)]	23	143.1	119.3
Cash and cash equivalents	27	535.6	461.6
Current assets		**1,288.9**	**1,193.9**
Assets held for sale	**12**	**0.0**	**0.0**
TOTAL ASSETS		**1,892.6**	**1,812.8**

(a) Includes the change in receivable competitiveness and employment investment tax credit (CICE).

* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Liabilities

(€ million)	Note	2014	2013 restated*
Share capital	24	16.6	16.6
Equity-related reserves		494.9	494.9
Translation reserves		(2.3)	(2.5)
Other reserves		79.5	40.6
Shareholders' equity, Group share	**24**	**588.7**	**549.6**
Shareholders' equity – Share attributable to non-controlling interests		6.7	0.0
Shareholders' equity	**24**	**595.4**	**549.6**
Long-term borrowings and financial debt	28	0.3	0.5
Provisions for pensions and other equivalent benefits	25	69.1	58.6
Deferred tax liabilities	11.2	0.0	0.0
Non-current liabilities		**69.4**	**59.1**
Short-term borrowings and financial debt	28	0.2	0.2
Other current financial liabilities	23	2.5	5.0
Trade payables	23	767.7	692.6
Provisions	26	34.8	41.7
Tax liabilities payable	11.2	13.3	16.8
Other current liabilities	23	409.3	447.8
Current liabilities		**1,227.8**	**1,204.1**
Liabilities relating to assets held for sale	**12**	**0.0**	**0.0**
TOTAL LIABILITIES		**1,892.6**	**1,812.8**

* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Consolidated cash flow statement for the years ended December 31, 2014 and 2013

(€ million)	Note	2014	2013 restated*
Net income from continuing operations		**41.4**	**15.9**
Income and expense with no impact on cash		57.1	59.0
Cash flow from operations	**32.1**	**98.5**	**74.9**
Financial interest income and expense		5.7	3.9
Dividends received		(0.1)	(0.1)
Net tax charge payable	11.1	18.1	12.3
Cash flow from operations before tax, dividends and interest		**122.2**	**91.0**
Change in working capital requirements [(a)]	23	12.5	15.4
Income tax paid		(13.6)	(9.9)
Net cash flows from operating activities		**121.1**	**96.5**
Purchase of non-current tangible and intangible assets	32.2	(48.7)	(48.6)
Disposal of non-current tangible and intangible assets		0.0	0.1
Purchase of subsidiaries net of cash acquired	32.3	(2.7)	(2.5)
Disposal of subsidiaries net of cash transferred	32.3	0.0	(0.3)
Purchase of other financial assets		(0.2)	(2.0)
Disposal of other financial assets		0.8	7.6
Interest and dividends received		0.8	0.7
Net cash flows from investing activities		**(50.0)**	**(45.0)**
Increase/Decrease in capital and other transactions with shareholders		8.5	130.1
Acquisitions and sales of treasury shares		0.0	0.0
Dividends paid to shareholders		0.0	0.0
Redemption of borrowings		0.0	0.0
Increase/Decrease in other financial debt	28	(0.3)	(0.6)
Interest and equivalent payments		(5.5)	(9.9)
Net cash flows from financing activities		**2.7**	**119.6**
Cash flows from discontinued operations	12	0.0	(1.2)
Impact of fluctuations in exchange rates		0.2	(1.6)
Net change in cash		**74.0**	**168.3**
Cash and cash equivalents at the beginning of the year	**32**	**461.6**	**293.3**
Cash and cash equivalents at the end of the year	**32**	**535.6**	**461.6**

(a) Includes the change in receivable competitiveness and employment investment tax credit (CICE).

* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Change in consolidated shareholders' equity as of December 31, 2014 and 2013

							Shareholders' equity		
(Before appropriation of earnings) *(€ million)*	**Number of shares outstanding [(a)]**	**Share capital**	**Equity-related reserves**	**Undated deeply subordinated notes (TSSDI)**	**Translation reserves**	**Other reserves and net income**	**Group share**	**Non-controlling interests**	**Total**
As of December 31, 2012	**6,131,671**	**545.7**	**48.4**	**0.0**	**2.6**	**(199.7)**	**397.0**		**397.0**
Total comprehensive income					**(5.1)**	**21.2**	**16.1**		**16.1**
First time adoption of IFRIC 21*						9.7	9.7		9.7
Capital increase/(decrease)	10,463,939	(529.1)	446.5			152.6	70.0		70.0
TSSDI issue				60.0			60.0		60.0
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						(3.3)	(3.3)		(3.3)
Dividends paid						0.0	0.0		0.0
As of December 31, 2013 restated*	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.5)**	**(19.4)**	**549.6**		**549.6**
Total comprehensive income					**0.2**	**36.9**	**37.1**	**(0.4)**	**36.7**
Capital increase/(decrease)						1.5	1.5	7.1	8.6
TSSDI issue							0.0		0.0
Treasury shares						(0.1)	(0.1)		(0.1)
Valuation of share-based payments						0.6	0.6		0.6
Dividends paid						0.0	0.0		0.0
As of December 31, 2014 [(a)/(b)]	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.3)**	**19.5**	**588.7**	**6.7**	**595.4**

(a) Par value of shares of 1 euro.
(b) Number of shares of capital stock as of December 31, 2014: 16,595,610.
* *Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

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NOTE 1 General Information

1.1 General Information

Groupe Fnac, the Group's parent company, is a French *société anonyme* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Groupe Fnac is subject to all legislation governing commercial companies in France, including the provisions of the French Commercial Code *(Code de commerce)*.

The consolidated financial statements as of December 31, 2014 reflect the accounting position of the Company and its subsidiaries and its interests in associated companies and joint ventures.

On February 26, 2015, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2014. These statements are not final until they have been ratified by the General Shareholders' Meeting.

1.2 Publication background

Groupe Fnac, composed of Groupe Fnac and its subsidiaries (collectively herein "Groupe Fnac") is the leader in the leisure and entertainment retail market in France and a major player on markets in other countries where it operates such as Spain, Portugal, Brazil, Belgium and Switzerland. The Group also operates in Morocco as a franchise.

The admission of Groupe Fnac's securities for trading on the NYSE Euronext regulated market in Paris requires the drafting of consolidated financial statements according to IFRS principles. The methods for preparing these financial statements are described in note 2 on Accounting principles and policies.

Groupe Fnac's consolidated financial statements are presented in millions of euros.

NOTE 2 Accounting principles and policies

2.1 General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, Groupe Fnac's financial statements for fiscal year 2014 have been prepared in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/accounting/index_en.htm) and presented with comparative data for fiscal year 2013 prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB. The Group's financial statements, therefore, have been prepared in compliance with the standards and interpretations as published by the IASB.

The international standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as the interpretations of the Ifric (International Financial Reporting Interpretation Committee).

2.2 IFRS guidelines applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2014

Groupe Fnac has applied the IFRS standards that came into effect on January 1, 2014 and were adopted by the European Union.

The mandatory applicable accounting rules for fiscal years beginning on or after January 1, 2014 are as follows:

* **IFRS 10** – Consolidated financial statements;
* **IFRS 11** – Joint arrangements;
* **IFRS 12** – Disclosure of Interests in Other Entities;
* **amendments to IFRS 10, IFRS 11, IFRS 12 and IAS 27** – Investment entities;
* **IAS 28 Revised** – Investments in associates and joint ventures;
* **amendment to IAS 32** – Presentation – Offsetting financial assets and liabilities;
* **amendment to IAS 36** – Recoverable amount disclosures for non-financial assets;
* **amendment to IAS 39** – Novation of derivatives and maintenance of hedge accounting.

The first-time adoption of the revised IAS 10, IFRS 11 and IFRS 12 had no significant impact on the Group's financial statements.

The other accounting rules are not relevant to the Group or have no material impact on the Group's consolidated annual financial statements as of December 31, 2014.

2.2.2 Interpretation published by the IASB and adopted by the European Union but not mandatory for reporting periods beginning on or after January 1, 2014 and early-applied by the Group

* **IFRIC Interpretation 21** – Levies Charged by Public Authorities.

This interpretation, which was adopted by the European Union on June 17, 2014, was early applied on January 1, 2014. The impact of this interpretation is detailed in note 5 paragraph 2.22.

Main standards, amendments and interpretations published by the IASB, not yet adopted by the European Union

* **IFRS 9** – Financial Instruments.
* **IFRS 15** – Revenue from contracts with customers.
* **Amendments to IAS 16 and IAS 38** – Clarification of acceptable methods of depreciation and amortization.

The impact of the application of these standards and amendments on Groupe Fnac's financial statements is currently being assessed.

Other standards, amendments and interpretations published by the IASB, not yet adopted by the European Union

The rules listed below, published by the IASB and not yet adopted by the European Union, are not relevant to the Group or are not expected to have a material impact on it:

* **amendments to IAS 19** – Employee benefits: employee contributions;
* **IFRS 14** – Regulatory deferral accounts;
* **amendments to IFRS 11** – Accounting for acquisitions of interests in joint arrangements;
* **amendments to IAS 27** – Equity method in separate financial statements;
* **amendments to IAS 10 and IAS 28** – Sale or contribution of assets between an investor and its associate or joint venture.

2.2.3 Options taken on first-time adoption of IFRS

Groupe Fnac prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with the provisions of IFRS 1 – First-time adoption of international financial reporting standards.

In accordance with the option provided for by IFRS 1, Groupe Fnac chose to prepare its first IFRS financial statement on January 1, 2010 based on accounting values for its assets and liabilities as presented in the consolidated financial statements of the Kering Group, after eliminating the adjustments used in the Kering Group's consolidation.

As a consequence, Groupe Fnac has kept the options offered by IFRS 1 identical to those applied by the Kering Group:

* **business combinations:** only business combinations that took place after January 1, 1999 were restated in accordance with IFRS 3;
* **employee benefits:** Groupe Fnac's cumulative actuarial gains and losses were recognized on the transition date and offset against the Kering Group's opening shareholders' equity on its transition to IFRS;
* **cumulative currency exchange differences:** Groupe Fnac's currency exchange differences were reset at zero and offset against the Kering Group's opening shareholders' equity on its transition to IFRS. Consequently, the currency exchange differences shown in shareholders' equity are those arising since January 1, 2004;
* **share-based payments:** in accordance with the option allowed by IFRS 2, for share-based payment plans, Groupe Fnac opted only to apply this standard to plans issued by the Kering Group after November 7, 2002 that had not been vested as of January 1, 2005;
* **financial assets and liabilities recognized prior** to the transition date, either at fair value on the income statement or available for sale, were designated on the Kering Group's transition date (January 1, 2005).

2.3 Framework for the preparation and presentation of the consolidated financial statements

2.3.1 Valuation bases

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

* certain financial assets and liabilities, valued at fair value;
* the proportion of securities held by a subsidiary or associated company, valued at fair value at the moment of loss of control or significant influence;
* non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgment

The preparation of the consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book value of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Depending on changes in these assumptions, the items shown in the Group's future financial statements may differ from current estimates. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main estimates made by Groupe Fnac's management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, Groupe Fnac uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities. The main assumptions and estimates used by Groupe Fnac are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate
Notes 2.10 and 18	Impairment tests for non-financial assets	CGU business combination level for impairment test Main assumptions used for the construction of utility values (discount rates, infinite growth rates, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Notes 2.16 and 25	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent
Notes 2.9 and 21	Inventories	Prospects for inventory disposal for calculating impairment
Notes 2.13 and 11	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 26	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based remuneration plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)

2.3.3 Cash flow statement

The Group's cash flow statement has been prepared in accordance with IAS 7, using the indirect method based on consolidated net comprehensive income and is broken down into three categories:

* cash flow from operating activities (including taxes);
* cash flow from investing activities (in particular, acquisitions and sales of equity interests, and of non-leased assets);
* 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 lease agreement has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities (including ad hoc companies) over which Groupe Fnac exercises control.

Entities are fully consolidated where Groupe Fnac:

* has power over the entity in which is it invested, and obtains or is entitled to obtain variable benefits as a result of its links with the entity in which it is invested; and
* has the ability to exercise its power over the entity in which it is invested so as to affect the amount of benefit it obtains from it.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has:

* power over more than half of the voting rights by virtue of an agreement with other investors;
* power to govern the financial and operating policies of the entity under an agreement;
* power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
* power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Subsidiaries are consolidated from the date that control takes effect and until the date that control ceases.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are eliminated in their entirety.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Associates

Groupe Fnac has no interests in joint ventures or associates.

2.4.3 Business combinations

Groupe Fnac applies IFRS 3 revised – Business combinations.

Business combinations are recognized using the acquisition method:

* the cost of an acquisition is measured at the fair value of the transferred counterpart, including any subsequent price adjustment, at the date of taking control. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
* any difference between the transferred counterpart and the fair value of the identified assets acquired and liabilities assumed on the date of taking control is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at acquisition date. Subsequent impacts are recognized directly in income, as is any change to an estimate or correction of an error.

For any assumption of control involving less than 100% of share capital, the remaining component (non-controlling interest) is measured:

* either at fair value, in which case, goodwill is recorded to represent the non-controlling component (using the "full goodwill" method);
* or as a proportion of the identifiable net assets of the acquired entity: in which case, only the goodwill representing the acquired portion (using the "partial goodwill" method) is recognized.

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 merger (IFRS: "business combination") are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

After the acquisition date, changes to the estimated fair value of price adjustments require an adjustment to goodwill only if they occur within the vesting deadline (maximum one year from acquisition date) and only if they result from facts and circumstances existing at acquisition date. In all other cases, the change is recognized in income or in other items of comprehensive income in accordance with the appropriate IFRS standard.

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 counterpart (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as equity prior to taking control is recycled through the income statement.

2.5 Translation of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in Groupe Fnac are valued using the currency of the main economic environment in which the entity operates ("functional currency"). Groupe Fnac's financial statements are presented in euros, which is Groupe Fnac's presentation currency.

2.5.2 Translation of foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate in force on the date of the transaction.

Monetary amounts in foreign currencies are converted on each balance sheet date using the closing rate of exchange. The currency translation differentials resulting or arising from the settlement of these monetary amounts are recognized as an income or expense for the period.

Non-monetary amounts in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-monetary amounts in foreign currencies valued at fair value are converted at the rate on the date when the fair value was determined. When a profit or loss on a non-monetary item is recognized directly in other items of comprehensive income, the "foreign exchange" component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of foreign-exchange hedging in the form of derivatives is described in the "Derivative Instruments" section of note 2.11.3 "Derivative Instruments".

2.5.3 Foreign currency translation of the financial statements of foreign subsidiaries

Groupe Fnac's consolidated financial statements are presented in euros. The financial statements of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the Company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

* the statement of financial position is translated into euros based on the closing exchange rate at period end;
* the income statement is translated into euros based on the average exchange rate over the reporting period provided it is not called into question by significant changes in the rates;
* any difference resulting from the translation of the statement of financial position at the period-end rate, and the translation of the income statement at the average rate over the period is recognized in other items of comprehensive income as a gain/(loss) on translation.

2.5.4 Net investment in an activity abroad

Foreign exchange differences 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 differences relating to loans in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit and loss on disposal of the net investment.

2.6 Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

From the acquisition date, goodwill is allocated to cash generating units (CGUs) and CGU groups defined by Groupe Fnac. The CGUs or CGU groups to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value might arise. The impairment test for fiscal 2014 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 Groupe Fnac's operating income.

2.7 Intangible non-current assets

Intangible non-current assets mainly consist of software valued at its acquisition or production cost and agreement fees on signing a property lease.

Software acquired for current operations or developed internally by Groupe Fnac that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

Groupe Fnac's lease rights are qualified by Groupe Fnac as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 Tangible non-current assets

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the item.

Subsequent costs are included in the book value of the asset or recognized separately, if appropriate, if it is likely that the future economic benefits associated with the item will go to Groupe Fnac and that the cost of the asset can be reliably assessed. All other current maintenance and repair costs are recognized in expenses for the year in which they are incurred.

The depreciation method used by Groupe Fnac for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is eight to twenty years for fixtures and fittings on land and buildings, and three to ten years for equipment.

Property, plant and equipment are subject to an impairment test whenever an indication of loss of value is identified; for example, a planned closure, reduction in the workforce, or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. In cases when the recoverable value of the asset in isolation cannot be accurately determined, Groupe Fnac determines the recoverable value of the CGU to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease contracts that transfer to Groupe Fnac almost all the risks and benefits inherent in ownership of an asset are classified as finance-lease agreements.

Goods rented by virtue of agreements qualified as finance-lease agreements are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are impaired over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on Groupe Fnac virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary leases are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15, and mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full in profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the operation has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on Groupe Fnac the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 Inventories

Inventory is valued at the lower of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost method.

Inventories include all purchase costs and other costs incurred to get inventories to their place of sale and existing condition (parafiscal taxes, transport costs, provision for unknown discount between the last inventory date and the balance sheet date). The advantages obtained from suppliers counted as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

Groupe Fnac may need to record an impairment on inventories:

* based on likelihood of disposal;
* if they are partially damaged;
* if they are completely obsolete;
* if their sale price is less than their net realizable value.

2.10 Impairment of assets

Goodwill, intangible assets with an unlimited useful life and CGUs or CGU groups containing these elements are annually subject to an impairment test in the second half of the year.

In addition, whenever events or circumstances indicate that there could be loss of value on goodwill, other intangible assets, property, plant and equipment, and CGUs or CGU groups, an impairment test is performed. Such events or circumstances may be linked to significant unfavorable changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a CGU or CGU group is less than the net book value.

The recoverable value of an asset or a CGU or CGU group is the higher of its fair value less costs to sell and its value in use.

The value in use is determined in relation to future cash flow projections, taking account of the time value and specific risks related to the asset or the CGU or CGU group. Future cash flow projections are based on medium-term plans and budgets. These plans are constructed on a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount, which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. These values are determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

If the recoverable value of the asset or CGU or CGU group is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a CGU or CGU group, loss of value is assigned primarily to goodwill if applicable and is recorded on the line "Other non-current operating income and expenses" on the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

On the partial disposal of a CGU, the goodwill value assigned corresponding to the partial exit is valued on the basis of the relative values of the activity disposed of and the portion of the CGU retained, unless another method is more relevant.

2.11 Financial assets and liabilities

Derivative instruments 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 30.

2.11.1 Financial assets

Pursuant to IAS 39, financial assets are classified in one of the following four categories:

* financial assets valued at fair value on the income statement;
* loans and receivables;
* assets held to maturity;
* assets available for sale.

The classification determines the accounting treatment of these instruments. Financial assets are classified by Groupe Fnac on the date of initial accounting, according to the objective for which they were acquired. Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which Groupe Fnac is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

1. Financial assets valued at fair value on the income statement

These are financial assets held by Groupe Fnac to realize a profit on disposal in the short term, or financial assets deliberately classified in this category.

These assets are valued at fair value; changes in their value are recorded in the income statement.

2. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are determined or determinable and that are not listed on an active market and not held for the purposes of a transaction or available for sale.

These assets are valued at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value is 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, other loans and debts and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other non-current financial assets.

3. Assets held to maturity

Assets held to maturity are non-derivative financial assets, other than loans and debts, with a fixed term whose payments are determined or determinable, that Groupe Fnac has the intention and capacity to hold through to maturity. These assets are valued at fair value initially, then at amortized cost using the effective interest rate method.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity appear in non-current financial assets.

4. Assets available for sale

Assets available for sale are non-derivative financial assets that do not come under the abovementioned categories. They are valued at fair value. The recognized underlying capital gains or losses are accounted for in other items of comprehensive income until their disposal. However, if there is objective evidence of impairment of an asset available for sale, the cumulative loss is recognized in income.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques using reliable and observable market data. If it is impossible to reasonably estimate the fair value of a security, it is valued at historic cost. These assets are subject to impairment tests in order to assess their degree of recoverability.

This category mainly includes unconsolidated equity interests and transferable securities that do not come under the other financial asset definitions. They appear in non-current financial assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IAS 39. For Groupe Fnac, financial loans and debts, supplier debts and other debts are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial asset to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at market interest rates. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Hedging relationships are detailed in the section on “Derivative instruments”.

Financial liabilities designated at fair value on options, other than liabilities derivatives, are valued at fair value. Fair value adjustments are accounted for in the income statement. Transaction costs connected with the establishment of these financial liabilities are accounted for immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, Groupe Fnac may need to use various financial instruments to reduce its exposure to foreign exchange risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification, and they are valued at their fair value on the transaction date. The change in fair value of derivative instruments is always recorded on the income statement except in the case of cash flow hedges and net investment hedges.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risk:

* cash flow hedges are used to cover the risk of changes in cash flow attached to recognized assets or liabilities or a highly probable prospective transaction which would affect the consolidated income statement;
* fair value hedges are used to cover the risk of a change in fair value of a recognized asset or liability or a firm commitment not yet recognized which would affect the net consolidated income;
* net investment hedges are used to cover the foreign exchange risk for activities abroad.

Hedge accounting is applicable if, and only if, the following conditions are met:

* a hedging relationship is clearly identified, formalized and documented from the date of its inception;
* the effectiveness of the relationship of the hedge is demonstrated both prospectively and retrospectively. The income obtained in this way must be in a confidence interval between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship:

* for cash flow and net investment hedges:
  - the effective portion of the change in fair value of the hedging instrument is recorded directly against other items of comprehensive income. These amounts are reclassified on the income statement symmetrically to the method of accounting for the hedged items, i.e. principally under gross margin for commercial hedge transactions and under financial income for financial hedge transactions,
  - the ineffective portion of the hedge is recognized in the income statement;
* for fair value hedges, the hedged component of the items is recognized on the balance sheet at its fair value. The change in this fair value is recorded in the income statement and is offset, unless ineffective, by recognition in the income statement of the symmetrical changes in fair value of the financial instruments used as hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the balance sheet comprise liquid assets, units in cash 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 27.

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 current accounts at banks. All the elements in this item are considered cash equivalents as they are easily convertible into a known amount of cash with negligible risk of change of value. These current financial assets, recognized at fair value through income, are held with a view to meeting short-term cash requirements (section 5.2, note 27);
* short-term credit and bank overdrafts: this item includes mainly credit balances at banks (section 5.2 note 28).

2.12 Share-based payments

2.12.1 Shareholders' equity instruments allocated by Groupe Fnac

Share-based transactions payable in cash

Performance-compensation plans, which are eventually paid in cash, were allocated by Groupe Fnac to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is valued on the allotment date then revalued on each balance sheet date. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a liability to personnel. The change in the fair value of the amount payable is recorded in the income statement for each financial year.

Share-based transactions paid in equity instruments

Performance-remuneration plans, which are eventually paid in equity instruments, were allocated by Groupe Fnac to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is irreversibly valued on the allotment date. The mathematical models used for these valuations are described in note 7.2.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.12.2 Shareholders' equity instruments allocated by the Kering Group

Bonus shares and share purchase and subscription options in Kering securities were allocated by the Kering Group to employees of Groupe Fnac. The impact of these allotments on the year ended December 31, 2014 is detailed in note 7.3.

2.13 Taxes

Income tax for the fiscal year consists of due and deferred tax.

Deferred tax is calculated according to the variable carryforward balance sheet method on all timing differences between the net book value on the consolidated balance sheet and the tax value of assets and liabilities, except for goodwill, which is not tax deductible. The valuation of deferred tax is based on the way Groupe Fnac expects to recover or pay the book value of the assets and liabilities using the enacted or anticipated tax rate on the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carryforward of tax losses and tax credits.

A deferred tax asset is recognized only if it appears probable that the Group will obtain sufficient profits in the future to make the tax deferral useful.

The likelihood of recovering the deferred tax assets is reviewed periodically per tax entity and may lead to discontinuing previously recognized deferrals. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. Taxable income is projected over rolling three-year periods. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless Groupe Fnac is in a position to control the date when the timing difference will reverse, and if it is probable that it will not reverse in the foreseeable future.

Company added-value contributions (CVAE), a levy assessed on a company's added value, in Groupe Fnac's opinion meet the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

2.14 Treasury stock and other shareholders' equity instruments

Groupe Fnac may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recorded as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 27.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

Shareholders' equity also includes perpetual super-subordinated notes (TSSDI) classified as equity instruments given the discretionary nature of their remuneration and the lack of obligatory redemption (see note 3.2.2).

2.15 Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the expenditure of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, Groupe Fnac assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with Groupe Fnac's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects the current assessments of the time value of the money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before the balance sheet date. The restructuring costs recorded in provisions correspond mainly to employment costs (redundancy payments, early retirement, lack of notice periods etc.), asset impairments and compensation for breaking contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Groupe Fnac companies contribute to various types of benefits for their employees.

For defined-contribution plans, Groupe Fnac has no obligation to make supplementary payments over and above the contributions already paid to a fund if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected credit unit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately in other items of comprehensive income for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan or the decrease of an obligation following the reduction of a plan, is recognized immediately in the income statement even if the rights to the benefit have not been vested by the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Reductions, payments and costs of past services are recognized in current operating income. The provision recognized on the balance sheet corresponds to the present value of the liabilities thus calculated, after deducting the fair value of the plans' assets.

2.17 Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current assets held for sale and discontinued operations require particular accounting and specific presentation of the assets (or group of assets) held for sale and discontinued operations that were or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value is recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of sale. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on Groupe Fnac's balance sheet, with no restatement for past years.

A discontinued operation that was sold or held for sale is defined as a component of an entity having a cash flow that can be identified separately from that of the rest of the entity and which represents a line of activity or a principal, distinct region. Over the reported periods, the income from these activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

2.18 Recognition of income from ordinary activities

Income is mainly derived from the sale of merchandise and delivery of services provided by the stores and trading websites of the Group, the sale of merchandise by franchises, and franchise fees, which are recognized in net revenues when the services are provided.

Income from ordinary activities is valued at the fair value of the amount received in exchange for the goods and services sold, excluding taxes, net of discounts and rebates and after elimination of intra-group sales.

In accordance with IFRIC 13 – Customer Loyalty programs, the benefits granted to customers through loyalty programs are counted separately from the original sale. The benefits are valued at their fair value and accounted for as a deduction from the original sale, after applying a redemption rate corresponding to the probability of use of the benefits by the members, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered.

Sales of goods are recognized when a Groupe Fnac entity transfers to the purchaser the risks and benefits inherent in ownership of the item, generally at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be recognized as a reduction from the proceeds of ordinary operations, in order to allow for any return of merchandise that could take place after the balance sheet date.

The provision of services, such as sales of extended warranties or services related directly to the sale of the goods, are recognized in the period when the services are rendered. If an entity of the Group acts as an agent in the sale of these services, the revenues are recognized at the time of the sale, and correspond to the margin generated or the commission received. This mainly concerns ticket sales, the sale of gift boxes, certain extended warranties and web sales generated on behalf of suppliers (Marketplace).

2.19 Operating income

Operating income includes all the income and costs directly related to Groupe Fnac operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

Other non-current operating income and expenses, excluding current operating income, include:

* restructuring costs and costs relating to headcount reductions;
* impairment losses on capitalized assets identified primarily in impairment tests on cash generating units (CGUs) and goodwill;
* gains or losses linked to changes in consolidation scope (acquisition or disposal);
* major litigation not arising from the Group's operating activities.

2.20 Earnings per share

Net earnings per share are calculated by dividing the Group share of consolidated net profit by the weighted average number of shares in circulation during the financial year.

Diluted net earnings per share are calculated by dividing the Group share of consolidated net profit for the year by the average number of shares in circulation together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net earnings excluding non-current items per share are calculated by adjusting the Group share of consolidated net profit for non-current items for their amount net of tax and non-controlled interests. The non-current items used for this calculation correspond to items under “Other non-current operating income and expenses” on the income statement.

2.21 Operating segments

In accordance with IFRS 8 – Operating segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman & CEO and the Executive Committee members who constitute Groupe Fnac’s principal decision-making body.

An operating segment is a distinct component of Groupe Fnac, engaged in activities likely to generate income and incur expenses, whose operating results are regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to common performance indicators for all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographic regions composed of several countries in which Groupe Fnac conducts its operations through stores:

* France: this segment consists of Groupe Fnac activities in France;
* Iberian Peninsula: this segment consists of Groupe Fnac activities in Spain and Portugal;
* Brazil: this segment consists of Groupe Fnac activities in Brazil;
* Other countries: this segment consists of Groupe Fnac activities in Belgium and Switzerland.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by Groupe Fnac for its consolidated financial statements.

2.22 Early application of interpretation IFRIC 21

Interpretation IFRIC 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013.

For Groupe Fnac, the fiscal impact of these changes concern social security and solidarity contributions and the taxation of retail space.

Only Groupe Fnac’s French companies are impacted by this interpretation.

The impact of this change in accounting methods is:

(€ million)	01/01/2013	12/31/2013	01/01/2014	06/30/2014	12/31/2014
Impact on other current income and expenses		0.1		(5.2)	1.2
Impact on Group share of reserves	9.7	9.7	9.8	9.8	9.8
Total impact on Group shareholders’ equity	**9.7**	**9.8**	**9.8**	**4.6**	**11.0**
Impact on tax liabilities (excluding corporate tax)	(9.7)	(9.8)	(9.8)	(4.6)	(11.0)

NOTE 3 Highlights

3.1 Changes in scope of consolidation

In October 2013, the Fimilac Group and Groupe Fnac announced their intent to form a partnership to develop ticketing solutions.

The Fimalac Group has taken a 50% stake in Kyro, a subsidiary of France Billet, which offers a ticketing solution for entertainment professionals, venues and producers.

This transaction was approved by the French Competition Authority on April 11, 2014.

In the second half of 2014, Groupe Fnac continued its commitment to optimizing its legal organization. Thus, the company Kyro absorbed the company Datasport SAS (previously called J.F.C.L) via a universal contribution of assets. In the first half of 2014, the company Datasport SAS had absorbed its two subsidiaries Datasport and Datasport Ouest via a universal contribution of assets.

3.2 Other significant events

On July 24, 2014, with the syndicate of lenders the Group signed an amendment to the revolving credit facility in the amount of €250 million concluded on April 19, 2013.

The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in case of changes in the stake of Artémis in the capital of Groupe Fnac.

The maturity of the credit facility was extended to July 24, 2017 (versus April 18, 2016 initially). The early repayment clause if the stake of Artémis in the equity of Groupe Fnac should fall below 38.8% before April 18, 2015 and 25% before April 18, 2016 is maintained in its original form without extension until the new maturity of the credit facility.

NOTE 4 Operating segments

The information on operating segments follows the same accounting rules as those used for the consolidated financial statements, described in the notes to the financial statements.

The assessment of the performance of each operating segment, as used by the main operating decision-maker, is based on current operating income.

Non-cash income and expenses mainly include current and non-current provisions and reversals of amortizations and provisions for non-current assets, and provisions for contingencies and expenses.

Acquisitions of intangible assets and property, plant and equipment correspond to acquisitions of non-current assets including changes in debt on non-current assets. They do not include capital investments on a finance-lease agreement.

Non-current segment assets consist of goodwill and other intangible and tangible non-current assets and of other non-current assets. Segment assets consist of non-current segment assets, inventory, trade receivables, customer loans and other current assets. Segment liabilities consist of the financing for customer loans, trade payables, and other current liabilities.

4.1 Information per operating segment

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2014					
Income from ordinary activities	**2,776.9**	**659.1**	**174.9**	**284.2**	**3,895.1**
Consumer electronics	1,512.7	397.7	124.1	150.3	2,184.8
Publishing products	1,095.0	244.3	46.9	126.1	1,512.3
Services	169.2	17.1	3.9	7.8	198.0
Operating income	**40.7**	**20.5**	**1.5**	**5.3**	**68.0**
Income and expenses with no impact on cash [(a)]	45.5	12.3	(4.1)	3.4	57.1
Purchase of tangible and intangible non-current assets [(b)]	37.6	8.7	0.8	1.6	48.7
Segment assets	**1,001.1**	**167.3**	**69.3**	**68.3**	**1,306.0**
Segment liabilities	**851.6**	**237.2**	**25.8**	**62.4**	**1,177.0**

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2013					
Income from ordinary activities	**2,761.9**	**654.3**	**197.2**	**291.9**	**3,905.3**
Consumer electronics	1,473.9	390.4	132.1	153.7	2,150.1
Publishing products	1,125.5	247.8	60.0	129.8	1,563.1
Services	162.5	16.1	5.1	8.4	192.1
Operating income	**13.3**	**20.3**	**4.4**	**5.2**	**43.2**
Income and expenses with no impact on cash [(a)]	42.6	17.3	(4.0)	3.1	59.0
Purchase of tangible and intangible non-current assets [(b)]	39.6	5.3	0.8	2.9	48.6
Segment assets	**997.0**	**159.7**	**65.8**	**74.4**	**1,296.9**
Segment liabilities	**832.5**	**214.2**	**27.2**	**66.5**	**1,140.4**

(a) Income and expenses with no impact on cash include:
- current and non-current amortization and depreciation, as well as impairment of non-current assets;
- current & non-current provisions for contingencies and charges;
- provisions, 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;
- deferred tax charges and reversals.

(b) Purchase of tangible and intangible non-current assets excluding finance leases including changes in receivables and payables relating to assets.

4.2 Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2014	2013
Goodwill	332.4	332.0
Intangible non-current assets	68.1	69.6
Property, plant and equipment	163.2	181.3
Other non-current assets and liabilities	0.1	0.3
Non-current segment assets	**563.8**	**583.2**
Inventories	469.4	472.9
Trade receivables	129.7	121.5
Other current assets	143.1	119.3
Segment assets	**1,306.0**	**1,296.9**
Non-current financial assets	6.9	7.6
Deferred tax assets	33.0	28.1
Tax receivables due	6.2	13.1
Other current financial assets	4.9	5.5
Cash and cash equivalents	535.6	461.6
Assets held for sale	0.0	0.0
TOTAL ASSETS	**1,892.6**	**1,812.8**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	2014	2013
Trade payables	767.7	692.6
Other current liabilities	409.3	447.8
Segment liabilities	**1,177.0**	**1,140.4**
Shareholders' equity, Group share	588.7	549.6
Shareholders' equity – Share attributable to non-controlling interests	6.7	0.0
Long-term borrowings and financial debt	0.3	0.5
Non-current provisions for pensions and other similar benefits	69.1	58.6
Short-term borrowings and financial debt	0.2	0.2
Other current financial liabilities	2.5	5.0
Current provisions	34.8	41.7
Tax liabilities payable	13.3	16.8
Liabilities relating to assets held for sale	0.0	0.0
TOTAL LIABILITIES	**1,892.6**	**1,812.8**

NOTE 5 Income from ordinary activities

(€ million)	2014	2013
Net sales of goods	3,697.1	3,713.2
Net sales of services	162.2	159.1
Other revenue	35.8	33.0
TOTAL SALES	**3,895.1**	**3,905.3**

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, phone services, gift boxes, "NES" extended warranties and Marketplace).

Other income mainly includes reinvoicing of shipping costs and commissions.

NOTE 6 Personnel expenses

Payroll costs mainly included fixed and variable remuneration, social security contributions, expenses related to employee profit-sharing and other incentives, the cost of training, and expenses related to employee benefits recognized in current operating income (note 25).

(€ million)	2014	2013
France	(431.7)	(431.3)
Iberian Peninsula	(68.8)	(68.9)
Brazil	(15.2)	(17.2)
Other countries	(39.5)	(41.4)
TOTAL	**(555.2)**	**(558.8)**

In 2014, payroll costs included an expense of €18.4 million related to the application of IFRS 2 regarding all share-based transactions involving Groupe Fnac shares.

The average paid workforce for Groupe Fnac's activities, in full-time equivalent, was composed as follows:

	2014	2013
France	7,948	8,367
Iberian Peninsula	2,762	2,855
Brazil	737	823
Other countries	701	759
TOTAL	**12,148**	**12,804**

The total paid workforce as of December 31, for Groupe Fnac's activities was as follows:

	2014	2013
France	8,816	9,430
Iberian Peninsula	3,940	3,951
Brazil	819	888
Other countries	903	988
TOTAL	**14,478**	**15,257**

NOTE 7 Performance-based remuneration plans

7.1 Value unit plan

The total IFRS 2 expense recognized as of December 31, 2014 for the value units plans granted in 2013 and 2014 amounted to €14.1 million.

Plan 2014

On the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award value units to certain Group employees (125 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The value units will be vested on February 28, 2016 (and February 28, 2017 for Executive Board members) subject to presence and performance conditions. The value per unit is based on an average of Groupe Fnac share prices. If the share price of Groupe Fnac in February 2016 is lower than a predefined price, there will be no payment. The associated cash payment will be effective in April 2016 and February 2017.

The total IFRS 2 expense recognized as of December 31, 2014 for the value units plan amounted to €3.2 million.

The main features of this plan are summarized below:

Main features	2014-2017 value units plan
Date of Board of Directors meeting	February 26, 2014
Vesting period	2 years/3 years
Date of award	February 28, 2016 and February 28, 2017
Number of beneficiaries	125
Performance condition	Yes

Number of value units	2014-2017 value units plan
In the process of being vested as of January 1, 2014	**0**
Awarded	170,048
Vested	0
Cancelled	1,294
In the process of being vested as of December 31, 2014	**168,754**

Plan 2013

The total IFRS 2 expense recognized as of December 31, 2014 for the value units plan amounted to €10.9 million.
The main features of this plan are summarized below:

Main features	2013-2016 value units plan
Date of Board of Directors meeting	July 30, 2013
Vesting period	2 years/3 years
Date of award	July 31, 2015 and July 31, 2016
Number of beneficiaries at inception	112
Number of beneficiaries as of Dec. 31, 2014	101
Performance condition	Yes

Number of value units	2013-2016 value units plan
In the process of being vested as of January 1, 2014	**456,018**
Awarded	0
Vested	0
Cancelled	38,807
In the process of being vested as of December 31, 2014	**417,211**

7.2 Performance share plan

The total IFRS 2 expense recognized as of December 31, 2014 for the performance share plan granted in 2013 and 2014 amounted to €4.3 million.

Plan 2014

On the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award performance options to certain Directors of the Group in order to link them to the Company's performance through an increase in the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

These options will only be definitively vested in progressive stages, in tranches, at the end of two successive vesting periods (March 2014 – September 2016, and March 2014 – September 2017) subject to the beneficiary's presence in the Group at the end of the vesting period in question and will be subject to a performance condition defined for Groupe Fnac share for each of the two periods. The options must be exercised between the October 1 and 20 following the end of the vesting period.

The main features are summarized below:

Main features	2014-2017 performance stock options plan
Date of Board of Directors meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	23.60
Number of beneficiaries	9
Performance condition	Yes

Number of stock options	2014-2017 performance stock options plan
In the process of being vested as of January 1, 2014	**0**
Awarded	366,406
Vested	0
Cancelled	0
In the process of being vested as of December 31, 2014	**366,406**

Valuation method

The fair value of the options allotted was valued using the Black & Scholes method based on a volatility assumption of 30%.

The risk-free interest rates correspond to the interest rate yield curve on the date of allotment, for one-month to seven-year interbank swaps.

The total IFRS 2 expense recognized as of December 31, 2014 for the 2014 performance share plan amounted to €1.3 million.

Plan 2013

The main features of this plan are summarized below:

Main features	2013-2017 performance stock options plan
Date of Board of Directors meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	20.28
Number of beneficiaries	10
Performance condition	Yes

Number of stock options	2013-2017 performance stock options plan
In the process of being vested as of January 1, 2014	**656,536**
Awarded	0
Vested	0
Cancelled	0
In the process of being vested as of December 31, 2014	**656,536**

Valuation method

The fair value of the options awarded was valued using the Black & Scholes method based on a volatility assumption of 30%.

The risk-free interest rates correspond to the interest rate yield curve on the date of allotment, for one-month to seven-year interbank swaps.

The total IFRS 2 expense recognized as of December 31, 2014 for the 2013 performance share plans amounted to €3 million.

7.3 Analysis of sensitivity to fluctuations in Fnac share price

A share price of €41.5 has been used to measure the fair value of the Group's value-unit plan and performance-share plan obligations. The impact of a €1 change upwards or downwards in its share price, on the fair value of its obligations is €0.7 million.

7.4 Kering bonus share allotment plans and share purchase and subscription plans

Bonus shares and share purchase and subscription options in Kering securities were allocated by the Kering Group to employees of Groupe Fnac. In accordance with the transitional provisions of IFRS 2 on plans paid in equity instruments, only plans issued after November 7, 2002, which were not vested as of January 1, 2005 were subject to valuation.

In 2014, no amounts were invoiced by the Kering Group to Groupe Fnac for these plans. A total of €3.3 million was reinvoiced in 2013 by the Kering Group to Groupe Fnac for plans definitively allotted to Groupe Fnac employees.

At December 31, 2014, there were no further non-eligible plans (prior to November 7, 2002). The main features of these plans are summarized below:

Stock-option and bonus share plans	2004/1 plan	2005/2 plan	2005/3 plan	2006/1 plan	2007/1 plan	2010/2 plan	2011/2 plan	2012/1 plan	2012/2 plan
	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Bonus shares	Bonus shares	Bonus shares	Bonus shares
Date of award	05/25/2004	05/19/2005	05/19/2005	05/23/2006	05/14/2007	05/19/2010	05/19/2011	04/27/2012	04/27/2012
Expiration date	05/24/2014	05/18/2015	05/18/2015	05/22/2014	05/13/2015	N/A	N/A	N/A	N/A
Vesting period	(a)	(b)	(b)	(b)	(b)	(c)	(c)	(d)	(c)
Number of beneficiaries	192	112	5	94	46	42	43	76	38
Number originally awarded	89,125	47,610	2,120	52,517	49,050	5,585	5,110	15,991	3,685
Number outstanding at 12/31/2013	6,290	4,398	0	5,366	21,160	4,390	4,365	12,514	3,105
Number outstanding at 01/01/2014	6,290	4,398	0	5,366	21,160	4,540	4,365	12,514	3,105
Number cancelled in 2014		680			900		135	5	130
Number exercised in 2014	4,890	1,148		4,226	500				
Number of shares awarded						4,540		9,618	
Number expired in 2014	1,400			1,140					
Number outstanding as of 12/31/2014		2,570			19,760		4,230	0	2,975
Number exercisable as of 12/31/2014		2,570			19,760				
Exercise price *(€)*	85.57	78.01	78.97	101.83	127.58				
Weighted average price of the options exercised & shares remitted *(€)*	162.99	159.29		166.4	173.14				

The exercise of share purchase options and the delivery of bonus shares do not give rise to a capital increase.

For all these plans, the lock-in period is four years from the date of allotment.

(a) Twenty-five percent of the options are vested per full year of presence in the Group except in the case of retirement (vesting of all rights). In the event of dismissal for serious misconduct or gross negligence, all rights are forfeited including after the end of the lock-in period.

(b) Twenty-five percent of the options are vested per full year of presence in the Group except in the case of retirement (vesting of all rights) and resignation (all rights forfeited). In the event of dismissal for serious misconduct or gross negligence, all rights are forfeited including after the end of the lock-in period.

(c) The shares are vested four years after their allotment except in the case of resignation or dismissal for serious misconduct or gross negligence (all rights forfeited). The number of shares definitively allotted is subject to the share's performance on the stock market. There is no lock-in period.

(d) The shares are vested two years after their allotment except in the case of resignation or dismissal for serious misconduct or gross negligence (all rights forfeited). The number of shares definitively allotted is subject to the share's performance on the stock market. The vesting period is followed by a two-year period during which the shares are locked-in and cannot be accessed.

The valuation of services rendered by the beneficiaries is assessed on the plans' allotment date:

* for share purchase and subscription plans, using a Black & Scholes type method with a trinomial algorithm and thresholds for exercising the options, in particular taking account of the number of options that could potentially be exercised at the end of the vesting period;
* for bonus share allotment plans, using a Black & Scholes type method with Monte Carlo algorithm having two underlyers.

NOTE 8 Current operating income

Current operating income represents the main indicator for monitoring the operating performance of Groupe Fnac. It is composed as follows:

(€ million)	**2014**	**2013**
France	47.3	42.7
Iberian Peninsula	23.6	21.3
Brazil	(0.9)	0.7
Other countries	7.1	7.1
Current operating income	**77.1**	**71.8**

Other current operating income and expenses amounted to a net expense of €511.6 million in 2014 (compared to a net expense of €533.8 million in 2013).

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and advertising costs.

NOTE 9 Other non-current operating income and expense

(€ million)	2014	2013
Non-current operating expenses	**(12.7)**	**(36.1)**
Restructuring costs	(12.7)	(29.4)
Impairment of assets and proceeds from asset disposals	0.0	0.0
Litigation and disputes	0.0	(4.7)
Other risks	0.0	(2.0)
Non-current operating income	**3.6**	**7.5**
Gains on asset disposals	0.0	7.5
Litigation and disputes	3.6	0.0
TOTAL	**(9.1)**	**(28.6)**

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

The total expense of €9.1 million in 2014 consisted mainly of the following:

* restructuring costs of €12.7 million in France and abroad;
* net proceeds from litigation and disputes in the amount of €3.6 million.

The total expense of €28.6 million in 2013 consisted mainly of the following:

* restructuring costs of €29.4 million in France and abroad;
* litigation and disputes and other operating and tax risks of €6.7 million;
* a capital gain of €7.5 million on the disposal of equity securities in Cyrillus Deutschland GmbH, and the disposal of the Form@ Home subsidiary.

NOTE 10 (Net) financial expense

Net financial expenses break down as follows:

(€ million)	2014	2013
Cost of net financial debt	**(0.3)**	**(0.3)**
Income from cash and cash equivalents	0.7	0.5
Financial expense at amortized cost	(1.0)	(0.8)
Other financial income and expenses	**(11.8)**	**(11.4)**
Origination and unused line of credit fees	(5.4)	(3.6)
Impact of discounting net debt related to defined benefit plans	(1.9)	(1.7)
Cost of consumer credit	(4.8)	(6.2)
Other net financial expenses	0.3	0.1
TOTAL	**(12.1)**	**(11.7)**

As of December 31, 2014, financial income was composed of a financial expense of €12.1 million, compared with a financial expense of €11.7 million for the same period the previous year.

The cost of Group debt in 2014 was unchanged from 2013 at €0.3 million.

Other financial income and expenses are principally composed of:

* the share of the cost of the €250 million revolving credit facility spread over three years, for a total expense of €5.4 million;
* expenses for the cost of consumer credit totaling €4.8 million in 2014 (compared to an expense of €6.2 million in 2013);
* the effect of discounting assets and liabilities for the Group's post-employment benefits for a total expense of €1.9 million in 2014 (compared to an expense of €1.7 million in 2013).

NOTE 11 Tax

11.1 Breakdown of the income tax expense from continuing operations

11.1.1 Income taxes

(€ million)	2014	2013
Income before taxes	**55.9**	**31.5**
Tax charge payable excluding the corporate value-added tax (CVAE)	(8.9)	(2.4)
Tax charge related to the corporate value-added tax (CVAE)	(9.2)	(9.9)
Deferred tax income/(expense)	3.6	(3.3)
Total tax liability	**(14.5)**	**(15.6)**
Effective tax rate	**25.94%**	**49.52%**

11.1.2 Rationalization of the income tax rate

(as a % of income before taxes)	2014	2013
Tax rate applicable in France	**38.00%**	**38.00%**
Impact of the taxation of foreign subsidiaries	(15.68%)	(10.43%)
Theoretical tax rate	**22.32%**	**27.57%**
Impact of items taxed at a lower rate	(1.59%)	(3.06%)
Impact of permanent timing differences	3.97%	(18.01%)
Impact of unrecognized timing differences	(14.51%)	(21.80%)
Impact of unrecognized tax-loss carry-forwards	2.95%	41.91%
Impact of the Corporate Value-Added Tax	12.76%	22.76%
Other	0.04%	0.15%
Effective tax rate	**25.94%**	**49.52%**

The income tax rate applicable in France is the basic rate of 33.33% increased by the social security contribution of 3.3%, and an exceptional increase of 10.7% for French companies with revenues in excess of €250 million, taking it to 38%.

The change in the impact of unrecognized tax-loss carryforwards reflects the reduction in losses incurred during fiscal 2014 versus the previous year.

11.1.3 Current tax rate

Excluding non-current items, the Group's tax rate is as follows:

(€ million)	2014	2013
Income before taxes	55.9	31.5
Non-current items	(9.1)	(28.6)
Current income before taxes	**65.0**	**60.1**
Total tax liability	(14.5)	(15.6)
Tax on non-current items	2.4	1.0
Current tax liability	**(16.9)**	**(16.6)**
Current tax rate	**26.00%**	**27.62%**

On January 1, 2013, Groupe Fnac formed its own tax consolidation group for all its French subsidiaries (excluding Datasport Group companies).

In 2014, the tax group consisted of Groupe Fnac and all its subsidiaries with the exception of Kyro (the Datasport Group having been consolidated into Kyro in 2014, with Fimalac taking a 50% stake in Kyro).

11.2 Changes in balance sheet items

11.2.1 Current tax

(€ million)	2013	On Income	WCR cash flow	IFRS 5 flows	Changes in scope of consolidation	2014
Tax receivables due	13.1					6.2
Tax liabilities payable	(16.8)					(13.3)
Taxes payable	**(3.7)**	**(18.1)**	**13.6**	**0.0**	**1.1**	**(7.1)**

(€ million)	2012	On Income	WCR cash flow	IFRS 5 flows	Changes in scope of consolidation	2013
Tax receivables due	9.2					13.1
Tax liabilities payable	(10.6)					(16.8)
Taxes payable	**(1.4)**	**(12.3)**	**9.9**	**0.0**	**0.1**	**(3.7)**

11.2.2 Deferred taxes

(€ million)	2013	On Income	Items recognized as shareholders' equity	Foreign exchange & other differences	2014
Net deferred tax assets	28.1	3.6	2.2	(0.9)	33.0
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**28.1**	**3.6**	**2.2**	**(0.9)**	**33.0**

(€ million)	2013	On Income	Items recognized as shareholders' equity	Foreign exchange & other differences	2014
Provisions for pensions and other similar benefits	18.1	(1.0)	2.2		19.3
Recognized tax losses and tax credits	6.9	3.0			9.9
Other assets & liabilities	3.1	1.6		(0.9)	3.8
Net deferred tax assets (liabilities)	**28.1**	**3.6**	**2.2**	**(0.9)**	**33.0**

(€ million)	2012	On Income	Items recognized in shareholders' equity	Foreign exchange & other differences	2013
Net deferred tax assets	33.9	(3.3)	(2.4)	(0.1)	28.1
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**33.9**	**(3.3)**	**(2.4)**	**(0.1)**	**28.1**

(€ million)	2012	On Income	Items recognized in shareholders' equity	Foreign exchange & other differences	2013
Provisions for pensions and other equivalent benefits	20.5		(2.4)		18.1
Recognized tax losses and tax credits	6.7	1.1		(0.9)	6.9
Other assets & liabilities	6.7	(4.4)		0.8	3.1
Net deferred tax assets (liabilities)	**33.9**	**(3.3)**	**(2.4)**	**(0.1)**	**28.1**

In 2014, recognized tax losses and tax credits of €9.9 million were related to the overall Groupe Fnac scope of consolidation.

In 2013, recognized tax losses and tax credits of €6.9 million were related to the overall Groupe Fnac scope of consolidation.

11.3 Unrecognized deferred tax

The change in tax losses and unused tax credits is as follows:

(€ million)	2014	2013 restated*
Non-activated tax losses	73.0	77.5
Non-activated timing differences	33.3	47.2
TOTAL UNRECOGNIZED TAX BASES	**106.3**	**124.7**

* *The restatement of unactivated 2013 tax losses relates to a tax reassessment sent after the publication of the 2013 Registration Document. The restatement of unactivated 2013 timing differences takes into account the impact of interpretation IFRIC 21.*

The change in non-activated timing differences mainly reflects the reduction in the provision for risks (note 26).

As of December 31, 2014, there were no unrecognized deferred taxes for timing differences relating to shareholdings in subsidiaries.

11.4 Tax loss changes and timing

(€ million)	Total	Non-activated portion	Activated portion
As of December 31, 2013	**99.5**	**77.5**	**22.0**
Losses generated during the financial year	7.0		
Losses deducted and time-barred over the year	(6.6)		
Changes in scope of consolidation and exchange rates	0.9		
As of December 31, 2014	**100.8**	**73.0**	**27.8**
Tax-loss carry-forwards with a maturity of	**0.0**	**0.0**	**0.0**
Less than 5 years	0.0		
More than 5 years	0.0		
Indefinite tax-loss carry-forwards	**100.8**	**73.0**	**27.8**
TOTAL	**100.8**	**73.0**	**27.8**

NOTE 12 Assets held for sale and discontinued operations sold or held for sale

For the periods in question, discontinued operations sold or held for sale are primarily those of Fnac Italy (sold in November 2012).

Pursuant to IFRS 5, Groupe Fnac no longer amortizes these groups of assets and all assets that comprise it as from the date of their classification as "discontinued operations sold or held for sale." For all published periods, net income from these operations is presented separately in the income statement, "Discontinued operations," and is restated in the cash flow statement. Assets and liabilities of "operations sold or held for sale" are presented separately in the Groupe Fnac balance sheet, with no restatement for prior periods. Assets and liabilities of "discontinued operations" are not presented separately in the Groupe Fnac balance sheet.

Impact on the financial statements

The income statement and cash flow statement for discontinued operations sold or held for sale are as follows:

(€ million)	2014	2013
Income from ordinary activities		
Cost of sales		
Gross margin	**0.0**	**0.0**
Personnel expenses		
Other current operating income and expenses		
Current operating income	**0.0**	**0.0**
Other non-current operating income and expenses		(1.1)
Operating income	**0.0**	**(1.1)**
(Net) financial expense		
Pre-tax income	**0.0**	**(1.1)**
Income tax		
Consolidated net income	**0.0**	**(1.1)**

(€ million)	2014	2013
Net cash flows from operating activities		(1.2)
Net cash flows from investing activities		
Net cash flows from financing activities		
Net cash flows	**0.0**	**(1.2)**
Opening cash balance or net cash flows and change in intra-group cash flows		
Cash flows from discontinued operations	**0.0**	**(1.2)**

(€ million)	2014	2013
Assets held for sale	**0.0**	**0.0**
Liabilities relating to assets held for sale	**0.0**	**0.0**

In 2013, other non-current operating income and expenses related to the settlement of the disposal of Fnac Italy.

Operations sold or held for sale had no impact on the presentation of the Group's consolidated balance sheet.

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 2014, Groupe Fnac held an average of 41,931 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2014, Groupe Fnac liquidated its position and did not hold any treasury shares.

Net diluted earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of dilutive potential ordinary shares. Dilutive potential shares correspond to the shares granted to employees as part of transactions for which payment is based on shares settled with equity instruments.

Diluted earnings per share is equal to net earnings per share to the extent that no instrument issued by Groupe Fnac had a dilutive effect in 2014.

For 2014, instruments issued by Groupe Fnac had a dilutive effect of 173,758 shares.

The number of shares that could potentially become dilutive during a subsequent fiscal year was 431,205.

13.1 Earnings per share

Earnings per share as of December 31, 2014

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**41.8**	**41.8**	**0.0**
Weighted average number of ordinary shares issued	16,595,610	16,595,610	16,595,610
Weighted average number of treasury shares	(41,931)	(41,931)	(41,931)
Weighted average number of ordinary shares	**16,553,679**	**16,553,679**	**16,553,679**
Basic earnings per share *(€)*	**2.53**	**2.53**	**0.00**

(€ million)	Group share		
	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**41.8**	**41.8**	**0.0**
Convertible and exchangeable instruments			
Diluted net income, Group share	**41.8**	**41.8**	**0.0**
Weighted average number of ordinary shares	16,553,679	16,553,679	16,553,679
Potentially diluting ordinary shares	173,758	173,758	173,758
Weighted average number of diluted ordinary shares	**16,727,437**	**16,727,437**	**16,727,437**
Diluted earnings per share *(€)*	**2.50**	**2.50**	**0.00**

Earnings per share as of December 31, 2013

(€ million)	Group share		
	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**14.8**	**15.9**	**(1.1)**
Weighted average number of ordinary shares issued	16,595,610	16,595,610	16,595,610
Weighted average number of treasury shares	(12,662)	(12,662)	(12,662)
Weighted average number of ordinary shares	**16,582,948**	**16,582,948**	**16,582,948**
Basic earnings per share *(€)*	**0.89**	**0.96**	**(0.07)**

(€ million)	Group share		
	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**14.8**	**15.9**	**(1.1)**
Convertible and exchangeable instruments			
Diluted net income, Group share	**14.8**	**15.9**	**(1.1)**
Weighted average number of ordinary shares	16,582,948	16,582,948	16,582,948
Potentially diluting ordinary shares			
Weighted average number of diluted ordinary shares	**16,582,948**	**16,582,948**	**16,582,948**
Diluted earnings per share *(€)*	**0.89**	**0.96**	**(0.07)**

13.2 Earnings per share from continuing operations excluding non-current items

Non-current items pertain to the line item "Other non-current operating income and expenses" in the income statement for its amount net of tax and non-controlling interests.

(€ million)	2014	2013
Net income from continuing operations attributable to ordinary shareholders	**41.8**	**15.9**
Other non-current operating income and expenses	(9.1)	(28.6)
Taxes on other non-current operating income and expenses	2.4	1.0
Non-controlling interests in other products and non-current expense	(1.2)	
Net income excluding non-current items	**49.7**	**43.5**
Weighted average number of ordinary shares issued	16,595,610	16,595,610
Weighted average number of treasury shares	(41,931)	(12,662)
Weighted average number of ordinary shares	**16,553,679**	**16,582,948**
Basic earnings per share excluding non-current items *(€)*	**3.00**	**2.62**
Net income excluding non-current items	**49.7**	**43.5**
Convertible and exchangeable instruments		
Diluted net income, Group share	**49.7**	**43.5**
Weighted average number of ordinary shares	16,553,679	16,582,948
Potentially diluting ordinary shares	173,758	0
Weighted average number of diluted ordinary shares	**16,727,437**	**16,582,948**
Basic earnings per share excluding non-current items *(€)*	**2.97**	**2.62**

NOTE 14 Other comprehensive income items

Other comprehensive income items mainly comprise:

* profit and loss from the conversion of the financial statements of operations outside France;
* items relating to the assessment of employee benefit obligations: re-evaluation of net liabilities for defined benefit plans.

The amount of these items before and after related income tax effects and adjustments for reclassification of results are as follows:

(€ million)	Gross	Tax	Net
Currency translation adjustments	0.2		0.2
Items that may be reclassified to profit or loss	**0.2**	**0.0**	**0.2**
Revaluation of net liabilities for defined benefit plans	(7.1)	2.2	(4.9)
Items that may not be reclassified to profit or loss	**(7.1)**	**2.2**	**(4.9)**
Other items of comprehensive income as of December 31, 2014	**(6.9)**	**2.2**	**(4.7)**

(€ million)	Gross	Tax	Net
Currency transaction adjustments	(5.1)		(5.1)
Items that may be reclassified to profit or loss	**(5.1)**	**0.0**	**(5.1)**
Revaluation of net liabilities for defined benefit plans	8.8	(2.4)	6.4
Items that may not be reclassified to profit or loss	**8.8**	**(2.4)**	**6.4**
Other items of comprehensive income as of December 31, 2013	**3.7**	**(2.4)**	**1.3**

NOTE 15 Goodwill

(€ million)	Gross	Impairment	Net
Goodwill as of January 1, 2013	**405.5**	**(82.0)**	**323.5**
Acquisitions	8.5		8.5
Foreign exchange fluctuations	(0.8)	0.8	(0.0)
Other changes	(1.7)	1.7	0.0
Goodwill as of December 31, 2013	**411.5**	**(79.5)**	**332.0**
Acquisitions	0.4		0.4
Foreign exchange fluctuations	0.1	(0.1)	0.0
Other changes			0.0
Goodwill as of December 31, 2014	**412.0**	**(79.6)**	**332.4**

In 2014, changes in goodwill reflected valuation adjustments due to the entry into the consolidation scope of Datasport group in 2013.

In 2013, acquisitions of goodwill relate to the first-time consolidation of the Datasport group for €8.5 million.

In 2013, other changes pertain to the absorption of the Fnac Service subsidiary by the Fnac Direct subsidiary.

Asset impairment tests performed in 2014 showed a value in use that was higher than the net asset value for each tested CGU. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated to cash generating units as follows:

(€ million)	2014	2013
France	317.1	316.7
Brazil	0.0	0.0
Other countries	15.3	15.3
of which Belgium	*15.3*	*15.3*
TOTAL	**332.4**	**332.0**

NOTE 16 Intangible non-current assets

Gross values as of December 31, 2014

(€ million)	2013	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2014
Software	333.5	15.3	(1.7)	0.1	4.0	351.2
Other intangible non-current assets	15.9	5.2	0.0	0.0	(2.7)	18.4
TOTAL	**349.4**	**20.5**	**(1.7)**	**0.1**	**1.3**	**369.6**

Amortization and depreciation as of December 31, 2014

(€ million)	2013	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2014
Software	(276.4)	(23.4)	0.8	0.0	0.9	(298.1)
Other intangible non-current assets	(3.4)	(0.6)	0.0	0.0	0.6	(3.4)
TOTAL	**(279.8)**	**(24.0)**	**0.8**	**0.0**	**1.5**	**(301.5)**

Net values as of December 31, 2014

(€ million)	2013	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2014
Software	57.1	15.3	(23.4)	(0.9)	0.1	4.9	53.1
Other intangible non-current assets	12.5	5.2	(0.6)	0.0	0.0	(2.1)	15.0
TOTAL	**69.6**	**20.5**	**(24.0)**	**(0.9)**	**0.1**	**2.8**	**68.1**

Gross values as of December 31, 2013

(€ million)	2012	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	315.9	18.7	(7.3)	(0.9)	7.1	333.5
Other intangible non-current assets	20.5	1.0	(0.1)	(0.1)	(5.4)	15.9
TOTAL	**336.4**	**19.7**	**(7.4)**	**(1.0)**	**1.7**	**349.4**

Amortization and depreciation as of December 31, 2013

(€ million)	2012	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	(257.1)	(25.0)	6.4	0.9	(1.6)	(276.4)
Other intangible non-current assets	(6.0)	(1.2)	1.7	0.0	2.1	(3.4)
TOTAL	**(263.1)**	**(26.2)**	**8.1**	**0.9**	**0.5**	**(279.8)**

Net value as of December 31, 2013

(€ million)	2012	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	58.8	18.7	(25.0)	(0.9)	0.0	5.5	57.1
Other intangible non-current assets	14.5	1.0	(1.2)	1.6	(0.1)	(3.3)	12.5
TOTAL	**73.3**	**19.7**	**(26.2)**	**0.7**	**(0.1)**	**2.2**	**69.6**

NOTE 17 Tangible non-current assets

Gross value as of December 31, 2014

(€ million)	2013	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2014
Fixtures, fittings and commercial facilities	647.0	21.6	(16.7)	0.7	(27.5)	625.1
Technical and telecommunications equipment	157.8	5.1	(2.7)	0.1	0.9	161.2
Other property, plant and equipment	39.6	6.8	(0.4)	0.0	(5.7)	40.3
TOTAL	**844.4**	**33.5**	**(19.8)**	**0.8**	**(32.3)**	**826.6**

Amortization and impairment as of December 31, 2014

(€ million)	2013	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2014
Fixtures, fittings and commercial facilities	(513.2)	(39.0)	15.9	(0.7)	30.1	(506.9)
Technical and telecommunications equipment	(132.1)	(8.5)	2.7	(0.1)	(0.3)	(138.3)
Other property, plant and equipment	(17.8)	(1.2)	0.4	0.0	0.4	(18.2)
TOTAL	**(663.1)**	**(48.7)**	**19.0**	**(0.8)**	**30.2**	**(663.4)**

Net values as of December 31, 2014

(€ million)	2013	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2014
Fixtures, fittings and commercial facilities	133.8	21.6	(39.0)	(0.8)	0.0	2.6	118.2
Technical and telecommunications equipment	25.7	5.1	(8.5)	0.0	0.0	0.6	22.9
Other property, plant and equipment	21.8	6.8	(1.2)	(0.0)	0.0	(5.3)	22.1
TOTAL	**181.3**	**33.5**	**(48.7)**	**(0.8)**	**0.0**	**(2.1)**	**163.2**

Gross value as of December 31, 2013

(€ million)	2012	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	643.5	17.9	(10.2)	(5.1)	0.9	647.0
Technical and telecommunications equipment	154.8	4.8	(2.8)	(1.2)	2.2	157.8
Other property, plant and equipment	37.4	10.1	(0.3)	(0.2)	(7.4)	39.6
TOTAL	**835.7**	**32.8**	**(13.3)**	**(6.5)**	**(4.3)**	**844.4**

Amortization and impairment as of December 31, 2013

(€ million)	2012	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	(494.6)	(36.2)	8.9	5.0	3.7	(513.2)
Technical and telecommunications equipment	(127.1)	(9.0)	2.6	1.2	0.2	(132.1)
Other property, plant and equipment	(16.7)	(1.2)	0.1	0.2	(0.2)	(17.8)
TOTAL	**(638.4)**	**(46.4)**	**11.6**	**6.4**	**3.7**	**(663.1)**

Net values as of December 31, 2013

(€ million)	2012	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	149.0	17.9	(36.2)	(1.3)	(0.2)	4.6	133.8
Technical and telecommunications equipment	27.7	4.8	(9.0)	(0.2)	0.0	2.4	25.7
Other property, plant and equipment	20.7	10.1	(1.2)	(0.2)	(0.0)	(7.6)	21.8
TOTAL	**197.3**	**32.8**	**(46.4)**	**(1.7)**	**(0.2)**	**(0.6)**	**181.3**

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2014, disposals of tangible non-current assets related primarily to the closure of the Xanadu store in Spain.

In 2013, disposals of tangible non-current assets related primarily to the closure of the Aubervilliers and Paris Odéon stores.

NOTE 18 Impairment tests on non-financial assets

The principles of impairment of non-financial assets are detailed in note 2.10.

The main goodwill is broken down in note 15.

18.1 Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flow under the economic assumptions and estimated operating conditions adopted by Groupe Fnac are as follows:

	Discount [(a)]		Perpetual growth	
	2014	2013	2014	2013
France	10.8%	10.7%	1.0%	1.0%
Spain	11.8%	13.8%	1.0%	1.0%
Portugal	13.2%	15.0%	1.0%	1.0%
Brazil	12.7%	12.9%	2.5%	2.5%
Belgium	11.0%	9.2%	1.0%	1.0%
Switzerland	10.5%	8.6%	1.0%	1.0%

(a) Weighted average cost of share capital.

18.2 Impairment tests of main values

18.2.1 Determining the recoverable value of CGUs

The recoverable value of each CGU was determined based on its value in use. Value in use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the CGU. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans for three years ahead. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows.

18.2.2 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2014 in the event of a reasonable change in base assumptions and in particular in the event of a change of plus or minus 0.5 percentage points in the discount rate and plus or minus 0.5 percentage points in the growth rate to infinity, did not result in any additional impairment on the Group's CGUs.

Sensitivity analyses performed as of December 31, 2014 in the event of reasonable change in EBITDA assumptions and in particular in the event of a drop of 1 to 10 percentage points of total EBITDA, did not result in any additional impairment of the Group's CGUs.

18.3 Impairment recognized during the financial year

Asset impairment tests performed in 2014 did not lead to the recognition of impairment losses of any of the Group's CGUs in that year.

NOTE 19 Equity interests in affiliates

Groupe Fnac has no equity interest in affiliates.

NOTE 20 Non-current financial assets

Non-current financial assets consist of the following items:

(€ million)	2014	2013
Equity investments	0.1	0.1
Available-for-sale financial assets	0.0	0.0
Deposits and guarantees	6.8	7.5
Other	0.0	0.0
TOTAL	**6.9**	**7.6**

The change in the deposits and guarantees item amounted to €0.7 million reflecting the repayment of security deposits by store lessors.

NOTE 21 Inventories

(€ million)	2014	2013
Gross commercial inventory	492.3	498.1
Impairment	(22.9)	(25.2)
Carrying amount	**469.4**	**472.9**

Changes in impairment	2014	2013
At January 1	**(25.2)**	**(32.6)**
(Allocations) & reversals	2.3	6.9
Foreign exchange differences	0.0	0.5
At December 31	**(22.9)**	**(25.2)**

Groupe Fnac may need to record an impairment on inventories:

* based on likelihood of disposal;
* if they are partially damaged;
* if they are completely obsolete;
* if their sale price is less than their net realizable value.

NOTE 22 Trade receivables

(€ million)	2014	2013
Gross trade receivables	136.6	127.5
Impairment of trade receivables	(6.9)	(6.0)
Net value	**129.7**	**121.5**

Changes in impairment	2014	2013
At January 1	**(6.0)**	**(6.4)**
(Allocations) & reversals	(0.9)	0.4
Foreign exchange differences	0.0	0.0
At December 31	**(6.9)**	**(6.0)**

An impairment on trade receivables is recognized if their carrying value is higher than the estimated recoverable value. The assessment of recoverable value varies by sales channel.

(€ million)	2014	2013
Receivables not in arrears	129.0	115.9
Arrears not exceeding one month	3.4	3.2
Arrears of between one and six months	1.4	3.5
Arrears of over six months	2.8	4.9
Impairment of doubtful receivables	(6.9)	(6.0)
Net value	**129.7**	**121.5**

NOTE 23 Other current assets and liabilities

(€ million)	2013 restated*	WCR cash flows	Other cash flows	Change in scope of consolidation	Foreign exchange & other differences	2014
Inventories (1)	472.9	(4.1)		0.0	0.6	469.4
Trade receivables due (2)	121.5	7.8		0.0	0.4	129.7
Trade receivables payable (3)	(12.5)	(2.3)		0.0	0.0	(14.8)
Net trade receivables (4)=(2)+(3)	**109.0**	**5.5**	**0.0**	**0.0**	**0.4**	**114.9**
Trade payables due (5)	(692.6)	(74.6)		0.0	(0.5)	(767.7)
Trade payables receivable and provisions (6)	46.8	8.0		0.0	0.0	54.8
Net trade payables (7)=(5)+(6)	**(645.8)**	**(66.6)**	**0.0**	**0.0**	**(0.5)**	**(712.9)**
Social security liabilities (8)	(128.0)	(7.7)		0.0	0.4	(135.3)
Tax payables and receivables (excluding corporate tax) (9)	(20.7)	18.8		0.0	0.2	(1.7)
Liabilities relating to commercial operations (10)	(139.8)	25.9		0.0	6.1	(107.8)
Deferred income and expense (11)	(41.4)	12.0		0.0	0.0	(29.4)
Other (12)	0.4	3.7		0.0	(0.2)	3.9
Other operating WCR (Σ 8 to 12)	**(329.5)**	**52.7**	**0.0**	**0.0**	**6.5**	**(270.3)**
Operating WCR (Σ 1 to 12)	**(393.4)**	**(12.5)**	**0.0**	**0.0**	**7.0**	**(398.9)**
Other current assets and liabilities	0.5		1.9	0.0	0.0	2.4
Payables and receivables for operating non-current assets	(33.3)		(5.4)	0.0	2.8	(35.9)
Tax receivables and payables due	(3.7)		(4.5)	0.0	0.0	(7.1)
Other current assets and liabilities	**(429.9)**	**(12.5)**	**(8.0)**	**0.0**	**9.8**	**(439.5)**

* *Interpretation Ifric 21 adopted by the European Union on June 17, 2014 was early applied on January 1, 2014. In accordance with IAS 8, changes in accounting principles resulting from first-time adoption of this interpretation have been applied retrospectively to January 1, 2013. The impact of this interpretation on the Group's financial statements is detailed in section 5, note 2, paragraph 2.2.2.*

Because of the nature of its business activities, Groupe Fnac's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or assets. The "Marketing liabilities" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

NOTE 24 Shareholders' equity

24.1 Share capital

As of December 31, 2014, share capital amounted to €16,595,610. It consists of 16,595,610 fully paid-up shares with a par value of €1 (identical to December 31, 2013).

24.2 Appropriation of earnings

No dividend was paid in 2014 in respect of the 2013 fiscal year.

NOTE 25 Employee benefits and similar payments

According to the laws and practices specific to each country, Groupe Fnac employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined-contribution plans or defined-benefit plans.

Under the defined-contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a company to an employee on retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in Groupe Fnac have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

Groupe Fnac has no obligations in respect of medical costs.

25.1 Changes during the fiscal year

Changes in the value of the accrued benefits under the defined-benefit plans are as follows:

(€ million)	2014	2013
Discounted value of the commitment as of January 1	**69.1**	**74.5**
Cost of services provided during the period	4.1	4.2
Contributions paid by the members	0.4	0.4
Financial interest expense	2.2	1.9
Cost of past services	0.0	(1.2)
Revaluation of liabilities	7.0	(7.0)
Reductions	(1.7)	0.0
Benefits paid	(2.1)	(3.5)
Change in scope	0.0	0.0
Fluctuations in foreign currency exchange rates	0.2	(0.2)
Discounted value of the commitment as of December 31	**79.2**	**69.1**

The breakdown of the discounted value of the accrued benefit by type of plan and by country as of December 31, 2014 is as follows:

(€ million)	2014	2013
End-of-career allowances – France	66.8	60.0
Long-service awards – France	1.9	1.6
Supplemental pension plans (LPP) – Switzerland	10.5	7.5
Discounted value of the commitment as of December 31	**79.2**	**69.1**

Changes in the fair value of the assets of defined-benefit plans are as follows:

(€ million)	2014	2013
Fair value of the deferred benefit plan assets as of January 1	**10.5**	**11.3**
Contributions paid by the employer	1.5	0.6
Contributions paid by the members	0.4	0.4
Financial interest on assets	0.3	0.2
Benefits paid	(2.0)	(2.8)
Actual return on assets	(0.5)	1.1
Other	(0.2)	(0.2)
Change in scope	0.0	0.0
Fluctuations in foreign currency exchange rates	0.1	(0.1)
Fair value of the defined benefit plans as of December 31	**10.1**	**10.5**

Groupe Fnac expects to pay out an estimated €2.4 million in 2015.

As of December 31, 2014, 77.9% of the funds of funded defined benefit plans were invested in debt instruments.

The reconciliation of the balance sheet data and the actuarial obligation of the defined benefit plans is as follows:

(€ million)	2014	2013	2012	2011	2010
Discounted value of the commitment	79.2	69.1	74.5	64.0	60.9
Fair value of the defined benefit plan assets	(10.1)	(10.5)	(11.3)	(12.7)	(13.3)
Shortfall/(Excess)	**69.1**	**58.6**	**63.2**	**51.3**	**47.6**
Net provisions recognized under liabilities on the balance sheet	**69.1**	**58.6**	**63.2**	**51.3**	**47.6**
Incl. provisions – continuing operations	*69.1*	*58.6*	*63.2*	*49.9*	*47.6*
Incl. provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*1.4*	

(€ million)	2014	2013
End-of-career allowances – France	62.9	55.3
Long-service awards – France	1.9	1.6
Supplemental pension plans (LPP) – Switzerland	4.3	1.7
Net provisions recognized under liabilities on the balance sheet	**69.1**	**58.6**

25.2 Expenses recognized

The total expense of €4.7 million in 2014 (versus €5.0 million in 2013) recognized in defined benefit plans can be broken down as follows:

(€ million)	2014	2013
Cost of services provided	4.3	4.2
Other costs	0.1	0.3
Net financial cost	1.9	1.7
Cost of past services taken to income	0.0	(1.2)
Decreases and payments	(1.6)	0.0
Total expense	**4.7**	**5.0**
Including recognized as operating expenses	*2.8*	*3.3*
as net financial expense	*1.9*	*1.7*
as discontinued operations	*0.0*	*0.0*

For the 2014 fiscal year, total net accrued defined benefit liability was revalued upwards by €7.2 million (downwards by €8.3 million in 2013).

The aggregate amount of the revalued net liabilities for accrued defined benefits recognized as other comprehensive income since January 1, 2004 amounted to €14.4 million as of December 31, 2014 (versus €7.2 million as of December 31, 2013).

25.3 Actuarial assumptions

The main actuarial assumptions used to calculate Groupe Fnac's obligations are as follows:

	2014	2013
Discount rate	1.25 - 1.70%	2.40 - 3.30%
Expected rate of increase in salaries	1.50 - 2.00%	1.00 - 2.00%

Pursuant to amended IAS 19R, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

Compared with the actuarial assumptions presented in the above table, the sensitivity analyses conducted show that a drop of 50 basis points from the euro zone discount rate is not material and represents less than 1% of the Group's total shareholders' equity.

The sensitivity analysis given the assumed discount rates plus or minus 0.50% is provided in the following table:

(€ million)	End-of-career allowances – France	Long-service awards – France	Supplemental pension plans (LPP) – Switzerland	Total
Discount rate + 50 basis points	71.2	1.9	11.4	**84.5**
Discounted value of the 2014 commitment	66.8	1.9	10.5	**79.2**
Discount rate + 50 basis points	62.8	1.8	9.8	**74.4**

NOTE 26 Provisions

(€ million)	2013	Allocation	Reversal used	Reversals unused	Foreign exchange differences	Other	2014
Provisions for restructuring	17.3	7.7	(7.4)	(6.2)	0.1		11.5
Provisions for litigation and disputes	22.3	3.8	(0.7)	(8.5)	0.4	3.1	20.4
Other provisions	2.1	0.9	(2.4)	(0.8)	0.0	3.1	2.9
Current provisions	**41.7**	**12.4**	**(10.5)**	**(15.5)**	**0.5**	**6.2**	**34.8**
TOTAL	**41.7**	**12.4**	**(10.5)**	**(15.5)**	**0.5**	**6.2**	**34.8**
Impact on		**(12.4)**		**15.5**			**3.1**
Current operating income		(1.0)		0.9			(0.1)
Other non-current operating income and expense		(11.4)		14.6			3.2

Reversals of unused provision mainly reflect:

* the reassessment of the number of employees affected by the 2013 restructuring, and of the assumptions used in calculating redundancy payments;
* the outcome of various litigation and disputes.

(€ million)	2012	Allocation	Reversal used	Reversals unused	Foreign exchange differences	Other	2013
Provisions for restructuring	22.8	17.2	(20.9)	(1.7)		(0.1)	17.3
Provisions for litigation and disputes	28.7	2.8	(0.3)	(5.2)	(3.8)	0.1	22.3
Other provisions	0.8	2.1	(0.9)			0.1	2.1
Current provisions	**52.3**	**22.1**	**(22.1)**	**(6.9)**	**(3.8)**	**0.1**	**41.7**
TOTAL	**52.3**	**22.1**	**(22.1)**	**(6.9)**	**(3.8)**	**0.1**	**41.7**
Impact on		**(22.1)**		**6.9**			**(15.2)**
Current operating income		(2.0)					(2.0)
Other non-current operating income and expense		(20.1)		6.9			(13.2)

Provisions for litigation and disputes mainly concern litigation with third parties and disputes with tax authorities in different countries (note 33.6).

NOTE 27 Cash and cash equivalents

27.1 Breakdown by cash flow category

This item is broken down as follows:

(€ million)	2014	2013
Cash	159.1	117.1
Cash equivalents	376.5	344.5
TOTAL	**535.6**	**461.6**

As of December 31 of both 2014 and 2013, cash equivalents comprised Sicavs (open-ended investment funds) and an interest-paying current account. The Sicavs also included €6.0 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of Groupe Fnac's share listing.

The items that Groupe Fnac recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with Groupe Fnac procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2014, these analyses did not lead to changes in the accounting classification already adopted.

27.2 Breakdown by currency

(€ million)	2014	%	2013	%
Euro	516.0	96.3%	447.7	97.0%
Swiss franc	16.5	3.1%	9.6	2.1%
Other currencies	3.1	0.6%	4.3	0.9%
TOTAL	**535.6**	**100.0%**	**461.6**	**100.0%**

NOTE 28 Financial debt

28.1 Breakdown of debt by repayment maturity

(€ million)	2014	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.3**		**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.3		0.2	0.1			
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.0						
Other financial liabilities	0.0						
TOTAL	**0.5**	**0.2**	**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
%		**40.0%**	**40.0%**	**20.0%**	**0.0%**	**0.0%**	**0.0%**

Devons nous tramer tout le tableau?

(€ million)	2013	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.5**		**0.2**	**0.2**	**0.1**	**0.0**	**0.0**
Finance lease liabilities	0.5		0.2	0.2	0.1		
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.0						
Other financial liabilities	0.0						
TOTAL	**0.7**	**0.2**	**0.2**	**0.2**	**0.1**	**0.0**	**0.0**
%		**28.6%**	**28.6%**	**28.6%**	**14.3%**	**0.0%**	**0.0%**

As of December 31, 2014, Groupe Fnac's financial debt was composed primarily of debts on finance-lease agreements.

28.2 Breakdown by repayment currency

(€ million)	2014	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2013	%
Euro	0.5	0.3	0.2	100.0%	0.7	100.0%
TOTAL	**0.5**	**0.3**	**0.2**		**0.7**	

28.3 Gross debt by category

Groupe Fnac's gross debt is as follows:

(€ million)	2014	2013
Other borrowings from credit institutions	0.0	0.0
Finance lease liabilities	0.5	0.7
Bank overdrafts	0.0	0.0
Other financial liabilities	0.0	0.0
TOTAL	**0.5**	**0.7**

NOTE 29 Exposure to market risk, interest rate risk, currency risk and share price fluctuations

As of December 31, 2014, the breakdown of the exposure to various market risks was as follows:

29.1 Exposure to interest rate risk

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturities for 2014		
(€ million)	2014	Less than one year	One to five years	More than five years
Investment securities and cash	485.1	485.1		
Floating-rate financial assets	485.1	485.1	0.0	0.0
Other financial liabilities	0.5	0.2	0.3	0.0
Floating-rate financial debt	**0.5**	**0.2**	**0.3**	**0.0**

		Maturities for 2013		
(€ million)	2013	Less than one year	One to five years	More than five years
Investment securities and cash	411.6	411.6		
Floating-rate financial assets	**411.6**	**411.6**	**0.0**	**0.0**
Other financial liabilities	0.7	0.2	0.5	0.0
Floating-rate financial debt	**0.7**	**0.2**	**0.5**	**0.0**

Interest rate risk sensitivity analysis

Based on the above, and in terms of Groupe Fnac's net exposure, an interest rate change of 50 basis points would have an impact over a full year of €0.9 million on Groupe Fnac's consolidated profit before tax as of December 31, 2014.

(€ million)	Impact on Income
As of December 31, 2014	
Increase of 50 basis points	0.9
Decrease of 50 basis points	(0.9)

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

29.2 Exposure to foreign exchange risk

Groupe Fnac uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks. As of December 31, 2014, Groupe Fnac had settled all of its forward foreign exchange instruments. The Group therefore had no outstanding forward currency agreements on December 31, 2014 or 2013.

In addition, Groupe Fnac may have to implement single-option strategies (purchase of options or tunnels) to hedge future exposure. In accordance with IAS 39, these derivatives were analyzed in respect of hedge accounting eligibility criteria. Groupe Fnac does not hold any derivatives eligible for hedge accounting. Foreign exchange instruments are recognized on the balance sheet at their market value at the accounting year end.

Groupe Fnac's foreign exchange derivatives managed for hedging purposes are not documented as part of the IAS 39 hedge accounting model and are therefore recognized as derivatives whose change in fair value impacts financial income.

Groupe Fnac's balance sheet exposure to non-euro currencies as of December 31, 2014 was as follows:

(€ million)	2014	GBP	BRL	Swiss franc
Exposed trade receivables	**35.8**		34.6	1.2
Other exposed financial assets	**19.2**		3.0	16.2
Exposed trade payables	**49.8**	0.1	36.1	13.6
Exposed financial debt	**0.0**			
Gross balance sheet exposure	**5.2**	**(0.1)**	**1.5**	**3.8**
Hedging instruments	0.0			
Gross exposure after management	**5.2**	**(0.1)**	**1.5**	**3.8**

Trade receivables and payables in currencies exposed to foreign-exchange risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's currency risk management policy consists of the mitigation of currency risk inherent to the Group entities' business activities through fixing pricing policies and gross margins on the Group's imports and exports at the latest when an entity makes a commitment, and by prohibiting any currency speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Groupe Fnac entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-significant as of the accounting year end.

Based on market data at the accounting year end, foreign exchange derivatives would have little impact in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (the US dollar, the Swiss franc and the Brazilian real).

29.3 Exposure to share price fluctuation risk

As of December 31, 2014, Groupe Fnac was not exposed to the risk of fluctuation in the price of shares issued by Groupe Fnac.

29.4 Other market risks – credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by Groupe Fnac. In general, Groupe Fnac does not consider itself to be exposed to a particular credit risk on its financial assets.

29.5 Liquidity Risk

Management of the liquidity risk of Groupe Fnac and each of its subsidiaries is closely and periodically assessed by Groupe Fnac using its financial reporting procedures.

The analysis below sets forth the contractual obligations related to financial liabilities and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at the accounting year end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule.

This analysis excludes cash amounting to €159.1 million and cash equivalents amounting to €376.5 million as of December 31, 2014.

Cash flow relating to foreign exchange derivatives is not significant.

	2014				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.5	(0.5)	(0.2)	(0.3)	
Trade payables	767.7	(767.7)	(767.7)		
TOTAL	**768.2**	**(768.2)**	**(767.9)**	**(0.3)**	**0.0**

	2013				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.7	(0.7)	(0.2)	(0.5)	
Trade payables	692.6	(692.6)	(692.6)		
TOTAL	**693.3**	**(693.3)**	**(692.8)**	**(0.5)**	**0.0**

NOTE 30 Accounting classification and market value of financial instruments

	2014	Breakdown by accounting classification				
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	6.9	6.9		0.1	6.8	
Current assets						
Trade receivables	129.7	129.7				129.7
Cash and cash equivalents	535.6	535.6	535.6			
Non-current liabilities						
Long-term borrowings and financial debt	0.3	0.3				0.3
Current liabilities						
Short-term borrowings and financial debt	0.2	0.2				0.2
Trade payables	767.7	767.7				767.7

	2013	Breakdown by accounting classification				
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	7.6	7.6		0.1	7.5	
Current assets						
Trade receivables	121.5	121.5				121.5
Cash and cash equivalents	461.6	461.6	461.6			
Non-current liabilities						
Long-term borrowings and financial debt	0.5	0.5				0.5
Current liabilities						
Short-term borrowings and financial debt	0.2	0.2				0.2
Trade payables	692.6	692.6				692.6

As of December 31, 2014, valuation methods adopted for financial instruments are as follows:

* for financial instruments recorded as assets on the balance sheet, the carrying amounts are reasonable estimates of their fair value;
* for financial instruments recognized as liabilities on the balance sheet, and more specifically other borrowings, the valuation method was determined based on other valuation methods such as the discounted value of cash flows, taking into account Groupe Fnac's credit risk and interest rate conditions at the accounting year end.

Groupe Fnac has three separate categories of financial instruments based on its two valuation methods (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the characteristics of the financial instruments recognized in the balance sheet at fair value through profit or loss at the accounting year end:

* **Level 1 category:** financial instruments quoted in an active market;
* **Level 2 category:** financial instruments whose valuation at fair value calls for valuation techniques based on observable market parameters;
* **Level 3 category:** financial instruments whose fair value measurement calls for valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transactions in the markets on the same instrument or on observable market data available at the accounting year end of) or on parameters that are only partially observable.

Groupe Fnac financial instruments are all level 2 category.

NOTE 31 Net financial debt

The Group's net financial debt can be analyzed as follows:

(€ million)	2014	2013
Gross financial debt	0.5	0.7
Cash and cash equivalents	(535.6)	(461.6)
Net financial debt	**(535.1)**	**(460.9)**

NOTE 32 Cash flow statement

Net cash from bank overdrafts stood at €535.6 million as of December 31, 2014 and corresponds to the cash and cash equivalents listed in the cash flow statement.

(€ million)	2014	2013
Balance sheet cash and cash equivalents	**535.6**	**461.6**
Bank overdrafts	0.0	0.0
Cash and cash equivalents in the cash flow statement	**535.6**	**461.6**

32.1 Cash flow from operations

The composition of cash flow from operations was as follows:

(€ million)	2014	2013
Net income from continuing operations	**41.4**	**15.9**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	57.9	63.5
Impairment of non-current operating assets	0.0	0.0
Non-disbursable income/expense related to stock options and similar items	0.0	(3.3)
Current proceeds from the disposal of operating assets	1.1	2.4
Non-current proceeds from the disposal of operating assets	(0.1)	(0.8)
Non-current proceeds from the disposal of financial assets	0.0	(7.6)
Deferred tax income and expense	(3.6)	3.3
Discounting of provisions for pensions & other similar benefits	1.9	1.7
Other items without impact on cash	(0.1)	(0.2)
Cash flow from operations	**98.5**	**74.9**

32.2 Purchase and disposal of non-current tangible and intangible assets

(€ million)	2014	2013
Purchase of non-current intangible assets	(20.5)	(19.7)
Purchase of non-current tangible assets excluding non-current assets under finance leases	(33.5)	(32.7)
Change in advances & installment on non-current assets	(0.1)	(0.2)
Change in debt for non-current assets	5.4	4.0
TOTAL NON-CURRENT ASSET PURCHASES	**(48.7)**	**(48.6)**
Disposals of non-current assets	0.0	0.1
TOTAL PURCHASES AND DISPOSALS OF NON-CURRENT ASSETS	**(48.7)**	**(48.5)**
Acquisition of non-current assets under finance-leases	0.0	(0.1)

For the 2014 and 2013 fiscal years, purchases of tangible and intangible non-current assets mainly concern investment in stores, logistics platforms and websites.

32.3 Subsidiary acquisitions and disposals

(€ million)	2014	2013
Purchases of subsidiaries net of cash acquired	(2.7)	(2.5)
Disposals of subsidiaries net of cash transferred	0.0	(0.3)
TOTAL	**(2.7)**	**(2.8)**

Outflows to acquire subsidiaries in 2014 mainly included the payment of the 2nd tranche of the purchase price for Datasport group in the amount of €2.7 million.

In 2013, the only acquisition payment was the 1st tranche for Datasport in the amount of €2.5 million.

NOTE 33 Contingent liabilities, unrecognized contractual commitments and contingent risks

33.1 Contractual obligations

The table below sets out all of Groupe Fnac's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	2014
Operating lease agreements	121.5	235.6	37.7	394.8
Irrevocable purchase obligations	14.3	2.6		16.9
TOTAL COMMITMENTS GIVEN	**135.8**	**238.2**	**37.7**	**411.7**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	2013
Operating lease agreements	128.9	241.4	40.6	410.9
Irrevocable purchase obligations	12.4	13.1		25.5
TOTAL COMMITMENTS GIVEN	**141.3**	**254.5**	**40.6**	**436.4**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreement" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to non-cancellable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings). As of December 31, 2014, Groupe Fnac did not expect to receive minimum future revenues in respect of non-cancellable sub-lease agreements.

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)	2014	2013
Less than one year	(0.2)	(0.3)
One to five years	(0.3)	(0.5)
Over five years		
Financial expenses included	0.0	0.1
Discounted value of future lease payments	**(0.5)**	**(0.7)**

33.2 Individual Training Entitlement ("DIF")

In accordance with Act No. 2004-391 of May 4, 2004 on vocational training, employees of Groupe Fnac's French companies benefit from a credit of 20 hours of training per year which can be built up over six years and is capped at 120 hours. All training carried out under DIF is allocated to capital acquired.

The number of training hours acquired by employees and unused as of December 31, 2014 stood at 822,881 (versus 835,250 as of December 31, 2013).

33.3 Pledges and charges on real estate

In the first half of 2014, Groupe Fnac subsidiaries pledged to the lending syndicate of the €250 million credit line the businesses as a going concern *(fonds de commerce)* of the Saint-Lazare, La Défense, Parly2, Vélizy, Boulogne-Billancourt, Nantes, Strasbourg, Toulouse Wilson and Marseille Bourse stores. Fnac SA also pledged to the same banks its shares in Fnac Paris, Relais Fnac, Fnac Périphérie, Codirep, France Billet, SFL and Fnac Spain.

33.4 Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	Less than one year	One to five years	Over five years	2014	2013
Amount of unused line of credit at period-end		250.0		250.0	250.0
Amount of used line of credit at period-end				0.0	0.0
Other guarantees received	16.8	22.3	1.1	40.2	15.1
TOTAL COMMITMENTS RECEIVED	**16.8**	**272.3**	**1.1**	**290.2**	**265.1**
Rent guarantees and real estate securities	13.8	9.8	6.6	30.2	32.4
Other commitments	47.8	1.4		49.2	49.6
TOTAL COMMITMENTS GIVEN	**61.6**	**11.2**	**6.6**	**79.4**	**82.0**

The credit facility entered into by Groupe Fnac includes several financial covenants, which are defined for each full and half year. As of December 31, 2014, all financial covenants were complied with:

* the solvency ratio (adjusted net financial debt of five times the property rental costs minus leasing expenses in relation to EBITDAR, calculated twice a year over a 12-month period) must be lower than or equal to 1.75 as of December 31, 2014;
* the equity ratio (the amount of the Group's equity, tested twice a year) must be higher than €410.0 million as of December 31, 2014;
* the liquidity ratio (consolidated net cash flow), tested once a year, must be higher than €290 million as of December 31, 2014.

To Groupe Fnac's knowledge, no other commitments were given, nor were there any other material contingent liabilities.

33.5 The Group's dependency on patents, licenses and supply agreements

Groupe Fnac is not heavily dependent on patents, licenses or supply agreements.

33.6 Proceedings and litigation

Groupe Fnac's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

According to their experts, none of the disputes in which Groupe Fnac companies or businesses are involved threatens Groupe Fnac's normal and foreseeable course of business or its planned development.

Groupe Fnac is not aware of any litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at year-end. No litigation is material at the Company or Groupe Fnac level, when considered on a stand-alone basis.

Groupe Fnac has no knowledge of any other litigation or arbitration that in the recent past could have or may have had a significant impact on the financial position, business or earnings of the Company or Groupe Fnac.

NOTE 34 Related party transactions

34.1 Related party having control over Groupe Fnac

As of December 31, 2014, the Artémis group owned 38.88% of Groupe Fnac's share capital and voting rights.

The main transaction during the fiscal year between all Groupe Fnac consolidated companies and the Kering Group, the party related to the Artémis Group, was as follows:

* reinvoicing by the Kering Group of IT services in the amount of €2.3 million.

In 2013, Groupe Fnac created an issue of perpetual deeply subordinated notes («TSSDI») for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. Groupe Fnac did not repay any of this debt in 2014.

In 2013, the main transactions between Groupe Fnac and the Kering Group were as follows:

* recognition for 2013 of a €3.8 million fee (€10 million paid in respect of 2012) for advisory and research assignments involving development and assistance with the execution of complex transactions, as well as the provision of development, business, and cost reduction opportunities;
* re-invoicing of the cost of bonus Kering shares and stock purchase and subscription options for an amount of €4.2 million in 2013 (€1.9 million in 2012);
* recognition for 2013 of a financial expense of €0.6 million (€4.6 million in 2012) in respect of interest on current accounts. That current account was closed out during the first half of 2013. (It had a balance of €216.1 million in 2012);

* receipt of €8 million for the reversal of an exclusivity obligation;
* reciprocal re-invoicing of carve-out costs for €4.6 million invoiced by Kering and €5.4 million invoiced by Groupe Fnac;
* re-invoicing of the Fnac SA Chairman's salaries at the end of March 2013 by the Kering Group;
* transfer of shares of Cyrillus Deutschland GmbH to the Kering Group for €7.6 million, resulting in a capital gain of €7.5 million.

34.2 Senior management remuneration

The remuneration of Groupe Fnac's Executive Board members and main senior executives recognized as an expense is as follows:

(€ million)	2014 (a)	2013 (a)
Short-term benefits	7.2	6.2
Severance packages	0.7	0.6
Tax on high remuneration	0.4	1.1

(a) Amounts including social security costs.

Share-based payments

~~No variable multi-year compensation linked to value unit and performance option plans granted in 2014 and 2013 was paid to members of the Executive Board or senior management of Groupe Fnac in 2014. In accordance with IFRS 2, the number of instruments to be granted subject to service and performance conditions was reviewed and updated. At the same time, the turnover ratios of the 2014 and 2013 value unit plans were reviewed and updated taking into account remaining service durations. The volatility of Fnac share prices was also reviewed. Vesting conditions include service and performance requirements.~~

~~Groupe Fnac was also invoiced for Kering Group bonus share plans when Kering Group exited consolidation in 2013, in the amount of €0.7 million.~~

NOTE 35 Events occurring after the close of the fiscal year

No particular event has occurred since the close of fiscal year 2014.

NOTE 36 List of subsidiaries consolidated as of December 31, 2014

The Group's subsidiaries are as follows:

Fully consolidated: F
Consolidated under the equity method: E

Company	12/31/2014		12/31/2013	
	Method	% interest	Method	% interest
Fnac				
Groupe Fnac	G	100	G	100
France				
Fnac	G	100	G	100
Fnac Paris	G	100	G	100
Relais Fnac	G	100	G	100
Codirep	G	100	G	100
Fnac Périphérie	G	100	G	100
Fnac Direct	G	100	G	100
Fnac Appro Groupe	G	100	G	100
Fnac Logistique	G	100	G	100
Attitude	G	100	G	100
MSS	G	100	G	100
Alizé – SFL	G	100	G	100
Fnac Tourisme	G	100	G	100
France Billet	G	100	G	100
Kyro Concept	~~G~~	~~100~~	G	100
Fnac Jukebox	G	100	G	100
Datasport SAS (ex-JFCL)	**TUP in August 2014***		G	100
Datasport	**TUP in May 2014***		G	100
Datasport ouest	**TUP in May 2014***		G	100
Monaco				
Fnac Monaco	G	100	G	100
Spain				
Fnac España	G	100	G	100
Portugal				
Fnac Portugal	G	100	G	100
Brazil				
F.Brasil	G	100	G	100
Belgium				
Fnac Belgium	G	100	G	100
Switzerland				
Fnac Suisse	G	100	G	100

* *TUP = transfert universel de patrimoine/Transfer of all assets and liabilities.*

5.3 Company financial statements for the year ended December 31, 2014 and 2013

Asset balance sheet

(€ million)	Note	Gross value	Depreciation, amortization, provisions	12/31/2014 Net value	12/31/2013 Net value
Non-current assets					
Equity investments		838.4	(328.0)	510.4	510.4
Other non-current financial assets [a]		60.0	0.0	60.0	60.0
Non-current financial assets	**3**	**898.4**	**(328.0)**	**570.4**	**570.3**
Tangible and intangible non-current assets	4	0.0	0.0	0.0	0.0
TOTAL NON-CURRENT ASSETS		**898.4**	**(328.0)**	**570.4**	**570.3**
Current assets					
Receivables [b] [c]	5	64.2	0.0	64.2	13.8
Marketable securities	6	6.0	0.0	6.0	6.1
Cash and cash equivalents [c]	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**70.2**	**0.0**	**70.2**	**19.9**
TOTAL ASSETS		**968.6**	**(328.0)**	**640.6**	**590.2**
(a) Less than one year:				*-*	*-*
(b) More than one year:				*-*	*-*
(c) Related to associates:				*45.6*	*1.3*

Liabilities balance sheet

(€ million)	Note	12/31/2014	12/31/2013
Shareholders' equity			
Share capital		16.6	16.6
Additional paid-in capital		494.9	494.9
Reserves	7	0.7	0.7
Retained earnings		(0.6)	(1.7)
Net profit (loss) for the period		27.9	1.1
TOTAL EQUITY		**539.5**	**511.6**
Other shareholders' equity		**60.0**	**60.0**
Provisions	**8**	**0.0**	**0.0**
Debt			
Bond [a]		0.0	0.0
Other financial liabilities [a] [c]		0.0	0.0
Other debts [b] [c]	9	41.1	18.6
TOTAL LIABILITIES		**640.6**	**590.2**
(a) Less than one year:		*-*	*-*
(b) More than one year:		*6.8*	*2.8*
(c) Related to associates:		*17.9*	*9.5*

Income statement

(€ million)	Note	12/31/2014	12/31/2013
Operating income		19.0	13.9
Operating expenses		(24.9)	(16.7)
Operating income (loss)	**11**	**(5.9)**	**(2.8)**
Dividends		9.3	0.0
Other financial income and expenses		2.3	1.2
Financial income	**12**	**11.6**	**1.2**
Income before tax and non-recurring items		**5.7**	**(1.6)**
Non-recurring income	13	(0.7)	(7.5)
Employee profit-sharing		0.0	0.0
Income tax	14	22.9	10.2
Net income for the period		**27.9**	**1.1**

Cash flow statement

(€ million)	Note	12/31/2014	12/31/2013
Net income		27.9	1.1
Income and expense with no impact on cash		(0.0)	0.0
Cash flow from operations		**27.9**	**1.1**
Change in working capital requirements		(28.0)	253.0
Change in cash flow from operating activities	**15**	**(0.1)**	**254.1**
(Purchases)/Disposals of operating non-current assets		0.0	0.0
Change in non-current financial assets		0.0	(378.0)
Change in cash flow from investing activities	**15**	**0.0**	**(378.0)**
Net change in financial debt		0.0	0.0
Capital increases		0.0	130.0
Dividends paid by Groupe Fnac		0.0	0.0
Change in cash flow from financing activities	**15**	**0.0**	**130.0**
Change in cash position		**(0.1)**	**6.1**
Cash at opening		**6.1**	**0.0**
Cash at closing		**6.0**	**6.1**

Change in equity and other shareholders' equity

Before appropriation of earnings *(€ million)*	**Number of shares outstanding**	**Share capital**	**Additional paid-in capital**	**Reserves and retained earnings**	**Net profit (loss) for the period**	**Shareholders' equity**
As of December 31, 2012	**6,131,671**	**545.7**	**48.4**	**178.3**	**(332.0)**	**440.4**
Approp. of 2012 earnings			(48.4)	(283.6)	332.0	(0.0)
Capital increase		70.0				70.0
Capital reduction		(599.1)	494.9	104.2		0.0
Dividends paid						0.0
Exercise of stock options						0.0
Change in regulated provisions						0.0
Profit/Loss 2013					1.1	1.1
As of December 31, 2013	**16,595,610**	**16.6**	**494.9**	**(1.0)**	**1.1**	**511.6**
Approp. of 2013 earnings				1.1	(1.1)	(0.0)
Capital increase						0.0
Capital reduction						0.0
Dividends paid						0.0
Exercise of stock options						0.0
Change in regulatory provisions						0.0
Profit/Loss 2014					27.9	27.9
As of December 31, 2014	**16,595,610**	**16.6**	**494.9**	**0.1**	**27.9**	**539.5**
Other shareholders' equity (TSSDIs)			60.0			60.0
As of December 31, 2014 including other shareholders' equity	**16,595,610**	**16.6**	**554.9**	**0.1**	**27.9**	**599.5**

5.4 Notes to the company financial statements for the year ended December 31, 2014

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NOTE 1 Highlights of the Financial Year

Groupe Fnac Refinancing

On July 24, 2014, with the syndicate of lenders the Group signed an amendment to the revolving credit facility in the amount of €250 million concluded on April 19, 2013.

The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in the event of changes in the stake of Artémis in the capital of Groupe Fnac.

The maturity of the credit facility was extended to July 24, 2017 (versus April 18, 2016 initially). The early repayment clause if the stake of Artémis in the equity of Groupe Fnac should fall below 38.8% before April 18, 2015 and 25% before April 18, 2016 is maintained in its original form without extension until the new maturity of the credit facility.

Value unit plan

On the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award value units to certain Group employees (125 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The value units will be vested on February 28, 2016 (and February 28, 2017 for Executive Board members) subject to presence and performance conditions. The value per unit is based on an average of Groupe Fnac share prices. If the share price of Groupe Fnac in February 2016 is lower than a predefined price, there will be no payment. The associated cash payment will be effective in April 2016 and February 2017.

Performance share plan

On the recommendation of the Appointments and Compensation Committee, on February 26, 2014, the Board of Directors decided to award performance options to certain Directors of the Group in order to link them to the Company's performance through an increase in the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

These options will only be definitively vested in progressive stages, in tranches, at the end of two successive vesting periods (March 2014 – September 2016, and March 2014 – September 2017) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for Groupe Fnac shares for each of the two periods. The options must be exercised between the October 1 and 20 following the end of the vesting period.

NOTE 2 Accounting principles and policies

The 2014 financial statements have been prepared in accordance with Regulation 2014-03 of the French accounting standards Board Autorité des Normes Comptables (ANC) as approved by the Ministerial Order of September 8, 2014 relating to the French general accounting plan *Plan Comptable Général*.

General accounting conventions were applied in accordance with the principle of prudence, in accordance with basic assumptions (going concern, consistency of accounting policies from one year to the next, independence of fiscal years) and in accordance with the general rules of preparation and presentation of annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The main methods used are as follows:

2.1 Non-current financial assets

Equity investments

Investments classified as "Equity investments" are those whose holding is deemed useful to the Company's operations, particularly because it influences or controls the issuing company.

The costs of acquiring equity investments are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Chart of Accounts.

At fiscal year-end, the gross value of the investments is compared to the value in use for the Company, which is determined based on the estimated economic value of the subsidiary and the grounds for the original transaction. This value in use is determined according to a multi-criteria analysis, taking into account projected future cash flows, re-estimated assets, the share of consolidated or revalued shareholders' equity and other methods as required.

When this value is lower than gross value, an impairment is provisioned and recognized as net financial income.

2.2 Receivables and payables

Receivables and payables are recognized at nominal value. Where appropriate, receivables are provisioned to take account of any resulting recovery difficulties.

2.3 Transferable securities and cash at bank and in hand

Transferable securities are recognized in the balance sheet at their acquisition price.

Acquisition costs of transferable securities are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Chart of Accounts applicable to transferable securities.

Potential impairment provisions are determined by comparing that value with the probable trading value or average share price from the previous month in the case of listed securities.

Treasury shares

Treasury shares acquired under a liquidity contract are recorded in transferable securities.

As of December 31, 2014, Groupe Fnac did not hold any treasury shares.

SICAV

SICAV shares are recognized at cost. They are estimated at fiscal year-end at their net asset value. Any unrealized capital loss is subject to an impairment provision. Any unrealized capital gain is not taken into account.

2.4 Perpetual deeply subordinated notes

Pursuant to Notice No. 28 of the association of chartered accounts published in October 1994, deeply subordinated notes issued by Groupe Fnac are reported in "Other equity."

Their redemption is controlled exclusively by the issuer and their remuneration is due even in the absence or insufficiency of earnings.

As long as interest is not payable, no interest expense is recognized. Should it become payable, the remuneration expense will be reported separately under current income before tax, before non-recurring income.

2.5 Tax consolidation

Groupe Fnac notified the French tax authorities in writing on March 15, 2013 that it and all of its subsidiaries had opted for the tax consolidation plan applicable to groups implemented by Article 68 of the 1988 finance law. This option came into effect on January 1, 2013.

The tax consolidation agreement took effect on January 1, 2013. As of December 31, 2014, the scope of consolidation comprised 15 companies.

Under this plan, Groupe Fnac acts as a corporate income tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Corporate income tax is broken down as follows:

* the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred had it not been consolidated for tax purposes;
* Groupe Fnac takes immediate account of tax savings or expenses resulting from the difference between the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on taxable income as a whole.

2.6 Operating income (loss)

Operating income results from income and expenses related to the Company's current activities.

2.7 Net financial income

Net financial income primarily comprises interest expenses on Group current accounts and interest income on the subordinated loan.

2.8 Non-recurring income

Non-recurring income includes income and expenses, which, by their nature, occurrence or material character, do not fall within the Company's current operations.

2.9 Performance-based remuneration plans

The Company applies Regulation CRC 2008-15 dated December 4, 2008 relating to the accounting treatment of stock options (subscription and purchase) and free shares granted to employees. This regulation stipulates that whenever it is probable that the Company will deliver existing shares to plan beneficiaries, a liability should be recognized on the basis of the probable outflow of resources.

Performance-based remuneration plans comprise a value unit award, which is provided in cash, and a performance-based share award, which may be provided as stock options or in cash, depending on the beneficiary.

These plans result in the recognition of a personnel expense spread over the vesting period.

NOTE 3 Net non-current financial assets

(€ million)	As of 12/31/2013	Increase	Decrease	As of 12/31/2014
Gross value				
Equity investments				
Fnac SA	838.4		0.0	838.4
Other non-current financial assets				
Loans	60.0	0.0	0.0	60.0
Gross value	**898.4**	**0.0**	**0.0**	**898.4**
Impairment				
Fnac SA equity investments	(328.0)	0.0	0.0	(328.0)
Impairment	**(328.0)**	**0.0**	**0.0**	**(328.0)**
Net value	**570.4**	**0.0**	**0.0**	**570.4**

Equity investments

As of December 31, 2014, the Groupe Fnac company held 46,421,803 out of 46,421,808 Fnac SA shares for a gross value of €838.4 million. Given the provision of €328 million, the net value of Fnac SA shares in Groupe Fnac amounted to €510.4 million.

Other non-current financial assets

Other non-current financial assets include the intra-group loan granted to Fnac SA amounting to €60 million.

NOTE 4 Tangible and intangible non-current assets

As of December 31, 2014, Groupe Fnac had no tangible or intangible non-current assets.

NOTE 5 Receivables

(€ million)	12/31/2014	12/31/2013
Current accounts from tax consolidation	0.0	0.0
Cash current accounts	43.6	0.0
State income tax	18.5	12.2
Group customers	2.1	1.3
Group customers – Accrued income	0.0	0.0
Issue premiums on bonds	0.0	0.0
Other	0.0	0.3
Prepaid expenses	0.0	0.0
TOTAL	**64.2**	**13.8**
Related to associates:	*45.7*	*1.3*

The amount of €18.5 million in 2014 for “state income tax” mainly comprises tax receivables and tax credits.

The negative current account reflects receivables against the subsidiary Fnac SA.

NOTE 6 Transferable securities and cash at bank and in hand

(€ million)	12/31/2014	12/31/2013
Treasury shares (liquidity contract)	0.0	0.0
Sicav	6.0	6.1
Impairment	0.0	0.0
Marketable securities	**6.0**	**6.1**
Bank deposit and fund transfers	0.0	0.0
Cash and cash equivalents	**0.0**	**0.0**
Cash liabilities	**6.0**	**6.1**
Related to associates:	*0.0*	*0.0*

Transferable securities comprise Sicavs for €6.0 million.

NOTE 7 Reserves

(€ million)	12/31/2014	12/31/2013
Legal reserve	0.7	0.7
Regulatory reserves	0.0	0.0
Other reserves	0.0	0.0
Reserves	**0.7**	**0.7**
Regulatory provisions	0.0	0.0
TOTAL	**0.7**	**0.7**

NOTE 8 Provisions

As of December 31, 2014 Groupe Fnac had no significant provisions.

NOTE 9 Other payables

(€ million)	12/31/2014	12/31/2013
Current accounts from tax consolidation	16.4	2.1
Group current accounts	0.0	7.4
Dividends to be paid	0.0	0.0
Tax and social security payable	22.0	7.7
Other	2.7	1.4
TOTAL	**41.1**	**18.6**
Related to associates:	*17.9*	*9.5*

NOTE 10 Other off-balance sheet commitments

Commitments for retirement benefits totaled €0.3 million as of December 31, 2014.

Individual Training Entitlement

Pursuant to Act No. 2004-391 dated May 4, 2004, Individual Training Entitlement benefits accrued as of December 31, 2014 by permanent employees were estimated at 802 hours.

From January 1, 2015, Individual Training Entitlement is replaced by the Personal Training Account.

NOTE 11 Operating income (loss)

(€ million)	**12/31/2014**	**12/31/2013**
Group royalties	18.7	8.2
Payroll expenses	(20.2)	(13.2)
Purchasing, external costs and income and other taxes	(4.7)	(3.5)
Net amortization and depreciation and provisions	0.0	0.0
Other income (expenses)	0.3	5.7
TOTAL	**(5.9)**	**(2.8)**

In 2014, operating income showed a loss of €5.9 million.

NOTE 12 Net financial income

(€ million)	**12/31/2014**	**12/31/2013**
Net financial expenses		
Charges and interest on debt owed to non-Group entities	0.0	(0.0)
Interest on Group current accounts:	(0.1)	(0.3)
Interest on the subordinated loan	2.6	1.4
Other financial income and expenses	9.1	0.1
TOTAL	**11.6**	**1.2**
Related to associates:	*11.8*	*1.1*
Interest on Group current accounts	*(0.1)*	*(0.3)*
Dividends	*9.3*	*-*

Net financial income primarily comprises dividends paid by Fnac SA in the amount of €9.3 million, and interest payments on the subordinated loan in the amount of €2.6 million.

In 2014, net financial income showed a profit of €11.6 million.

NOTE 13 Non-recurring income

(€ million)	12/31/2014	12/31/2013
Income from disposals of operating non-current assets	0.0	0.0
Sales of securities, impairment and related transactions	0.0	0.0
Litigation, disputes and restructuring	0.0	0.0
Other extraordinary income/(expenses)	(0.7)	(7.5)
TOTAL	**(0.7)**	**(7.5)**

In 2014, non-recurring income showed a loss of €0.7 million.

In 2013, non-recurring income showed a loss of €7.5 million due to the Groupe Fnac IPO.

NOTE 14 Income tax

(€ million)	12/31/2014	12/31/2013
Tax consolidation surplus/loss	22.9	10.2
Tax losses to be paid to subsidiaries (tax consolidation)	0.0	0.0
Tax on dividends	0.0	0.0
Other	0.0	0.0
TOTAL	**22.9**	**10.2**

In 2014 Groupe Fnac generated no income tax and the profit from tax consolidation amounted to €22.9 million.

NOTE 15 Cash flow statement

The change in cash from operating activities was -€0.1 million as of December 31, 2014.

NOTE 16 Other Information

16.1 Remuneration paid to corporate officers

The amount paid to corporate officers for the 2014 fiscal year amounted to €1,809,275 including benefits in kind.

16.2 Average workforce

In 2014 Groupe Fnac's average number of employees was eleven.

16.3 Related party transactions

As of December 31, 2014, the Artémis Group owned 38.88% of Groupe Fnac's share capital and 38.88% of its voting rights.

In 2013, Groupe Fnac SA created an issue of perpetual deeply subordinated notes ("TSSDI") for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. Groupe Fnac did not repay any of this debt in 2014.

16.4 Trade payables and payment schedules

As of December 31, 2014, trade payables and related accounts amounted to €2.2 million, of which €1.5 million were intra-group liabilities.

None of these amounts are overdue.

NOTE 17 Information regarding post-balance sheet events

No particular event has occurred since the close of fiscal year 2014.

NOTE 18 Table of subsidiaries and shareholdings

(€ million)	Share capital	Shareholders' equity excluding capital & income	Share of capital held	Book value of securities held		Outstanding loans made by the Company	Guarantees and endorsements given by the Company	Revenues before tax for previous year	Profit (loss) for previous year	Dividends received by the Company during the year
				Gross	Net					
Subsidiaries more than 50% owned										
Fnac SA	325.0	162.2	99.99%	838.4	510.4	60.0	0.0	2,330.6	44.3	9.3

NOTE 19 Five-year financial summary

	2014	2013	2012	2011	2010
Results for the last five fiscal years					
Capital at year end					
Share capital *(€)*	16,595,610.0	16,595,610.0	545,718,719.0	6,131,671.0	6,131,671.0
Number of common shares outstanding	16,595,610.0	16,595,610.0	6,131,671.0	875,953.0	875,953.0
Maximum number of future shares to be created					
by conversion of bonds					
by the exercise of stock options					
Operations and earnings for the year *(€ thousand)*					
Income from ordinary activities	18,679.7	8,174.0	0.0	0.0	0.0
Earnings before tax, employee profit-sharing, amortization, depreciation and provisions	5,020.6	(9,034.7)	(5,920.8)	170,373.6	50,216.7
Employee profit-sharing payable for the year	(7.7)	0.0	0.0	0.0	0.0
Income tax (expense)/credit	22,912.3	10,200.0	0.0	(707.3)	0.0
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	27,920.2	1,165.3	(331,968.2)	172,571.4	40,090.1
Distributed earnings	0.0	0.0	0.0	0.0	325,854.5
Per-share data *(€)*					
Earnings after tax, employee profit-sharing, and before amortization, depreciation and provisions	1.68	0.07	(0.97)	194.50	57.33
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	1.68	0.07	(54.14)	197.01	45.77
Dividend:					
net dividend per share	0.0	0.0	0.0	23.44	372.0
Staff					
Average number of employees during the year	11.0	5.0	0.0	0.0	0.0
Total payroll for the year *(€ thousand)*	14,848.3	9,581.0	24.3	31.9	31.6
Amount paid for employee benefits for the year *(€ thousand)*	5,318.7	3,599.8	0.0	0.0	0.0

5.5 Judicial and arbitration proceedings

5.5.1 Tax litigation

Some of the Group's subsidiaries are parties to tax litigation that the Company does not believe will have a material impact on the financial position or profitability of the Company or the Group.

5.5.2 Civil and criminal disputes

The Group is not aware of any governmental, judicial or arbitration proceedings (including any proceedings known by the Group that have been suspended or that threaten the Group) likely to have or having had during the last twelve months a material impact on the financial position or profitability of the Company or Group.

5.6 Material change in the financial or commercial position

To the best of the Company's knowledge, no material change in the Group's financial or commercial position has occurred, other than those described herein.

5.7 Statutory Auditors' Report on the parent company financial statements

Financial year closed on December 31, 2014

To the Shareholders,

In execution of the mission entrusted to us by your General Meetings, we are presenting our report for the financial year ended on December 31, 2014, regarding:

* our audit of the financial statements of Groupe Fnac SA, as appended to this report;
* the justification for our assessments;
* the specific verifications and information provided for by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes the examination of evidence supporting the amounts and disclosures in the financial statements using sample-testing techniques or other selection methods. It also involves an assessment of the appropriateness of the accounting principles used and of the significant estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We certify that, with regard to French accounting rules and principles, the financial statements are regular, accurate, and reflect a faithful image of the results of the operations of the past financial year as well as the Company's financial position and assets as of the end of that year.

2 Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

Note 2.1 to the financial statements explains the accounting rules and methods relating to the valuation of equity investments. In the course of our assessment of the accounting rules and principles followed by your Company, we have checked the suitability of the accounting methods specified above and ascertained their correct application.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and thus contributed to the expression of our opinion in the first part of this report.

3 Specific verifications and information

We have also conducted the specific verifications provided for by law, in accordance with the professional standards applicable in France.

We have no observations to make as to the fair presentation and consistency with the financial statements of the information given in the Board of Directors' Management Report and in the documents provided to shareholders on the financial position and annual accounts.

As regards the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code on the compensation and considerations paid to corporate executives and the undertakings granted to them, we have checked their concordance with the accounts or with the data serving to establish these, and, where called for, with the items obtained by your Company from companies controlling it or controlled by it. Based on this work, we certify to the accuracy and fairness of this information.

In accordance with the law, we have made certain that you have been provided in the Management Report with the various information relating to the identity of shareholders and voters.

Paris La Défense and Neuilly-sur-Seine, March 10, 2015

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé Chopin	Stéphane Rimbeuf

5.8 Statutory Auditors' Report on the consolidated financial statements

Financial year closed on December 31, 2014

To the Shareholders,

In execution of the mission entrusted to us by your General Meetings, we are presenting our report for the financial year ended on December 31, 2014, regarding:

* our audit of the consolidated financial statements of Groupe Fnac SA, as appended to this report;
* the justification for our assessments;
* the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes the examination of evidence supporting the amounts and disclosures in the financial statements using sample-testing techniques or other selection methods. It also involves an assessment of the appropriateness of the accounting principles used and of the significant estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We hereby certify that the consolidated financial statements for the financial year in question present a true and fair view of the net assets, financial position and income of the entity formed by the consolidated entities, in accordance with IFRS guidelines, as adopted by the European Union.

2 Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

* during the second half of the financial year, your Company systematically tested goodwill for impairment, and also assessed whether there was any evidence of impairment of long-term assets, in accordance with the procedures set out in note 2.10 to the consolidated financial statements. We have reviewed the procedures for implementing these impairment tests together with the forecast cash flows used, and have verified that note 18 to the consolidated financial statements provides appropriate disclosures;
* where applicable, your Company assesses the impairment of inventory in accordance with the procedures set out in note 2.9 to the consolidated financial statements. We have ascertained the appropriateness of the method, and the reasonable nature of the assumptions used to assess and measure inventory impairment;
* note 2.12 and 2.16 to the consolidated financial statements specify the methods of evaluating share-based payments and considerations for personnel subsequent to employment and other long-term employee benefits. These commitments have been measured by external actuaries. Our work consisted in reviewing the data used, assessing the assumptions made, and verifying that notes 7 and 25 to the consolidated financial statements provide appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

3 Specific verification

In accordance with the professional standards applicable in France, we have also specifically verified the information provided in the Management Report relating to the Group pursuant to French law.

We have no comment to make on its fair presentation, and on its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 10, 2015

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	Stéphane Rimbeuf
Hervé Chopin	

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Risk factors

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Risk management is an integral part of the Group's strategy and operations. There are several levels of organization, detailed in section 3.5 "Report of the Chairman of the Board of Directors on the conditions governing the preparation and organization of the Board's work and the internal control and risk management procedures instituted by the Company" of this Registration Document.

The Group reviewed the risks likely to have a material adverse effect on its operations, financial position or earnings (or its ability to reach its targets) and does not believe there to be any other material risks, excluding those mentioned herein.

6.1 Strategic and economic risks

The Group operates in markets that are rapidly evolving, and more recently, declining. It may encounter difficulties in adapting to the changes affecting its markets.

The Group operates in markets that are undergoing massive change, primarily due to the expansion of the internet and the resulting changes in consumer purchasing patterns, such as the digitalization of physical consumer media. The expansion of the internet has generated dramatic growth in e-commerce, which has substantially altered the dynamics in each of the markets and countries in which the Group does business, fundamentally changing purchasing patterns, consumer behavior (and the tools required to attract and retain consumers) and the overall retail landscape. New market players have emerged as a result of the boom in e-commerce – to the detriment of traditional retailers like the Group – that specialize in online retailing (pure players) and offer a wide range of products at low prices which makes them serious competitors for traditional retailers. Specifically, the development of e-commerce has reduced prices and margins in the Group's markets.

In the consumer electronics market, the growth of the internet has coincided with deflation and a low point in the innovation cycle, which limits the turnover of goods sold.

Each of these elements could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Adapting the Group to change and the decline in its primary markets is the key component of the "Fnac 2015" strategic plan, which aims to extend the brand into the leisure market, incorporate digitalized products into existing ranges, develop new and growing product lines and adapt sales models to customer needs with a focus on omni-channel distribution.

The Group's markets are experiencing fierce competition.

The retail markets for consumer electronics and editorial products are highly competitive (see section 1.3.2.2 "Competitive Environment"). The Group competes with traditional, international and local retailers, including some that are developing online sales platforms. The Group also competes with pure players in the e-commerce market, of whom some foreign-based ones have tax provisions that are more favorable than the Group and are open 7 days a week, in contrast to the Group which is restricted under domestic laws with regards to opening its stores on Sundays. These pure players, some of which operate on a global scale, exert intense competitive pressure on prices and are increasing their revenues and market share not only through attractive pricing (resulting from their lower cost structure and the absence of store-related expenses), but also through their increasingly wide array of products. Over the past few years, new competitors such as manufacturers, internet service providers (ISPs) and digital platforms also have emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as the Group in the marketing and supply chain. Finally, piracy is undermining the attractiveness of the legitimate editorial products offered by the Group and constitutes a source of unfair competition.

In addition, the decline in the markets in which the Group operates also tends to strengthen competition by reducing available revenue for the various players.

More intense competition could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Monitoring and reacting to the competitive environment and its changes take place at the country level and are overseen at the Group level by the Strategy Department as part of an approach aimed at anticipating competition, conducting strategic reviews of geographical locations and identifying development or arbitrage opportunities.

Difficulties within the Group's markets have been, and may continue to be, exacerbated by unfavorable macroeconomic or political factors, such as the current economic downturn in the euro zone.

The performance of the Group's markets is closely linked to levels of disposable household income. The Group's revenues are affected by the economic conditions in the countries in which it operates, which are primarily euro zone countries. The economic downturn in the euro zone has had, and continues to have, an adverse effect on the economies of countries comprising the Group's main markets. France, Spain, Portugal and Belgium accounted for over 90% of the Group's consolidated revenues in 2014. The crisis has been and remains particularly severe in Spain and Portugal. Among the most significant effects of this economic downturn are increased unemployment, budgetary austerity measures, tax hikes and a corresponding decrease in household income available for secondary consumption, which includes consumer electronics and editorial products such as those sold by the Group. The economic downturn in Europe has intensified the decline in the Group's markets.

While the potential economic recovery within the euro zone represents an opportunity for the Group, such a recovery may not occur, or may occur slowly, and economic growth could return at slower rates than those observed in the past, assuming it returns at all, and could have a negative impact on household consumption, which could have a significant negative impact on the Group's operations, financial position, earnings and outlook.

6.2 Operational risks

The legal and regulatory environment applicable to the Group's markets or to its products and services in the countries where it operates may develop in ways that are unfavorable to the Group and expose it to compliance risk.

Because of its in-store and online retail activities, the Group is exposed to changes in the legal and regulatory environment in the countries in which it operates. In particular, the Group's activities are subject to controls, investigations and regulations relating to consumer protection, competition, e-commerce, intermediation in consumer credit and insurance, personal data protection, information technology, book prices (digital and physical), contractual warranties for customers, and store safety and accessibility.

The Group's operations in France are primarily subject to the 2008 Economic Modernization Act (*loi de modernisation de l'économie*, or LME) which regulates payment terms in particular. Therefore, with some exceptions (such as books), under the terms of Article L. 441-6 of the French Commercial Code, the payment terms may not exceed 45 days from month-end or 60 days from the invoice issue date in the event of an agreement between the parties. In the absence of an agreement between the parties, the terms cannot exceed 30 days from receipt of the goods or performance of the services.

The Group's business is also affected by environmental regulations that may have an adverse impact on the Group or increase the restrictions that apply to the products it sells (such as obligations to dispose of or recycle consumer electronics and household appliances) or to the methods and cost of transporting its products or increase the cost that it incurs for the rental of retail space. Compliance with these laws and regulations could have a significant negative impact on the Group's operations (particularly in terms of lower prices, lower margins and loss of market share), financial position, earnings and outlook.

Monitoring and taking account of statutory requirements is done at the country level by the local Finance Department with the support of the Group's advisory network, under the supervision of the Group's Legal and Finance Departments.

The Group's business is highly seasonal in nature.

The Group's revenues and current operating income are significantly higher during the last quarter of the year, particularly as the holiday season approaches. During the fourth quarter of 2014, the Group made over 36% of its revenues for the year. The Group undergoes a period of intense business activity that involves tight inventory management and large shifts in its liquidity, and it must therefore step up its use of external service providers, particularly in logistics. As business activity includes a large share of fixed costs, revenues in the last quarter helped to create profitability that was greater than in other quarters. Working capital requirements increase for the first quarter, are stable between the second and third quarters, and decrease for the fourth quarter of a given year. Any unexpected events or failures that may occur at the end of the year or during the launch of products in high demand, such as natural disasters, weather events, supply delays, strikes, acts of terrorism, work stoppages, the blocking or destruction of the Group's logistical warehouses, or the failure, overload or disruption of its websites, could have a material adverse effect on the Group's image, operations, earnings and financial position.

The Group's entire operational set-up is designed to anticipate, prepare for and safeguard this major sales period.

The Group may not be able to maintain positive brand perception and recognition, including with regard to its customer loyalty program.

The Group's past success is partly due to strong customer awareness and the excellent reputation of the Fnac brand. Against a backdrop where its franchise network is growing and there is increasingly intense competition, the Group's ability to maintain positive consumer awareness of the brand and the distinctive features it represents, plus get core customers to join its loyalty program, is key to ensuring the Group's future success, including on social media sites, which encourage customers to share their opinions, comments and experiences. The Group has developed a customer loyalty program through which it strengthens the loyalty of a solid customer base that generates around half of its revenues, and that significantly contributes to the distinctiveness of the Group's brand image. This program may be imitated by the Group's competitors which would weaken its distinctiveness, or it could be perceived as less attractive than competing programs, and consequently be abandoned by certain Fnac customers. Furthermore, any deterioration in labor relations within the Group, including strikes, could expose the Group to reputational risk and undermine its image or the service level within the Group's store network. Finally, the Group's image could be tarnished by the occurrence of exceptional events, such as bringing its liability into play due to selling a given product or breaching an applicable law.

The Group continuously monitors the image and presence of its brand (including on social media), regularly tests new product offerings and its external communications both upstream and downstream, and monitors the quality of its customer service.

The Group's business may be affected by a deterioration in its labor relations, including with its unions.

The Group is constantly adapting its human resources and organizational structure (see section 1.3.3 "'Fnac 2015' Strategic Plan"); this requires the Group to maintain good relations with its employees, unions and employee representative bodies. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

As a responsible employer, the Group has implemented a major policy geared toward meeting human resource challenges. Details of this can be found in section 2 of this Registration Document, more specifically section 2.3.3 "Employee Relations".

System failures or shortcomings, viruses or hacking could result in service interruptions in the Group's information systems.

Most of the Group's operations rely on information systems developed or administered by internal resources or outside contractors. Any fragility or failure of these systems could disrupt business operations and potentially have major repercussions on the Group's sales and financial results, particularly with regard to websites and ordering and payment systems, and especially during peak end-of-year business activity.

These information systems are constantly changing and are difficult to address as a single entity. Together with the development of portable technology and cybercrime, this makes information system security an additional challenge especially with regard to hacking.

The Group's Information Systems Department ensures that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents and arrange emergency plans. The department relies on the network of IT managers in its host countries to safeguard information systems through appropriate governance, shared standards and regular inspections.

The Group could be affected by a deterioration in its relations with certain suppliers, franchisees, partners or contractors or by supply problems.

The Group offers a wide range of products and is supplied by a large number of suppliers. Purchases from the Group's top ten suppliers represented approximately 34% of total purchases in 2014. A significant share of the Group's success depends on its ability to negotiate favorable terms and conditions and to maintain agreements and business relations with its suppliers, especially those that supply products that cannot be readily substituted as far as customers are concerned (e.g. Apple and Microsoft). Any deterioration in the Group's relationships with its main suppliers, the imposition of stricter conditions by suppliers (especially with respect to payment terms), or the non-renewal or early termination of its main supply agreements may have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's business also depends on its relationships with its partners, for example in the consumer credit field or for product range development (Finaref, SFR, Disney, etc.), as well as relationships with service providers who are key to its operations, such as IT resources, transportation, delivery, and payroll management.

In this context, since its flotation on the stock market in June 2013, for a transitional period that may, depending on the services concerned, continue for a period of up to four years, the Group may continue to benefit from the provision of services (especially IT and interim services) either directly from the Kering Group (as part of a multiservice platform), or under framework contracts that Kering has put in place with its service providers.

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.

With regard to franchisees, the franchise contract arrangement is a balanced way of respecting the mutual rights and obligations of each of the parties over a 7 year period that is conducive to establishing a relationship of trust and partnership.

As regards the contracts of suppliers, partners and providers existing at the time of the Group's IPO, no supplier has invoked the change of control clause to request the amendment or early termination of the contract in force.

Agreements with suppliers are negotiated periodically and the Group strives not to accept, to the extent possible, any change of control clauses.

The Group could be affected by a deterioration of its relationships with its property owners.

The Group's success is due in particular to its ability to develop and manage a store network that meets its requirements as well as its customers' expectations. The Group may be exposed to the risk of non-renewal of its leases or face conflicts with its property owners at the time of a lease renewal.

In order to improve its operating profitability, the Group has decided to renegotiate its rents, optimize the management of its retail space and optimize the terms under which its rents are indexed. No assurance can be given regarding the Group's ability to successfully optimize, use and allocate its retail space (including for the introduction of new product categories), control its rents or maintain or open a network of stores in prime locations under acceptable terms and conditions.

The Group's real estate assets are constantly monitored to ensure they are being used optimally and to anticipate any arbitration that may be required to preserve a portfolio of prime locations at the best market terms and conditions.

The Group could be exposed to significant financial risks if its insurance coverage proves to be inadequate.

The Group is exposed to risks that are inherent to its business. Although the Group has taken out a third-party liability and business interruption insurance policy, legal proceedings for third-party liability or business interruption could lead to substantial damages, some of which may not be covered by insurance. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents resulting from fires, explosions, water damage, theft, natural events causing damage to the Group's own property (buildings, furniture, equipment, merchandise or computer systems) or following a business interruption at its premises, nor that it will be able to maintain this insurance on acceptable terms in the future. The Group's operations, earnings, financial position and outlook could be materially adversely affected if the Group's insurance coverage proves to be inadequate or unavailable in the future. (See section 6.5 "Insurance".)

Changes in the assumptions used to determine the book value of certain assets, especially assumptions resulting from an unfavorable market environment, could result in the impairment of these assets, including certain intangible assets such as goodwill.

Goodwill represents the amount paid by the Group in a business combination that exceeds the fair value of the identifiable net assets on the date of acquisition. Goodwill is allocated to each cash-generating unit in each country. Goodwill is tested for impairment annually at the level of the groups of cash-generating units that correspond to operating segments, during the second half of the year or whenever events or circumstances indicate that the book value of those units may not be recoverable.

The recoverable value of groups of cash-generating units is determined on the basis of their value-in-use, which is in turn determined on the basis of certain assumptions. These assumptions primarily include the discount rate, growth rate and change in sales prices and direct costs during the period in question. Management determines discount rates using pre-tax discount rates that reflect the rate of return expected by the market for investments with a similar risk level. Growth rates are based on the Group's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical data regarding these changes and on estimates of future changes in the market.

If business operations and forecasts change, the estimated recoverable value of goodwill or the assets themselves may decline significantly and require impairment.

Details of assumptions and the study of the impacts of the sensitivity of the impairment tests are detailed in note 18 to the consolidated financial statements.

No assurance can be given as to the absence of significant impairment charges in the future, especially if market conditions continue to deteriorate.

The Group is exposed to tax risks by virtue of the international nature of its activities and may be subject to costs and liabilities in connection with current or future tax audits.

As a multinational group, the Group is subject to tax legislation in a number of countries and it structures and conducts its business in light of diverse regulatory requirements. Given that tax laws and regulations in the various countries in which the Group operates sometimes do not provide clear-cut and definitive guidance, the Group's structure, conduct of its business and tax regime is based on its own interpretation of local and French tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant French and local tax authorities or that the tax laws and regulations in some of these countries will not be subject to change and varying interpretations, which could adversely affect the Group's effective tax rate, cash flow, earnings, financial position and outlook.

Should the Group be subject to tax audits, as is currently the case in France and Brazil, or be the subject of future tax adjustments, it may be unable to provide the necessary evidence or defend its position or interpretation of the relevant law or regulation before the tax authorities. The Group's financial statements including provisions that cover risks associated with tax disputes are presented in section 5.2, notes 26 and 33.6 to the consolidated financial statements. However, no assurance can be given that future tax audits will not result in reassessments where amounts due to the tax authorities in question exceed current provisions. Any such reassessments could have a material adverse effect on the Group's effective tax rate, cash flow, earnings, financial position and outlook.

The Group's intellectual and industrial property rights may be challenged.

The Group owns or uses intellectual and industrial property rights, including trademarks, logos and domain names that it uses in its business. Over the past few years, the Group has set up a monitoring system for its portfolio of brands and domain names in order to defend its rights. However, the Group cannot be certain that the measures undertaken to protect its intellectual and industrial property rights will be effective or that third parties will not infringe, misappropriate or terminate its intellectual or industrial property rights. Given the importance of recognizing the Group's brands, particularly the Fnac brand, any infringement or misappropriation could have a material adverse effect on the Group's image, operations, financial position or earnings.

The main shareholder of the Company holds a significant percentage of the Company's shares and can influence decisions made by the Company.

After the distribution by Kering of the Company's shares to its shareholders and the admission to trading of the Company's shares on Euronext Paris, the Artémis Group holds 38.88% of the Company's share capital and voting rights and 3 of the 10 members of the Board of Directors have ties to it. As such, depending on the participation rate at the Company's General Meetings, the Artémis Group can influence the adoption or rejection of resolutions submitted for approval by Company shareholders at such meetings and/or at Extraordinary General Meetings, in particular with respect to the appointment or removal of members of the Board of Directors, approval of the annual financial statements and dividend distributions, authorizations related to capital increases, mergers, contributions, or any other decision requiring shareholder approval.

6.3 Market risks

The Group has set up an organizational structure which enables it to manage market risks on a centralized basis. Within the Group, risk management is the responsibility of the "Group Treasury Department." The Group believes that monitoring market risk at the Group level allows for more effective risk management.

Currency risk

The Group's currency risk management policy consists of the mitigation of currency risk inherent to the Group entities' business activities through fixing pricing policies and gross margins on the Group's imports and exports at the latest when an entity makes a commitment, and by prohibiting any currency speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

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 29.2 to the consolidated financial statements.

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 29.1 to the consolidated financial statements.

Liquidity risk

Group financing

On April 19, 2013, the Group entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate, for a three-year period. This credit line has been implemented to finance the Group's working capital requirement.

The credit facility contains clauses customary for this type of financing, namely financial commitments, general restrictive covenants, the Group's own restrictive covenants, and events of default.

On July 24, 2014, the Group signed an amendment to the revolving credit facility with the lending syndicate. The principal terms of this amendment, which attest to the Group's improving financial profile, include the term of the loan and the early repayment clause in case of changes in the stake of Artémis in the capital of Groupe Fnac.

All of these clauses are detailed in section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document.

Risks related to the early repayment clauses are described in the section "Financial risk" below.

At December 31, 2014, all financial covenants are being complied with (see section 5.3, note 33.4 to the consolidated financial statements).

At the same time, on April 24, 2013, the Group also issued sixty perpetual super-subordinated notes (TSSDI) with a nominal value of €1 million each, for a total nominal amount of €60 million. These notes are subordinated to all senior creditors and bear an 8% annual fixed-rate coupon. In accordance with IAS 32 and in light of its characteristics (no obligatory repayment clauses, no obligation to pay a coupon except in the limited cases set forth in the agreement and at the issuer's initiative), this instrument is recognized in shareholders' equity.

The financing for the TSSDIs is described in section 4.2.2.2 "Financing under the TSSDIs" of this Registration Document.

Centralized cash management

Fnac SA has entered into centralized cash management agreements for an unlimited term with some of its French subsidiaries and with its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group's management of cash in order to encourage coordination and optimization of the utilization of cash surpluses or the coverage of cash requirements generally within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they are not using to finance their operations and investment program with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA.

Exposure to liquidity risk is detailed in section 5.2, note 29.5 to the consolidated financial statements.

Credit and/or counterparty risk

Credit risk: given its large number of customers, the Group does not believe it is exposed to a material concentration of credit risk. However, the expansion of its franchising and B2B operations could have a negative effect on the Group's cash flow, earnings and financial position in the future, despite guarantees and insurance.

Generally speaking, Groupe Fnac is not exposed to any particular credit risk on its financial assets.

Volatility of the market price of the Company's shares

Stock markets experience significant fluctuations which are not always related to the results of operations of the companies whose shares are being traded. These market fluctuations may have a material adverse effect on the market price of the Group's shares.

The market price of the Group's shares could also be materially affected by many factors that affect the Group, its competitors, general economic conditions, or the specialty retail market (in particular the entertainment and consumer electronics segments). The market price of the Company's shares could fluctuate significantly, particularly in response to factors such as:

* substantial block trades of shareholdings in a market of low daily trading volumes or changes in the reported financial results of the Group or its competitors;
* announcements made by the Group's competitors or other companies with similar businesses and/or announcements relating to the specialty retail market (particularly the retailing of entertainment products and consumer electronics) or to the financial and operating performance of these companies;
* adverse political, economic or regulatory developments in the countries and markets in which the Group operates;
* announcements relating to changes in the Company's share ownership;
* announcements relating to changes in the Group's officers or key employees; and
* announcements relating to the Group's scope of consolidation (acquisitions, disposals, etc.).

6.4 Financial risk

Artémis Group Agreement – A reduction in the Artémis Group's interest in the Company could have an impact on the Group's financing conditions.

Kering's main shareholder, the Artémis Group, holds approximately 38.88% of the Company's share capital and voting rights after Kering's distribution of Company shares to Kering shareholders and the admission to trading of the Company's shares on Euronext Paris. The Loan Agreement requires the early repayment of amounts lent by the lenders under the facility and the cancellation of any remaining available credit thereunder in the event that Artémis (through one or more of its subsidiaries), directly or indirectly, ceases to hold at least (i) 38.8% of the Company's share capital or voting rights before April 18, 2015 (the second anniversary of entry into the Loan Agreement which was signed in April 2013), or (ii) a 25% interest in the Company's share capital and voting rights at any time after that date until April 18, 2016. Under a separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) through to April 18, 2016 (the date of the initial maturity of the Loan Agreement signed in April 2013) not to trigger early repayment or cancellation of available credit under the Loan Agreement by sole reason of the Triggering Event. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company. Any reduction of the Artémis Group's shareholding in the Company prior to the maturity of the Loan Agreement (for example, if Groupe Fnac were to decide to undertake a share capital increase in which Artémis did not participate) would trigger an early repayment event under the Loan Agreement, which could have an immediate material adverse effect on the Group.

The Artémis Group's stake in the capital of Groupe Fnac was not changed following the renegotiation of the Loan Agreement signed on July 24, 2014. The associated early repayment clause remains in its initial form without extension to the loan agreement's new maturity date (July 24, 2017 compared to April 18, 2016 initially).

More generally, including after the expiration of the Loan Agreement, a reduction by Artémis of its interest in the Company could adversely affect the Group's ability to secure financing and the conditions of such financing, which could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

A direct or indirect reduction by Kering in its interest in the perpetual super-subordinated notes could have an impact on the Group's financing conditions.

Kering indirectly holds all of the perpetual super-subordinated notes (TSSDIs) issued by the Company. The Loan Agreement requires the early repayment of the amounts lent by the lenders under the facility and cancellation of any remaining availability under the credit facility in the event that Kering (via one or more of its subsidiaries) ceases to hold all of the perpetual super-subordinated notes either directly or indirectly. Therefore, despite the fact that Kering has separately agreed (itself and on behalf of its subsidiaries) not to trigger early repayment under the Loan Agreement until April 18, 2016 for reasons of breach of covenant, any direct or indirect reduction by Kering (via one or more of its subsidiaries) of its interest in the perpetual super-subordinated notes would constitute an event of early repayment under the Loan Agreement. The renegotiation of the credit facility signed on July 24, 2014 did not alter the nature of Kering's commitment concerning the TSSDI.

The Group may not be able to comply with the restrictive covenants under the Loan Agreement.

The Group may be unable to comply with some of its obligations under the Loan Agreement, particularly the restrictive covenants, due to circumstances affecting the Group's markets or operations. Failure to comply with one or more of these clauses, particularly the covenants, could constitute an event of default under the Loan Agreement, pursuant to which the Loan Agreement Agent (Société Générale) could, and would have to if requested by the lenders, (i) cancel the commitments made by each lender with immediate effect, (ii) decide to close out all amounts due under the Loan Agreement (including interest accrued on those amounts and any other amounts due under the Loan Agreement), and (iii) enforce the security interests granted by the Group's members. In the event that all amounts under the Loan Agreement are declared immediately due and payable, the Group may lack sufficient cash to make such payments and it is possible that the assets pledged by the borrowers, and their other assets, where applicable, would not be sufficient to ensure its full repayment. This situation could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets. At December 31, 2014, all financial covenants are being complied with (see section 5.3, note 33.4 to the consolidated financial statements).

The Group's covenants under the Loan Agreement could reduce its flexibility in conducting its business.

The Loan Agreement includes covenants that significantly reduce the Group's flexibility to conduct its business, including but not limited to restrictions on the granting of security interests or guarantees, restrictions on mergers and restructuring transactions, restrictions on certain investments or asset disposals and restrictions on changing the financial structure of the Group including its indebtedness. The resulting inability to change its corporate structure or business could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

6.5 Insurance

General overview

All the policies taken out by the Group are on conditions tailored to the scale and type of the Group's risks.

The Group's insurance policy is coordinated by the Group's Legal and Insurance Department, whose role is to identify risks, quantify their impact and reduce them by:

* recommending preventive measures for risks that can be eliminated or reduced by these means; or
* scheduling financing arrangements, including transfer to the insurance company of risks of an exceptional nature where the potential impact is high and the frequency is low.

This requires each Group subsidiary to provide the Group Legal and Insurance Department with information aimed at identifying and quantifying risks and to implement appropriate resources to ensure business continuity in the event of an incident. Based on this information, the Group Legal and Insurance Department negotiates with the major players in the insurance and reinsurance industry in order to find the cover best suited to the Group's risk coverage requirements.

Risk prevention policy

The aim of the risk prevention, precaution and protection policy, which is implemented at the subsidiary level, is to identify, assess and reduce the exposure, occurrence and intensity of incidents, through:

* audits of the main operational facilities;
* appraisals of value-at-risk;
* following the recommendations of security professionals;
* internal control procedures;
* staff training; and
* implementation of appropriate emergency plans.

The Group's insurance policy

The Group's policy of transferring material risks to insurance companies is primarily determined by:

* the best economic balance between risk cover, premiums and deductibles; and
* the offer and constraints in the insurance market, and applicable local regulations.

Under its insurance policy, the Group favors the "all risks with exceptions" approach, which is determined by assessing the financial consequences for the Group of potential claims, specifically in terms of:

* third-party liability: third-party liability, including physical injury or property damage to third parties caused by products, facilities or equipment;
* property damage resulting from fire, explosion, water damage, riots, terrorism, war or other causes; and
* operating losses following direct damage.

The Group has adopted a deductibles policy to absorb losses of minor importance in terms of costs (especially for the All Risks and Liability policies), thus encouraging the development of preventive measures to reduce losses.

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.

Risks are managed as part of the Group's general risk management policy, as is the case for policies of groups of comparable size.

The main insurance programs which the Group has taken out pool the purchase of insurance coverage, to which all of the Group's subsidiaries adhere. This coverage is underwritten by international insurance brokers that specialize in the coverage of major risks with reputable insurers.

Main insurance programs

The main insurance programs taken out by the Group to cover the risks it faces in its operations are described below. Where necessary, they may be supplemented by local programs specific to the country in question:

Damage and business interruption: This policy insures the Group against risks including fire damage, explosion, water damage, theft or natural disasters causing damage to the Group's own property (buildings, furniture, equipment, goods or computer facilities), and property for which the Group is responsible, and against operating losses following such damage, for any period deemed necessary to enable the resumption of normal business.

The total amount of the damage covered under these policies varies according to the risk and the geographical area under consideration. This amount is accordingly capped at €370 million per loss.

Third-party liability: This policy covers operational risks or risk following the delivery or provision of a service, including physical injury and damage or property damage caused to third parties by the operations of all Group subsidiaries or the products sold by the Group. The amount of damages covered in this respect is capped for the Group for an insured period of two years expiring on December 31, 2015. The amount of damages covered in this respect is capped at €75 million per claim for the same period.

Goods transportation: These policies cover the business activities in-store and online at fnac.com, specifically the risk of damage, theft, loss or major incidents (excluding acts of war) during transportation performed by the Group's subsidiaries, from the point where the goods are delivered to the stores by suppliers or until delivery is taken by the recipient. The amount of damages compensated under this policy in 2014 is commensurate with the risks run. Accordingly, the amount of the damage indemnified under the policy is capped at €10 million per claim.

Insurance expenses incurred by the Company: The costs incurred by the Company in respect of all insurance policies for the year just ended are estimated at around €2.3 million.

6.6 Risk management

The Group closely associates risk management with internal control. The Group's risk management and internal control systems rely on a series of resources, procedures, and actions aimed at ensuring that proper measures are taken to identify, analyze and control:

* 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; and
* the activities, efficiency of its operations and efficient use of resources.

For more information on risk management and internal control procedures (including with respect to the Group's subsidiaries), see the report on risk management and internal control procedures in section 3.5 of the Registration Document.

6.6.1 The risk management system

The implementation of the risk management system at Fnac is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.6.6.1 Organization

Managing the exposure to decentralized risks at the country level is the responsibility of the Managing Director in each country and local executives who are closest to the risks relating to the operations they conduct or oversee.

Managing exposure to centralized risk at the Group level involves mapping, identifying and assessing risk, and is a task performed by the Internal Audit, Financial Control, Risk Prevention, and Legal and Strategy Departments.

An Fnac risk management policy was formalized in 2011 and is based on the COSO II guidelines. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

The Group also has a Director of Safety, Security and Risk Prevention, whose goal is to standardize procedures, reduce risks and reduce security costs at the Group level by promoting synergies and raising awareness among Group employees.

6.6.1.2 Procedure

The risk management procedure is organized into three chronological steps:

* risk identification – At Fnac, risk identification is an ongoing process. It allows key risks to be identified and centralized, based on type, either by the Risk Prevention Department or by the Internal Audit Department;
* risk assessment – At Fnac, this approach is also documented at least once a year during a risk self-assessment process headed by the Internal Audit Department. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, human, legal or reputational nature) and assess the likelihood of their occurrence, as well as the required level of risk management;
* risk processing – During this final step, the most appropriate action plan(s) is/are identified.

6.6.1.3 Oversight

The risk management system is subject to regular monitoring and review, which allows for ongoing improvements. Risk management is overseen by Groupe Fnac's Audit Committee.

That committee meets at least once a year to review the risk map prepared by the Group's executive management, and check the progress of dedicated action plans.

The Group also conducts regular internal audits to assess and improve the effectiveness of its risk management systems. The Group's Internal Audit Department consists of one Director and two internal auditors.

6.6.2 Risk mapping

As part of its risk management and internal control procedures, the Group prepares risk maps for the main risks to which it is exposed. The Group assesses the potential impact of each risk that is identified. The risk maps are updated regularly and allow the Group to define and monitor the various action plans that are implemented to reduce or manage these risks. The risks identified in the most recent Group risk map are described in the previous parts of this section 6 on "Risk Factors".

7

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7.1 The Company

7.1.1 History and development

7.1.1.1 Company name

The name of the Company is "Groupe Fnac".

7.1.1.2 Place of registration and registration number

The Company is registered in the Trade and Companies Register of Créteil under number 055 800 296.

7.1.1.3 Date of incorporation and duration

Date of incorporation

The Company was incorporated on December 15, 1917.

Duration

The Company's duration is fixed at January 1, 2100, except in the event of early dissolution or extension.

7.1.1.4 Registered office, legal form and applicable legislation

Registered office

Groupe Fnac's registered office is located at 9, rue de Bateaux-Lavoirs, ZAC Port d'Ivry, 94200, Ivry-sur-Seine, France (Tel: +33 1 55 21 57 93).

Legal form and applicable legislation

Groupe Fnac is a French *société anonyme* (limited company) specifically governed by the provisions of Book II of the French Commercial Code.

Previous corporate form

The Company was initially incorporated as a *société anonyme*. It was transformed into a *société par actions simplifiée* (a simplified joint-stock company) pursuant to a unanimous decision of the shareholders on June 4, 2002. On September 26, 2012, the Company's shareholders resolved to transform the Company back into a *société anonyme à conseil d'administration* (a limited company with a Board of Directors).

7.1.2 Constitutive documents and bylaws

The Company's bylaws have been drafted pursuant to the laws and regulations applicable to limited companies with a Board of Directors incorporated under the laws of France. The principal stipulations below are taken from the Company's bylaws, as adopted by the Company's Ordinary and Extraordinary General Meeting of Wednesday, April 17, 2013.

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 each year.

7.1.2.3 Administrative, management and supervisory bodies and senior management bodies

Board of Directors

Internal rules of the Board of Directors

The Board of Directors has internal rules whose purpose is to specify the operating rules of the Company's Board of Directors.

Composition of the Board of Directors (Article 12 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board is composed of at least three and at most eighteen members, subject to exceptions allowed by applicable law, including in the case of a merger.

A person cannot be appointed Director if, being more than 70 years old, his or her appointment has the effect of increasing the proportion of Board members of that age above one-third of total members. If, because a Director has reached the age of more than 70, the above proportion of one-third is exceeded, the oldest Director shall be deemed to have resigned at the conclusion of the next Annual General Meeting.

The Directors are appointed for a term of three years under the conditions set forth by law by the Annual General Meeting. The Directors are eligible for re-election and may be dismissed at any time by a General Meeting. In the event that one or more Directors' seats are vacant, the Board may make provisional appointments of Directors, in compliance with the law, which will be subject to ratification at the next Annual General Meeting. A Director appointed under these conditions to replace another Director remains in office during the time remaining on his predecessor's term of office. The Board members' terms of office may be arranged in such a way as to allow for a renewal of members as regularly as possible.

The Board must ensure balance within its membership and within the committees of Board members that it establishes, by taking the necessary measures to ensure that its duties and those of its committees are fulfilled with the required independence and objectivity.

The proportion of independent members, where possible, must be at least one-third within the Board of Directors, at least two thirds within the Audit Committee and at least half within the Appointments and Compensation Committee and 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 Annual General Meeting is also informed thereof when electing new Board members.

The assessment of independence of each Board member must include the following criteria:

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

For Board members holding ten per cent or more of the Company's capital or voting rights, or representing a legal entity holding such an interest, the Board, upon recommendation of the 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 hold that a member of the Board, even though he or she meets the above criteria, should not be deemed independent due to his or her particular situation or that of the Company, due to its shareholding structure or on any other ground. Conversely, the Board may hold that a Board member who does not meet the above criteria is nonetheless independent.

Chairman of the Board of Directors (Article 14 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board elects a Chairman and Vice Chairman from its members that are natural persons, for terms not exceeding their term of office as a Board member. Their duties include convening the Board and chairing its discussions. The Chairman is eligible for re-election and may be dismissed at any time by the Board of Directors. At no time may he or she be more than 65 years of age.

Committees of the Board of Directors (Article 15 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board may decide to set up permanent or temporary committees from among its members in order to facilitate the operations of the Board and to provide effective assistance in preparing its decisions. These committees are charged, under the responsibility of the Board, with examining the subjects that the Board or its Chairman submits for their examination and advice to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal rules specific to each committee and approved by the Board.

As of the date of this Registration Document, the Board has decided to establish the following permanent committees: (I) an Audit Committee, (II) an Appointments and Compensation Committee and (III) a Corporate, Environmental and Social Responsibility Committee. (See section 3.2.3 "Board of Directors Committees" of this Registration Document).

Practices of the Board of Directors (Article 15 of the Bylaws and Article 5 of the Board's Internal Rules)

The Board is convened by its Chairman, or Vice Chairman or upon the request of at least one-third of the Directors. In the latter case, the Chairman or, failing this, the Vice Chairman must convene the Board within fifteen days of receipt of the request.

The Board may be convened by any means, including verbally. The person who gave notice of the Board's meeting sets the meeting's agenda.

The Board meets at least four times a year, and at any other time, as often as the Company's interests require it. A provisional schedule of each year's meetings is sent to the Directors by November 30 of the preceding year, at the latest. The frequency and duration of meetings must be such as to allow a thorough examination and discussion of matters coming within the Board's remit.

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 of its members are present. Persons present at the meeting for the purposes of calculating the quorum and the majority shall be deemed to include the Directors who take part in the meeting via videoconference facilities or other appropriate means under the conditions provided for by the law and regulations. All Directors may give a written proxy to another Director to represent them at a meeting of the Board of Directors. Each Director may only hold one proxy per meeting.

Decisions are taken by a majority vote of the members present, deemed present or represented. In the event of a split vote, the vote of the Chairman of the meeting shall be decisive.

The Board of Directors shall appoint a Secretary, who can be chosen from outside its members.

A register of attendance shall be kept for meetings of the Board and minutes shall be taken, as provided by the laws and regulations in force. The attendance register shall mention the attendance of members by videoconference or by any other means of telecommunication.

The Duties of the Board of Directors (Article 13 and 17 of the Bylaws and Article 3 and 4 of the Board's Internal Rules)

The Board carries out the duties and exercises the powers entrusted to it by law and the Company's bylaws. It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly attributed to the General Meetings and within the limits of the corporate purpose, it concerns itself with all issues affecting the Company's operations and regulates the Company's affairs by its deliberations.

The Board carries out the audits and verifications it deems necessary. The Board is regularly informed of the Company's financial and cash position, as well as the Company's or Group's commitments and obligations. The Chairman and Chief Executive Officer communicate to the Directors, on an ongoing basis, any information concerning the Company of which they are aware that 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, for each of these transactions, it exceeds an amount set by the Board of Directors:
    - any investment or divestment, including an acquisition or sale or exchange of interests in any existing or future companies,
    - any borrowing (or series of borrowings) or loan of money or early repayment of a loan of any kind.

The Board of Directors also oversees the Company's and Group's proper governance, in order to ensure a high level of sustainable development and transparency consistent with the Group's, Group Directors' and employees' corporate social responsibility.

Remuneration of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's Internal Rules)

The Annual General Meeting may allocate an annual fixed sum to Directors for attendance fees, whose distribution among Directors shall be determined by the Board. Upon recommendation of the Appointments and Compensation Committee, the Board:

* distributes freely the attendance fees allocated to the Board by the Annual General Meeting among its members, provided that a portion determined by the Board is deducted from the aggregate amount allocated to the Board and paid to committee members, based on their presence at the Committee meetings;
* determines the amount of compensation paid to the Chairman and Vice Chairman; and
* may allocate to some of its members exceptional remuneration for missions or duties assigned to them.

Executive Management

Chief Executive Officer (Article 17 of the bylaws)

a) Appointing 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 or outside of the Directors, set his or her term of office and compensation and, where necessary, the extent of his or her powers. At no time may the CEO be more than 65 years of age.

b) Powers of the Chief Executive Officer

The CEO is invested with the all powers necessary for acting in the Company's name under any circumstances and shall exercise these powers within the limits of the corporate purpose and what the law expressly assigns to the General Meetings and to the Board of Directors. The CEO represents the Company in its relations with third parties.

Some of the CEO's decisions are subject to the prior consent of the Board (see above). Moreover, the Board sets, under the conditions set forth by law, either a total amount below which the CEO may give, with or without the option of delegating, commitments in the name of the Company in the form of sureties, endorsements or guarantees, or an amount above which each of the above commitments may not be given. All transactions exceeding the global ceiling or maximum amount set for commitments must be authorized by the Board.

The CEO may grant, with or without the option of substituting, any delegation to any Director that he or she elects, subject to the restrictions provided for by law.

Chief Operating Officers (Article 18 of the Bylaws)

Upon the CEO's recommendation, whether this position is held by the Chairman of the Board or by another person, the Board may appoint one or more natural persons charged with assisting the CEO, with the title of Chief Operating Officer (COO). The maximum number of Chief Operating Officers is set at five. At no time may a Chief Operating Officer be more than 65 years of age.

Should the CEO cease or be prevented from exercising his or her duties, the Chief Operating Officer(s) shall, unless otherwise decided by the Board of Directors, keep their positions until the appointment of the new CEO.

In agreement with the CEO, the Board of Directors determines the extent and duration of the powers given to the Chief Operating Officers. The Chief Operating Officer(s) shall hold, with regard to third parties, the same powers as the CEO.

7.1.2.4 Rights, privileges, and restrictions on shares

The shares may be freely traded under the conditions prescribed by law.

Each share gives the right, in proportion to the number and par value of existing shares, to a part of the Company's assets, profits and the proceeds of liquidation.

Each shareholder has a number of votes equal to the number of shares owned, subject to applicable regulations and the Company's bylaws.

Whenever it is necessary to own a certain number of shares to exercise a right of any kind, particularly in the event of the exchange, conversion, combination or allotment of shares, capital reduction, merger, demerger or any other corporate action, shares of a lower number than that required do not give any entitlement to their owner with respect to the Company, and shareholders must make their own arrangements in such cases to obtain the number of shares required or a multiple thereof. The provisions of Article L. 228-6 of the French Commercial Code shall apply to fractional numbers of shares.

A draft resolution (the twenty-second resolution) will be submitted to the next Annual General Meeting on May 29, 2015, to amend Article 10 of the bylaws to maintain a single voting right by not applying the new legal provisions introduced by the French Act No. 2014-384 of March 29, 2014, providing for a double voting right on shares held in registered form by a shareholder for at least two years.

7.1.2.5 Changes in shareholders' rights

Any change in rights attached to shares in the Company is governed by applicable legal and regulatory provisions.

7.1.2.6 Annual General Meetings

Convening Annual General Meetings

The Company's Annual General 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 General Meetings

All shareholders are entitled to attend General Meetings in person or by proxy, under the conditions set forth by the regulations in force by providing proof of their identity and title to their shares by the registration of said securities in accounts in their name (or if the Company's shares are admitted to trading on a regulated market, in the name of the intermediary registered on the shareholder's behalf pursuant to the regulations in force) no later than three business days preceding the meeting at midnight Paris time, or in the registered share accounts kept by the Company, or, provided that the Company's shares are admitted to trading on a regulated market, in the bearer share accounts of an approved intermediary. Proof of status as a shareholder can be provided electronically under the conditions set by the regulations in force.

By a decision of 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, under the conditions provided in the regulations in force, are deemed to be present for the purposes of calculating the quorum and majority.

Any shareholder may vote from a distance or by proxy in accordance with the regulations in force by means of a form prepared by the Company, completed and returned to it in accordance with the regulations in force, including via electronic filing or electronic means, by decision of the Board of Directors. To be accepted, this form must be received by the Company under the conditions provided in the regulations in force.

By prior decision of the Company's Board of Directors, the recording and signing of electronic forms may be achieved by a reliable identification process that meets the conditions stated in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code and may consist of a user name and password, or any other means consistent with applicable regulations. Proxies or votes cast electronically in this way before the meeting, and the confirmation of receipt given in reply, shall be regarded as irrevocable written instructions enforceable on all parties, with the understanding that if the shares are sold before midnight Paris time before the third business day preceding the meeting, the Company shall invalidate or amend, as the case may be, the proxies or votes cast before such date and time.

A draft resolution (the twenty-third resolution) will be submitted to the Annual General Meeting on May 29, 2015 to harmonize Article 22 of the bylaws with the new legal provisions of the French Decree of December 8, 2014, providing in future for (i) a record date of two days before the Annual General Meeting instead of three and (ii) proof that the shares of the voting shareholder are registered in the Company's registered securities account and no longer in the bearer shares register.

Holding of Annual General 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 the General Meetings are drawn up and their copies are certified and delivered in accordance with the regulations in force.

7.1.2.7 Provisions in the bylaws likely to have an impact on the control of the Company

The Company's bylaws do not contain any provisions that would, to the Company's knowledge, have the effect of delaying, deferring or preventing a change of control of the Company.

7.1.2.8 Shareholding thresholds and identification of shareholders

Crossing of thresholds

The following declarations of share ownership thresholds crossed by registered intermediaries or fund managers in 2014 have been notified to the *Autorité des Marchés Financiers* (AMF):

In 2014:

* by letter received on January 6, 2014, **Crédit Agricole SA** (9, quai du Président-Paul-Doumer, 92920 Paris la Défense Cedex) declared that, on December 30, 2013, it had downwardly crossed, directly and indirectly through its subsidiary Crédit Agricole Corporate & Investment Bank, the thresholds of 5% of the share capital and voting rights of Groupe Fnac, and held 828,722 Groupe Fnac shares representing the same number of voting rights, which amounted to 4.99% of the Company's capital and voting rights. This threshold was crossed following the sale of Groupe Fnac shares on the market;

* by letter received on January 24, 2014, **DNCA Finance** (19, place Vendôme, 75001 Paris) declared that, on January 24, 2014, it had upwardly crossed, directly and indirectly through DNCA Finance Luxembourg which it controls, the thresholds of **6%** of the share capital and voting rights of Groupe Fnac, and held 1,012,500 Groupe Fnac shares representing the same number of voting rights, which amounted to 6.10% of the Company's capital and voting rights;
* by letter received on February 13, 2014, **Crédit Agricole SA** (9, quai du Président-Paul-Doumer, 92920 Paris la Défense Cedex) declared that, on February 10, 2014, it had downwardly crossed, indirectly through its subsidiary Crédit Agricole Corporate & Investment Bank, the thresholds of **4%** of the share capital and voting rights of Groupe Fnac, and held 650,887 Groupe Fnac shares representing the same number of voting rights, which amounted to 3.92% of the Company's capital and voting rights;
* by letter received on March 5, 2014, **Crédit Agricole SA** (9, quai du Président-Paul-Doumer, 92920 Paris la Défense Cedex) declared that, on February 27, 2014, it had downwardly crossed, indirectly through its subsidiary Crédit Agricole Corporate & Investment Bank, the thresholds of **3%** of the share capital and voting rights of Groupe Fnac, and held 426,311 Groupe Fnac shares representing the same number of voting rights, which amounted to 2.57% of the Company's capital and voting rights. By letter received on March 7, 2014, **Prudential Plc** (Laurence Pountney Hill, London, EC4R OHH, UK) declared that, on March 6, 2014, it had upwardly crossed, indirectly through fund management companies it controls, the thresholds of **7%** of the share capital and voting rights of Groupe Fnac, and held, directly and indirectly on that date, 1,178,858 Groupe Fnac shares representing the same number of voting rights, which amounted to 7.10% of the Company's capital and voting rights, with 261,785 shares held by M&G Investment Funds 7 and 150,000 shares held by M&G Investment Funds 12. Prudential Plc declared that it did not directly hold any Groupe Fnac shares, its indirect holding coming solely from interests of its subsidiaries, namely M&G Group Limited, M&G Investment Management Limited, M&G Limited, M&G Securities Limited and Prudential Assurance Company Limited. Prudential Plc also specified that it had no power to give instructions to its subsidiaries on the exercise of the voting rights attached to the Groupe Fnac shares; this power is exercised by M&G Investment Management Limited;
* by letter received on June 4, 2014, **Prudential Plc** (Laurence Pountney Hill, London, EC4R OHH, UK) declared that, on June 3, 2014, it had upwardly crossed, directly and indirectly through fund management companies it controls, the thresholds of **8%** of the share capital and voting rights of Groupe Fnac, and held, directly and indirectly on that date, 1,338,134 Groupe Fnac shares representing the same number of voting rights, which amounted to 8.06% of the Company's capital and voting rights, with 274,813 shares held by M&G Investment Funds 7 and 150,000 shares held by M&G Investment Funds 12;
* by letter received on June 17, 2014, **DNCA Finance** (19, place Vendôme, 75001 Paris) declared that, on June 12, 2014, it had upwardly crossed, directly and indirectly through its subsidiary DNCA Finance Luxembourg, the thresholds of **7%** of the share capital and voting rights of Groupe Fnac, and held 1,191,820 Groupe Fnac shares representing the same number of voting rights, which amounted to 7.18% of the Company's capital and voting rights. DNCA Finance Luxembourg, acting on behalf of funds under management, specified that, under Article 223-14 V of the General Regulations, it held, on behalf of funds managed by it, 226,720 Contracts for Difference (included in the holding mentioned in the first paragraph) relating to the same number of Groupe Fnac shares, settled exclusively in cash;
* by letter received on August 28, 2014, **Prudential Plc** (Laurence Pountney Hill, London, EC4R OHH, UK) declared that, on August 27, 2014, it had upwardly crossed, directly and indirectly through fund management companies it controls, the thresholds of **9%** of the share capital and voting rights of Groupe Fnac, and held, directly and indirectly on that date, 1,499,559 Groupe Fnac shares representing the same number of voting rights, which amounted to 9.03% of the Company's capital and voting rights, with 276,251 shares held by M&G Investment Funds 7 and 145,000 shares held by M&G Investment Funds 12.

In 2015:

* by letter received on January 16, 2015, **DNCA Finance** (19, place Vendôme, 75001 Paris) declared that, on January 12, 2015, it had downwardly crossed, directly and indirectly through DNCA Finance Luxembourg, the thresholds of **7%** of the share capital and voting rights of Groupe Fnac, and held 1,135,333 Groupe Fnac shares representing the same number of voting rights, which amounted to 6.84% of the Company's capital and voting rights. DNCA Finance Luxembourg, acting on behalf of funds under management, specified that, under Article 223-14 V of the General Regulations, it held, on behalf of funds managed by it, 9,000 Contracts for Difference (included in the holding mentioned in the first paragraph) relating to the same number of Groupe Fnac shares, settled exclusively in cash.
* in a letter received on February 13, 2014, the company Crédit Agricole SA (9 quai du Président Paul Doumer, 92920 Paris la Défense Cedex) stated that on February 10, 2014 it had, indirectly through its subsidiary Crédit Agricole Corporate & Investment Bank, downwardly crossed the thresholds of 4% of the capital and voting rights of the company Groupe Fnac and held 650,887 Groupe Fnac shares representing the same number of voting rights, namely 3.92% of the capital and voting rights of said company.

If the Company's shares are admitted to trading on a regulated market, in addition to the legal obligation to notify the Company of the holding of certain percentages of share capital, any individual or corporate entity acting alone or collectively, who holds or ceases to hold, directly or indirectly, a percentage of the Company's share capital or voting rights of 3% or more or any multiple of 1% above 3% has an obligation to notify the Company by registered letter with acknowledgement of receipt within the time provided for in Article R. 233-1 of the French Commercial Code (at the time of writing, no later than the close of trading on the fourth day of trading following the date of the crossing of the ownership threshold). The provisions of paragraph VI bis of Article L. 233-7 of the French Commercial Code and of the General Regulations of the AMF apply mutatis mutandis to the thresholds referred to in this paragraph.

If not declared in accordance with the preceding paragraph, shares exceeding the fraction that should have been declared shall be stripped of their voting rights in General Meetings if the absence of such a declaration has been noted at a General Meeting and if one or more shareholders holding at least 3% of the Company's share capital or voting rights so request at said General Meeting. Such deprivation of voting rights applies to all General Meetings held until expiry of a two-year period following the date on which the declaration is regularized.

Furthermore, as long as the Company's shares are admitted to trading on a regulated market, in addition to the thresholds provided by the regulations in force, any person who solely or jointly comes to hold a number of shares representing more than one-twentieth of the Company's share capital or voting rights, must, in its declaration to the Company, include the information referred to in paragraph VII of Article L. 233-7 of the French Commercial Code as specified in the General Regulations of the AMF.

At the end of each period of six months following their first declaration, any shareholders, should they continue to hold a number of shares or voting rights equal to or more than the percentage referred to in the previous paragraph, must renew their declaration of intention, in accordance with the abovementioned terms, for each successive period of six months.

The Company reserves the right to notify the public and shareholders of any information of which it has been advised or of any failure to comply with the abovementioned obligation by the person concerned.

The ownership percentages are determined using the shares and voting rights referred to in Articles L. 233-7 et seq. of the French Commercial Code and the provisions of Articles 233-11 et seq. of the General Regulations of the AMF.

To the knowledge of the Company, no shareholders have crossed the threshold specified in the bylaws of 3% without informing the Company.

Identification of shareholders

If the Company's shares are admitted to 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 General 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 Annual 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 Subscribed share capital and authorized but not issued share capital

The Company has share capital of €16,595,610, divided into 16,595,610 shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class.

The following table shows the financial resolutions approved by the Combined Ordinary and Extraordinary General Meeting of the Company's shareholders on April 17, 2013.

Subject of resolution	Maximum amount	Duration of authorization [(a)]
Authorization to effect transactions relating to the Company's shares		18 months
Issuance, with maintenance of preferential subscription rights, of shares and/or transferable securities giving access to capital and/or transferable securities granting rights to the allotment of debt instruments	€8 million [(b)]	26 months
Issuance, with suppression of preferential subscription rights, of shares and/or transferable securities giving access to capital and/or transferable securities granting rights to the allotment of debt instruments, through a public offering	€2.5 million	26 months
Issuance, with suppression of preferential subscription rights, of shares and/or transferable securities giving access to capital and/or transferable securities granting rights to the allotment of debt instruments, through a private placement	€2.5 million	26 months
Issuance of shares or transferable securities giving access to capital without preferential subscription rights, in consideration of contributions in kind concerning equity securities or transferable securities giving access to share capital	10% of the nominal capital of the Company	26 months
Authorization granted to the Board of Directors, in the event of an issuance without preferential subscription rights, to set the issue price within the limit of 10% of share capital	10% of the nominal capital of the Company	26 months
Capital increase by capitalizing additional paid-in capital, reserves, earnings or other	€8 million	26 months
Increase in the number of shares to be issued in the event of a capital increase with or without preferential subscription rights	As limited by applicable regulations (currently 15% of the initial issuance)	26 months
Capital increase through the issuance of shares or transferable securities giving access to capital allocated to members of employee share savings plans with suppression of preferential subscription rights for the employees	€0.5 million	26 months
Granting of stock subscription or purchase options with suppression of preferential subscription rights	10% of share capital (shared ceiling with the allotment of free shares below)	38 months
Free allotment of existing shares or shares to be issued to Group employees and Company officers, or to some of them, with suppression of preferential subscription rights	10% of share capital (shared ceiling with the stock subscription or purchase options above)	38 months
Authorization to reduce capital by canceling treasury stock	10% of share capital per 24 months	26 months

(a) On or after April 17, 2013.
(b) All other delegations are charged to this global ceiling.

The Board of Directors acted on the authorization given by the Annual General Meeting of April 17, 2013 (thirtieth resolution) concerning the granting of stock subscription or purchase options with suppression of preferential subscription rights, on two occasions: in 2013, by a decision of October 22, 2013, by the granting of 393,922 stock purchase options, representing 2.37% of the share capital, then in 2014, by a decision of February 26, 2014, by the granting of 211,040 stock purchase options, representing 1.2% of the share capital, totaling 604,962 options, representing 3.65% of the share capital.

The Company also acted on the resolution authorizing the purchase or sale of Company shares as described in section 7.2.3 below.

7.2.2 Securities not representing share capital

As of the filing date of this Registration Document, the Company has not issued any securities that do not represent share capital, with the exception of the perpetual deeply subordinated shares ("TSSDI") for an amount of €60 million described in section 4.2.2.2 "Financial Debt" point (c) and section 7.7.1 "Transactions with the Kering Group".

7.2.3 Shares controlled by the Company, treasury shares and Company's purchasing of its own shares

7.2.3.1 Program to buy back own shares in force on the day of filing the Registration Document

On May 15, 2014, the Ordinary General Meeting of the Company's shareholders authorized the Company's Board of Directors, for a period of eighteen months from the date of the General 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	€55 (excluding acquisition costs)	€91,275,855	10% of the Company's share capital

Authorized objectives

These shares may be acquired at any time within the limits authorized by the legal and regulatory provisions in force, **but not during a public offer period**, especially for the purpose of (i) implementing any Company share purchase plans under the provisions of Articles L. 225-177 et seq. of the French Commercial Code or any similar plan; or (ii) allotting or transferring shares to employees under their share of the profits of the Company's expansion or implementing any Group or company savings plan (or similar plan) under the conditions laid down by law, especially Articles L. 3332-1 et seq. of the French Labor Code or providing for the free allotment of these shares under a free share award and/or as a substitute for the discount, according to the applicable legislative and regulatory provisions; or (iii) allotting free shares under the provisions of Articles L. 225-197-1 et seq of the French Commercial Code; or (iv) generally, honoring the obligations of share option plans or other share allotments to employees or corporate officers of the Company or an affiliated company; or (v) delivering shares on the exercise of rights attached to transferable securities giving access to the capital by redemption, conversion, exchange, presentation of a coupon or by any other means; or (vi) canceling some or all of the shares thus acquired; or (vii) delivering shares (by way of exchange, for payment or otherwise) as part of a takeover, merger, spin-off or contribution; or (viii) stimulating the secondary market or liquidity of the Groupe Fnac share by a market maker under a liquidity contract in accordance with the Ethics Charter recognized by the AMF. This program also has the purpose of implementing any market practice that comes to be accepted by the AMF in future, and, more generally, the execution of any transaction that complies with applicable regulations. In such an event, the Company will advise its shareholders through a press release.

Buying own shares to normalize the price under the liquidity contract

Effective June 19, 2013, for a renewable period of twelve months, the Company entrusted Rothschild & Cie Banque with the implementation of a liquidity agreement in accordance with the Ethics Charter established by Amafi and approved by the AMF on March 21, 2011.

To implement this liquidity agreement, a sum of €6 million has been allocated to the liquidity account.

In 2014, under the liquidity agreement, 651,489 shares were acquired at an average price of €31.63 for a total of €20,605,945 and 651,489 shares were sold at an average price of €31.47 for a total of €20,503,531. As of December 31, 2014, the following sources of funding were held in a liquidity account for the purposes of this liquidity agreement: 0 shares and €5,999,965.

At the filing date of this Registration Document, the Company does not hold any of its own shares and no shares in the Company are held by any of its subsidiaries or by any third party on its behalf.

7.2.3.2 Description of the share buyback program submitted for the approval of the Annual General Meeting on May 29, 2015

A further authorization was submitted to the Combined Ordinary and Extraordinary General Meeting of shareholders of May 29, 2015 called to approve the financial statements for the year ended December 31, 2014 to authorize the Board of Directors to implement a buyback program for the Company's shares, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and pursuant to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum purchase price per share	Maximum amount	Maximum number of shares
Share buyback program	18 months	€100 (excluding acquisition costs)	€165,956,100	10% of the Company's share capital

These shares may be acquired, within the limits authorized by the legal and regulatory provisions in force, especially for the purpose of:

* stimulating the secondary market or liquidity of the Groupe Fnac share via a market maker under a liquidity contract in accordance with the Ethics Charter of Amafi accepted by the AMF;
* holding the shares purchased and delivering them in due course (by way of exchange, payment or otherwise) as part of a takeover, merger, spin-off or contribution, with the specification that the shares acquired for this purpose cannot exceed the limit specified in Article L. 225-209, point 6 of the French Commercial Code as part of a takeover, merger, spin-off or contribution;
* covering share purchase plans and/or free share allotment plans (or similar plans) for Group employees and/or corporate officers as well as any allotment of shares under a company or group savings plan (or similar plan), a share in Company profits, and/or any other form of share allotment to Group employees and/or corporate officers;
* covering transferable securities giving entitlement to the allotment of Company shares in accordance with the regulations in force;
* cancelling possibly the shares acquired, subject to authorization being granted by this Annual General Meeting in the twentieth resolution of its extraordinary business.

This program is also intended to enable the Company to take any action on its shares for any other authorized purpose or any market practice currently permissible or eventually authorized by the law or regulations in force or permitted by the AMF. For actions conducted outside the above-mentioned objectives, the Company will publish a notice to inform its shareholders.

The acquisition, sale, exchange or transfer of the shares may be conducted by any means, including by the acquisition of blocks of shares, and the Company reserves the right to use options or derivatives subject to the applicable regulations.

The Board of Directors cannot make use of this delegation, without prior authorization from the General Meeting, from the moment a third party files a public offer on the Company's shares through to the end of the offer period.

7.2.4 Other securities granting rights to the capital

As of the filing date of this Registration Document, the Company allotted 604,962 stock options as described below.

Special Report of the Board of Directors to the Annual General Meeting on stock options (Article L. 225-184 of the French Commercial Code)

Part of the performance option allotment plan described in section 3.4.2 “Long-term incentive plan” takes the form of share subscription options.

The principles and implementation of a long-term incentive plan for the Group’s senior executives (excluding corporate officers) were approved by the Board of Directors on October 22, 2013 and February 26, 2014 respectively 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 Resolution.

These plans consist of an award of share subscription options to senior executives who are not corporate officers in order to link them to the Company’s performance through an increase in its share price.

These options will only be fully vested in the beneficiaries in stages, at the end of successive vesting periods subject to the beneficiary’s continuing employment in the Group at the end of the relevant period, and will be subject to a Fnac share performance condition defined for each vesting period.

The plan established by the Board of Directors on October 22, 2013 provides for three vesting periods: October 22, 2013 to March 31, 2015; October 22, 2013 to March 31, 2016; and October 22, 2013 to March 31, 2017.

The plan established by the Board of Directors on February 26, 2014 provides for two vesting periods: March 1, 2014 to September 30, 2016 and March 1, 2014 to September 30, 2017.

Main features	2013 plan	2014 plan
Date of General Meeting	April 17, 2013	April 17, 2013
Date of Board of Directors’ meeting	October 22, 2013	February 26, 2014
Exercise price	€20.28	€23.60
Performance conditions	Yes	Yes
Date of final 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%
Number of stock options initially allotted	393,922	211,040
Number of beneficiaries	9	8
In the process of being vested at December 31, 2014	393,922	211,040
Total options in the course of being vested at December 31, 2014	**604,962**	

Companies affiliated to Groupe Fnac under the conditions laid down in Article L. 225-197-2 of the French Commercial Code or controlled by it as defined by Article L. 233-16 of the French Commercial Code have not issued any share purchase or subscription plans.

At the date of filing this Registration Document, given the plan maturity dates, no options had been exercised.

Dilutive effect

At December 31, 2014, the Company had awarded a total of 604,962 subscription options giving the right to subscribe to 604,962 Company shares. At December 31, 2014, the Company had 16,595,610 shares in issue. On that date, if all the subscription options (2013 and 2014 plans) had been exercised, 604,962 shares would have been created, representing dilution of 3.65%.

7.2.5 Terms governing any right of vesting 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 the subject of an option or of an agreement to put 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 past three fiscal years

The table below illustrates the change in the Company's share capital since January 1, 2010 up until the date of filing this Registration Document.

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 (€)
Sept. 26, 2012	Division of the nominal by 7	6,131,671.00	N/A	875,953	6,131,671	1.00	6,131,671,00
Dec. 27, 2012	Capital increase	6,131,671.00	0	6,131,671	6,131,671	89.00	545,718,719,00
April 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
April 17, 2013	Capital increase	441,480,312.00	0	6,131,671	6,131,671	83.42	511,503,994,82
April 17, 2013	Division of the nominal and reduction of capital not due to losses	511,503,994.82	494,908,384,82	6,131,671	16,595,610	1.00	16,595,610,00

The following major transactions have been made on the Company's share capital since January 1, 2010 through to the filing date of this Registration Document:

* the Company's 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 upon the authorization of the Company's General Meeting of November 29, 2012, the Company's Board of Directors approved, on December 20, 2012, 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 comprising 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 Annual General Meeting held on April 17, 2013 modified and reorganized the share capital of the Company along the following lines:
  - the meeting approved the principle of a reduction of capital, motivated by losses, by €104,238,407, reducing the Company's share capital from €545,718,719 to

€441,480,312. This reduction was accomplished through a reduction of €17 per share in the par value of the Company's shares, taking the par value of each of the 6,131,671 shares of the Company from €89 to €72. The meeting also decided to charge the amount of the reduction to "Retained earnings" in the financial statements, which resulted in a reduction in the balance of the line item from a negative 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 decrease not motivated by losses, which would result in a share capital of €16,595,610 divided into 16,595,610 shares with a par value of €1 each. The meeting decided to account for the amount of the capital reduction (€494,908,384.82) as an issue premium which would not be distributable, but may be reincorporated later into the share capital or serve to amortize corporate losses. The division of the par value of the shares took place and the share capital was divided into 16,595,610 shares with a par value in euros corresponding to the division of 511,503,994.82 by 16,595,610.

7.3 Shareholders

7.3.1 Shareholders

On December 31, 2014, the share capital and voting rights of the Company were held as follows:

Shareholders	Number of shares	Number of voting rights	% of share capital	% of voting rights
Artémis Group	6,451,845	6,451,845	38.88%	38.88%
Prudential plc	1,518,915	1,518,915	9.15%	9.15%
DNCA	1,166,720	1,166,720	7.03%	7.03%
Public	7,458,130	7,458,130	44.94%	44.94%
TOTAL	**16,595,610**	**16,595,610**	**100.00%**	**100.00%**

Artémis Group Agreement – The Loan Agreement requires the early repayment of all amounts owed to the lenders and cancellation of unused commitments in the event that Artémis directly or indirectly (via one or more of its subsidiaries, within the meaning of Article L. 233-3 of the French Commercial Code), ceases to hold at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of entry into the Revolving Credit Facility (April 18, 2015), or (ii) a 25% interest in the Company's share capital or voting rights at any time after that date until April 18, 2016 (the "Triggering Event"). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) not to trigger such early repayment and cancellation of unused commitments under the Loan Agreement by sole reason of the Triggering Event until after April 18, 2016. Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase, directly or indirectly (through one or more of its subsidiaries) any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or to other securities of the Company.

7.3.2 Shareholders' voting rights

Each share of the Company entitles its holder to one voting right. The Company has not granted any double voting rights. Groupe Fnac's main shareholders do not have different voting rights from the other shareholders.

7.3.3 Control structure

By holding 38.88% of the Company's share capital and voting rights, the Artémis Group will be represented on the Company's Board of Directors and Board committees on a minority basis. (See section 3.1.1 "Composition of the administrative and executive bodies" of this Registration Document.) This representation is also supported by the presence of independent members of the Company's Board and committees, and by the application of the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies. (See section 3.2 "Functioning of the administrative and executive bodies" of this Registration Document.)

7.3.4 Agreements likely to lead to a change in control

None.

7.4 Stock market information

7.4.1 Equity market

The Groupe Fnac share has been listed on Euronext Paris, Compartment B, since June 20, 2013.

Codes and classification of the Groupe Fnac share

ISIN code: FR0011476928
Ticker: Fnac
Euronext code: FR0011476928
Market: Euronext Paris – Local stocks
Compartment: B (Mid-caps)
Indices: SBF250

7.4.2 Groupe Fnac share price and trading volumes (ISIN FR0011476928)

At the time of the IPO, the reference price for the Groupe Fnac share 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 2014, the Groupe Fnac share closed at €41.50, representing a surge of 74% over the year, taking Groupe Fnac's stock market capitalization to €688.7 million.

(€)	Average closing price	Highest price	Lowest price	Number of shares traded on all platforms
January 2014	22.7	24.0	20.8	1,037,816
February 2014	24.2	31.0	22.5	1,716,265
March 2014	34.0	39.0	29.2	2,354,259
April 2014	36.8	40.3	34.0	724,478
May 014	34.2	36.1	33.0	610,118
June 2014	37.7	39.0	35.2	1,020,788
July 2014	36.8	38.9	33.0	881,975
August 2014	31.4	34.0	27.2	725,370
September 2014	31.2	34.0	27.5	370,284
October 2014	29.5	34.0	25.5	1,779,297
November 2014	35.8	39.7	33.1	888,884
December 2014	40.2	42.0	37.2	624,986
January 2015	41.1	45.4	39.0	800,547
February 2015	44.4	53.8	41.7	652,050

(Source Euronext for the share price and extraction from Bloomberg for the number of shares traded on all platforms).

7.4.3 Financial securities intermediary

Management of the securities is provided 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

Groupe Fnac's dividend policy and future dividend distributions will be dependent on the Company's financial results, applicable restrictions related to the Group's financing, the implementation of the "Fnac 2015" strategic plan, the financial situation of the Group, general business conditions, and all other factors considered pertinent by the Company's Board of Directors. Notwithstanding these factors, the Group's objective is to follow a dividend policy similar to those adopted by comparable companies in the market (including Darty, Dixons, Best Buy, WH Smith and Home Retail). However, this objective does not constitute a binding obligation for the Company.

Under the Loan Agreement, the Company may only make dividend distributions or any other type of distribution related to its capital and may only make payments in the context of its perpetual deeply subordinated notes if: (A) such distributions and/or payments together do not represent in a fiscal year more than 50% of the distributable earnings for the prior financial period and (B) no event of default under the Loan Agreement has occurred or is likely to occur upon such distribution. (See section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document). In addition, the distribution of dividends, premiums, or reserves by the Company will trigger interest payments (and, in certain cases, principal amortization payments) for the nominal amount of €60 million for the perpetual deeply subordinated notes. (See section 4.2.2.2 "Financing under the perpetual deeply subordinated notes" of this Registration Document).

The following table shows the net dividends per share distributed by the Company during the course of the last three fiscal years:

Year of distribution	2012	2013	2014
Net dividend per share *(€)* [(a)]	1.24	0	0

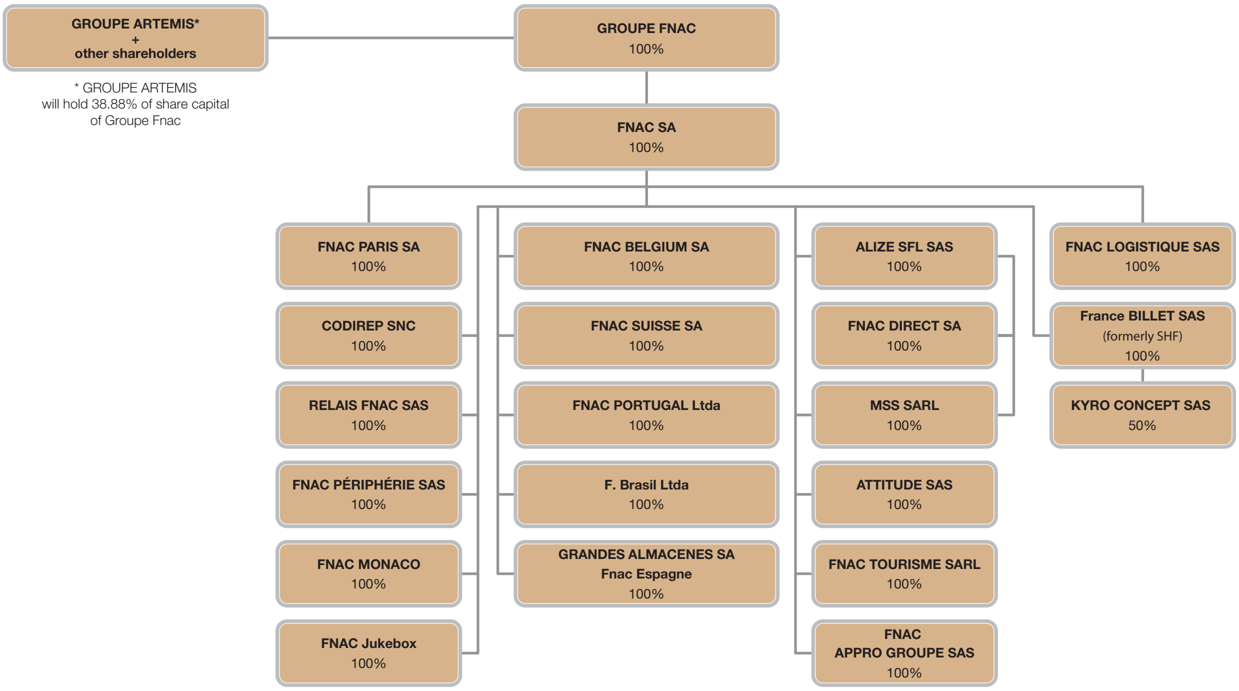
(a) Adjusted to take into account the change in the number of shares and the basis of 16,595,610 shares. See section 7.1.15 "History of the share capital over the past three fiscal years" in this Registration Document.

The Combined Ordinary and Extraordinary General Meeting of Shareholders on May 29, 2015 will be asked to appropriate the earnings in the amount of €27 920 156,46. After eliminating losses from past years by the appropriation of €582 865,06 to the "Retained earnings" account and the appropriation of €991 870,13 to the legal reserve, the balance of €26 345 421,27 will be appropriated to the "Retained earnings" account.

7.6 Group organization

7.6.1 Simplified Group organizational chart

The following organizational chart shows the Group's legal structure at December 31, 2014:



7.6.2 Subsidiaries and equity investments

7.6.2.1 General overview

The Company is the parent company of a group of companies including, as of December 31, 2014, 21 consolidated subsidiaries (15 in France, 1 in Monaco and 5 in other countries). The Company also heads a tax consolidation group comprising 14 French subsidiaries.

The Company is a holding company with no operations in its own right. Its principal asset is nearly 100% of Fnac SA shares [1]. The simplified organizational chart in section 7.6.1 "Simplified Group organizational chart" includes all the Company's direct and indirect equity investments held at December 31, 2014. The consolidated subsidiaries are also listed in note 36 "List of consolidated subsidiaries at December 31, 2014" of the Company's 2013 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 Major subsidiaries

Groupe Fnac's main direct and indirect subsidiaries are described below:

* **Fnac SA** is a French limited company *(société anonyme)* with share 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 Trade and Companies Register under Number 775 661 390. Groupe Fnac holds close to 100% of the share capital and voting

(1) Not including shares held by members of the Company's Group or by Directors in order to form the requisite number of shareholders.

rights of Fnac SA. Fnac SA is directly or indirectly the parent company of all the Group's subsidiaries and provides most of the Group's management and support functions including the Operations Department, the Information Systems Department, the Marketing Department, the General Secretariat (under the responsibility of the Group's Chief Financial Officer), the Group Purchasing Department (DAG), Operational Management, the Communications Department, the Marketing and Brand Department, the Finance Department and the Human Resources Department;

* **Fnac Paris** is a French limited company *(société anonyme)* with share capital of €27,095,600. 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 Trade and Companies Register under Number 350127460. Groupe Fnac holds an indirect 100% interest in Fnac Paris's share capital and voting rights. Fnac Paris's main business activity is the operation of Fnac's stores located in Paris;

* **Fnac Direct** is a French limited company *(société anonyme)* with share 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 it is registered with the Créteil Trade and Companies Register under Number 377853536. Groupe Fnac holds an indirect 100% interest in Fnac Direct's share capital and voting rights. Fnac Direct's main business activity is the operation of the fnac.com website;

* **Relais Fnac** is a simplified single-shareholder joint-stock company *(société par actions simplifiée unipersonnelle)* incorporated under French law with share 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 Trade and Companies Register under Number 334473352. Groupe Fnac holds an indirect 100% interest in Relais Fnac's share capital and voting rights. Relais Fnac includes most of Fnac's regional departments and operates Fnac stores located in major French cities outside Paris;

* **France Billet** is a simplified single-shareholder joint-stock company *(société par actions simplifiée unipersonnelle)* incorporated under French law with share 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 Trade and Companies Register under Number 414948695. Groupe Fnac holds an indirect 100% interest in France Billet's share capital and voting rights. France Billet's main business activity is the marketing and retailing of tickets for sporting, artistic, cultural, tourism and entertainment events via a network of local sales outlets, as well as on the fnac.com and francebillet.com websites;

* **Codirep** is a general partnership company *(société en nom collectif)* incorporated under French law with share 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 Trade and Companies Register under Number 343 282 380. Groupe Fnac holds an indirect 100% interest in Codirep's share capital and voting rights. Codirep's main business is the operation of Fnac's stores located in the Paris suburbs;

* **ALIZE – SFL** (Société Française du Livre) is a simplified single-shareholder joint-stock company *(société par actions simplifiée unipersonnelle)* incorporated under French law with share capital of €38,962,737. Its registered office is located at 4, rue Charles Christofle, 93200 Saint-Denis (France) and it is registered with the Bobigny Trade and Companies Register under Number 349014472. Groupe Fnac holds an indirect 100% interest in ALIZE – SFL's share capital and voting rights. ALIZE – SFL's main business activity is the operation of a bookstore located at 11, rue Rottembourg in Paris' 12th arrondissement, and the provision of services to municipalities, businesses and bookselling professionals for their book acquisitions;

* **Fnac Périphérie** is a simplified single shareholder joint-stock company *(société par actions simplifiée unipersonnelle)* incorporated under French law with share capital of €54,009,675. 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 Trade and Companies Register under Number 434001954. Groupe Fnac holds an indirect 100% interest in Fnac Périphérie's share capital and voting rights. Fnac Périphérie's main business activity is the operation of Fnac's stores in shopping malls or retail parks on the outskirts of cities;

* **Fnac Logistique** is a simplified single shareholder joint-stock company *(société par actions simplifiée unipersonnelle)* incorporated under French law with share 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 Trade and Companies Register under Number 414702506. Groupe Fnac holds an indirect 100% interest in Fnac Logistique's share capital and voting rights. Fnac Logistique's main business activity is the operation of the Fnac's warehouses;

* **GRANDES ALMACENES Fnac ESPAÑA** is a single-shareholder limited company incorporated under Spanish law with share 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 with the Madrid Trade Register under Number A-80/500200 (CIF number). Groupe Fnac holds an indirect 100% interest in Grandes Almacenes Fnac España's share capital and voting rights. Grandes Almacenes Fnac España's main business activity is the operation of Fnac's Spanish stores and website;

* **Fnac Portugal** is a limited liability company *(Sociedade por Quotas de Responsabilidade Limitada)* incorporated under Portuguese law with share capital of €250,000. Its registered office is located at Edifício Amoreiras Plaza, Rua Professor Carlos Alberto Mota Pinto, No. 9-6B, 1070 374 Lisbon (Portugal) and it is registered with the Lisbon Trade Register *(Conservatoria do Registo Comercial)* under Number 503952230. Groupe Fnac holds an indirect 100% interest in Fnac Portugal's share capital and voting rights. Fnac Portugal's main business activity is the operation of Fnac's Portuguese stores and website;

* **F. Brazil** is a limited liability company *(Sociedade empresaria limitada)* incorporated under Brazilian law with share capital of BRL 175,664,186. Its registered office is located at Praça dos Omaguas, No. 34, Pinheiros, CEP 05419-020, São Paulo, São Paulo State (Brazil) and it is registered with the Trade Register (*Cadatro Nacional de Pessoas Jurídicas do Ministerio da Fazenda* (CNPJ/MF)) under Number 02.634.926/0001- 64. Groupe Fnac holds an indirect 100% interest in Fnac Brazil's share capital and voting rights. F. Brasil's main business activity is the operation of Fnac's Brazilian stores and website;
* **Fnac Belgium** is a limited company *(société anonyme)* incorporated under Belgian law with share capital of €3,072,000. Its registered office is located at 142, avenue Jules Bordet, 1140 Evere, Brussels (Belgium) and it is registered with the Brussels Register of Legal Entities under Number 0421 506 570. Groupe Fnac holds an indirect 100% interest in Fnac Belgium's share capital and voting rights. Fnac Belgium's main business activity is the operation of Fnac's Belgian stores;
* **Fnac Suisse** is a limited company *(société anonyme)* incorporated under Swiss law with share capital of CHF 100,000. Its registered office is located at 5, Route des Moulières, 1242 Satigny (Switzerland) and it is registered with the Canton of Geneva Trade Register under Federal Number CH-660.0.404.000-9. Groupe Fnac holds an indirect 100% interest in Fnac Suisse's share capital and voting rights. Fnac Suisse's main business activity is the operation of Fnac's Swiss activities.

7.6.2.3 Recent acquisitions and disposals

The main acquisitions and disposals made by the Group during the period covered by the financial statements are described in note 3.1 "Changes in scope of consolidation" in the consolidated financial statements in section 5.2.

7.7 Related party transactions

7.7.1 Transactions with the Kering Group

Agreement to cover the exceptional expenditure incurred for the listing of the Company's shares on Euronext Paris

In 2013, a regulated agreement was signed consisting of a distribution agreement between Kering and Groupe Fnac, to cover the exceptional expenditure incurred for the listing of the Company's shares on Euronext Paris under the terms of which Groupe Fnac invoiced a net amount of €3,005,876.88 excluding VAT. This agreement was executed in 2013 and was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code. This agreement has been executed and has therefore expired.

Master agreement on foreign exchange and derivative transactions

The Group continued to benefit from hedging agreements previously taken out by PPR Finance and from the Kering Group's dealing room services for a transitional period ending on December 20, 2013.

Agreement on the issue of TSSDI

In 2013, a regulated agreement was signed consisting of an issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDI") for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code and continued in 2014 but had no impact on the fiscal year. In 2014, the boards of Kering BV and Groupe Fnac had no directors in common. During its annual review of regulated agreements, the Board of Directors of February 26, 2015 therefore found that the agreement continued in 2015 but that it is no longer a regulated agreement.

Agreement for the exit from the Kering SA tax consolidation group of Groupe Fnac and its French subsidiaries

In 2013, a regulated agreement was signed consisting of an agreement to exit from the tax consolidation group formed between Kering SA, Groupe Fnac SA and Groupe Fnac's French subsidiaries.

The agreement stated that tax losses, net long-term capital losses and tax credits made during the period of membership in the Kering consolidation group would be kept through the tax consolidation of the Kering Group.

This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code and continued in 2014. Accordingly, it is mentioned in section 3.7 "Statutory Auditors' Special Report on regulated agreements and commitments" in this Registration Document. This agreement had no impact on fiscal year 2014. At its annual review of the regulated agreements, the Board of Directors of February 26, 2015 found that this agreement was ongoing.

Other transactions with the Kering Group

In 2013 and 2014, the Group benefitted from a multi-service IT platform operated by Kering for the hosting of servers and applications (including messaging) of associated services (internet access, data storage, etc.) billed to Fnac SA in the amount of €2.3 million before VAT. This agreement is still in effect in 2015.

7.7.2 Agreement with Alexandre Bompard

Non-competition agreement

In 2013, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chairman and Chief Executive Officer, Alexandre Bompard. This commitment, limited to a term of two years starting from the end of Alexandre Bompard's term of office, covers the distribution sector specializing in cultural and/or technological and leisure products for the mass market in France, Belgium, Spain, Switzerland, Portugal and Brazil. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive the implementation of the clause. This commitment was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Articles L. 225-42-1 point 6 and L. 225-38 of the French Commercial Code and continued in 2014. It is also described in section 3.3.1 "Compensation and benefits of the Chairman and Chief Executive Officer" and mentioned in section 3.7 "Statutory Auditors' Special Report on regulated agreements and commitments" in this Registration Document. This commitment had no impact on fiscal 2014. At its meeting on February 26, 2015, the Board of Directors, in its annual review of regulated agreements, noted that this commitment was continuing.

Supplemental defined-contribution pension plan

During fiscal year 2013, a regulated agreement was reached consisting of the membership of Chairman and CEO Alexandre Bompard in a supplemental defined-contribution pension plan for all Groupe Fnac executives in France. This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Articles L. 225-42-1 point 6 and L. 225-42-1 of the French Commercial Code. This agreement was continued in 2014. It is also described in section 3.3.1 "Compensation and benefits of the Chairman and Chief Executive Officer" and mentioned in section 3.7 "Statutory Auditors' Special Report on regulated agreements and commitments" in this Registration Document. The contributions entailed in this measure amount to €10,337.04 for 2014. At its meeting on February 26, 2015, the Board of Directors, in its annual review of regulated agreements, noted that this commitment was continuing.

7.7.3 Major intra-group transactions

* ***Tax consolidation agreement:*** in 2013, a regulated agreement was signed between Groupe Fnac and its French subsidiaries of which it holds at least 95% of the share capital, to create a tax consolidation group in France, effective January 1, 2013. This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with 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 funding agreement:*** Fnac SA has entered into centralized cash management agreements for an unlimited term with its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group's cash management in order to encourage coordination and optimization of the utilization of cash surpluses or coverage of aggregate cash requirements within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their investment program with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA.

* ***Buying agent and reference centralized listing agreements:*** some of the Group's French subsidiaries as well as its Spanish, Portuguese, Swiss and Belgian subsidiaries have concluded purchasing agent agreements with Fnac SA or Fnac Appro Groupe ("FAG") for terms of one year that are renewable for each period for an identical term. These agreements have the purpose of instructing Fnac SA or FAG, as appropriate, to define the relevant subsidiary's procurement policy, select its suppliers and certain products sold in its stores, and negotiate the purchasing conditions for those products. Fnac SA has also entered into centralized product listing agreements with some of the Group's French subsidiaries that have a similar purpose; this also includes the purchase of certain products for each contracting subsidiary. In exchange for these services, Fnac SA or FAG, as appropriate, receives from the relevant subsidiary a percentage of the revenue from the products purchased on its behalf.

  In addition, Alizé-SFL's has entered into purchasing agent agreements for terms of one year that are renewable for each period for an identical term with some of the Group's French subsidiaries. The purpose of these agreements is to instruct Alizé-SFL's to negotiate the purchasing conditions and to purchase the merchandise, including books, for each relevant subsidiary. In exchange, Alizé-SFL's receives from the relevant subsidiary a fixed sum by number of products billed.

* ***Service agreements:*** Fnac SA has entered into service agreements generally for a term of one year that are renewable by period for an identical term with some of its French subsidiaries and with its foreign subsidiaries. The purpose of these agreements is to make Fnac SA's expertise available to the contracting subsidiaries in the following areas, depending on the relevant subsidiary: communication, accounting, risk prevention, streamlining cash pooling (for companies that have it), internal auditing, management of overheads, legal, management control, IT, human resources management, marketing, development, strategy, logistics and product marketing. Fnac SA's compensation is determined on the basis of the annual expenses incurred to provide the relevant services and is allocated between the subsidiaries receiving the services based on criteria that take into account the beneficiaries' effective revenues and level of services rendered.

* ***"Fnac in a box" agreements:*** Fnac SA has entered into software license agreements with its Belgian and Swiss subsidiaries for Fnac in a Box (FIB); the agreements are for a two-year term and are renewable with tacit consent for three-year terms. The purpose of these agreements is to grant the relevant subsidiary a non-exclusive user license for the FIB software for its operating needs solely within the territory of the country in which it is based. In exchange, Fnac SA receives an annual license fee, calculated annually based on software development, maintenance and investment costs.

* ***Trademark licensing agreements:*** Fnac SA has entered into two- or three-year trademark licensing agreements that are renewable for a one-year term with some of its French subsidiaries and all of its foreign subsidiaries. The purpose of these agreements is to grant, for the territory of only the country in which the subsidiary is based, a non-exclusive license to use "Fnac" trademarks and all other templates and trademarks required to operate a Fnac store or websites belonging to the Group. In exchange, Fnac SA receives an annual license fee based on a percentage of the relevant subsidiary's revenues.

Transactions with related parties are described in note 34 to the consolidated financial statements.

The Statutory Auditors' Special Reports on regulated agreements for 2012 and 2013 do not include any other regulated agreement.

7.8 Major contracts

The major contracts to which the Group has been party over the last two years are presented in section 4.2.2.2 "Financing of the Group after admission of the Company's shares to trading on Euronext Paris" and in 7.7 "Related party transactions" in this Registration Document.

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Additional information about the Registration Document

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8.1 Persons responsible

8.1.1 Person responsible for the Registration Document

Alexandre Bompard, Chairman and Chief Executive Officer of Groupe Fnac.

8.1.2 Statement from the person responsible for the Registration Document and the Annual Financial Report

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to the best of my knowledge, these financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report (the cross-reference table of which is presented in section 8.8.1 herein) presents fairly the changes in business, results and the financial position of the Company and of the companies forming part of the consolidated group, and includes a description of the principal risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit, in which they state that they have audited the information relating to the financial position and accounts contained herein and have read this document in its entirety.

The Statutory Auditors' Report on the consolidated and parent company financial statements of Groupe Fnac presented in the Registration Document may be found on pages 5.7 and 5.8 of said document."

Ivry-sur-Seine, April 28, 2015

Alexandre Bompard

Chairman, Chief Executive Officer

8.1.3 Person responsible for Financial Information

Matthieu Malige
Group CFO
Immeuble Le Flavia
9, rue des Bateaux-Lavoirs
94868 Ivry-sur-Seine Cedex
Tel: +33 1 55 21 57 93

8.2 Statutory Auditors

8.2.1 Appointed Statutory Auditors

Deloitte & Associés
Represented by Stéphane Rimbeuf
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Deloitte & Associés is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG Audit, a department of KPMG SA
Represented by Hervé Chopin
1, cours Valmy
92923 Paris La Défense Cedex

KPMG is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

8.2.2 Alternate Statutory Auditors

BEAS
Represented by Dominique Jumaucourt
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

BEAS is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG AUDIT IS
Represented by Jay Nirsimloo
Immeuble Le Palatin
3 cours du Triangle
92939 Paris La Défense Cedex

KPMG AUDIT IS is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

8.3 Auditors' fees

	Deloitte & Associés Amount (net of VAT)			KPMG Audit Amount (net of VAT)		
(€ millions)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Statutory audit, certification, audit of the parent company and consolidated financial statements	0.6	0.7	(14.3%)	0.5	0.6	(16.7%)
Other procedures and services directly related to the Auditors' duties	0.0	0.6	N/A	0.0	0.1	N/A
Audit subtotal	**0.6**	**1.3**	**(53.8%)**	**0.5**	**0.7**	**(28.6%)**
Other services (legal, tax and social security)	0.1	0.1	0.0%	0.0	0.0	0.00%
TOTAL	**0.7**	**1.4**	**(50.0%)**	**0.5**	**0.7**	**(28.6%)**

8.4 Information from third parties, expert certifications and interest declarations

Some of the information found in chapter 1, "Presentation of the Group," comes from third-party sources. The Company certifies that this information was, to the best of its knowledge, faithfully reproduced and that, to the knowledge of the Company, based on the data published or provided by these sources, no fact has been omitted that would render this information inaccurate or misleading.

8.5 Publicly available documents

Copies of this Registration Document are available free of charge from the Company's head office. This document may also be viewed on the Company's website (www.groupe-fnac.com) and on the website of the *Autorité des Marchés Financiers* (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

* Groupe Fnac's bylaws are available on the Company's website (www.groupe-fnac.com);
* any reports, correspondence and other historical financial information or document, assessments and statements prepared by an expert at the Company's request, of which a part is included or referred to in the Prospectus; and
* historical financial information included in the Prospectus.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's head office.

Regulated information pursuant to the AMF General Regulations has been available on the Company's website since the Company's shares were admitted to trading on Euronext Paris.

8.6 Information on equity investments

Information relating to companies in which the Company holds equity that could have a material impact on the value of its assets, financial position or earnings is provided in section 7.6 "Group Organization", and in note 36 "List of subsidiaries consolidated at December 31, 2014", in section 5.2 "Notes to the consolidated financial statements for the year ended December 31, 2014".

8.7 Documents incorporated by reference

Pursuant to Article 28 of EC Regulation No. 809/2004 dated April 29, 2004, this Registration Document incorporates by reference the following information to which the reader may refer:

For fiscal years ended December 31, 2011 and December 31, 2012: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors' Report presented in the Prospectus approved by the AMF on April 25, 2013, on pages 33 to 36, 57 to 60, 62 to 160, and 167 to 219 respectively, and in annex 3 on pages 1 to 49 and pages 259 to 260.

The information contained in the Prospectus, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document and in the 2013 Registration Document. The Prospectus and 2013 Registration Document are available at the Company's head office and in the Finance section of its website www.groupe-fnac.com.

8.8 Correspondence tables

8.8.1 Management Report cross-reference table (Articles L. 225-100 et seq. of the French Commercial Code)

Management Report categories	Section
Business activity	
Company's position and business during the fiscal year just ended	4.1.2
Business results for the Company, its subsidiaries and the companies that they control	4.1
Key performance indicators of a financial and non-financial nature	1.1, 4.1.1
Analysis of changes in business, earnings and the financial position	4.1
Progress made or difficulties encountered	4.1.2
Description of the main risks and uncertainties	6
Information about the use of financial instruments: goals, the Company's financial risk management policy	5.2.29
Information about market risk (interest rates, foreign exchange, shares)	5.2.29
Information about country risk	5.2.29
Important events since the date of the balance sheet date and of the Management Report	4.3.2, 5.2.35
Foreseeable developments for the Company and entities included in the consolidated group and future prospects	4.3.1
Changes in the presentation of the parent company (and consolidated) financial statements	N/A
The Company's research and development activities	1.6
Significant equity investments in companies headquartered in France	N/A
Trade payables – payment terms	N/A
Corporate governance	
List of directorships and positions held in any company by each corporate officer	3.1.1
Total remuneration and benefits in kind paid to each corporate officer during the past fiscal year (including a list of approved principles and rules for determining the remuneration and benefits granted to corporate officers)	3.3
Commitments of any kind made by the Company to its corporate officers	3.3
Transactions completed by Directors and corporate officers on Company shares	N/A
Options granted, subscribed or purchased during the fiscal year by corporate officers, corresponding to remuneration components, compensation, or benefits due or that may become due as a result of taking up, terminating or changing office, or subsequent reasons	N/A
Executive corporate officers' option exercise and lock-up conditions	N/A
Lock-up conditions of free shares granted to executive corporate officers	N/A
Senior Management method of the Company	3.5.2.2
CSR	
Social information	2.3
Environmental information	2.4
Information about the technological accident risk policy	N/A

Management Report categories	Section
Share capital and shareholder structure	
Employee share ownership	N/A
Main shareholders and ownership structure and voting rights as of December 31, 2012	7.3.1
Information about factors likely to have an impact in the event of a takeover bid	3.5.2.8
Special report on stock subscription and purchase options, and free share awards	7.2.4
Information about the share buyback program – transactions carried out by the Company on its own shares (average number and price of purchases and sales, reasons for acquisitions made, percentage of share capital represented, etc.)	7.2.3
Any adjustments to shares conferring entitlement to capital in the event of share buybacks or financial transactions	N/A
Summary table of currently valid capital increase authorizations	7.2.1
Profit or loss for the period and proposed appropriation of earnings	7.5
Other	
Dividends paid during the last three fiscal years	7.5
Comments made by the Works Council on the economic and social position	N/A
Table of the Company's results for the last five fiscal years	5.4.19
Injunctions or monetary penalties for anti-competitive practices	N/A

8.8.2 Annual Financial Report cross-reference table (Article 222-3 of the AMF General Regulations)

Annual financial report categories	Section
Groupe Fnac parent company financial statements	5.3, 5.4 and 5.5
Groupe Fnac consolidated financial statements	5.1 and 5.2
Management Report	See Management Report cross-reference table
Statement by the person responsible for the Annual Financial Report	8.1.2
Statutory Auditors' Report on the parent company financial statements	5.7
Statutory Auditors' Report on the consolidated financial statements	5.8
Auditors' fees	8.3
Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company	3.5
Statutory Auditors' Report, prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors	3.6

8.8.3 Table corresponding to the categories of Appendix I of European Regulation No. 809/2004

Prospectus Number	Prospectus categories	Section
1.	**Persons responsible**	
1.1	Names and functions of persons responsible	8.1.1
1.2	Statement by the person responsible	8.1.2
2.	**Statutory Auditors**	
2.1	Names and addresses of the Statutory Auditors	8.2
2.2	Resignation, removal or non-reappointment	N/A
3.	**Selected financial information**	
3.1	Selected historical financial information	1.1, 4.1.1
3.2	Selected financial information for interim periods	N/A
4.	**Risk factors**	**6, 5.2.29**
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 duration	7.1.1.3
5.1.4	Registered office, legal form and applicable legislation	7.1.1.4
5.1.5	Important events in the development of the issuer’s business	1.2, 4.1.2
5.2	Investments	
5.2.1	Investments	4.2.3.5
5.2.2	Main investments in progress	4.2.3.5
5.2.3	Main investments planned	4.2.3.5
6.	**Business activities of the Group**	
6.1	Principal activities	
6.1.1	Nature of the issuer’s operations and principal activities	1.4
6.1.2	New products or major services introduced	1.4
6.2	Principal markets	1.3.2
6.3	Exceptional factors	1.2
6.4	Dependence	N/A
6.5	Basis for any statements made by the Company regarding its competitive position	1.3
7.	**Organizational Chart**	
7.1	Simplified Group organizational chart	7.6.1
7.2	Major subsidiaries	7.6.2.2
8.	**Property, plant and equipment**	**1.6**
8.1	Significant existing or planned property, plant and equipment	1.6
8.2	Environmental issues that may affect the use of tangible non-current assets	2.4

Prospectus Number	Prospectus categories	Section
9.	**Review of the Group's Financial Position and Results**	
9.1	Financial position	4.1
9.2	Operating income (loss)	
9.2.1	Significant factors	4.1.2.3
9.2.2	Significant changes to net sales or revenues	4.1.3.2
9.2.3	Strategies or factors that could influence the Company's operations	4.1.2.2
10.	**Cash and capital resources**	
10.1	Information on the Company's short- and long-term capital resources	4.2.2, 5.1, 5.2.23
10.2	Sources and amounts of the Company's cash flows	4.2.3, 5.2.32
10.3	Information on the Company's borrowing requirements and funding structure	4.2, 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	5.2.29
10.5	Information regarding anticipated sources of funds	5.2.28
11.	**Research and Development, patents and licenses**	**1.6**
12.	**Information on trends and forecasts**	**4.3**
13.	**Profit forecasts or estimates**	**N/A**
14.	**Administrative, management and supervisory bodies and senior management bodies**	
14.1	Administrative, management and supervisory bodies and senior management bodies	3.1.1
14.2	Conflicts of interest of administrative, management and supervisory bodies and senior management bodies	3.1.2
15.	**Remuneration and benefits of senior executives**	
15.1	Remuneration of corporate officers	3.3, 5.4.16.1
15.2	Total amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits	3.3.1.3, 5.2.25
16.	**Functioning of administrative and management bodies**	
16.1	Date of expiration of the current terms of office	3.1.1, 3.2.1
16.2	Service contracts linking members of the administrative, management or supervisory bodies	3.2.2
16.3	Information about the Company's Audit and Remuneration Committees	3.2.3
16.4	Statement of compliance with France's corporate governance system	3.2.4
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17.1	Number and breakdown of employees	2.3.1
17.2	Shareholdings and stock subscription or purchase options held by members of the Board of Directors	3.1.1.1
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18.	**Principal shareholders**	
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18.2	Shareholders' voting rights	7.3.2
18.3	Control structure	7.3.3
18.4	Agreements likely to 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
20.2	Pro forma financial information	N/A
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
20.4.2	Other information audited by the Statutory Auditors	3.6, 3.7
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Notes

Photos credit: Denis Allard.

Design & conception: RR Donnelley

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