FNAC DARTY

Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT

2016

CONTENTS

FNAC DARTY

REGISTRATION DOCUMENT 2016

INCLUDING THE ANNUAL FINANCIAL REPORT

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This Registration Document was filed with the French Securities Regulator (Autorité des marchés financiers - AMF) on April 14, 2017 in accordance with Article 212-13 of its general regulations. It may be used in support of a financial operation when supplemented by a Securities Note specified by the AMF. This document was drafted by the issuer and renders its signatories liable.

Quote from the Chairman and Chief Executive Officer

“

Alexandre BOMPARD, Chairman and Chief Executive Officer of Fnac Darty, upon presentation of the Group’s 2016 annual results:

Through its human capital, its revenues, its distribution network, its customer base, and its recognized know-how, Fnac Darty represents a major new power in specialist retailing in Europe. Its robust business model and sound financial position are demonstrated by its initial results, which are positive and up sharply over 2016.

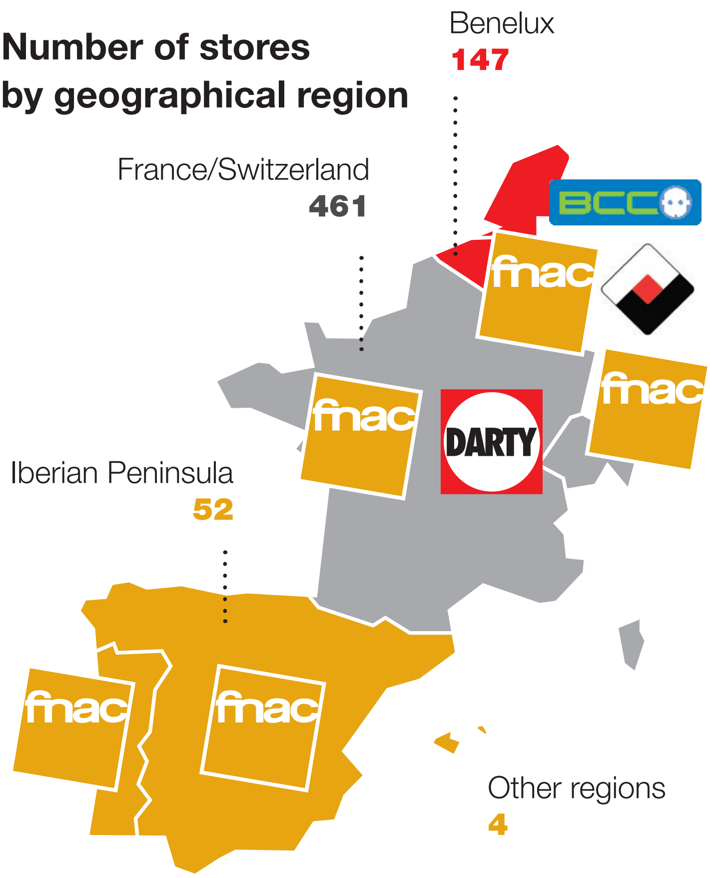
When it begins the first chapter of its history, the Group is powerful, efficient and in a strong winning position.

The choice we made to merge our two Groups was the right one, and we look forward to the future with a lot of confidence and ambition.

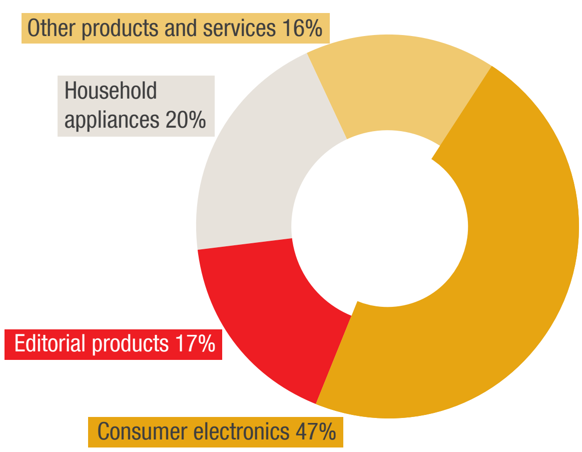
”

The Fnac Darty network

Number of stores by geographical region



Range of products and services



Acquisition of Darty

- **September 2015:** Fnac announces its intention to buy Darty with the aim of creating a European leader in the specialist distribution segment.
- **June 2016:** After formalizing its latest offer in May 2016, the Group's shareholders approved the plan virtually unanimously at the Combined Annual and Extraordinary General Meeting on 6/17/2016.
- **July 2016:** The brand obtains authorization from the French Competition Authority, finalizes its public offering and acquires control of Darty.
- **August 2016:** Governance of the new Group is established and revolves around an Executive Committee composed of the main executives from the two companies. Launch of consolidation process.

Key figures

- Revenues: **€ 7.4 billion** (1)
- Number of employees: **27,000** (2)
- Number of stores: **664**
- **2nd** largest e-commerce retailer in France (3)
- Weight of omnichannel sales: **45%** of orders online

(1) In pro forma.
(2) Including Brazil.
(3) Source Fevad / Médiamétrie: An average total of 13.6 million unique visitors per month.

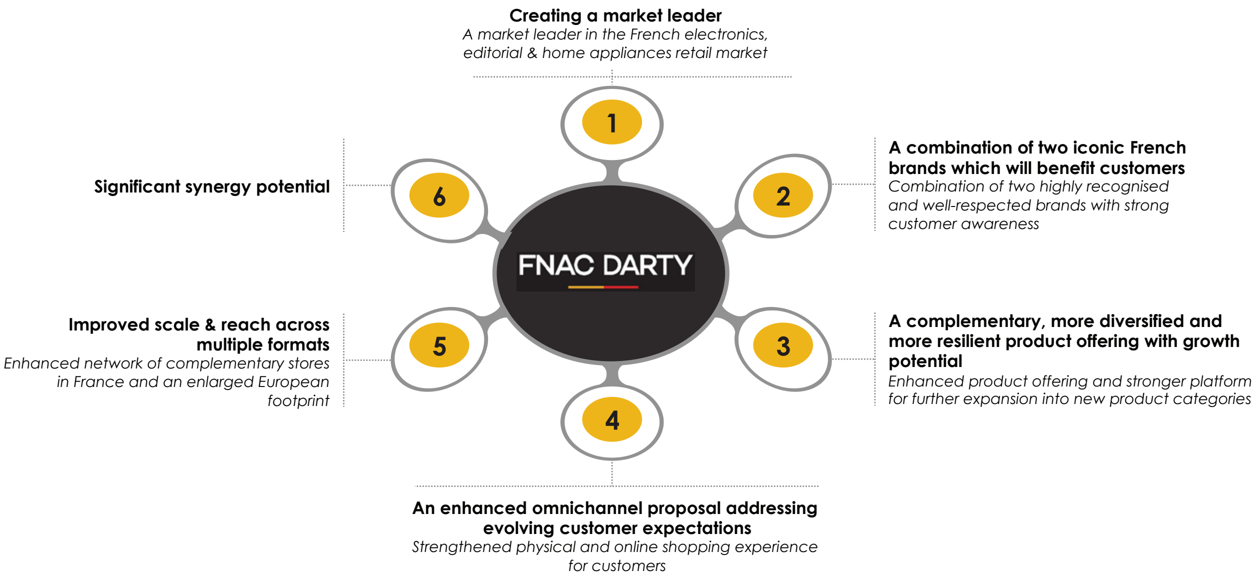
1 PRESENTATION OF THE GROUP

1.1 / FNAC DARTY: CREATION OF A LEADER

With €7.4 billion [1] in revenues and 27,000 employees, Fnac Darty is one of the top 3 omnichannel distributors in its sector in Europe.

The Group offers an unrivaled range of editorial products (17% of sales), consumer electronics (47% of sales) and household appliances (20%), in addition to a full range of other products and services (16% of sales) including ticketing, warranties, financing, kitchen services and after-sales service. Fnac Darty has a dense network of 664 multi-format stores in 10 countries, in key locations, combined with a powerful online offer that makes it the second largest e-commerce retailer in France. The Group is a genuine "click & mortar" player with an omnichannel offer that meets the fast changing needs of consumers.

1.1.1 / A merger that creates value



The retail landscape for consumer electronics, editorial products and household appliances has changed greatly in recent years. Since the early 2000's, the market has undergone a profound transformation due to digitalization and competitive pressures from online. In response, traditional brands have recently turned to consolidation to achieve the necessary scale to remain competitive (e.g. Dixons/Carphone, Carrefour/Rue du Commerce, CDiscount/Casino). Fnac and Darty have merged for the purpose of bolstering each other by leveraging the synergy between them.

1. The creation of a European leader

Fnac Darty is one of the top 3 omnichannel distributors in Europe. Its position as leader is based in particular on the high volume of traffic: 278 million visits to stores in France and an average of 13.6 million unique online visitors per month in France.

The Group is the leader in consumer electronics in France and is an essential actor in the distribution of editorial products: it is the largest bookseller with more than 46 million books sold, the largest music store with more than 10 million audio CDs sold in 2016, and the leading player in the video market with close to 10 million DVDs and Blu-Rays sold in 2016. Fnac Darty is a major player in household appliances and related services. Lastly, the Group is a leader in France in event ticket sales.

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

The Group represents the merger of two renowned and recognized brands, which have become very well known since their creation more than 60 years ago. Together, by sharing their respective know-how and expertise, the Group will be able to propose a

(1) Pro forma.

one-of-a-kindto its customers and an attractive retail network to its suppliers. Underpinned by a multi-specialist position, the Group benefits from:

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

The two brands together constitute a stronger network based on their two reputations.

Indeed, Fnac has spontaneous brand recognition at the rate of 72% for editorial products and 47% for consumer electronics. Darty boasts spontaneous brand recognition at the rate of 61% on the white goods segment in France.

3. A more diversified and balanced product range

The new Group is able to propose a more balanced offer, built around product categories with complementary growth and margin profile.

The Fnac and Darty brands each distribute brown and gray products (47% of revenues), a sector with short innovation cycles. This shared offer is enhanced on the one hand by Fnac's strength in editorial products (17% of revenues), and on the other hand, by Darty's leadership position in the consumer electronics market (around 20% of revenues). The sale of other products and services (almost 16% of revenues) such as Games & Toys, Stationery, the Kitchen offering, after-sales service, warranties and ticketing are solid levers for growth which generate better margins. The product offer is described in section 1.5.2 "Range of products and services" of this Registration Document.

4. An improved omnichannel offer meeting constantly changing customer expectations

With a total of 13.6 million unique online visitors on average per month [(1)], Fnac Darty is positioned as France's second-largest e-commerce retailer. The Group is also able to provide its clients with websites by brand and by country of operation, making for nine websites in total.

Online activity proved very dynamic in 2016, boosted in particular by the development of marketplaces (in France, Spain, Portugal and Belgium), the launch of a merchant site in Switzerland, the introduction of one-click purchasing on Fnac.com, and the improvement of online platforms in the Iberian Peninsula.

The Group combines the current omnichannel capacities of Fnac and Darty, with omnichannel sales thus representing 45% of online sales. By bringing together its in-store and online offer, it can provide innovative services, such as:

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

These services guarantee the smooth integration of in-store and online purchasing and are described in detail in section 1.5.3.3 "A distribution network: omnichannel strategy" of this Registration Document

5. Increasing the density of the multi-format store network, reinforcing proximity to the client

The Group benefits from a dense network of stores with different formats, installed in city centers, shopping malls, retail parks on the outskirts of large cities and train stations and airports, allowing it to adapt to the traffic in each area served.

Its international exposure is strengthened through a larger European presence, in ten different countries.

The Group can rely on the complementarity between Fnac and Darty in France and Belgium, as well as the local attractiveness of Fnac in the Iberian Peninsula and Darty's attractiveness in the Netherlands.

At the end of December 2016, Fnac Darty had a network of 664 stores (459 in France) with a territorial density that has increased considerably thanks to the complementarity of the Fnac and Darty networks which allows the Group to be closer to consumers.

The Group is giving priority to expansion through a franchise model. This is an asset-light model that enables the Company to benefit from the operating know-how of partners and their knowledge of the local market. The Group, for example, capitalized on the respective partnerships created with Intermarché and Vindemia for the "Proximity" format, Lagardère Services for the "Travel retail" format, and SEDADI for the Fnac "Connect" format. Backed by all the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the omnichannel strategy. Section 1.5.3.1 "The Store Network" of this Registration Document describes each format in detail.

(1) Source Fevad/Mediamétrie.

6. Synergies: high value creation potential

The combination of the two brands allows the possibility of development and pooling resources, and it also highlights real potential for synergies.

The Group has the target of €130 million in annual synergies as of 2018, i.e. one year before what was initially forecast. During the last few months of 2016, €9 million in synergies were generated, compared to a target of €6.5 million. Initial commercial synergies were launched both in stores and online. The Group has begun to install pick-up points in Darty stores for products ordered on fnac.com. Online, the Group has introduced a Darty space in the Fnac Marketplace, and France Billet operates a white label on the Darty site. Finally, the Group has launched a single gift card for the two brands.

Cost synergies will stem mainly from synergies related to the purchase of merchandise (brown products, gray products and small household appliances), the optimization of logistics, and the merging of information systems and support functions, which will be facilitated by a new shared Head Office.

With a view towards other marketing synergies for 2017, the Group would like to experiment with the "shop-in-shop" format by putting Darty corners in Fnac stores and vice versa. The first stores with this format will open in spring. At the end of 2017, the Group expects to generate "at least" half of the €130 million projected. Synergies are explained in detail in section 1.4.1 "Synergies: high value creation".

The costs of implementing these synergies should be around €110 million over the period 2016/2018.

1.1.2 / Major stages of the Darty acquisition

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

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

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

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

On July 18, the Competition Authority announced that it had decided to approve Groupe Fnac's purchase of Darty. After several months of constructive discussions between Fnac and the Authority, the latter acknowledged that physical stores and online sales were part of the same market, a pioneering decision in Europe. The combined entity will have to sell five existing points of sale and one future point of sale, across the combined networks of Fnac and Darty in France (more than 400 stores).

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

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

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

1.1.3 / Financing of the new Group

In connection with the financing of the acquisition of Darty, the Group issued a €650 million senior bond on September 22, with a maturity of seven years, bearing interest at 3.25% per year. Prior to this issue, Fnac Darty had received a BB rating from Standard & Poor's and Ba2 from Moody's.

Since April 2016, the Group has also had a five-year bank credit agreement with a pool of some 15 European banks, including a term loan of €200 million used to finance the acquisition of Darty shares and a revolving credit line of €400 million.

Section 4.3.2.2 “Financial Debt” in chapter 4 of this Registration Document details the three financing lines.

1.2 / HISTORY

1.2.1 / History of Fnac

Since its founding 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 wanted to break the mold of traditional business, so they based their enterprise on the idea of consumer protection. When it was created, “Fnac” was an acronym for the Fédération Nationale d'Achats des Cadres (National Federation for Purchases by Executives). At that time, it was set up to enable executives to buy photographic and cinematographic equipment at attractive prices. Fnac subsequently opened up to a wider customer base by introducing new kinds of products like books, music and so on.

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.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2.2 / History of Darty

1957 Creation of the Darty brand

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

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

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

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

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

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

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

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

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

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

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

Darty opened its 100th store.

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

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

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

1999 Telephone support: Darty created a 24-7 technical help-line specifically for its “multimedia” customers.

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

2006 DartyBox: with DartyBox, Darty became a service provider (internet, telephone, television).

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

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

2014 Confidence Contract: launch of the Darty Button to celebrate the fortieth anniversary of the Confidence Contract. A major innovation, this small connected device allows customers who subscribe to the service to receive telephone support on all home products purchased from Darty or elsewhere, whether under warranty or not. At the simple push of a button, customers get called back right away, 7 days a week, 24 hours a day.

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

1.2.3 / Shared history of Fnac Darty

Over the course of the third quarter of 2016, Fnac finalized the Darty acquisition and its refinancing. The brands have developed shared marketing initiatives, such as the introduction of a Darty space in the Fnac.com Marketplace, pick-up of Fnac.com purchases in the Darty network (76 stores available as of the end of December 2016) and the introduction of a ticketing space on darty.com.

1.3 / MARKETS

1.3.1 / Description of markets

The Group is the leader in household appliances, electronics and cultural products in France and is primarily active in the following markets:

- editorial products: books (physical or digital), audio (CD, vinyl), DVD/Blu-Ray, new and used video games and consoles, games & toys and stationery;
- consumer electronics: photography, TV Video, Sound (hi-fi, headsets and speakers), computers and tablets, small household appliances, telephony and connected devices;
- large household appliances: refrigeration, cooking and laundry
- small household appliances: vacuum cleaners, cleaning and small cooking appliances
- services: after-sales, insurance, ticketing, gift boxes and gift cards.

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

Size of markets in € million before tax (source GFK, February 2017)

	2016	Change compared to 2015		2016	Change compared to 2015
TV & video	2,411	14.3%	Books	3,930	(1.3)%
Audio	827	(0.2)%	Audio	453	(6.0)%
Photo	830	(8.0)%	Video	596	(14.0)%
IT	5,500	(4.0)%	Gaming	2,300	(2.0)%
Telephony	2,277	9.9%	Stationery	771	(2.7)%
Connected Devices	460	31.4%	Large household appliances	5,447	1.6%
Games & Toys [(a)]	2,123	0.7%	Small household appliances	3,076	4.4%

(a) Source: NPD HT.

1.3.2 / Market trends

1.3.2.1 / Internet revolution

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

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

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

The rapid development of the internet has led to the phenomenon of digitalization, i.e. the transition from physical media to digital media, which has radically altered consumer spending patterns on editorial products as downloading and streaming become more prevalent. Consumers increasingly prefer digital editorial products, partly because they are cheaper than their physical counterparts, but also because of such advantages as saved space, accessibility, immediate consumption, etc. However, this digitalization phenomenon affects each segment of editorial products differently. The segments that have been most affected are audio CD, DVD and Gaming with a penetration in the digital sector of 47%, 37% and 35% [1]. Even though the market for digital books is growing in France, it is still a nascent segment representing around 2% of the book market in 2016.

1.3.2.2 / Competitive environment

Fnac's main competitors are:

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

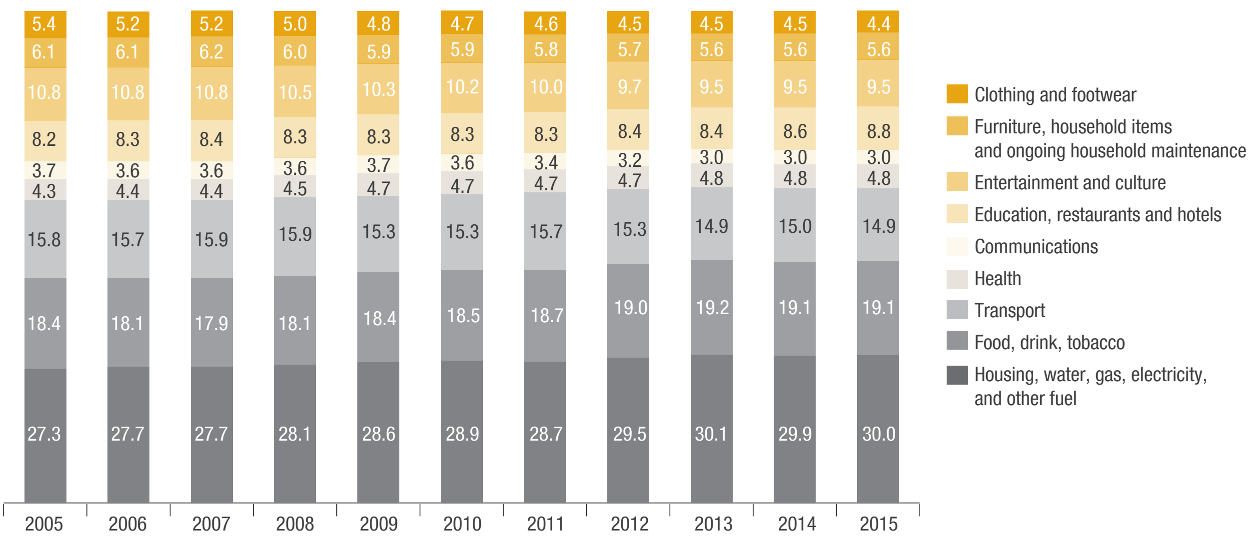
1.3.2.3 / Markets correlated to household income

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.

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):

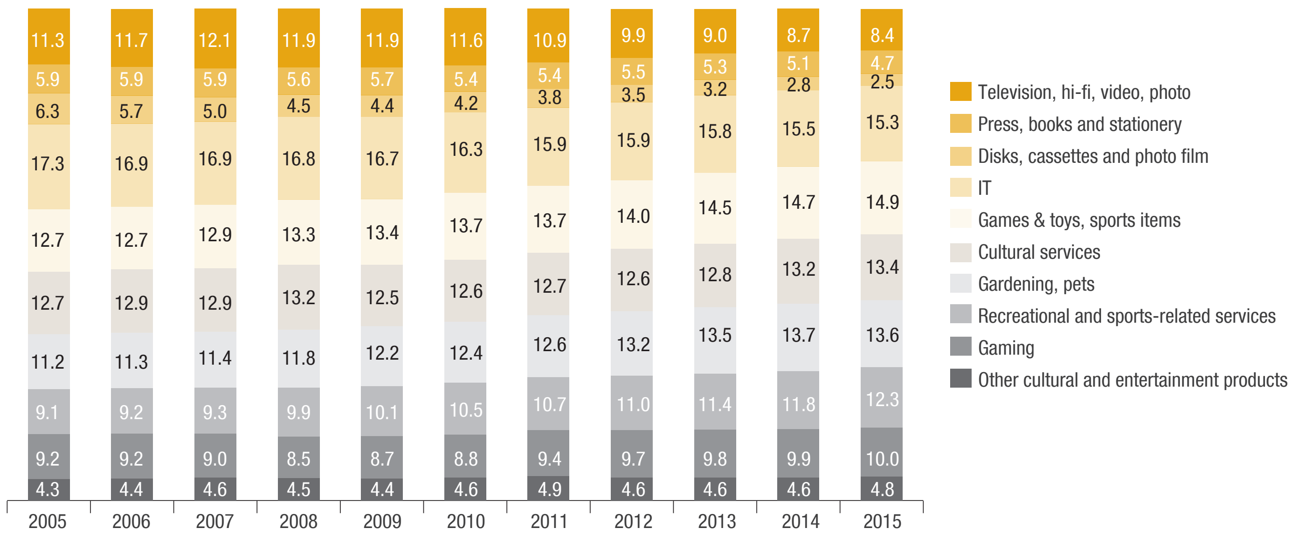
Breakdown and change in household consumption by item (in %)



(1) Source GFK.

The following graph (source Insee) shows the change in French household consumption in entertainment and cultural products for the period 2005-2015.

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



(1): cinema, live performances, museums, audiovisual subscriptions (including television royalties), photograph development, etc.
(2): sports, rental of sporting material, fairs and festivals, amusement parks, package trips, weekend trips, etc.
Scope: France (excluding Mayotte prior to 2011).
Source: INSEE, national accounts - 2010.

It can be noted that within secondary expenses, consumer electronics and editorial products have been particularly impacted. The weight of the audiovisual, digital photography and computing categories (corresponding to consumer electronics) thus fell, respectively, from 11.3% in 2005 to 8.4% in 2015, and from 5.9% in 2005 to 4.7% in 2015. Both the other categories, including books and CDs (corresponding to editorial products), are also down.

1.3.2.4 / Impact of innovation cycles

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

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

Innovations can disrupt the "equipping-maturity-replacement-multiple device" growth cycle, producing strong acceleration or deceleration effects. For example, the widespread use of tablets in recent years has created a new cycle of growth in the micro-computer market, and households have added a tablet to the multimedia devices they own. But with the recent appearance of smartphones with large screens, consumers are turning more to telephones than to tablets.

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

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

1.4 / STRATEGIC VECTORS

1.4.1 / Synergies: value creation potential

1.4.1.1 / High value creation potential

The first initiatives put into place beginning in August 2016 boosted the Group's ability to create more value. At the end of 2016, synergies have already had a positive impact of €9 million, compared with the €6.5 million originally targeted. As a result, the Group is bringing forward its objective of €130 million in synergies to the end of 2018 from the end of 2019. At least half of this (€65 million) may be achieved by the end of 2017.

1.4.1.2 / Revenue synergies

Revenue synergies (€20 million target contribution to current operating income) would stem from the strong potential for complementarity between the two brands. Two initial marketing initiatives are already being put into place:

- the Marketplace on Fnac.com has hosted a Darty space since October 12, 2016, offering a selection of 1,200 listings for white products (small and large household appliances);
- the first pick-ups of Fnac.com purchases on the Darty network have already been carried out successfully in 75 stores;
- a unified gift card was launched to allow purchases to be made from both brands;
- France Billet has operated a white label on the Darty website since the end of October 2016. In addition, the first Ticketing space opened at the end of November 2016 in Darty Montmartre.

With a view towards even more marketing synergies for 2017, the Group would like to experiment with the strategically significant "shop-in-shop" format by putting Darty corners in Fnac stores and vice versa. The first stores with this format will open in Summer 2017. These are important projects that will allow the commercial potential of the merger of the two brands to be measured.

1.4.1.3 / Cost synergies

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

A new logistics organization would allow significant savings to be generated through the redesign of the transport plan across all of France, finally ending up with a single distribution network for Fnac and Darty. Another initiative that the Group will take in 2017 is to begin to merge the two brands' IT systems. It is also continuing to explore direct and indirect purchasing synergies by offering its major partners new strategic agreements.

All of these areas of development may eventually have a high impact on the competitiveness of the Group.

1.4.2 / Innovation central to omnichannel development

1.4.2.1 / Digital innovation

The Group can be seen as a major digital player since it provides its customers with websites by brand and by country of operation, making for nine websites in total. The Group is working on the quality of its support, especially for internet and mobile technologies, in order to improve performance, but it is also working on content quality by reinforcing the standalone nature of the internet offer to make it a vector of diversification, by, for example, launching products exclusively online through either an in-stock offer or a Marketplace offer.

1.4.2.2 / Innovation in the physical sales channel

With a network of 664 stores, Fnac Darty's goal is to increase its territorial density by creating new stores in different formats. The Group is giving priority to expansion through a franchise model. This is an asset-light model that enables the Company to benefit from the operating know-how of partners and their knowledge of the local market. The Group, for example, capitalized on the respective partnerships created with Intermarché and Vindemia for the "Proximity" format, Lagardère Services for the "Travel retail" format, and SEDADI for the Fnac "Connect" format. Backed by all the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the omnichannel strategy.

The purpose of the stores is to increasingly become demonstration and experimentation spaces and to integrate new digital tools. The Group also wishes to continue considering different formats that are smaller and more agile, in line with what Fnac has been doing for the last few years, with, for example, Fnac Connect for connected devices. Section 1.5.3.1 "Store network" of this Registration Document describes the different store formats in detail.

1.4.2.3 / Omnichannel leader in Europe

Since 2011 for Fnac and 2013 for Darty, the two brands have invested substantially in linking the two sales channels (stores and internet) so they can offer customers a seamless purchasing process. The Group 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&collect," where the customer orders online and the goods are delivered to a store, and "click&mag," giving the customer in the store access to the entire range of products available online.

With a total of 13.6 million unique visitors on average per month [(1)], Fnac Darty has become France's second-largest e-commerce retailer.

Internet activities showed strong momentum in 2016 and were driven in particular by the growth in Marketplaces (in France, Spain, Portugal and Belgium), improved delivery services and rapid growth in omnichannel sales, which account for 45% of online orders.

Both the Fnac and Darty brands continued to reinforce the quality of their digital offering, with the ramp-up of the Marketplace on darty.com, the launch of the retail site in Switzerland, the introduction of one-click purchasing on Fnac.com, and improved web platforms in the Iberian Peninsula.

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

- fnac express+ is an unlimited service offering all products available in stock on fnac.com (excluding Marketplace products) with home delivery within one business day, anywhere in France, with no minimum purchase;
- Fnac 2H Chrono is the fastest home-delivery service in the market. This gives customers the possibility of ordering their consumer electronics products online and having them delivered to their home within two hours. This service is now accessible to 30% of Fnac.com unique visitors thanks to its rollout in 10 major cities during 2016;

(1) Source Fevad/Mediamétrie.

- Retrait Colis gratuit (free parcel collect) rounds out Fnac's "free in-store delivery" service. Customers living over 30km (≈ 20 miles) from a Fnac store can have their purchase delivered free to a Relais Colis pick-up point near their home;
- Darty has also developed "same-day" delivery in the Paris region for household appliances and televisions.

The Fnac brand has also invested to boost its m-commerce platform. In France, Mobile traffic increased by more than seven percentage points and contributed to 45% of fnac.com traffic.

Fnac Darty is therefore one of the top three European omnichannel retailers and has reached a critical mass to respond to the growing competition in these markets.

1.4.3 / Increasing commercial attractiveness and strengthening the customer relationship

1.4.3.1 / Marketing strategy

The Group pursues a controlled marketing strategy allowing it to offer competitive prices compared to pure players but without reducing the profitability of its offer. The main points of leverage are as follows:

- 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;
- targeted promotions on high-profile products and more advertising for entry-level products;

  under the Confidence Contract, a customer may be reimbursed for the difference in price in the event that he or she finds a lower price for an equivalent service.

1.4.3.2 / Proximity to customers

Fnac Darty aims to continue its innovations in customer relations by using the possibilities offered by data analytics to improve recommendations sent to consumers and tailor services.

For example, 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 compiles information originating in stores, the website, call centers, after-sales services and ticketing. This tool allows the Group to create a targeted marketing policy through better mining of customer data and more precise feedback. It will also help the Group promote its omnichannel mix by sending personalized web-only offers to customers who only shop in stores to encourage them to make purchases on fnac.com. The Group expects to incorporate these best practices across the spectrum of its brands and geographical locations.

Darty also has a database of significant customers that is fed by the customers of its website, after-sales services, financing offers, Darty Button subscriptions and holders of the Darty Card.

The Group also continues to boldly innovate using techniques that engender customer loyalty, as illustrated by the new loyalty program "Fnac +", launched last year, which allows customers to benefit from unlimited next-day delivery. The brands also wish to combine the Groupe Fnac loyalty program, bolstered by almost seven million members, with the Darty database in order to improve familiarity with customers and provide new prospecting options.

1.4.4 / Other products and services

In order to propose a more balanced offer built around product categories with high-growth profiles and complementary margins, the Group is enlarging the brand's scope to leisure products and targeting family customers more widely. The Group, for example, offers, under the Fnac brand, other product families such as Games & Toys or Stationery, with spaces dedicated to them in almost all of the Group's stores. They have already delivered better-than-expected results in 2016 and confirm the potential of these categories.

In addition, the roll-out of the Kitchen offering at Darty was accelerated with the opening of eight new spaces in France, bringing to 86 the number of stores with this offering at the end of December 2016. The first two Vanden Borre Kitchen stores were opened as franchises in Belgium, under the partnership with Ixina.

With Fnac's "**Pass location**" rental service, which offers customers the option of renting a consumer electronics product for 24 months before deciding to purchase, exchange or return it, the Group intends to continue to develop its rental offers.

In 2017, the Group wishes to strengthen the development of its subscription activity (internet subscriptions, mobile telecommunications, television, “energy contracts” for household appliances) and aims to launch new innovative warranty, insurance and financing offers, based on the best practices of the two brands. The section 1.5.2.4 “Other Products and Services” describes the other products and services in detail.

1.4.5 / Innovation central to the services offer

After-sales services are a high value creation factor which truly differentiates the offer from others proposed by pure players. The Group is the leader in this area thanks to Darty’s expertise.

The Group is pooling the know-how of the two brands by relying on the knowledge of the Darty teams to operate with Fnac customers for value-added deliveries.

Beyond just deliveries, the Group is launching significant innovations in product-related services, with new remote after-sales service initiatives, extending the Darty “connected Button”. This offer was developed by adding video technology, allowing customers to use the video function on their smartphones to have a visual connection with a customer service agent and speak with the agent by telephone, which in turn facilitates the diagnostic process for Darty personnel.

The Group aims to remain a pioneer in this area. It is currently working, using the options offered by the internet of things, on the remote detection of malfunctions, and on predictive maintenance.

1.5 / ACTIVITIES

1.5.1 / Geographical breakdown

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

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

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

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

The Group has incidentally decided to instigate a formal process of searching for a Brazilian partner that could lead the Group out of the country. The Fnac brand has many assets (brand recognition, network) but not reaching critical mass, which is key in retail, leads to the preference for leaving the country.

1.5.1.1 / Presence in France/Switzerland

In the France/Switzerland region, the Group had a network of 465 stores, 152 of which were operated as franchises, at the end of 2016. The Fnac brand has 150 stores, and the Darty brand has 315 stores. The network of stores expanded notably last year with the opening of 58 stores in the year, with 54 new stores opened as franchises (including 36 Darty stores in mainland France and the overseas departments and territories, 13 Fnac proximity-format stores, two Fnac Travel retail stores, two Fnac Connect stores and one store in Ivory Coast. Managed from France, the Fnac brand also developed franchises in international markets such as Morocco, Ivory Coast and Qatar.

In the France/Switzerland region, the Group received 188 million visits and is positioned in France as the two leading e-commerce players in terms of number of unique visitors per month [(1)]. The Fnac Switzerland subsidiary successfully launched its own e-commerce site in 2016.

Pro forma figures	Data at end 2016
Revenues	€5,854m
Operating margin	3.0%
Current operating income	€176.3m

1.5.1.2 / Iberian Peninsula

At the end of 2016, the Group had 52 stores in the Iberian Peninsula and opened four new stores in Spain (three integrated and one franchise). A new store in Portugal and two stores in Spain were closed. The Group received 64 million visits. Both the Fnac Spain and Fnac Portugal subsidiaries have an e-commerce site (fnac.es and fnac.pt).

Pro forma figures	Data at end 2016
Revenues	€656.2m
Operating margin	3.5%
Current operating income	€23.2m

1.5.1.3 / Benelux

At the end of 2016, the Group had a total network of 147 stores under Fnac brands in Belgium, the Vanden Borre brand in Belgium and BCC in the Netherlands. The Group opened four new directly-owned stores in Belgium and closed two stores in the Netherlands and one in Belgium.

In the region, the Group received more than 26 million visits, and each brand has a website.

Pro forma figures	Data at end 2016
Revenues	€908m
Operating margin	0.4%
Current operating income	€3.8m

1.5.2 / Range of products and services

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

Indeed, the Fnac and Darty brands each distribute consumer electronics (47% of revenues), a sector with short innovation cycles. This shared offer is enhanced on the one hand by Fnac's strength in editorial products (17% of revenues), and on the other hand, by Darty's leadership position in the consumer electronics market (around 20% of revenues). Other products and services (almost 16% of revenues) such as Games & Toys, Stationery, the fitted Kitchen offering, after-sales service, warranties and ticketing, which generate greater margins, also round out the Group's offer.

1.5.2.1 / Consumer electronics

Both the Fnac and Darty brands are positioned as leaders in the retail of consumer electronics including photography, TV & video, sound, "micro-computing," telephony and connected devices. In 2016, the Group generated consolidated revenues of €3,555 million (pro forma) from the sale of consumer electronics, representing 47% of its consolidated revenues.

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

(1) Source Fevad/Mediamétrie.

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

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

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

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

In order to profit from segments with strong growth, in June 2014, the Fnac brand opened a 125 m^2 flagship store on the Avenue des Champs-Élysées in Paris, entirely devoted to telephony and connected devices. Designed to provide customers with a unique and fun experience, this new store combines the largest connected devices and telephony offer on the market with an innovative retail concept. Following the success of this store, the Fnac brand has created a new "Fnac Connect" store concept for telephony and connected devices, which has been deployed in 86 existing stores and in dedicated stores with a floorplan of 80 to 100 m^2. Darty also updated and installed new spaces for the Connected House within its network.

1.5.2.2 / Editorial products

Physical products

Editorial products include music, video, books, and Gaming products. In 2016, the Group generated consolidated revenues of €1,244.7 million from editorial products sales pro forma, representing 17% of its consolidated revenues. In France, Fnac is a trendsetter in its markets, with a rich and diverse editorial products catalog.

Fnac is the leading music store in France with a product list of some 160,000 titles.

It is the leader in the video market with some 40,000 video, DVD and Blu-Ray titles.

The Fnac brand is the premiere bookseller in France and offers the largest range in the market with around 400,000 titles. In 2016, the brand sold more than 46 million books in France.

In Gaming, Fnac has a catalog of over 13,000 titles in France, including 6,000 used video game titles.

Digital products

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

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

1.5.2.3 / Household appliances

White products include small and large household appliances. Large household appliances include products such as refrigerators, washing machines and dishwashers. Small household appliances includes kitchen appliances and accessories, such as microwave ovens, coffee makers, and irons, in addition to beauty and health products such as hair dryers and electric razors. In 2016 the Group achieved pro forma consolidated revenues of €1,452.3 million on sales of domestic appliances, amounting to 20% of its consolidated revenues.

Innovation in large household appliances is defined by design and respect for the environment. Given that the large household appliances market is well established and benefits from a strong household penetration rate, sales are mainly tied to product replacement. As a category, small household appliances benefit from increased innovation (in particular for kitchen appliances and health and beauty products), which, along with changing lifestyle trends, has caused an increase in sales volumes and in the value of the small household appliances category, particularly with the rise of brands for vacuum cleaners, coffee makers and multi-function kitchen robots.

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

1.5.2.4 / Other products and services

The Group has also continued its efforts to enrich the range of products and services offered.

After-sales service

The Darty brand is positioned as the leader in France in after-sales service. The brand offers an in-store repair and support service at designated counters and workshops which provide customers with immediate repairs, rather than sending the products to a repair center.

To promote its services in the stores, the Fnac brand has created dedicated "Service Area" sections where customers can get advice on after-sales service, home delivery, warranties or at-home training. A new service called "replacement express" was rolled out in 2016 in seven stores, allowing customers to have their cell phone repaired in one hour (screen and battery).

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

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

Darty expects growth in the connected domestic product market in France, and has begun to exploit this opportunity by opening a Marketplace for at-home services. In partnership with Hellocasa, the "Darty Petit Travaux" service offers clients the option of booking services online in areas such as plumbing, electricity, gardening and professional cleaning, for a fixed price.

Insurance and warranty

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

Financing

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

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

Subscriptions

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

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

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

Kitchen

In addition, the rollout of the Kitchen offering at Darty was accelerated with the opening of eight new spaces in France, bringing to 86 the number of stores with this offering at the end of December 2016. The first two Vanden Borre Kitchen stores were opened as franchises in Belgium, under the partnership with Ixina.

Billetterie

Fnac has a Ticketing and Box Office Services Division, with the company known as France Billet (B2C business), with a market share of over 50% in France, making it the leading ticketing and box office player for shows and events, and the companies Tick&Live and Eazieer in B2B activities.

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

Following the merger with the Darty brand, France Billet has operated a white label on the Darty website. In addition, the first Ticketing space opened in a Darty store at the end of the year.

To facilitate the in-store collection of tickets ordered online, Fnac installed 62 ticket collection terminals in 39 stores.

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

In November 2015, France Billet strengthened its B2B activities in the areas of entertainment, shows and sporting event ticketing, with the acquisition of Eazieer, a leading start-up providing ticketing services, in particular regarding Customer Relationship Management (CRM).

Games & Toys

Since November 2011, Fnac has been developing sections for 0-12 year olds within its stores called "Fnac Kids." These sections create a single area for toys, games, books, DVDs, CDs, consumer electronics and Gaming for children and have a special layout built around accommodating very young children.

Stationery

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

1.5.3 / An omnichannel distribution network

1.5.3.1 / 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).

Since 2012, Fnac has been diversifying its presence and continuing to establish stores in new regions, via new formats, with a particular priority given to 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 2016, this type of operation involved 58 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:

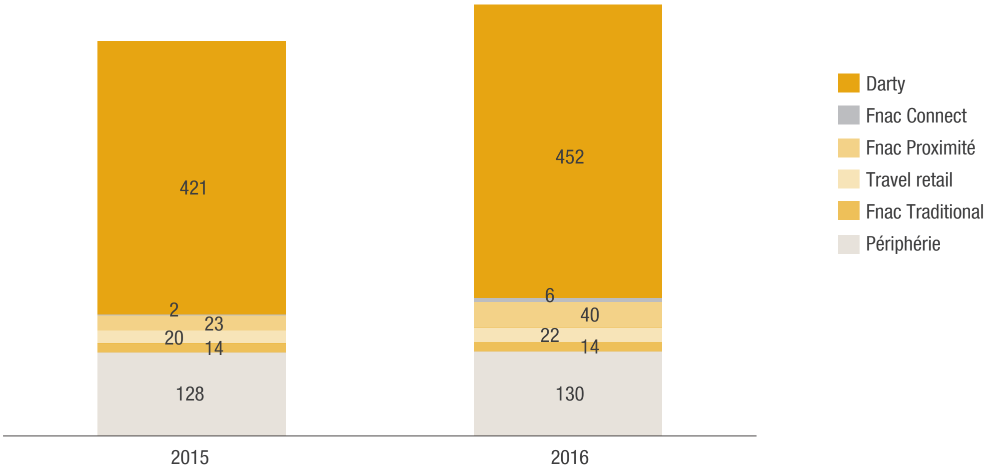
- the "Travel retail" format (railway stations, airports and duty-free) with 22 stores at the end of 2016, including 20 in France. Fnac has signed a strategic partnership with Lagardère Services via Aelia and MRW to develop the Travel retail stores in France under a franchise operation;
- the "Proximity" format with 40 stores at the end of 2016. The Group opened, in 2016 alone, 15 stores in France and two abroad. The Group was able to capitalize on partnerships concluded with Intermarché and Vindemia for the proximity format;
- the "Connect" format (dedicated to telephony and connected devices) with six stores at the end of 2016 in France and abroad. For this new concept, Fnac received the prestigious Janus Award in the Business category from the French Institute of design.

At the end of 2016, Fnac had 212 stores in total, including 144 stores in France. Fnac opened 27 stores in 2016 (compared with 15 in 2015), seven of which were outside of France.

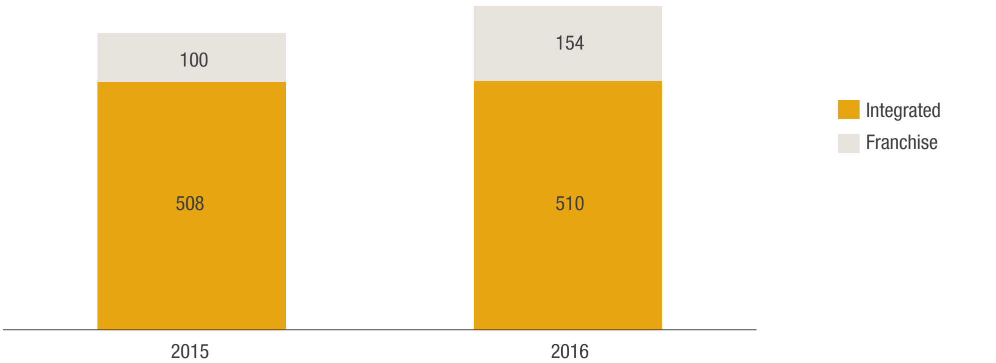
In France, Darty stores are mostly located in very populated areas and have a strong presence within or are situated close to big cities, such as Paris, Lyon and Marseille. The other Darty stores are generally situated outside of big cities, in shopping malls and retail parks. Darty benefits from a strong presence in large shopping malls on the outskirts of big cities and in regional areas. In order to extend its presence in less populated French regions, particularly those with fewer than 100,000 inhabitants, Darty has also put a franchise network into place. This network has allowed it to expand its store network, for a limited level of investment, and enter into small catchment areas where a classic large-format store would be too expensive to operate. The first franchise store opened in March 2014. Darty opened 40 stores in 2016, 36 of which were franchise stores in France (compared with 24 in 2015) and three integrated stores in Belgium.

Format	Date of concept	Average surface area	Location	Offering	Number of stores
Fnac network					
Traditional	1974	2,400 m²	City center – shopping district	Entire range	130
Outskirts	2006	2,000 m²	City outskirts	Entire range	14
Proximity	2012	300 to 1,000 m²	Towns and smaller cities Large cities to supplement the store network	Entire range	40
Travel (Aelia and MRW)	2011	60 to 300 m²	Airports and railway stations	Topical editorial products Consumer electronics focused on mobility	22
Connect	2015	80 to 100 m² for dedicated stores	City center Shop-in-shop	Telephony and connected devices	6
Darty network					
Integrated	1968	1,500	Proximity large cities – shopping malls	Entire range	356
Franchise	2014	600	Medium-sized city proximity	Minimum range	96

Number of stores by format



Number of stores by mode of operation



1.5.3.2 / Websites and Marketplaces

With a total of 13.6 million unique visitors on average per month, Fnac Darty is positioned as France's second-largest e-commerce retailer. The Group provides its customers with websites by brand and by country of operation, with nine websites in total.

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

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

Online activities displayed strong momentum in 2016. Indeed, the revenues generated by online activity represents a significant portion of total Group revenues, at more than 16%.

Marketplace, which is an intermediary platform linking buyers and sellers, supports the brand's online strategy by increasing the choice available on the sites and the number of items available to online shoppers. This helps increase the website's traffic and visibility and contributes to customer loyalty. The platform allows more than 3,800 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 development continued steadily in Fnac Spain, Fnac Portugal and Fnac Belgium. The darty.com Marketplace also saw significant growth, with the Group opening a Darty space in the Fnac.com Marketplace in 2016.

The fnac.com website extends the range of products of the categories available in-store and it also offers product categories that are not available in the stores, such as sporting goods, DIY and gardening. The website offers products that are sold either under the Fnac logo or via Marketplace. The fnac.com website offers more than 30 million new and used articles in France that can be accessed both online and by customers in-store.

The architecture of the fnac.com website was completely revamped in 2015. A new design and simplified ergonomics, more-visible omnichannel purchasing (e.g. highlighting the local stores that are open, easier visibility of in-store stock availability), shorter, streamlined checkout, and simplified product descriptions are the main improvements enriching and enhancing customer experience. On the strength of this new design, the website won the Fevad prize for best e-commerce site in 2015. The website also took home the Top/Com Overall Gold Prize for Web Design as well as e-commerce prizes for "Ergonomic – Customer Pathway."

In 2016, the site darty.com won two awards from Fevad. It received the silver metal innovation prize and the bronze medal for best e-commerce site for consumer electronics.

The Group also invested in improving its mobile platforms, which see increased traffic every year. In a ranking of m-commerce in France, performed by Tapbuy, an expert in m-commerce, Fnac.com is ranked #1 and stands out across all categories, from product presentation to design, with special recognition of its delivery and purchase process options, which are particularly optimized on the site adapted to cell phones.

1.5.3.3 / Omnichannel strategy positioning

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

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

- "click&collect": purchases made on fnac.com or darty.com collected in-store, free of charge within two to four days. All Fnac.com orders are available in not just in Fnac stores, but also in Darty stores thanks to the first business synergies initiated in 2016. All Darty orders are available in Darty Fnac stores serving as "parcel collect" points (this service only applies to products that are not in stores);
- "click&mag": where a sales assistant places an order for the customer on fnac.com when a store does not have a product in stock, with delivery to the location of the customer's choice. This allows every store in the Group's network, regardless of size or format, to offer the full range of products Fnac offers;
- "1hr click & collect": where the customer orders a product on fnac.com that is in stock in a nearby Fnac retail store and collects it from that store within the hour, free of charge. This allows customers to obtain their products quickly and at the same time to ensure the product will be available before making the trip to the store;
- fnac express+: an unlimited service offering all products available in stock on fnac.com (excluding Marketplace products) with home delivery within one business day, anywhere in France, with no minimum purchase;
- Fnac 2h Chrono: the fastest delivery in the market. This gives customers the possibility of ordering their consumer electronics products online and having them delivered to their home within two hours. This service is now accessible to 30% of Fnac.com unique visitors thanks to its rollout in 10 major cities during 2016;
- Retrait Colis gratuit (free parcel collect) supplements Fnac's "free in-store delivery" service. Customers living over 30km (≈ 20 miles) from a Fnac store can have their purchase delivered free to a Relais Colis pick-up point near their home;
- "Same day" delivery: Darty "same day" delivery in the Paris region for household appliances and televisions.

1.5.4 / Fnac Darty's customers

1.5.4.1 / Members and customer loyalty cards

Fnac has a strong customer loyalty program, with a total of 6.7 million members, of whom five million are in France (data at end of 2016). Revenues generated by loyalty program members accounted for 60% of Group revenues. The number of members increased by more than 60% between 2010 and 2016. This membership base presents a real competitive advantage.

The customer loyalty program is designed as a customer loyalty and retention tool that also allows the Company to carry out better-targeted and more effective sales promotions. Fnac's customer loyalty program members are an asset that gives the Company a real advantage over its peers. Members visit the store four times more often than customers in general, and on average they spend double the amount of a non-member on each visit. 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 highest-spending members. At the end of 2016, Fnac had nearly 210,000 One card members (more than 4% of the members in France) who benefit from the One program's exclusive services and premium-quality service.

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

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

1.5.4.2 / Recognition

The merger of the two brands presents the Group with the opportunity of benefiting from the complementary recognition enjoyed by the two networks.

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

Indeed, Fnac has spontaneous brand recognition at the rate of 72% for editorial products and 47% for consumer electronics. Darty boasts spontaneous brand recognition at the rate of 61% on the white goods segment in France.

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

- Expertise – Among specialty retail brands, Fnac is known for its expertise in the products it sells. The Company maintains its reputation for expertise by focusing on three main areas: laboratory testing, with almost 900 tests in 2016 (see section 2.5.2.1 on "Dialogue with stakeholders"), 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 (6,000 of them) organized in-store or externally:
  - in the literary field: the prix Goncourt des lycéens (for high school students), the Prix du roman Fnac (for novels) and the Prix de la BD Fnac (for graphic novels);
  - in the music field: the "Fnac Live" free music festival at the Hôtel de Ville in Paris;
  - in the photographic and film field: photo marathons, photo exhibitions in store or on external walls, master classes with celebrated film Directors;
  - in the video games field: gaming trophies and a presence at major trade fairs;
  - Fnac is also contributing to cultural access and education mainly via the charitable schemes Grande Collecte and Braderie Solidaire in Dijon. These two events are detailed in section 2.5.2.2 "Partnership and sponsorship initiatives."

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

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

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

1.6 / PROPERTY PORTFOLIO AND EQUIPMENT

The following table summarizes the areas occupied by the Group (including franchises) as of December 31, 2016 in the various countries where the Group maintains operations (excluding discontinued operations).

The Group's geographical locations are described more fully in section 1.5.1 on "Geographical breakdown."

Stores (including franchises)	Number of sites	Customer retail area (in m^2)
France* and Switzerland	465	630,000
Iberian Peninsula	52	89,000
Benelux	147	165,000
TOTAL	**664**	**884,000**

* *Including four stores abroad: one in Morocco, two in Ivory Coast and one in Qatar, along with nine Darty stores in Overseas Territories.*

Warehouses/Offices (excluding franchises)		Number of sites	Total occupied surface area (in m^2)
France and Switzerland	Warehouses	9	322,000
	Offices and others	65	175,000
Iberian Peninsula	Warehouses	2	26,000
	Offices and others	2	5,000
Benelux	Warehouses	10	33,000
	Offices and others	3	29,000
TOTAL		**91**	**590,000**

Most real estate assets are leased; however, the Group has proprietary real estate including 60 stores, 2 warehouses and 21 other business premises, totaling approximately 285,000 m^2. The Group considers that the utilization rate of its property, plant and equipment is consistent with its operations, development plan, and ongoing and planned investments.

The Group's main current and planned investments, as at the filing date of this Registration Document, are detailed in section 4.3.3.2 "Net cash flows from investing activities" in this Registration Document.

1.7 / RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

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

The Group owns a portfolio of over 400 trademarks registered across the world under the name "Fnac" and its derivatives used in the context of commercial promotions.

The Group also owns a portfolio of over 800 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.

As at the date of publication of this Registration Document, preparations are underway for shared centralized management of the portfolio of trademarks and domain names of the two brands. Out of a concern for reliability and uniformity, the Group has made a decision to publish this information for Fnac brand companies for year 2016.

2 CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Preamble

Prior to its acquisition by Groupe Fnac, the Darty Group was listed on the UK stock exchange. It therefore was not required to comply with Article 225 of Grenelle II and never produced any report related to all the matters covered by said article.

This is why the Darty Group has no central CSR Department for all of its social, environmental and societal data and has no tool for collecting and consolidating that data at site and subsidiary level.

Although many initiatives have been conducted in each Darty Group Management Department, collection and consolidation of the relevant data will require an organizational structure to be set up and a tool to be rolled out at the level of the new Groupe Fnac Darty. This is scheduled for 2017.

The 2016 CSR Report that forms the basis for this section therefore excludes the Darty data, which will only be incorporated after the close of the year ending December 31, 2017.

The data published in this section therefore only concerns Groupe Fnac.

2.1 / OUR COMMITMENTS

2.1.1 / Our commitments

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

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

The main strands of Fnac's CSR policy are:

- social: to promote the commitment of the teams by enhancing employability, equal opportunity and the quality of life at work and providing support with the Company's transformation in discussions with elected representatives;
- environmental: to educate customers and employees about environmental issues, reduce and recycle waste and take action against global warming by reducing carbon emissions;
- societal: to facilitate access to culture for the greatest number of people, support associations and develop the local economy in the various regions.

Fnac also distributes a Suppliers CSR Charter and a Code of Business Ethics to involve suppliers and employees in its commitment to responsibility.

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

2.1.2 / Organization

This section is intended to respond to the 43 themes of Article 225 of the Grenelle II Law on extra-financial reporting, and it has been prepared by the CSR Department. Social data are conveyed to the CSR by the various segments of HR (corporate matters, compensation, HR development and the HR managers of the various legal entities). Environmental and societal data are conveyed to the CSR by the CSR correspondents in each country and by head offices and Logistics Departments (purchasing, communication, cultural activities, marketing, transport, maintenance, legal, expansion, franchises).

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

2.2 / METHODOLOGY NOTE

2.2.1 / Drafting of a "Reporting Protocol"

All the methodological points summarized in the paragraphs below are described and developed in a social reporting protocol and an environmental and societal reporting protocol. Both protocols have been audited to verify that reliable data can be collected and that contributors understand and apply them. They are therefore updated and supplemented annually based on the audit recommendations, with the aim of continually improving processes.

2.2.2 / Organization of data collection

Social data

The social data for France derives from payroll. 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.

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

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

Environmental and societal data

Data is recorded at the various levels of site, country or Group. The "France" or "Group" data comes from the head office businesses. The "country" data comes from the CSR contact in each country. The collected data is consolidated, analyzed and published by the CSR Department.

2.2.3 / Scope

To reiterate, none of the Darty Group companies will be included as consolidated companies until the close of the year ending December 31, 2017.

The data published in this section therefore only concerns Groupe Fnac.

In addition, as with the entire 2016 Registration Document, this section excludes Brazil's data.

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

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

Centralizing many of the indicators has made the data more reliable and increased the scope of reporting. Fnac is therefore publishing the following indicators for the first time:

- waste:
  - France: volumes of neon lights and non-hazardous waste collected and recycled,
  - Spain and Belgium: volumes of waste collected and recycled;
- paper and cardboard consumption for Spain, Portugal and Belgium;
- plastic consumption for Spain;
- carbon emissions related to business travel for France;
- number of free cultural events for Spain, Portugal, Belgium and Switzerland.

Methodological specifications for the social portion

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

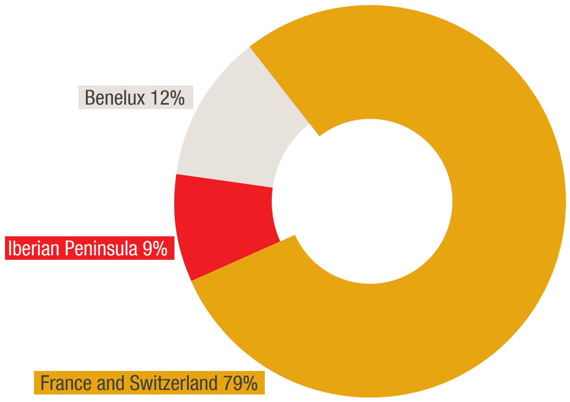
Methodological specifications for the environmental and societal portion

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

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

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

Breakdown of sales as of December 31, 2016



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

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

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

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

2.3 / SOCIAL INFORMATION

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

The policy aims to find the right balance between the need to support the Company in its transformation and its commitment to having as close a relationship as possible with its employees through high-quality social dialogue.

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, 2016	December 31, 2015
France	8,145	8,489
Spain and Portugal	3,872	3,962
Belgium and Switzerland	891	908
TOTAL	**12,908**	**13,359**

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

The Group recorded a 3.4% decrease in the workforce, due mainly to the outsourcing of two call centers in 2016 and the closure of one store in Spain.

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

Socio-professional categories (employees on open-ended contracts only)	December 31, 2016	December 31, 2015
Executives and Supervisors (managers)	2,298	2,352
Manual workers, office workers, technicians (non-managers)	9,022	9,419
TOTAL	**11,320**	**11,771**

Internationally, the Group posted a 3.8% decline in the permanent workforce. This decrease is related to the events mentioned above.

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, 2016	December 31, 2015
Percentage of women in the workforce	44.5%	44.1%
Percentage of women managers	41.3%	40.8%

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, 2016	December 31, 2015
Open-ended employment contracts	88.0%	88.1%
Fixed-term employment contracts	12.0%	11.9%
Temporary workers	*7.7%*	*7.8%*

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

Age distribution of employees on open-ended contracts	December 31, 2016	December 31, 2015
Under 25	4.2%	4.7%
25 – 30	13.3%	14.8%
31 – 40	35.4%	36.5%
41 – 50	30.9%	29.6%
51 – 55	9.8%	9.0%
56 – 60	5.4%	4.6%
Over 60	1.1%	0.8%

The gradual shift of the population into the higher age bracket, which was noted in 2015, continued in 2016. Although the proportion of those under 40 is down, there are more in the over-40 bracket, representing 3% more of the workforce compared to 2015. The 31-50-year-old bracket represents most employees, making up 66% of the workforce.

The measures undertaken to promote the employment or maintenance of employment for persons over 50 are bearing fruit since the proportion of employees aged 50 and over continues to grow and accounted for 16% of employees on open-ended contracts at December 31, 2016. This represents an increase of 2 percentage points in a year.

2.3.1.2 / Working hours

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

Breakdown of working hours for employees on open-ended contracts	December 31, 2016	December 31, 2015
Full-time	8,363	8,601
Part-time	2,957	3,170
Proportion of part-time employees on open-ended contracts	*26.1%*	*26.9%*

After a rise in part-time employment between 2014 and 2015, the trend reversed in 2016 with a 6.7% decrease in the workforce. Belgium and Spain remain the countries with the most part-time employment, with 49% and 52% of part-time open-ended contracts respectively. The proportion of part-time workers is maintaining its level in France and Portugal.

2.3.1.3 / Recruitment and departures

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

In 2016, the Group recruited 1,168 employees on an open-ended employment contract compared to 1,790 in 2015, representing a decrease of 35% in new hires. It should be noted that the particular economic situation in 2015 made it possible once again to make new hires on open-ended contracts following a freeze. In 2016, the Group also recorded a monthly average of 990 temporary staff, a decrease of 5%.

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

Workforce	2016	2015
Turnover of staff with open-ended employment contracts [a]	14.2%	14.3%
Voluntary turnover of staff with open-ended employment contracts [b]	6.7%	6.3%
New hires on open-ended employment contracts [c]	10.3%	15.2%
Number of disabled workers/registered employees	4.1%	3.8%

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

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

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

The Group did not encounter any difficulties in recruitment in 2016; employee turnover was stable during the year.

Once again there was an improvement in jobs for employees with disabilities thanks to the Disability Project described in 2.3.6.3. In France, the number of employees with a disability represented 5.79% of the paid workforce.

The following table shows the breakdown of departures on open-ended contracts in France and other countries by reason for departure. Although there was an 8% drop in the total number of departures of staff on open-ended contracts, changes by reason of departure remain unchanged, except for terminations for economic reasons due to the employment protection plan period coming to an end.

	2016		2015	
Reason for departure	**Number of departures**	**As % of total**	**Number of departures**	**As % of total**
Departures on the initiative of the employee	763	45.0%	736	41.6%
Termination for economic reasons	28	1.6%	186	10.5%
Termination for non-economic reasons	732	43.2%	688	38.9%
Departures because of retirement	42	2.5%	44	2.5%
Mobility	83	4.9%	90	5.1%
Death	5	0.3%	6	0.3%
Breach of contract	42	2.5%	19	1.1%
TOTAL	**1,695**	**100%**	**1,769**	**100%**

The following table shows the change in absenteeism in the Group in 2016. The figure published in 2015 was 5.8%, but it cannot be compared with the 2016 figure since it excluded Switzerland and Belgium.

Working conditions	2016
Illness absence [a]	6.6%

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

2.3.2 / Remuneration

The Group's gross payroll expense before taxes (in France and other countries) amounted to €361 million at December 31, 2016 compared to €368 million at December 31, 2015.

2.3.2.1 / Remuneration policy

The remuneration policy is determined by the Human Resources Department, which regularly analyses the Group's remuneration positioning in comparison with market data provided by 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 resources.

At the end of 2016, 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 and executives 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 is covered by a discretionary Group-level agreement renegotiated in 2016 for financial years 2016 to 2018. All employees who have worked for the Group for over three months have the option of immediately allocating all the sums paid to them under profit-sharing and incentive plans to a group savings plan. This scheme benefits from exemptions from tax and social security contributions under the applicable regulations.

100% of 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 that is at the very least in compliance with the legal obligations of the country.

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

2.3.2.2 / Remuneration of Directors

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

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

Fnac's Board of Directors uses the principles of the AFEP-MEDEF Code as the framework of its corporate governance and therefore adheres to the AFEP-MEDEF guidelines of October 6, 2008, revised in November 2016, regarding the remuneration of Corporate Directors of listed companies. It considers these guidelines to be consistent with the Group's corporate governance procedures detailed herein (see section 3.3.1).

2.3.3 / Employee relations

2.3.3.1 / Organization of social dialogue

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

A Group-level Committee is in place and a European works council is currently being set up. This is the level at which the management regularly negotiates agreements applicable to all companies in the Group with the representative trade unions (e.g. profit-sharing, employee savings, benefits, and the intergenerational agreement).

In 2016, an addendum to the Group Savings Plan aimed at establishing a dedicated "Groupe Fnac shareholder" fund was signed on February 19. A profit-sharing agreement for 2016-2018 was also signed on June 24, 2016. Lastly, the agreement creating the European works council was signed on December 6, 2016.

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

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

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

2.3.3.2 / Collective agreements in France

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

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

At Group level, negotiations have been successfully concluded on health care costs, profit sharing, the establishment of a Group committee and an intergenerational plan.

Social dialogue is central to many of the negotiations at the Group's subsidiaries. In 2016, ten collective incentive agreements were signed by the Groupe Fnac subsidiaries, an agreement on gender equality in the workplace was signed at Fnac Relais and an agreement on working time was signed by Fnac Périphérie.

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

2.3.4 / Health and safety

2.3.4.1 / Occupational health and safety practices

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

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

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

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

As the logistics businesses are particularly concerned with the question of safety, in 2016 Fnac Logistique pursued the continuous improvement process instituted in 2015 through the organization of a day per month for the observation of behaviors and risk analysis. In the course of the day, management checks that the site used complies with the safety rules and verifies that employees are familiar with the safety instructions. An action plan with responses to any areas identified for improvement is then deployed immediately.

Fnac Logistique is also continuing its investments to reduce carrying heavy loads. In 2016, Fnac Logistique invested significantly in new sorting equipment (€6 million) to ensure more effective service and hugely improved working conditions. The Company has for many years used specialist external providers to create ergonomic workstations and to automate and mechanize operations (limiting the weight of loads carried, systems for moving merchandise, and so on).

2.3.4.2 / Health and safety agreements signed

No workplace health and safety agreements were signed in 2016.

2.3.4.3 / Work injuries and occupational illnesses

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

In 2016, the total number of stoppage time accidents occurring in the workplace or during work-related travel in France and abroad was 317, compared with 279 in 2015. After three years of decline, there was a 14% increase in the number of accidents over the year.

There were no fatal accidents in 2016. Fifteen employees contracted an occupational illness during the year.

Work injuries to employees on open-ended or fixed-term contracts – Group	2016	2015
Frequency of accidents at work [a]	19.0	14.0
Severity of accidents at work [b]	0.7	0.6

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

2.3.5 / Training

Training programs closely related to changes in the Group

Under its strategic plan and in accordance with its legal obligations, Fnac has rolled out a training policy, which revolves around four main themes:

- continued development of a customer satisfaction culture;
- strengthening of managerial skills in support of the transformation;
- development of the omni-channel and digital culture;
- development of the skills required for the changes in businesses and business model.

With regard to the first goal, Fnac has acquired the resources to establish an in-store customer culture that is shared by all, regardless of whether they are employees, managers or Directors.

The benchmark training on customer relations, known as "REVER" ["Welcome, Explore, Sell, Expand, Thank" (in French called REVER: *Recevoir, Explorer, Vendre, Élargir, Remercier*) has been provided to all new entrants since its inception, supported by a team of in-house trainers. In 2016, the classroom training sessions were combined with an e-learning program covering all additional items. Preparations are being made to provide employees with further professional training on customer relations in 2017, with the REVER2 program: in addition to the support techniques already included in the program, the fundamentals of Fnac sales techniques will be made available to everyone. The local managers themselves will train their teams, the prime focus being on customer relations.

Against the backdrop of the Group's fundamental transformation, the management chain's ability to define the situation and continue to manage during the change is key. In 2016, Fnac launched "Manager 2020", a skills development program for all operations managers.

Local Directors and managers, who are the real focal points when it comes to store transformation, see their role and missions evolve with the aim of developing the Group's sales performance and further improving customer satisfaction.

Supported by Grenoble École de Management [School of Management], the Manager 2020 programs are intended for the 604 store Directors and point of sale managers and include 284 hours of training for Directors and 216 hours for local managers; the training is provided in a classroom setting, remotely (e-learning), and on site. They allow trainees who are signed up to develop their knowledge and skills in HR, financial, customer and marketing management, as applied to the retail sector. A profound change is underway in the stance adopted by managers in terms of providing better coaching for employees in relation to their skills. By opening the program and through the resulting development, Fnac is investing to help managers better achieve the goals of its strategic plan.

At the end of these courses, trainees will also be able to earn an RNCP [French Register of Professional Certifications] level II certificate as a "Responsable Opérationnel d'Unité" [Unit Operations Manager], which will help make them more employable.

A major information campaign was conducted regarding the digitalization of the Company and the use of new IT tools.

With the help of in-house ambassadors specially trained for the purpose (235 employees), the use of Microsoft 365 was widely disseminated to teams in stores and at the head office.

An e-learning general culture training course on digital transformation was set up during the year in support of this initiative. 485 people took this course in 2016. Sixty employees also had training on this topic in a traditional classroom setting.

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

E-learning solutions have been developed to support knowledge and strengthen skills in areas that are key for store teams (Customer Relations – Sale of services – Product knowledge – Knowledge of tools required for sale). The e-learning site had more than 10,000 logins for all of the items.

Training data France	2016	2015
Total expenditure on training *(€)*	1,987,740	1,808,486
Employees who have received training	2,249	2,956
Managers	942	557
Non-managers	1,307	2,399
Total number of hours of training (excluding security staff)	33,153	42,870
Average number of hours of training per employee trained [(a)]	15	15

(a) The information on training for 2016 is provisional given the consolidation timetable in the first quarter.

Group training data	2016	2015
Total expenditure on training *(€)* including security staff	3,242,986	2,651,938
Employees who have received training	6,175	7,259
Managers	1,425	1,026
Non-managers	4,750	6,233
Total number of hours of training (excluding security staff)	156,556	100,212
Total number of hours of training for security staff	15,480	16,914
Average number of hours of training per employee trained [(a)]	25	14

(a) The information on training for 2016 is provisional given the consolidation timetable in the first quarter.

In 2016, the Group devoted a total budget of around €3.2 million (compared to €2.7 million in 2015) to employee training, which represents on average 0.9% of the Group's payroll and a budget increase of 22%.

A range of different training measures for the various Countries contributed to the rise in the indicators:

- France: development of management skills with the launch of the "Manager 2020" program;
- Belgium: employee support following the opening of new stores;
- Portugal: integration plans for new hires and team restructuring under the omni-channel system;
- Switzerland: strategy aimed at getting back into compliance with certain rules relating to health, safety and working conditions (evacuation in the event of a fire; first aid, and so on).

Developing the employability of all employees

Ensuring the employability of all employees is a priority for the Group. In this context, beyond the training actions it offers, the Group is continuing its ambition to support employees who want to gain a qualification for skills learned through their professional experience: since 2004, 590 employees in France have benefited from personalized training and earned certification for skills and know-how acquired on the ground (a success rate of over 90%).

2.3.6 / Equal treatment

2.3.6.1 / Gender equality

Beyond the proportion of men and women in the workforce (in France and other countries, 45.8% women in new hires, 41.3% women managers, 44.5% women in the workforce, compared to 44.8% women in new hires, 40.8% women managers, 44.1% women in the workforce in 2015), action for gender equality in employment in France plays out in social dialogue: the professional gender equality agreements and action plans managed by the companies are aimed at promoting diversity in the businesses at all levels of responsibility, by ensuring equal treatment for equal skills in recruitment, access to training and job promotion, parenting, etc.

33.3% of Groupe Fnac's Executive Committee is represented by women (4 out of 12); in addition, a significant proportion of positions traditionally considered to be dominated by men are now held by women: for example, 20% of the Group's store Directors are women.

In addition to gender equality in the workplace, the Group is committed with regard to parenting in general, to changing representations by creating a favorable environment for employee parents, including both men and women: Fnac is a signatory of the Corporate Parenting Charter and offers time to employees who are parents (illness, hospital stay, new school year, etc.)

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

2.3.6.2 / Support for Seniors and Youth

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

The main actions relate to:

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

Following this second year of its implementation, there has been a review of the commitments related to maintaining seniors in employment and recruiting seniors and youth: the figures are in excess of the commitments for maintaining seniors in employment and recruiting youth, and the figures for recruiting seniors are in line with the Group's commitment.

2.3.6.3 / Recruiting and integrating people with disabilities

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

As of December 31, 2016, the Group (France and other countries) had 533 employees with a disability (up +4.5% versus 2015) or 4.1% of employees. In France, 472 employees had a disability, representing 5.79% of employees.

Every year during "National Disabled Workers Week" in France, the Company publishes information about the employment of people with a disability, during which it participates in "Handilive" which is organized under the auspices of the Employment Ministry. At this event, Fnac presents its policy to promote the employment of people with disabilities (involving recruitment, vocational training, continuing employability, and awareness), as well as its activities and occupations, and conducts direct Q&A sessions with applicants. In 2016, a new poster campaign was initiated to make teams aware of the realities of disability. An information document for employees to respond to the main questions and potential concerns was redistributed during that campaign.

The Group also attended dedicated employment forums, particularly online forums such as Handi2day (in April and October 2016), which attracted more than 30 recruiters. Fnac publishes all its job offers on the Agefiph website and sends them to Cap Emploi. It also publishes them on Handicap.fr and seeks applicants on the Hanploi and Regionsjob websites (dedicated CV library).

In 2016, the Group used a specialist firm, TH Conseil, to promote contacts with applicants seeking manager positions, and to include those recognized as having disabilities as candidates for positions of responsibility.

The "Disability Project," which has existed since 2005, informs and supports people with a disability, during recruitment and throughout their career, with administrative tasks, to adjust their work conditions, access training, and develop their skills. It is also addresses the concerns of employees who become disabled and therefore beneficiaries of the law on disability.

To promote the recruitment of workers with disabilities, the Group has introduced a special professional development program offering more than 300 hours of work-study training. In 2016, the third class for the deaf was created with the disability agency GRETA and enabled nine people to train as checkout operators.

Fnac Logistique continued its effort to integrate those with disabilities in its businesses (Logistics, After-sales, Quality): four individuals with disabilities followed a work-study course to obtain a Logistics qualification and four followed a vocational Logistics certificate course.

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

In addition, the Group develops partnerships with the disabled sector under France's "ESAT" and "EA" initiatives (establishments or services that help people with disabilities return to work). For example, it outsources the laundering of Fnac waistcoats to this sector. (In 2015, it had forged 46 partnerships in the sector – *Source: 2016 DOETH declaration [mandatory disabled employees' declaration] for year 2015).*

In 2016, 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.

Likewise, 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.

2.3.6.4 / Promoting integration at work

Work-study programs

In 2016, Fnac accepted around 500 work-study program students, some on career development courses, others on apprenticeships, i.e. 290 full-time equivalents. Work-study opportunities are available in all our business lines: sales, customer service, logistics and after-sales, as well as in all the back-office functions like accounting, marketing, communications and HR. An integration day was held at the head office in October 2016.

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

To develop closer ties with local communities, Fnac has put in place local partnerships with training organizations in all the employment regions where it is present.

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

In 2016 (in respect of year 2015), Fnac decided to pay back €87,000 (i.e. 11% of the amount dedicated to the apprenticeship tax) to schools and centers promoting job skills for people with difficulty accessing work, especially the Écoles de la Deuxième Chance and centers run by Adapt (Association pour l'Insertion Sociale et Professionnelle des Personnes Handicapées).

2.3.7 / Policy to combat discrimination

The Group has adopted the strategy initiated by France's Human Rights Defender, whose aim is to facilitate networking between institutions and stakeholders in civil society who are committed to combatting racism, by signing the Charte Egalité contre racisme [Anti-Racism Charter]. This undertaking is in line with the values defended by Fnac and reaffirms the Company's commitment to promoting equality and diversity and combating all discrimination. It is communicated through a digital platform (egalitecontreracisme.fr), which also lists the systems that have been put in place by the partners allowing the general public to report any racist acts or comments.

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, the Group respects and promotes the principles and rights recognized in the ILO.

In this respect, and drawing on laws in each Group 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

Given its awareness of the environmental impact of its activities, the Group has a responsibility to respond by adopting a committed environmental policy.

Its priorities include reducing its impact on global warming and optimizing its waste (cutting down different kinds of consumption, and collecting, recycling and reusing waste).

The Group is additionally committed to providing transparent, independent information and, in this vein, since 2013 it has displayed an environmental rating on a number of categories of consumer electronics; in this way it supports customers who wish to take a more responsible approach to consumption to actually do so.

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 reporting to the Human Resources Department.

CSR works with business lines to manage CO_2 emissions and waste collection and recycling, through two steering committees in particular: the CO_2 Transportation Committee and the Waste and Energy Committee.

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 Maintenance, Indirect Purchasing and CSR to promote best practices in energy saving and waste management.

The CSR Department also informs employees of actions taken and results obtained on the CSR page of the Group's corporate website. 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 the manufacturing sector, the Group strives to minimize its environmental impact by managing CO_2 emissions related to transportation of merchandise and operation of stores, by collecting and recycling waste, and by providing independent, transparent information on the environmental impact of certain products.

2.4.1.4 / Provisions and guarantees earmarked for environmental risk

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

2.4.2 / Pollution

2.4.2.1 / Measures to prevent, reduce or remediate discharges into the air, water and soil seriously impacting the environment

The Group's activities have no significant impact on the water and ground.

The environmental impact related to transportation is dealt with from the point of view of CO_2 emissions rather than air pollution.

2.4.2.2 / Consideration of noise and other forms of pollution related to a specific activity

The Group's activities produce little noise pollution.

2.4.3 / The circular economy

2.4.3.1 / Waste prevention and management

2.4.3.1.1 / Waste prevention, recycling and elimination measures

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

Repurposing consumer electronics

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

- either through repair or reconditioning by Fnac after-sales services teams, followed by re-sale to our customers via the fnac.com Marketplace;
- or by reselling them to organizations that at least offer a responsible end of life for them through recycling or repair and resale via a not-for-profit distribution network. Fnac works with outreach players such as Emmaüs-Ateliers du Bocage and ENVIE. In 2016, Envie took away 22 loads of non-functioning TVs and used TVs (for an amount in excess of €116,000) and ADB took away four loads of broken products, used computers, and used telephone/tablets (for nearly €22,000). In addition, the brokers referred to have all signed a Responsibility Charter related to environmental protection and the systematic erasing 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

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

Waste management

The waste produced by the Group (or derived from the packaging of products delivered by suppliers) is mainly related to its retail activity and is classified as "non-hazardous waste": cardboard, packaging film and pallets.

Fnac also collects for the environmental associations responsible for recycling it what is known as hazardous waste, such as waste from electrical and electronic equipment (WEEE), batteries and toner cartridges. This waste comes not only from what is consumed by the Group but also from customers, who can come and deposit their waste in collection bins provided for them in all of the stores throughout France.

The logistics center collects and sends the following other "hazardous" waste to specialist recyclers: neon lights, used oil, photo-lab waste, paint, aerosols and soiled packaging.

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

Scope: France

(tons)	2016	2015	Change
Waste electrical and electronic equipment (WEEE)	342	342	0%
Batteries	13	12	+8%
Toner cartridges	9	10	(10%)
Cardboard and paper	2,483	2,304	+8%
Palettes and other wood *(Warehouses)*	1,784*	1,942	(8%)
Neon lighting	0.2	0	-
Other non-hazardous waste *Warehouses: plastics, edible fat, washing sand* *Head office: cans, plastic, glass, cups*	137	131	+4%

* *Estimated data.*

The data on waste volumes collected from stores, head office and warehouses are supplied by the following collectors:

- WEEE: Eco-systems;
- Batteries: Corepile;
- Toner cartridges: Ateliers du Bocage, France Collecte and Conibi;
- Palettes and other wood: since the provider changed during the year, it was only possible to collect the data on palettes collected for the first six months of the year. The data on the last six months is estimated based on 2015 data;
- Neon lighting: Ateliers du Bocage. There was no collection in 2015.

Scope: Other countries excluding Switzerland, 2016

(tons)	Portugal	Spain	Belgium
Waste electrical and electronic equipment (WEEE)	8	8	6
Batteries	0*	1	0.1
Toner cartridges	0.5	1.5	0.8
Neon lighting	0.1	0.9	0.3
Palettes and other wood *(Warehouses)*	44	70	ND
Other non-hazardous waste *(Warehouses)*	14	76	ND

* *No batteries were removed in Portugal in 2016 due to a malfunction in collection management; this will be corrected in 2017.*

The contexts of the different countries are why there is the significant difference in WEEE volumes collected between France and other countries:

- in France, the WEEE that is collected comes both from the Fnac operations and from customers who bring their items and deposit them in the in-store collection bins provided for that purpose;
- in Spain and Portugal, the stores located in shopping malls have no WEEE collection bins (service provided by the shopping mall). The volumes shown in the table are therefore only from Fnac operations;
- in Belgium, there is no WEEE collection bin in the stores. The volumes shown in the table are therefore only from Fnac operations.

In Belgium, the logistics are outsourced and this is why there is no data on volumes of waste from the warehouses.

The data supplied by the countries for cardboard and paper waste are not sufficiently reliable to be published this year.

2.4.3.1.2 / Initiatives to combat food waste

Since the Group's business is not related to the food sector, there is little resulting food waste.

2.4.3.2 / Sustainable Use of Resources

2.4.3.2.1 / Water consumption and supply and local constraints

Water is not a major issue for the Group. 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. It was therefore agreed not to report this data.

Nevertheless, instructions about controlling water consumption are distributed to the stores and warehouses through the "Eco-Guide".

2.4.3.2.2 / Consumption of raw materials and measures taken to improve the efficient use

Paper consumption

Scope: France

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

In 2016, 238 tons of office paper were consumed compared with 273 tons in 2015, i.e. a reduction of nearly 13%. Over half this paper is PEFC- or FSC-certified (paper from sustainably managed forests or recycled paper).

A similar trend is evident in the purchase of paper in the form of finished products, representing 409 tons in 2016 (compared to 458 tons in 2015, a drop of almost 11%) nearly half of which comes from paper made from recycled fibers or certified as sustainably sourced.

Since 2011, Fnac has been taking numerous steps to reduce its consumption of paper by no longer printing technical manuals (which are now in digital format), significantly reducing the volume and number of pages of its promotional literature, streamlining printing systems and reducing paper weight.

In 2016, the volume of store publications fell by 15% and the volume of Contact magazines sent out (the historic Fnac magazine that has been sent to members' homes since 1954) went down by 20%.

Scope: Group excluding Switzerland

2016	Paper consumption *(t)*	Consumption of paper/revenues *(t/€ million)*
France	646	0.2
Spain	279	0.8
Portugal	168	0.6
Belgium	70	0.1
TOTAL PAPER	**1,163**	

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

Packaging consumption

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

Cardboard

Scope: France

In France, the tonnage of cardboard purchased by Logistics was 1,785 tons in 2016 compared to 1,560 tons in 2015, a 14% increase. This increase was due to an increase in the flow of online orders for editorial products (particularly small ones) as well as large consumer electronics. As a result, an additional mechanized line was introduced to process as much of this e-commerce flow as possible.

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

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

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

Plastic packaging

Group scope excluding Switzerland

Plastic bags

In France, under Article R. 543-72 of the Environmental Code prohibiting the distribution and sale of single-use plastic carrier bags that are less than 50 microns thick, Fnac stopped buying them in September 2015 and distributed them until stocks ran out. Two new types of bags have been put into circulation: a 25 l/50-micron thick carrier bag selling for €0.10 and a 35 l/55-micron thick bag to take away purchases, selling for €0.20. Fnac also sells reusable carrier bags at a cost of €0.50 and €1. These bags are made of recycled material and can be recycled again.

Consumption of plastic bags *(t)*	**2016**	**2015**
France	145	148
Portugal	83	62
Spain	26	ND
Belgium	18	17
TOTAL (EXCLUDING SPAIN)	**246**	**227**
TOTAL (INCLUDING SPAIN)	**272**	

On a like-for-like basis (excluding Spain), there was only a small increase in the use of plastic packaging between 2015 and 2016 (around 8%).

In Portugal, the sharp increase in the use of plastic carrier bags is due to a change in legislation: there was a charge for plastic bags in part of 2015 then they were free again in 2016, which made use of the bags go up again. As a result, Portugal consumes triple the number of plastic carrier bags as Spain even though there are two fewer stores, since there is a charge for plastic bags in Spain.

Plastic packaging

The table below shows the total consumption of plastic packaging in 2016 and 2015. This plastic packaging comes from shrink wrapping (mainly used for palletization). France outperforms the other countries by a considerable margin since activity is more significant there and since the logistics center centralizes all of the suppliers' products, which are then sent to the different countries.

Consumption of plastic packaging *(t)*	**2016**	**2015**
France	204	194
Portugal	28	49
Spain	7	20
Belgium	2	2
TOTAL	**241**	**265**

Overall, consumption of plastic packaging fell by 9% between 2015 and 2016, mainly due to major efforts in Portugal aimed at using less plastic packaging. This relates to quantities of purchased packaging. In Spain, for example, the quantity purchased in 2015 was not consumed completely and was also consumed in 2016, thus reducing the purchases made in 2016.

2.4.3.2.3 / Energy consumption, measures to improve energy efficiency and use of renewable energy

Electricity consumption

Scope: Group

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

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

- the establishment of centralized technical management at several sales outlets from 2013. This rollout was expanded to 20 additional stores in 2016, resulting in estimated energy savings of 1.5 million kW;
- the use of LED strip lighting (staff corridors) in 14 stores in 2015, making a total of 3,791 linear meters of lights replaced. Since the project began in late 2015, implementation was completed in 2016, resulting in estimated energy savings of 43,000 kW;
- the placement of LED panels on the upper strips of furniture units in the bookstore area of 72 stores in 2016, or 17,000 linear meters of lighting replaced, resulting in estimated energy savings of 2.9 million kW.

A plan to introduce variable speed drives for air conditioning systems (regulating their speed and therefore their consumption based on the number of people in the store) will be rolled out in 2017.

This key process of optimization is being continued on the basis of energy audits conducted by the external service providers B Eco (regulatory audits) and Greenflex (audits performed in 23 stores in 2016).

The Group is focusing its efforts on supplies from renewable energy sources. In 2016, 98% of the electricity purchased by Fnac Belgium came from renewable production (only the head office does not use renewable energy) while, for Switzerland, 100% came from renewable sources. Since May 2016, all of the electricity purchased by Spain came from renewable sources.

	2016		2015	
Electricity	**kWh**	**kWh/m²**	**kWh**	**kWh/m²**
France	69,969	148	71,729	168
Spain	20,639	219	21,723*	237
Portugal	13,426	276	13,838	284
Belgium	5,103	235	5,575	256
Switzerland	2,128	189	2,030	217
TOTAL	**111,265**	**172**	**114,895***	**192**

* *Data amended in 2016 (December 2015 data estimated for some stores, and corrected later with the actual figure).*

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

- on the one hand, the Group's actual footprint on the environment (kWh): the table reflects the Group's impact using gross data. Without factoring in the changes in consolidation scope, electricity consumption fell by 2% between 2015 and 2016; In 2016, around **111 MWh** of electricity was consumed by the Group;
- on the other hand, its environmental performance (KWh/m²): this shows the efforts to improve energy consumption and integrate changes in scope (i.e. store openings or closures). This performance showed a 10% improvement between 2015 and 2016 due to the abovementioned energy optimization initiatives in France. The sharp improvement in performance in Belgium and Switzerland is also due to the large number of initiatives taken to reduce consumption, such as installing LED lamps, adapting the use of air conditioning, and switching off lights at night (some furniture units and store windows remained lit all night in 2015).

Natural gas consumption

Another variable in the Group's energy consumption is natural gas, which is only used in 18 sites in France and Belgium (all establishments).

2.4.3.2.4. / Land 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 / Significant greenhouse gas emissions generated as a result of the Company's operations, particularly by use of the goods and services it produces

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

CO_2 emissions from energy consumption

The tables below show 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.

	2016	2015
ENERGY CONSUMPTION		
Electricity *(GWh)* *Scope: Group*	111	115
Refrigerant leakage *(kg)* *Scope: France*	125	110
Refrigerant leakage *(kg)* *Scope: France, Belgium and Portugal*	177	NA
CO_2 EMISSIONS RELATED TO ENERGY		
Emissions related to electricity (indirect) *(TCO_2)* *Scope: Group*	11,793	15,940*
Emissions related to refrigerants (direct) *(TCO_2)* *Scope: France*	218	196*
Emissions related to refrigerants (direct) *(TCO_2)* *Scope: France, Belgium and Portugal*	298	NA

* *2015 CO_2 emissions have been recalculated with the updated emission factors (Version Ademe BC [Environment and Energy Management Agency Carbon Footprint] v7.3).*

	TCO_2 eq. emissions	MWh/m²		TCO_2eq/m^2	
Electricity by country	**2016**	**2016**	**Change compared to 2015**	**2016**	**Change compared to 2015**
France	5,737	148	(11.7%)	12	(11.7%)
Portugal	3,698	206	(3.0%)	19	(3.0%)
Switzerland	0	189	(12.8%)	0	-
Belgium	24	235	(8.5%)	1	(95.8%)
Spain	2,334	219	(7.5%)	25	(59.3%)
TOTAL	**11,793**	**172**	**(10.5%)**	**18**	**(31.5%)**

The much greater decline in CO_2 (TCO_2eq/m^2) emissions/m² compared to that of electricity consumption (MWh/m²) between 2015 and 2016 in Belgium and Spain is due to the following factors:

- 66% of Belgium's electricity was derived from renewable sources in 2015, and 98% in 2016 (head office was the only area this did not apply to);
- Spain has been using electricity from renewable sources since May 2016, 8 months out of 12 (66%) for year 2016.

All of Switzerland's electricity is from renewable sources.

This gives a zero-emission factor for Switzerland, and reduces Belgium's by 98% and Spain's by 66%.

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

CO_2 emissions related to transport of merchandise

(Scope: France)

The transport movements taken into account for this reporting correspond solely to transport under the Group's control.

For ease and clarity, transport has been split into two categories, BtoB transport and BtoC transport.

BtoB transport

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

These data are supplied by Logistics and cover:

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

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

CO_2 emissions for BtoB transport

	Tons of merchandise transported *(t)*	**CO_2 emissions** *(en TCO_2)*	**Performance** *(en kg CO_2/t)*
2015	83,101	3,353	40.4
2016	87,904	3,784	43.0
Change 2016/2015	*+6%*	*+13%*	*+7%*

The main reason for such a change is the significant change in scope. The number of stores outside Paris increased by nearly 15% vs 2015 (12 more "franchise" stores in 2016). These new stores are smaller in format and geographically a little further away from the hypercenters (format and geographic location different from our traditional store models), a factor that extends the average distance and reduces the volume/weight transported (not high-volume transport).

In addition, the change in the mix [fewer small editorial items (books/CDs) and more bulky items (such as consumer electronics, small household appliances and toys) with an increase in TV sales, which outperformed in 2016] automatically increases the volume transported and therefore the resources allocated.

BtoC transport

BtoC transport is the transportation of goods from our warehouses to the destination chosen by the end customer (residence, store or pick-up point) following an order placed online. Calculation of the carbon emissions related to these deliveries is based on data sent by La Poste for packages shipped within France, which multiplies the number of packages by an estimated emissions factor. Packages shipped internationally are not included because there is no information on the CO_2 emissions factors per package shipped.

CO_2 emissions – BtoC (online customers)

Scope: carriers only delivering in France	2016	2015	2016 vs 2015
Number of packages transported from warehouse-customer	9,007,786	8,314,503	+8%
Tons of CO_2	5,315	4,906	+8%

Emissions factor estimated by la Poste for 2015 and 2016: 0.59 kg CO_2/package.

The 8% increase in carbon emissions related to B2C transport is related to the 8% increase in the number of packages delivered.

Total carbon emissions related to the transport of merchandise

(tons eq. CO_2)	2016	2015
Total BtoB + BtoC (online customers)	9,099	8,259

In 2016, the increase in tons of merchandise transported BtoB and the increase in packages delivered (BtoC) increased the carbon impact of transportation by 10% in 2016 compared to 2015.

Carbon emissions related to business travel

(Scope: France)

For the first time in 2016 the Group is publishing the carbon impact of business travel for France.

	CO_2 emissions *(tCO_2)*	Distance covered *(km)*
Air transportation Provider: Air France	376	2,830,391
Road transportation (rental cars) Provider: Hertz, Sixt and Europcar	45	337,209
Rail transportation Provider: SNCF	28	5,103,057

This data is supplied by the relevant providers.

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 / The Group's territorial, economic and social impact

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

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

- the organization of free events in stores (7,000 worldwide, of which nearly 1,300 in 2016 across France that were attended by close to 107,000 people in total, according to our estimates): concerts, book signings, dialogue sessions, conferences – in particular providing a practical venue for local artists to meet their public;
- support for the literary field with the organization of landmark prizes: Prix du Roman Fnac (fifteenth year), Prix de la BD (fourth year) and Prix Goncourt des Lycéens (since 1988). These three highlights in the year give massive promotion to the authors and their works among a variety of different public profiles. The year 2016 saw the birth of Forum Fnac livres [Fnac book forum] with over 120 authors attending the first one (1 - 4 September 2016);
- the creation of innovative events like Pages Privées Fnac, enabling the public to meet leading contemporary authors in an intimate gathering (22 authors supported);
- the development of the Fnac Live festival (sixth year): 31 free concerts over four days for 200,000 spectators in central Paris, with top names in contemporary music and many young emerging artists supported by Fnac;
- the establishment of partnerships with local cultural institutions (at theatres and concert halls, festivals, museums, operas, etc.) with the aim of spreading their influence and inviting Fnac customers to hear them and find out more about them.

An estimated 200,000 or so people were impacted by all of the cultural operations Fnac rolled out in France.

Number of cultural events **Scope: excluding franchises**	**2016**
France	1,290
Portugal	3,540
Spain	1,845
Belgium	165
Switzerland	123
TOTAL	**6,963**

The very high number of cultural events in Portugal is due to a large number of product presentations at the time of launch, particularly for books. Around 25% of the authors present their work at Fnac in Portugal.

2.5.2 / Relations with individuals or organizations interested in the Group's business

2.5.2.1 / Dialogue with stakeholders

For many years, the Group 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	■ Regular internal survey ■ Intranet ■ Company social network
Employee partners	■ Regular meetings with staff representative bodies ■ Corporate agreements ■ Info Consult
Shareholders, investors and rating agencies	■ Corporate website ■ Press releases and Financial Reports ■ General Meeting
Suppliers	■ Annual suppliers & vendors' get-together organized by Fnac
NGOs and non-profits	■ National partnerships and ad hoc initiatives set up by stores
Entrepreneurs	■ "Fnac Pro – Startup" competition every two years

The Fnac Lab

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

- In 2016, Fnac's team of technicians conducted 896 tests on 348 products (compared to 959 tests on 570 products in 2015) to compare them based on performance criteria that are not always easy to assess at the point of sale. Some products, such as multimedia products (PCs, tablets and smartphones) require three to five additional tests (screen, photo, radio, audio, autonomy). Over one year the number of multi-test products therefore increased from just under 30% to 65%.
- In 2016, additional tests were created for certain categories of products (autonomy test of portable audio players, wireless test of Bluetooth headsets, power test of tablets and smartphones) and others were redone to generate media and enhance what is published on the labofnac.com website. As a result, fewer products were tested but more tests were performed for each product (2.5 in 2016 as opposed to 1.7 in 2015).

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

Environmental labelling

With an environmental rating system displayed on televisions in 2013, followed by PCs, tablets and mobiles in 2015, in store and on fnac.com, Fnac has strengthened its advisory role. This gives customers extra criteria when choosing a product, as they know more about its impact on climate and non-renewable natural resources throughout its life, from manufacture to waste, including transport and use. During the past year, around 600 televisions/PCs/tablets/mobiles for sale in Fnac stores or on fnac.com had an environmental rating displayed, excluding Apple products (Apple refused to send the necessary information to calculate its ratings). This covers over 50% of these product categories.

The rating is calculated independently using indicators approved by Ademe. On fnac.com, between 50,000 and 60,000 clicks were recorded for environmental ratings in 2016. Supplementary advice is also offered on a more energy-efficient usage as well as information on recycling old consumer electronics through Fnac.

Fnac also participates voluntarily in the effort to develop environmental labelling by acting as a pilot in the field of electronics and by contributing, in collaboration with Ademe, to developing a visual identity shared by the sector as a whole.

Fnac Startup competition

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 start-ups.

The second competition was held in 2016 in collaboration with Intel. Between February 15 and May 26, 10 French start-ups, selected by Fnac and Intel, and which develop connected objects for the general public, followed a support program allowing them to benefit from special access to equipment and expertise aimed at stepping up the pace of development for their projects and increasing their chances of being successful in the market. At the end of the competition, the three winning start-ups were awarded a distribution contract with Fnac.

2.5.2.2 / Partnership and sponsorship initiatives

Making culture more widely accessible is fundamental to the Group and is evident in partnership and sponsorship initiatives.

Every year during sustainable development week, Fnac organizes a big nationwide book collection for Bibliothèques sans Frontières. This huge event galvanizes employees and customers and has enabled the association to acquire around 180,000 books (55% more than the previous time the event was held). At the end of 2014, the project was also awarded a special prize from the "Génération Responsable" Club, which is an association of CSR and sustainable development professionals.

In 2016, in the same vein of solidarity and for the 8th year, Fnac Dijon organized the "Braderie Solidaire" in partnership with Secours Populaire. Once a year, this event offers the public the opportunity to buy new products (unsold in Fnac stores across France) at heavily reduced prices. All the proceeds – a record amount of €168,000– went to Secours Populaire. In addition to its support for cultural products, Fnac Dijon involved itself on a human scale through its staff working the event as volunteers.

Fnac also supports the association Sport dans la Ville, whose mission is integration through sport, by taking part in a "golden goal" tournament. In 2016, this partnership was extended to the Job Dans La Ville [Job in the City] program by encouraging employees in Paris, Lyon and Grenoble to sponsor youth as they take advantage of training or employment opportunities, for a day, a year or more.

Fnac also encourages its customers to sign on to its commitments by offering to round up their shopping cart to the next euro on fnac.com. Over the last three years, for example, BSF has received over €35,000 thanks to the generosity of Fnac's customers.

Finally, in December 2016, Fnac Spectacles also launched a €1 gift drive on its online sales platform benefiting a different association each month. This resulted in €12,500 being collected in one month for the Pièces Jaunes association.

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.

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

2.5.4 / Fair trade practices

2.5.4.1 / Anti-corruption initiatives

The Group 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, which applies group-wide to promote integrity and responsible behavior. This code, which is available in five languages, is distributed to all Fnac employees.

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

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

In addition, daily security rounds are made by Fnac staff when stores open, focusing in particular on emergency means and equipment and keeping emergency exits and aisles clear. Fnac store managers are given a guide to preventing customer accidents, which they share with their staff. The guide is produced by the Risk Prevention Department in partnership with the CNPP and Perifem 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.

On top of this, data and personal details are at the core of the transformation of economic models. Compliance with the legal framework on processing personal data (of customers or employees) is therefore a major concern for Fnac and an area it intends to constantly improve. As such, the Group is working to implement the new European Regulation on the protection of natural persons with regard to the processing of personal data which will apply in May 2018.

Generally, the Group entities pursue the following main objectives:

- clear information about the purpose of the processing at the time when personal data is collected;
- the legality of the processing;
- the relevance and proportionality of the personal data collected;
- the holding of data for a limited period given the proposed purpose of collecting it;
- respect for the rights of the persons concerned;
- data confidentiality and security;
- management of data transfer outside the EU.

2.5.5 / Other actions in favor of human rights

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

2.6 / REPORT OF THE INDEPENDENT THIRD-PARTY ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL DATA IN THIS MANAGEMENT REPORT

Year ended December 31, 2016

To the Shareholders,

In our professional capacity as an independent third-party body of the company Fnac, accredited by COFRAC under number 3-1080 [(1)], we hereby present you with our report on the consolidated social, environmental and corporate information for the year ended December 31, 2016, presented in the Management Report (hereinafter the "CSR Information"), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

The Company's responsibility

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

Independence and quality control

Our independence is defined by statutory texts, the profession's Code of Ethics, and the provisions contained in Article L. 822-11-3 of the French Commercial Code. We have also established a quality control system, which covers the policies and documented procedures aiming to ensure compliance with ethical rules and the applicable legal and regulatory requirements.

Responsibility of the independent third party

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

- verify that the required CSR Information is presented in the Management Report or, if omitted, is the subject of an explanation pursuant to the third point of Article R. 225-105 of the French Commercial Code ("Certification of inclusion of CSR Information");
- express a conclusion of reasonable assurance that the CSR Information, taken as a whole, is, in all significant respects, accurately presented in accordance with the Reference Framework (Reasoned opinion on the accuracy of CSR Information).

Our work was conducted by four people and carried out between November 2016 and February 2017 over a total period of approximately three weeks. To aid us in the conduct of our tasks, we called upon our CSR experts.

We performed the work described below in accordance with the Decree of May 13, 2013, which determines the methods whereby the independent third-party performs its mission and, with regard to the reasoned opinion on the accuracy of the information, in accordance with international standard ISAE 3000 [(2)], as well as with the professional standards of the national auditing body (Compagnie nationale des commissaires aux comptes) with regard to this assignment.

1. / Certification of inclusion of CSR Information

Nature and extent of the work

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

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

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

We verified that the CSR Information covered the consolidated scope of the Group – i.e. the Company and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code – within the limits specified in section 2.2 of the Management Report entitled "Methodology Note".

Conclusion

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

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

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

Nature and extent of the work

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

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

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

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

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we set up analytical procedures for the quantitative information and, based on sampling, we verified the calculations and consolidation of the data and confirmed their consistency and agreement with the other information provided in the Management Report;
- at the level of a representative sample of entities that we selected [(2)] according to their activity, contribution to the consolidated indicators, location and a risk analysis, we conducted interviews to verify the correct application of the procedures, and, on a sample basis, we performed detailed tests, consisting of verifying the calculations made and reconciling the data in the supporting documentation. The selected sample represented 82% of the workforce, which is considered to be of a size characteristic of the corporate segment, and between 68% and 100% of the quantitative environmental information is considered to be of a size characteristic of the environmental segment.

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

Lastly, we assessed the pertinence of the explanations regarding, where applicable, the total or partial lack of certain data, and taking into account, where applicable, professional best practices.

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

Conclusion

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

Paris, February 24, 2017

Independent Third-Party

Grant Thornton

French member of Grant Thornton International

Vincent Papazian

Partner

(1) **Quantitative social data**: total workforce; number of employees with a disability; number of managers; number of open-ended employment contracts; number of fixed-term contracts; number of new hires; total number of departures; number of calendar days of stoppage time accidents; number of stoppage time accidents; number of hours worked; total number of absentee days due to sickness; number of theoretical work days; total number of hours of training.
Quantitative environmental data: WEEE waste; battery waste; toner cartridge waste; cardboard and paper waste; waste from palettes and other wood; consumption of paper (tonnages purchased); consumption of cardboard (tonnage purchased); consumption of plastic packaging; consumption of electricity; refrigerant leakage; carbon emissions related to energy consumption; carbon emissions related to BtoC transport; carbon emissions related to BtoB transport.
Qualitative data relating to the following sections: "The Group's territorial, economic and social impact"; "Dialogue with stakeholders"; "Relations with subcontractors and suppliers".

(2) Fnac France (excluding logistics activities), the Massy logistics platform (logistics activities in France), Fnac Spain.

3

CORPORATE GOVERNANCE

3.1 / ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

3.1.1 / Composition of administrative, executive and supervisory bodies

The Company is a French limited company *(société anonyme)* with a Board of Directors. A description of the main provisions of the bylaws and internal regulations of the Board of Directors and the Board's specialized committees can be found in section 3.2 ("Functioning of the administrative and executive bodies") of 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, 2016, the Board of Directors had twelve members, of whom six were independent.

Alexandre Bompard - Chairman and Chief Executive Officer

44 years

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

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

- Chairman, Chief Executive Officer, Fnac Darty Participations et Services
- Director, Orange [(a)]
- Director, Darty Ltd
- Director, Banijay Group

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

- Director, Les Éditions Indépendantes

Number of shares held

169,643

(a) Listed French company.

Patricia Barbizet - Director and Vice Chairman

61 years

12, rue François 1er
Paris (75008)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

- Chief Executive Officer, non-Director, and member of the Supervisory Board, Financière Pinault
- Chief Executive Officer and Director, Artémis
- Vice Chairwoman of the Board of Directors and Director, Kering [(a)]
- Permanent Representative of Artémis to the Board of Directors, AGEFI
- Permanent Representative of Artémis to the Board of Directors, Sebdo Le Point
- Director, Yves Saint Laurent
- Chairwoman of the Corporate Governance and Ethics Committee, Total [(a)]
- Member of the Compensation and Strategy Committee, Total [(a)]
- Director, Total [(a)]
- Member of the Management Board, Société Civile du Vignoble du Château Latour
- Vice Chairwoman, Christie's International Plc
- Director and Deputy Director, Palazzo Grassi
- Member of the Supervisory Board of Compagnie du Ponant Holding
- Representative of Artémis on the Board of Directors of Collection Pinault – Paris
- Member of the Audit Committee of Kering [(a)]
- Member of the Compensation Committee of Kering [(a)]
- Member of the Compensation Committee of Christie's

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

- Director of PSA Peugeot Citroën [(a)]
- Director, TF1 [(a)]
- Director, Bouygues [(a)]
- Director, Air France-KLM [(a)]
- Director, Fonds Stratégique d'Investissement
- Delegated Chief Executive Officer and Director, Société Nouvelle du Théâtre Marigny
- Director, Fnac SA
- Chairwoman de Christie's Int'l Plc
- CEO de Christie's Int'l Plc
- Board member, Gucci Group N.V.
- Non-executive Director, Tawa Plc

Number of shares held

1,130

(a) Listed French companies.

3

Marie Cheval - Independent Director

42 years

44, rue Traversière
Boulogne Billancourt (92100)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

- Director of Boursorama
- Director of Sogecap
- Director of Laurent Perrier
- Chairwoman of the Board of Directors of Self Bank (Spain)

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

- Chairwoman of the Board of Directors of Compagnie Générale d'Affacturage (CGA)
- Chairwoman of the Board of Directors of Talos (United Kingdom)
- Director of Visa Europe Ltd
- Vice Chairwoman of the Supervisory Board of Onvista (Germany)

Number of shares held

250

Carole Ferrand - Director

46 years

12, rue François 1er
Paris (75008)

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, 2016

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

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

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

Number of shares held

250

(a) Listed French companies.

Simon Gillham - Director

60 years

42, avenue de Friedland
Paris (75008)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

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

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

- Member of the Supervisory Board of Canal+ France
- Chairman of SIG 100
- Director of the Franco-British Chamber of Commerce

Number of shares held by Compagnie Financière du 42 avenue de Friedland, of which Simon Gillham is the permanent representative

250

(a) Listed French company.

Antoine Gosset-Grainville - Independent Director

50 years

51, rue François 1er
Paris (75008)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

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

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

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

Number of shares held

250

(a) Listed French companies.

Alban Gréget - Director

40 years

12, rue François 1er
Paris (75008)

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, 2016

- Director, Artémis 21, Temaris and TER Obligations
- Director and Chairman of the Board of Directors, AGEFI
- Director and Chief Executive Officer, Finintel
- Director, Capi
- Director, Immobilier Neuf
- Director, Courrèges Group
- Director and Deputy Chief Executive Officer, La Centrale de Financement
- Permanent representative of Artémis 20 Director, Michel & Augustin
- Chairman, Marigny SAS
- Permanent representative of Artémis, Director, Optimhome Portugal
- Chairman and permanent representative of Rocka, Director, Optimhome SAS
- Director, Digit RE Group
- Member of the Supervisory Board of the Compagnie du Ponant

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

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

Number of shares held

250

Nonce Paolini - Independent Director

67 years

34 rue Copernic
Paris (75116)

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

Positions and offices held at December 31, 2016

- Director, Bouygues Telecom

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

- Permanent representative of TF1, Director, Mediamétrie
- Director, TF1 Thématiques
- Chairman, NT1
- Chairman, HDI
- Chairman, TF1 Management
- Permanent representative of TF1 Management, Manager, La Chaîne Info
- Chairman and CEO, TF1
- Chairman and Director, Monte Carlo Participation
- Chairman and Director, Fondation d'entreprise TF1
- Director, Bouygues [a]
- Permanent representative of TF1 Director, Group AB
- Permanent representative of TF1 Director, Extension TV
- Permanent representative of TF1 Management, Managing Director, TF1 DS
- Chairman, TF1 Publicité
- Chairman, Programmes européens francophones audiovisuels spéciaux 4
- Chairman, HOP (Holding Omega Participations)
- Permanent representative of TF1 Director, TF6 Gestion
- Permanent representative of TF1 Director, GIE TF1 Acquisitions de droits
- Vice President and Director, TMC (Télé Monte Carlo)
- Permanent representative of TF1, Director, École de la Cité, du Cinéma et de la Télévision
- Member of the Supervisory Board of the Compagnie du Ponant
- Member of Board of Directors of Editions Tallandier

Number of shares held

250

(a) Listed French company.

3

Stéphane Roussel - Independent Director

55 years

42, avenue de Friedland
Paris (75008)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

- Member of Management Board of Vivendi SA [(a)]
- Chairman, Chief Executive Officer, Gameloft
- Member of the Supervisory Board of Canal+ Group
- Member of the Supervisory Board of StudioCanal
- Director of Dailymotion
- Member of the Supervisory Board of Universal Music France
- Chairman of Vivendi Group Africa
- Director of Telecom Italia
- Member of the Supervisory Board of Banijay Group
- Director of IMS

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

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

Number of shares held by the company Vivendi of which Stéphane Roussel is the permanent representative

2,944,901

(a) Listed French company.

Arthur Sadoun - Independent Director

45 years

133, avenue des Champs-Élysées
Paris (75008)

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

Positions and offices held at December 31, 2016

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

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

None

Number of shares held

250

Brigitte Taittinger-Jouyet - Independent Director

57 years

27, rue Saint Guillaume
Paris (75007)

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, 2016

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

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

- Chairwoman, Société des Parfums Annick Goutal

Number of shares held

250

Jacques Veyrat - Independent Director

54 years

4, rue Euler
Paris (75008)

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2018

Positions and offices held at December 31, 2016

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

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

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

Number of shares held

250

(a) Listed French companies.

Directors' terms of office are renewed on a rolling basis in accordance with the bylaws.

Also in accordance with the bylaws, at its meeting of June 17, 2016, the Board of Directors of the Company appointed Patricia Barbizet as Vice Chairman, whose term of office was renewed for the duration of her term as Director.

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

Marie Cheval – Independent Director – Graduate of Institut d'Études Politiques in Paris in 1995. After she graduated from the École Nationale d'Administration (ENA) in 1999, she began her career at the General Inspectorate of Finance, and then joined the Financial Services Department of La Poste in 2002, which later became La Banque Postale in 2006. She was appointed Director of Strategy, and then Director of Marketing, before becoming Head of Operations at La Banque Postale. In 2011, she joined the Société Générale Group, becoming head of Global Transaction and Payment Services. Marie Cheval has been Chief Executive Officer of Boursorama since March 2013.

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

Simon Gillham – Permanent representative of Compagnie Financière du 42 avenue de Friedland, Director – Holds a Bachelor of Arts degree (Universities of Sussex and Bristol). He began his career in 1981 at Thomson where he was responsible for training. In 1985, he formed his own training and communications company. In 1991, he was appointed Vice President, Communications of Thomson Consumer Electronics. In 1994, he joined the Carnaud Metalbox Group. In early 1999, he took over as head of communications for the Valeo Group before becoming Vice President of Communications at Havas in 2001. He joined Vivendi in 2007 as Head of Communications and Sustainable Development. He is Chairman of Vivendi Village and in this capacity oversees the operations of Vivendi Ticketing, MyBestPro, Watchever, Radionomy, l'Olympia and the Théâtre de l'Oeuvre. He has been a member of the Management Board of Vivendi since November 2015.

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

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

Nonce Paolini – Independent Director – Master's degree in literature and graduate of the Paris Institut d'Études Politiques (class of 1972). Mr. Paolini began his career with EDF-GDF, where he held operational and management positions. In 1998, he joined the Bouygues Group, where he successively held the positions of Director of Development and Director of Human Resources, before going on to become central Director of Communications. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Deputy Chief Executive Officer. In 2002 he was appointed Deputy Chief Executive Officer of Bouygues Telecom and then Managing Director and Board member in April 2004. In 2007, he was appointed CEO of TF1 Group, then Chairman & CEO of the group in 2008 until 2016.

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

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

Brigitte Taittinger-Jouyet – Independent Director – 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 the mission chief for the Directors of Marketing at the Groupe du Louvre in charge of industrial and economic hospitality products. From 1991 to 2012, she was Chair of the Société des Parfums Annick Goutal. Since 2013, she has been Director of Strategy and Development at the Institut d'Études Politiques de Paris (Sciences Po – Paris).

Jacques Veyrat – Independent Director – Graduated from École Polytechnique (class of 1983) and the Collège des Ingénieurs (class of 1989), engineering degree from Ponts et Chaussés (class of 1988). Mr. Veyrat was appointed to the Treasury Department, where he served as Secretary for the Inter-ministerial Committee on Industrial Reconstruction *(Comité Interministériel de Restructuration Industrielle)* for the period 1989-1991, then as Deputy General Secretary to the Paris Club from 1991 to 1993. From 1993 to 1995, he was technical advisor to the Minister of Equipment for Transport, Tourism and the Sea. 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. His term of office as Director was renewed for a three year term expiring at the close of the Ordinary General Meeting of the Company called to approve the financial statements for the year ended December 31, 2018 and his term of office as Chairman and Chief Executive Officer was renewed by the Board of Directors at its meeting of June 17, 2016 for a three year term equal to that of this term as Director.

3.1.1.3 / Executive Committee

The Group's Executive Committee consists of the following:

- Alexandre Bompard, Chairman and Chief Executive Officer;
- Claudia Almeida E Silva, Chief Executive Officer of Fnac Portugal, oversees operations in Brazil;
- Frédérique Giavarini, Fnac Darty Group's Director of Human Resources;
- Laurent Glépin, Fnac Darty Group's Director of Communications;
- Vincent Gufflet, Darty's Director of Services;
- Katia Hersard, Director of France Billet;
- Éric Looss, Director of IT Systems Organization, Fnac;
- Benoît Jaubert, Chief Executive Officer of Darty France;
- Christian Lou, Director of Marketing and E-commerce, Darty;
- Charles-Henri de Maleissye, Chief Executive Officer of Vanden Borre;
- Matthieu Malige, Chief Financial Officer at Fnac Darty Group, oversees BCC operations;
- Enrique Martinez, Managing Director, Fnac Northern Europe;
- Élodie Perthuisot, Fnac Director of Sales;
- Marcos Ruao, Managing Director, Fnac Spain.
- Olivier Theulle, Fnac Operations Director;
- Alexandre Viros, Director of Marketing and E-Commerce, Fnac.

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

3.1.1.4 / Statement relating to the members of the Board of Directors

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

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

To the Company's knowledge, there is no service agreement between the Directors and the Company or any of its subsidiaries, save for the commercial contracts mentioned in section 3.1.2 and of the agreement described in Article 7.7.2.3 below.

3.1.2 / Conflicts of Interest

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

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

- commercial contracts signed with companies of which certain members are the legal representatives or corporate officers, in the normal scope of conducting business and under market conditions;
- an agreement (that expired at the end of December 2016) concerning the monitoring of the Darty acquisition process and any capital transaction related to this acquisition with the BDGS Firm, of which a Director of the Fnac Group is a Founding Partner, as the agreement is described in Article 7.7.2.3 below.

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

3.2 / FUNCTIONING OF THE ADMINISTRATIVE AND SUPERVISORY 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, executive and supervisory bodies".

It should be noted that Directors' terms of office are renewed on a rolling basis.

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

To the Company's knowledge, at the date of registration of this Document, there was no service contract linking members of the Board of Directors to the Company or to any of its subsidiaries that provides them with benefits, save for the business contracts mentioned in section 3.1.2, which are signed in the normal course of business and on prevailing market terms, and of the regulated agreement (which terminated in December 2016) such as described in Article 7.7.2.3.

3.2.3 / Board of Directors Committees

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

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

3.2.3.1 / Audit Committee

The Board of Directors of the Company decided to establish an Audit Committee and set the terms of its internal regulations, which were updated by the Board of Directors at its meeting of July 27, 2016 to include the provisions of the European Regulation which came in to force on June 17, 2016.

Composition

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

The composition of this committee was modified by the Company's Board of Directors at its meetings on October 22, 2015 and May 23, 2016: its Chairman is Jacques Veyrat (Independent Director) and its two other members are Carole Ferrand (Director) and Marie Cheval (Independent Director).

Carole Ferrand's term as Audit Committee member was renewed by the Board of Directors on February 28, 2017, subject to renewal of her term of office as Director by the 2017 General Meeting.

Duties

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

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

- *monitoring the preparation of financial information* – The Audit Committee is responsible for examining the annual or interim parent company and consolidated financial statements prior to their presentation to the Board, including any provisions and related adjustments and any situation that could create a material risk for the Group, as well as any financial information, any report concerning quarterly, semi-annual or annual performance, or any reports prepared for a specific transaction (such as a capital contribution, merger or market transaction). It pays particular attention to the scope of the consolidated companies and the reasons why companies would not be included within this scope, and to the major or complex transactions that have impacted the financial statements of the Company; the committee must focus in particular on major transactions when a conflict of interest could have arisen;
- *monitoring the effectiveness of internal control, internal audit and risk management systems relating to operations and to the treatment of financial and accounting information* – The Audit Committee is tasked with ensuring the relevance, reliability and correct implementation of the Company's internal control, identification, hedging and risk management procedures relating to its business activities and the treatment of its financial and accounting information, without its independence being compromised. The Audit Committee must ensure that remedial actions are implemented when significant weaknesses or anomalies are noted. In order to do so, it is informed of the main findings of the Statutory Auditors and Internal Audit Department. The committee also regularly examines the mapping of business risks, as well as the material off-balance sheet risks and commitments of the Company and its subsidiaries. It assesses the importance of the problems or weaknesses reported to it and informs the Board, where necessary;
- *monitoring the statutory audit of the parent company and consolidated financial statements by the Company's Statutory Auditors* – In accordance with the law and European Regulations, the Statutory Auditors must present their general work program and the sampling they performed to the committee, the modifications they consider must be made to the financial statements or accounting documentation and their comments on the valuation methods used, the irregularities and inaccuracies they have identified, and the conclusions resulting from the comments and corrections concerning the results for the period compared to those of the previous period;
- *monitoring the rules regarding the independence and objectivity of the Statutory Auditors* – The Audit Committee must, along with the Statutory Auditors, examine the risks affecting their independence and the safeguards enacted to mitigate these risks. Whenever the Statutory Auditors are appointed or re-appointed, the Audit Committee must manage the procedure for selecting the Statutory Auditors and submit a recommendation to the Board of Directors on the Statutory Auditors proposed for appointment by the General Meeting. Except in cases where the Statutory Auditors are up for reappointment, this recommendation must be made following an invitation to tender, must be substantiated and include at least two choices, and must give reasons for the preferred choice. In cases where the Statutory Auditors are up for reappointment, the committee shall recommend the selection procedure to the Board, including in particular if there are grounds for using an invitation to tender. It oversees the invitation to tender and approves the specifications and selection of firms consulted, ensuring the "best bidder" is selected rather than the "lowest bidder". The Audit Committee must in particular be provided each year by the Statutory Auditors with the declaration of independence referred to in Article 6 of the European Regulations, the global amount of fees paid to the network of Statutory Auditors by the companies controlled by the Company or the entity controlling it for services other than certification of the financial statements, as well as the nature of these services. The Audit Committee must also approve in advance the provision of services other than audit services, after analyzing the risks affecting the independence of the Statutory Auditor and the safeguards applied by that Auditor. In this regard, the firm responsible for the statutory audit may perform services other than audit services which are not prohibited by the European Regulations and by the code of ethics of Statutory Auditors. In that case, the fees must not exceed a ceiling of 70% of the average fees invoiced in the last three years for the statutory audit of the financial statements. The committee must also ensure that the amount of fees paid by the Company and its Group, or the proportion they represent in the revenues of the firms and networks, are not likely to adversely affect the independence of the Statutory Auditors.

Practices

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

3.2.3.2 / Nomination and Remuneration Committee

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

Composition

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

The current composition of this committee was maintained by the Company's Board of Directors at its meeting of February 17, 2016: its Chairman is Nonce Paolini (Independent Director) and its two other members are Patricia Barbizet (Director) and Antoine Gosset-Grainville (Independent Director).

Duties

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

Accordingly, it carries out the following functions:

- *proposing the appointment of members of the Board of Directors, executive management and the Board's committees* – The Nomination and Remuneration Committee is responsible for making proposals to the Board concerning appointments of members of the Board (by the General Meeting or by co-option), and of the Managing Director(s), as well as of members and the Chairman of each of the other Board committees. When it issues its recommendations, the committee takes into consideration the following: (i) the desirable balance of composition of the Board of Directors in view of the composition and the evolution of the Company's shareholders (ii) the desirable number of independent members, (iii) the proportion of men and women required by the regulations in force, (iv) the opportunity for renewal of terms and (v) the integrity, competence, experience and independence of each candidate. The Nomination and Remuneration Committee must also establish a procedure for selecting future independent members and conduct its own research concerning potential candidates before they are approached. When it makes its recommendations, the Nomination and Remuneration Committee must ensure that the Board and its specialized committees, including the Audit Committee and the Nomination and Remuneration Committee, have at least the minimum number of independent members required by the corporate governance principles to which the Company adheres;
- *conducting an annual assessment of the independence of the Board members* – Each year, before the publication of the Company's Annual Report, the Nomination and Remuneration Committee assesses whether each Board member meets the Company's independence criteria and submits an opinion to the Board for its consideration on the situation of each individual in relation to these criteria;
- *examining and making proposals to the Board of Directors concerning all aspects and terms and conditions of the compensation of the Group's principal senior executives and executive management* – The Nomination and Remuneration Committee is responsible for preparing proposals that include both fixed and variable compensation, as well as, where applicable, share-based compensation, retirement benefits, health care, life and disability benefits, termination packages, benefits in kind or specific benefits, and any other direct or indirect compensation that the executive management package might include. It is informed of these aspects of the compensation of the Group's senior corporate officers and the relevant compensation policies that have been implemented within the Group. When preparing its proposals and work, the Nomination and Remuneration Committee will take into account the corporate governance standards to which the Company adheres;
- *examining and making proposals to the Board of Directors concerning the distribution method for attendance fees* – The Nomination and Remuneration Committee makes proposals to the Board regarding the distribution of attendance fees and the individual payments to be made to members of the Board, taking into account their attendance at Board and Committee meetings, their responsibilities and the time they are required to devote to their duties. The committee also makes proposals regarding the compensation awarded to the Company's Chairman and Vice Chairman of the Board.

Practices

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

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

3.2.3.3 / Corporate Social and Environmental Responsibility Committee

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

Composition

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

The composition of this committee was maintained by the Company's Board of Directors at its meeting of February 28, 2017 as concerns Brigitte Taittinger-Jouyet(Independent Director), who is the Chairwoman (subject to the renewal of her term of office as Director at the 2017 General Meeting) and Alexandre Bompard (Chairman of the Board of Directors) and Arthur Sadoun (Independent Director). The Board of Directors' proposal to nominate Héloise Temple-Boyer as Director to replace Alban Gréget, whose term of office expires at the end of the General Meeting approving the 2016 financial statements, will be subject to the approval of that General Meeting.

Duties

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

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

- *examining the corporate, social and environmental policies enacted by the Company* – The Corporate Social and Environmental Responsibility Committee is responsible for the annual examination of the corporate, social and environmental policies enacted by the Company, the targets set and results obtained in these areas. The Corporate Social and Environmental Responsibility Committee assesses these areas in light of the business activities of the Company and of its subsidiaries and any information it may have on suppliers and their subcontractors. In this respect, it reviews the Fnac CSR Charter distributed to the Group's suppliers and, where necessary, suggests improvements to it. The Corporate Social and Environmental Responsibility Committee also examines a summary of the ratings awarded to the Company and its subsidiaries by the extra-financial rating agencies;
- *examining the principal corporate, social and environmental risks and opportunities for the Company* – Each year, the Corporate Social and Environmental Responsibility Committee is responsible for preparing a presentation mapping any risks posed to the corporate, social and environmental responsibilities of the Company in light of specific challenges in the Company's business activities. It examines the risks identified, reviews the procedures for protecting against those risks and monitors their development;
- *examining the Company's publications in the areas of corporate, social and environmental responsibility* – Each year, the Corporate Social and Environmental Responsibility Committee must review all information published by the Company that relates to issues of corporate, social and environmental responsibility. In this respect, the Corporate Social and Environmental Responsibility Committee reviews the reporting, assessment and control systems annually, to enable the Group to produce reliable information for these areas;
- *examining issues relating to the promotion of diversity, equity and equality* – Each year, the Corporate Social and Environmental Responsibility Committee examines all issues relating to the promotion of diversity, equity and equality within the Group. Where necessary, it summarizes its observations as recommendations and submits them to the Board of Directors. It also monitors and distributes the recommendations adopted by the Board;
- *examining the environmental impact of the Brands' activity* – Each year, the Corporate Social and Environmental Responsibility Committee examines the impact of the Brands' activities on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the Brands' activities, and initiatives promoting the collection and recycling of end-of-life products. Where necessary, it summarizes its observations as recommendations and submits them to the Board of Directors. It also monitors and distributes the recommendations adopted by the Board;

- *establishing a focus on social sustainability for the two Brands* – The Corporate Social and Environmental Responsibility Committee is responsible for highlighting changes in social trends that are materially linked to the Group's activities, such as freedom of expression and the fight against cultural exclusion. It supports initiatives to promote these values among the public, inviting people to become involved with initiatives undertaken by the Company (such as offering to act as partners with non-profit associations, a solidarity sign-up scheme, collecting cultural products for redistribution to those most in need of them, etc.);
- *including employees in the Brands' corporate, social and environmental policies* – Each year, the Corporate Social and Environmental Responsibility Committee draws up proposals to strengthen employees' involvement in the Brands' corporate, social and environmental policies. In this respect, it chooses how to communicate the key messages to the highest number of people and further employees' awareness of them and provides training on its key corporate, social and environmental policies. It also reviews changes to proposals that have previously been adopted and implemented and, where necessary, proposes additional changes and/or further actions to be undertaken.

Practices

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

3.2.4 / Statement relating to corporate governance

The Company refers to the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"), updated in November 2016.

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

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

AFEP-MEDEF Code recommendation	Explanation of exceptions
Presentation of the Remuneration of Directors in the form of a table (Article 25.2 "Annual Information")	The Company considers that the information provided in section 3.3.1 accurately and fully reflects the elements of compensation paid to Alexandre Bompard. Consequently, the presentation of executive compensation in the form of standardized tables does not seem necessary for understanding this information.
Ensure that the performance share purchase options valued under the method used for the consolidated financial statements represent a percentage in proportion to the totality of the remunerations, options and shares granted to them (article 24.3.3 "Long-term compensation of executive officers").	The Chief Executive Officer's remuneration includes a variable multi-year portion based on the granting of value units, equivalents in bonus shares, and performance options. These measures are put into effect subject to the conditions of being in service and performance. The recommendations of the AFEP-MEDEF Code related to proportions of variable multi-year remuneration are respected when they are granted. Given the potential change in the share price during the vesting period, annual variable multi-year remuneration may represent a significant proportion of total remuneration.

The Company also has a code of conduct for trading in securities, which was updated by the Board of Directors at its meeting of January 26, 2017 following implementation of the "Market Abuse" Regulation. 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.

(1) http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/2017/Code_de_gouvernement_d_entreprise_des_societes_cotees_novembre_2016.pdf

3.2.5 / Transactions on Directors' shares

At the Board of Directors' meeting of May 29, 2015, Mr. Alexandre Bompard committed to reinvesting in Groupe Fnac shares the two amounts of multi-year variable compensation paid in 2015, net of taxes and contributions, i.e. €4,320,932. This amount was invested, in 80,750 Groupe Fnac shares, on December 4, 2015, Mr. Alexandre Bompard having agreed to hold these shares in a registered account for a lock-in period of at least two years.

Mr. Alexandre Bompard also invested, in 88,529 Groupe Fnac shares, the amounts of multi-year variable compensation paid in 2016, net of all taxes and contributions, i.e. €5,311,740 (pursuant to section 3.3.1 "Compensation and benefits of the Chairman and Chief Executive Officer" of this Registration Document). Mr. Alexandre Bompard holds 169,643 Groupe Fnac shares at the date of this Registration Document.

3.3 / COMPENSATION AND BENEFITS OF 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 Mr. Alexandre Bompard since April 17, 2013.

Mr. Alexandre Bompard does not have an employment contract.

At its meeting of February 17, 2016, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors considered and decided upon the elements of the remuneration package for the Chairman and Chief Executive Officer, Mr. Alexandre Bompard.

At its meeting of April 4, 2016, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors considered and decided upon the procedures for establishing a multi-year variable remuneration package for the Chairman and Chief Executive Officer, Mr. Alexandre Bompard.

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

Fixed remuneration

For 2016, the fixed annual remuneration for the Chairman and Chief Executive Officer was set at a gross amount of €900,000, identical to that of 2015, 2014 and 2013. The gross amount due and paid for 2016 was €900,000.

Annual variable remuneration

For 2016, just as for 2015 and 2014, the Chairman and Chief Executive Officer's annual variable remuneration was a maximum of 105% of the annual fixed remuneration.

Just as in 2015 and 2014, 80% of it was based on financial targets, with a maximum level of attainment of 85%, and 20% on qualitative targets, with a maximum level of attainment of 20%.

The 2016 financial targets set for the variable portion were as follows:

- Group current operating income (COI), corresponding to 35% of the total target with a maximum level of attainment of 110%;
- Group free cash flow (FCF), corresponding to 15% of the total target with a maximum level of attainment of 110%;
- Group revenues, corresponding to 20% of the total target with a maximum level of attainment of 100%;
- evolution of Group market share, corresponding to 10% of the final target with a maximum level of attainment of 100%.

The level of attainment of the criteria indicated above has been established precisely for each criterion. Given the attainment levels for each of the economic, financial and qualitative criteria, the successful achievement of the Groupe Darty acquisition transaction and the satisfactory implementation of the first steps of the consolidation, the Board of Directors approved payment of an annual variable remuneration package of €931,500, representing 103.5% of the fixed annual remuneration.

For the record, in 2015 the level of attainment of the variable targets was 103.5% of the fixed annual remuneration and came to a total of €931,500, which was paid in March 2016.

Multi-year variable remuneration

At its meeting on April 4, 2016, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to implement the 2016 multi-year variable remuneration plan in the equivalent in bonus shares settled in cash.

The plan consists in the grant of the equivalent of 28,996 bonus shares settled in cash to Mr. Alexandre Bompard. The vesting of this equivalent in bonus shares is subject to the achievement of a performance condition in June 2018 (average closing price of Groupe Fnac shares over the last 20 trading days immediately preceding June 17, 2018). If the price of the Groupe Fnac share in June 2018 is below a predefined price, no payment will be made.

The vesting of this equivalent of bonus shares is additionally conditional on being in service on June 16, 2018: the related payment, in cash, will take place no later than September 2018, provided that the conditions of being in service and performance are met. This amount, net of all withholdings and taxes, will be reinvested by the beneficiary in Groupe Fnac shares for a minimum duration of two years, and held in registered form.

The valuation of the gross amounts at the grant date and according to IFRS 2 rules, before apportionment of expenses over the vesting period of the equivalent in bonus shares granted in 2016, was €1,474,737. This valuation corresponds to the number of equivalent bonus shares granted multiplied by a share price of reference at the grant date, which is €50.86 (average closing price of Groupe Fnac shares over the last 20 trading days immediately preceding June 17, 2016) per share. These amounts have not yet been vested in the corporate officer, considering the conditions of being in service and performance.

For the record, in 2015, the equivalent of 21,746 bonus shares was granted to Mr. Alexandre Bombard in the form of cash. The payment, in cash, will be processed in April 2017 subject to the attendance and performance condition.

The vesting of this equivalent in bonus shares settled in cash is subject to the achievement of a performance condition in February 2017 (average closing price of Fnac shares in February 2017). If the price of the Groupe Fnac share in February 2017 is below a predefined price, no payment will be made.

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

As a reminder, in 2014, 58,051 value units were granted to Mr. Alexandre Bompard. The first date of maturity corresponding to two-thirds of this remuneration occurred at the end of February 2016 and the second date of maturity corresponding to one-third of the remuneration occurred in February 2017.

The value per unit corresponds to the average price of the Groupe Fnac share in February 2016. This average price was €55.33, which means that the performance criteria are completely achieved. Consequently, and considering that Mr. Alexandre Bompard was in service on February 29, 2016, two-thirds of this gross variable remuneration (excluding employer contributions), i.e. €2,141,415, was paid in April 2016. The price of €55.33 shows very strong stock market performance between February 2014, the grant date of the plan, and February 2016. The price rose by more than 130%, from €23.60 in February 2014 to €55.33 in February 2016. At the same time, the capitalization of the Company grew by €531 million, from €392 million in February 2014 to €923 million in February 2016.

Considering that Mr. Alexandre Bompard was in service on February 28, 2017, the remaining third of this gross variable remuneration (excluding employer contributions), i.e. €1,070,547, was paid in February 2017.

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

The value per unit corresponds to the average price of the Groupe Fnac share in July 2015. This average price was €55.07, which means that the performance criteria are completely achieved. Considering that Mr. Alexandre Bompard was in service on July 31, 2016, the remaining one third of this gross variable remuneration (excluding employer contributions), i.e. €3,632,880, was paid in July 2016. The price of €55.07 shows a very strong stock market performance between July 2013, the grant date of the plan, and July 2015. The price rose by more than 200%, from €18.19 in July 2013 to €55.07 in July 2015. At the same time, the capitalization of the Company grew by €617 million, from €302 million in July 2013 to €919 million in July 2015.

For the record, in 2015, 35,415 performance options were granted to Mr. Alexandre Bompard with a maturity date of September 30, 2017, and 30,567 options with a maturity date of September 30, 2018.

The vesting of these options at each maturity date is subject to a price performance condition for the Groupe Fnac share and to the condition of being in service (or as decided by the Nomination and Remuneration Committee in the event that the condition of being in service is not met).

These options will be paid in cash. If the Groupe Fnac share price measured for each vesting date is below a predefined price, no payment will be made.

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

For the record, in 2014, 82,738 performance options were granted to Mr. Alexandre Bompard with a maturity date of September 30, 2016, and 72,628 options with a maturity date of September 30, 2017.

The vesting of these options at each maturity date is subject to a price performance condition for the Groupe Fnac share and to the condition of being in service (or as decided by the Nomination and Remuneration Committee in the event that the condition of being in service is not met).

These options will be paid in cash. If the Groupe Fnac share price measured for each vesting date is below a predefined price, no payment will be made.

The first tranche of the performance options granted in 2014 has therefore matured as of September 30, 2016. Considering the average of the last 20 Groupe Fnac closing share prices preceding September 30, 2016 (average of €65.74), the performance criteria have been achieved and all of the performance options of the first tranche vested for Mr. Alexandre Bompard as of September 30, 2016, i.e. 82,738 performance options.

The reference price used to value these options is defined based on the average of the stock exchange closing prices for the Groupe Fnac share between October 1 and October 20, 2016 (average at €62.94). The corresponding gross cash value of €3,254,913 (excluding employer contributions) was paid in October 2016.

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

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

For the record, in 2013, 79,959 performance options were granted to Mr. Alexandre Bompard with a maturity date of March 31, 2016, and 115,495 options with a maturity date of March 31, 2017.

The vesting of these options at each maturity date is subject to a price performance condition for the Groupe Fnac share and to the condition of being in service (or as decided by the Nomination and Remuneration Committee in the event that the condition of being in service is not met).

These options will be paid in cash. If the Groupe Fnac share price measured for each vesting date is below a predefined price, no payment will be made.

The second tranche of the performance options granted in 2013 therefore matured on March 31, 2016. Considering the average of the last 20 closing Groupe Fnac share prices preceding March 31, 2016 (average of €57.17), the performance criteria have been achieved and all of the performance options of the second tranche have been vested in Mr. Alexandre Bompard as of March 31, 2016, i.e. 79,959 performance options. The corresponding gross cash value of €2,949,688 (excluding employer contributions) was paid in April 2016.

The price of €57.17 shows very strong stock market performance between October 2013, the grant date of the plan, and March 2016. The price rose by more than 180%, from €20.28 in October 2013 to €57.17 in March 2016. At the same time, the capitalization of the Company grew by €617 million, from €337 million in October 2013 to €954 million in March 2016.

The valuation of the gross amounts at the grant date under IFRS 2 rules, before apportionment of expenses over the vesting period of the performance options granted in 2013 is €351,832 for the March 31, 2017 maturity date. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €20.28 (average of the 20 share prices preceding October 22, 2013) per share, volatility of 30% and a EURIBOR SWAP risk-free interest rate.

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

These multi-year variable remuneration schemes are not capped.

Just as in 2015, Mr. Alexandre Bompard has decided to reinvest all of the amounts net of withholdings and taxes paid as multi-year variable remuneration in 2016 in Fnac Groupe shares. Shares acquired in this manner will be registered shares and held for at least two years.

Attendance fees

Attendance fees payable to Mr. Alexandre Bompard for his service in 2016 on Groupe Fnac's Board of Directors totaled €27,558.

In March 2016, he was paid €28,733 in attendance fees for 2015.

Benefits in kind

In 2016, Mr. Alexandre Bompard had the use of a company car which represented a benefit in kind of €6,821. This benefit amounted to €6,637 in 2015. In 2016, Mr. Alexandre Bompard was covered by a supplementary unemployment plan and education annuity plan, the 2016 premiums for which were paid and amounted to €12,529 and €2,782 respectively. These premiums are subject to social security and employer contributions and are therefore considered as benefits in kind. In 2015, the premiums paid for unemployment insurance and the education annuity plan totaled €14,787 (including €2,445 for 2014) and €2,808, respectively.

Supplementary pension plan

The Board of Directors authorized Mr. Alexandre Bompard's membership in the supplementary defined contribution pension plan (Article 83 of the French General Tax Code) that exists for all Groupe Fnac executives in France.

Premiums in 2016 and 2015 amounted to €10,631.04 and €10,472.40 respectively. This commitment pursuant to Article L. 225-42-1 of the French Commercial Code was renewed by the Board of Directors at its meeting on February 17, 2016; this was confirmed by the renewal of the term of office of Director Mr. Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of Chairman and CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

Total remuneration

The amounts paid in total remuneration and the elements composing it, as detailed above, for year 2016 and 2015, totaled €13,871,892 and €11,523,238, and break down as follows, respectively: fixed remuneration of €900,000 and €900,000, annual variable remuneration of €931,500 and €902,056, multi-year variable remuneration of €11,978,895 and €9,657,746, payment of attendance fees of €28,733 and €28,733, in-kind benefits of €22,133 and €24,231 and, lastly, supplemental retirement benefit contributions of €10,631 and €10,472. In addition, the amounts due in 2016 and paid in 2017 as annual variable remuneration and attendance fees are €931,500 and €27,558 respectively.

Just as in 2015, Mr. Alexandre Bompard has decided to reinvest all of the amounts net of withholdings and taxes paid as multi-year variable remuneration in 2016 in Fnac Groupe shares. Shares acquired in this manner will be registered shares and held for at least two years.

It should be noted that, in 2015, Mr. Alexandre Bompard had already reinvested all of his multi-year variable remuneration, net of all withholdings and taxes, in Groupe Fnac shares. He thus acquired, on December 4, 2015, 80,750 shares held in registered form. Mr. Alexandre Bompard has committed to holding these shares for at least ten years.

Non-compete commitment

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

No amount is due for either year 2016 or year 2015. This commitment pursuant to Article L. 225-42-1 of the French Commercial Code was renewed by the Board of Directors at its meeting on February 17, 2016; this was confirmed by the renewal of the term of office of Director Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of Chairman and CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

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

Fixed and variable remuneration for 2017

The Board of Directors at its meeting on February 28, 2017, following the recommendation of the Nomination and Remuneration Committee, decided to keep the fixed remuneration of its Chairman and Chief Executive Officer at €900,000 for year 2017. In addition, in order to take better account of outperformance and thus be more in line with market standards, it decided to increase the maximum annual variable remuneration to 120% of fixed remuneration.

Eighty per cent (80%) of the variable remuneration will still be allocated to financial targets and 20% to qualitative targets. The nature of the financial targets for 2016 was renewed and a financial target for attaining synergies was also added. These targets are predetermined in a precise manner.

3.3.2 / Compensation of corporate officers – attendance fees

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

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

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

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors, on February 17, 2016, determined the distribution attendance fees in 2015 to members of the Board and specialized Committee meetings held during year 2015.

60% of this amount was distributed to members of the Board of Directors, divided into a fixed portion equivalent to 30% and a variable portion equivalent to 70%; the variable portion is distributed according to the Board members' attendance at meetings.

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

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

A total €274,381 was paid in year 2016, of the total annual amount of attendance fees of €300,000 approved by the Combined Ordinary and Extraordinary Meeting of April 17, 2013, for year 2015, as follows:

Names	Amount paid in 2015 for 2014 (€)	Amounts paid in 2016 for 2015 (€)
Patricia Barbizet	27,686	27,686
Alexandre Bompard	28,733	28,733
Stéphane Boujnah	43,114	40,448
Carole Ferrand	34,543	34,543
Antoine Gosset-Grainville	27,686	27,686
Alban Gréget	22,733	22,733
Nonce Paolini	32,829	30,162
Arthur Sadoun	13,400	20,067
Brigitte Taittinger-Jouyet	17,400	13,400
Jacques Veyrat	23,686	28,924
TOTAL	**271,810**	**274,381**

The total amount of attendance fees for 2016 was €286,599.

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

3.4 / PROFIT-SHARING, COLLECTIVE INCENTIVE SCHEMES AND LONG-TERM INCENTIVE SCHEMES

3.4.1 / Profit-sharing agreements and incentive schemes

3.4.1.1 / Profit-sharing agreements in France

For companies with at least 50 employees and taxable income of more than 5% of its equity, implementation of a profit-sharing agreement in accordance with Articles L. 3322-2 and L. 3324-1 of the French Labor Code is mandatory. Accordingly, the Group entered into a new profit-sharing agreement on June 24, 2016 for a fixed period of three years.

The Groupe Darty companies also have open-ended profit-sharing agreements.

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. Incentive scheme agreements were therefore concluded for a number of the Group's French entities, most of which were renegotiated in 2016. Each agreement includes its own formula for calculating the incentive bonus.

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 Groupe Fnac on April 15, 2002, for one year, renewable by tacit consent. This scheme allows Groupe Fnac employees having more than three months' seniority to distribute, immediately and in full, all sums paid to them under profit sharing and incentive schemes to acquire shares in corporate investment funds (FCPE). An amendment was signed on February 19, 2016 adding a new "Groupe Fnac Shareholder" corporate investment fund (*fonds communs de placement d'entreprise,* or "FCPE") invested in listed securities of the Company.

Groupe Darty companies also benefit from a Group savings plan that also allows Groupe Darty employees to distribute, immediately and in full, all sums paid to them under profit sharing and incentive schemes to acquire shares in corporate investment funds (FCPE).

3.4.2 / Long-term incentive plan

The main executives of the Group benefit from annual long-term variable compensation, the first plans of which were implemented in 2013. The different vesting periods of the plans run at the latest up to June 16, 2020.

In 2016, following the recommendation of the Nomination and Remuneration Committee, on April 04, 2016, the Board of Directors decided to grant bonus shares to some employees of the Group (125 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. The duration of this plan is four years, with a two-year vesting period (June 17, 2016 to June 16, 2018) and a two-year conservation lock-in period for French residents (June 17, 2018 to June 16, 2020), and with a four-year vesting period (June 17, 2016 to June 16, 2020) for foreign residents. Vesting of the bonus shares is subject to a continuous service condition and to a performance condition based on an average of the 20 stock market closing prices for the Groupe Fnac share preceding June 17, 2018. If this price is below a predefined price, no bonus share will be vested. The 2016 bonus share plan (detailed in section 7.2.4 of this Registration Document), just as the 2016 bonus share plan, provides for the early vesting of shares, particularly in the following cases: a change in control of the Company, a public purchase offering concerning the securities of the Company, in the case of a public exchange offering on the Company's shares, in the event of a merger or split, or a public re-purchase offer.

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

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

3.5 / REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES INSTITUTED BY THE COMPANY

Pursuant to Article L. 225-37 par. 6 of the French Commercial Code, as amended by Law No. 2008-649 of July 3, 2008, the conditions for the preparation and organization of the work of the Board of Directors and the internal control and risk management procedures instituted by the Company are reiterated below, specifically detailing the procedures relating to the development and treatment of the accounting and financial information for the consolidated financial statements and parent company financial statements. The first part of this report was presented to the Nomination and Remuneration Committee on February 27, 2017, and the second part was presented to the Audit Committee on February 24, 2017.

The entire report was approved by the Board of Directors at its meeting of February 28, 2017, pursuant to 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.

The Board is currently composed of twelve Directors:

Name	Age*	Nationality	Independent Dir.	Office	Start of first term	Expiration of current term	Membership of a committee		
							Audit	Nomination and Remuneration	Corporate Social and Environmental
Alexandre Bompard	44	French		Chairman and CEO	2013	2019			X
Patricia Barbizet	61	French		Vice Chairwoman	2013	2019		X	
Marie Cheval	42	French	X	Independent Director	2016	2019	X		
Carole Ferrand	46	French		Director	2013	2017	X		
Simon Gillham	60	British		Director	2016	2019			
Antoine Gosset-Grainville	50	French	X	Independent Director	2013	2019		X	
Alban Gréget	40	French		Director	2013	2017			X
Nonce Paolini	67	French	X	Independent Director	2013	2018		X	
Stéphane Roussel	55	French		Director	2016	2019			
Arthur Sadoun	45	French	X	Independent Director	2013	2018			X
Brigitte Taittinger-Jouyet	57	French	X	Independent Director	2013	2017			X
Jacques Veyrat	54	French	X	Independent Director	2013	2019	X		

** At December 31, 2016.*

The Board created three committees with the role of assisting it in its mission: the Audit Committee, the Nomination and Remuneration Committee and the Corporate Social and Environmental Committee.

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

3.5.1.2 / Composition of the Board

Pursuant to the provisions of the Law of January 27, 2011 (amending Article L. 225-37 of the French Commercial Code) on the balanced representation of men and women on Boards of Directors and Supervisory Boards and on gender equality at work, which governs the drafting of this report, the principle of balanced representation of men and women has been taken into account on the Board in accordance with the law. It should be noted that in 2016, women accounted for 33% of the members of the Board of Directors.

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

3.5.2.1 / Internal regulations of the Board of Directors

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

It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly attributed to the General Meetings and within the limits of the corporate purpose, it handles all issues affecting the Company's operations and regulates the Company's affairs by its deliberations.

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

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

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

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 distributing attendance fees.

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

3.5.2.2 / Executive management

At the Groupe Fnac Board of Directors meeting of April 17, 2013, it was decided to keep the functions of Chairman of the Board and Chief Executive Officer concentrated in a single person. Alexandre Bompard has in fact been conducting the Group's business since January 2011 and therefore has in-depth experience. This arrangement best meets the need for a responsive Board and management in complex environmental conditions. It also encourages dynamic dialog between management and the Board of Directors; the Board was able to attest to the efficiency of this arrangement particularly during the merger with Darty. 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 28, 2017, the Board of Directors decided 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 €50 million;
- any borrowing (or series of borrowings) or lending of money of any kind or early repayment of a loan that exceeds €80 million.

The Board decided that these authorizations and thresholds should be set for a period of two years expiring on February 28, 2019.

On February 28, 2017, the Board of Directors also renewed, for a duration of one year, the authorization granted to the Chairman and Chief Executive Officer to issue any deposit or guarantee of any kind that does not exceed a total annual limit of €50 million.

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

3.5.2.4 / Compliance with a Corporate Governance Code

The Company refers to the AFEP-MEDEF "Corporate Governance Code of listed companies" revised in November 2016.

3.5.2.5 / Independence of Directors

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

- not being or not having been in the past five years an employee or executive officer of the Company, or an employee or executive officer or Director of its parent company or of a company within its scope of consolidation;
- not being an executive officer of a company in which the Company is, directly or indirectly, a Director, or in which an employee appointed for employee representation or an executive officer of the Company (current or within the last five years) is a Director;
- not being a customer, supplier, or corporate or investment banker of material significance to the Company or its Group, or for which the Company or its Group represents a significant amount of business;
- not being a close family relation of a corporate officer;
- not having been the Company's Statutory Auditor during the past five years;
- not having been a Director in the Company for more than twelve years as of the date on which he or she was appointed to the current office.

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

It should be noted that a regulated agreement was entered into in 2015 with BDGS Associés, a law firm specializing in competition law and in market operations, especially cross-border transactions, one of its founding partners being Director Antoine Gosset-Grainville.

BDGS Associés was appointed from a range of specialist law firms to act in the Darty acquisition and in the acquisition of an equity stake in Vivendi.

In 2015, the Board of Directors had reviewed the business relationship that existed between Groupe Fnac and BDGS Associés to assess the independence of Antoine Gosset-Grainville. The Board of Directors had found firstly that Antoine Gosset-Grainville was not involved in the projects and, given the legal form of the firm which was an *Association d'Avocats à Responsabilité Individuelle* [Association of Lawyers with Individual Liability], was not bound by the actions of BDGS Associés. In addition, strict "Chinese walls" had been erected within BDGS Associés to prevent his involvement in the business relationship between Groupe Fnac and BDGS Associés. Finally, during this review, the Board of Directors had found that the amount of fees received by BDGS Associés represented a small percentage of the firm's total fees.

The Board of Directors, at its meeting of February 28, 2017, noted that the business relationship with BDGS Associés ended in December 2016 and that the regulated agreement concluded in 2015 is now void.

Under these circumstances and since BDGS Associés no longer has a business relationship with Groupe Fnac, the Board of Directors confirmed the independence of Antoine Gosset-Grainville.

Accordingly, six Directors out of twelve 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 2016 through to February 28, 2017

Work of the Board of Directors in 2016

The Board met eleven times in 2016 with an average attendance rate of 92%, all chaired by the Chairman & Chief Executive Officer.

Dates	Directors present (attendance rate)
January 20	7/9 (77.7%)
February 17	9/9 (100%)
April 4	9/9 (100%)
April 11	9/9 (100%)
April 20	9/9 (100%)
May 23	9/9 (100%)
June 17	12/12 (100%)
July 18	11/12 (91.6%)
July 27	9/12 (75%)
September 15	11/12 (91.6%)
October 20	9/12 (75%)

At its meeting of January 20, 2016, the Board examined the business market for the fourth quarter 2015 as well as the budget strategy for 2016.

At its meeting of February 17, 2016, the Board of Directors:

- after recognizing the works of the Audit Committee in 2015, the 2016 audit plan and the 2015 mapping of risks, approved the annual financial statements and reports for the year 2015;
- reviewed and approved the 2016 budget;
- granted an annual budget to the Chairman and Chief Executive Officer for issuing sureties, endorsements and guarantees;
- conducted the annual review of regulated agreements;
- considered the work of the Nomination and Remuneration Committee on February 12, 2016 and decided on the variable compensation for 2015 of the Chairman & Chief Executive Officer and the amount and terms of his fixed and variable compensation for 2016: the decision was made by the Directors in the absence of the Chairman and Chief Executive Officer;
- set the distribution of attendance fees paid for 2015;
- considered the work of the Corporate Social and Environmental Responsibility Committee of February 15, 2016, and approved the social and environmental information to appear in the Management Report;
- approved the Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company;
- approved the Board's Management Report.

At its meeting of April 4, 2016, the Board of Directors:

- approved the Board's Report on the draft resolutions as well as the draft resolutions for the Combined Ordinary and Extraordinary General Meeting;
- called the Combined Ordinary and Extraordinary General Meeting for June 17, 2016.

At its meeting of April 11, 2016, the Board of Directors:

- reviewed and approved the terms and conditions of the strategic partnership with Vivendi which consisted in particular of allowing the acquisition of a 15% equity interest in Vivendi for €159 million (corresponding to a subscription price of €54 per share, or the non-discounted closing price at April 8, 2016);
- called the Combined Ordinary and Extraordinary General Meeting to approve this capital increase and to appoint two Directors representing Vivendi.

At its meeting of April 20, 2016, the Board of Directors:

- reviewed and approved the terms and conditions for implementing the acquisition of Darty plc through a public offering;
- approved the terms and conditions of the revised offer and alternative offer as well as the maximum terms of the public offer;
- approved the decision to take out a €400 million revolving facility, a bridge loan of -€950 million (principal) and a term loan of up to €300 million to finance the operation.

At its meeting of May 23, 2016, the Board of Directors:

- co-opted a new Director, Marie Cheval, to replace Stéphane Boujnah;
- prepared for the Combined Ordinary and Extraordinary General Meeting of May 24, 2016.

At its meeting of June 17, 2016, the Board of Directors:

- renewed Alexandre Bompard's term of office as Chairman and Chief Executive Officer for the duration of his term as Director subject to the suspensive condition that his term as Director is renewed by the Combined Ordinary and Extraordinary General Meeting of June 17, 2016;
- renewed Patricia Barbizet's term of office as Vice Chairwoman of the Board of Directors for the duration of her term as Director subject to the suspensive condition that her term as Director is renewed by the Combined Ordinary and Extraordinary General Meeting of June 17, 2016;
- approved and delegated the procedures for the Company's capital increase as consideration for the shares contributed in the public takeover of Darty plc;
- prepared for the Combined Ordinary and Extraordinary General Meeting of June 17, 2016.

At its meeting of July 18, 2016, the Board of Directors:

- approved the terms of the Company's commitment to the Competition Authority;
- noted that the suspensive conditions pertaining to the acquisition of Darty plc had been fulfilled and declared that the acquisition was unconditional.

At its meeting of July 27, 2016, the Board of Directors:

- approved the financial statements for the first half of 2016;
- amended the Board of Directors' internal regulations so as to document the procedures for preventing any conflict of interest, and brought the rules of the Audit Committee into compliance with the Order of March 17, 2016, applying the provisions of the Transparency Directive.

At its meeting of September 15, 2016, the Board of Directors:

- approved the terms and conditions of a high-yield bond issue to refinance the amounts due under the bridge loan and part of the fees and costs of the Darty plc acquisition.

At its meeting of October 20, 2016, the Board of Directors:

- reviewed the business market in the third quarter of 2016;
- approved the Company's management planning documents.

Work of the Board of Directors from January 1 to February 28, 2017

At its meeting of January 26, 2017, the Board examined the business market for the fourth quarter of 2016 as well as the budget strategy for 2017

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

- after recognizing the work of the Audit Committee in 2016, the 2017 audit plan and the 2016 risk mapping, approved the annual financial statements and reports for the year 2016;
- reviewed and approved the 2017 budget;
- renewed the thresholds for transactions requiring prior authorization of the Board of Directors and granted an annual budget to the Chairman and Chief Executive Officer to issue sureties, endorsements and guarantees;
- conducted the annual review of regulated agreements;
- considered the work of the Nomination and Remuneration Committee on February 27, 2017 and decided on the variable compensation for 2016 of the Chairman & Chief Executive Officer and the amount and terms of his fixed and variable compensation for 2017; this decision was made in the absence of the Chief Executive Officer;
- set the distribution of the attendance fees paid for 2016;
- considered the work of the Corporate Social and Environmental Responsibility Committee of February 27, 2017, and approved the social and environmental information to appear in the Management Report;
- approved the Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control, as well as the risk management procedures instituted by the Company.

Board of Directors' assessment

In accordance with its internal regulations, the Board of Directors conducted an annual assessment of its operation at its meeting of February 28, 2017. A questionnaire for the purpose of evaluating the Board and the specialist committees was sent to Directors in early 2016. Consistent responses were obtained and reported by an Independent Director at the Board's meeting of February 17, 2016 confirming the Directors' unanimous positive assessment of how Board meetings are prepared for and conducted.

Audit Committee

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

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

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

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

Groupe Fnac's Audit Committee consists of three Directors: Carole Ferrand (Director), Marie Cheval (Independent Director), and Jacques Veyrat, (Independent Director) who chairs the committee.

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

All the members of the Audit Committee have recognized expertise in financial or accounting matters, together contributing their knowledge in executive, operational and financial management gained over the course of their professional careers in banks and companies (see section 3.1.1.1 "Personal information regarding the members of the Board of Directors" of the Registration Document).

Work of the Audit Committee in 2016 through to February 24, 2017

Work of the Audit Committee in 2016

In 2016, the Audit Committee met four times, with an average attendance rate of 100%.

Dates	Directors present (attendance rate)
February 15	2/2 (100%)
July 26	3/3 (100%)
October 20	3/3 (100%)
December 9	3/3 (100%)

The first meeting was held on February 15, 2016 and was mainly devoted to:

- a review of the 2015 risk mapping;
- a review of the 2015 results of the self-assessment of Fnac's essential rules;
- a review of the proposed audit plan for 2016;
- approval of the 2016-2018 Business Plan per cash generating unit (CGU) serving as the base for impairment tests and goodwill at December 31, 2015;
- the presentation of the financial results of Groupe Fnac as at December 31, 2015;
- a review of the closing work on the consolidated and statutory financial statements and the notes to those statements at December 31, 2015;
- a review of the independence of the Statutory Auditors, the fees they were paid, and the services they rendered that were directly connected with their assignment;
- a review of the draft of the Chairman's Report on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company.

The Committee's meeting of July 26, 2016, was mainly devoted to:

- a presentation of the Groupe Fnac statements at June 30, 2016 and a review of the semi-annual Financial Report;
- a review of the preparation of the half-year financial statements as at June 30, 2016;
- hearing the Statutory Auditors Report on their limited review of the half-year financial statements;
- monitoring of the audit plan for the first half-year 2016;
- an update of the internal regulations of the Audit Committee following the revamp of the statutory audit pursuant to the European Directive of June 17, 2016.

The Committee's meeting of October 20, 2016, was mainly devoted to:

- a review of the monitoring of the Fnac audit plan for 2016;
- a review of the key legal, tax and industrial disputes and audits in progress for the Fnac and Darty entities;
- a review of the monitoring of services other than certification of the financial statements of September 30, 2016 for the Fnac and Darty entities;
- a review of the IT risk remediation assessed during the 2015 Fnac risk mapping process;
- a review of the monitoring process for the contracting of off-invoice supplier discounts;
- a presentation of the Darty internal audit and Darty risk mapping;
- a presentation of the organization of the system used by the Statutory Auditors for the preparation work on the 2016 financial statement for the consolidated Groupe Fnac Darty.

The Committee's meeting of December 9, 2016, was mainly devoted to:

- a review of the 2016 risk mapping of Groupe Fnac Darty;
- a review of the monitoring of services other than certification of the financial statements of November 30, 2016 for the Fnac and Darty entities; the results of the 2016 self-assessment of Fnac's Essential Rules;
- the draft 2017 audit plan for both the Fnac and Darty brands;
- approval of the 2017-2019 Business Plan per cash generating unit (CGU) serving as the base for impairment tests and goodwill as at December 31, 2016.

Lastly, the Committee's meeting of February 24, 2017 was mainly devoted to the following:

- presentation of the financial results of Groupe Fnac at December 31, 2016;
- a review of the closing work on the consolidated and statutory financial statements and the notes to those statements as of December 31, 2016;
- a review of the independence and objectivity of the Statutory Auditors, the amount of fees paid to them, the total amount of fees paid for services other than certification of the financial statements as well as the nature of those services and the report provided of the due diligence services they performed that were directly related to their mission;
- a review of the draft of the Chairman's Report on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company;
- a review of the bid tender management process in the reappointment of the Group's Statutory Auditors.

Nomination and Remuneration Committee

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

Its other mission is to work specifically on an executive management succession plan.

The Nomination and Remuneration Committee is composed of three Directors: Mr. Nonce Paolini, Chairman of the Committee and Independent Director, Mrs. Patricia Barbizet, Director, and Mr. Antoine Gosset-Grainville, Independent Director.

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

Work of the Nomination and Remuneration Committee in 2016 and through February 27, 2017

In 2016, the committee met twice, with a 100% attendance rate.

On February 12, 2016, the Committee met to examine the statement of variable elements of compensation for the Chairman and Chief Executive Officer for 2015 and the conditions for his fixed and variable compensation for 2016. The conditions of the compensation for the main executives of the Group were studied. The committee also proposed the renewal of members of the Board of Directors and the specialized committees. At the same meeting, the committee conducted the annual assessment of the independence of members of the Board of Directors, each Director a member of the Nomination and Remuneration Committee taking no part in the decision concerning him or herself, and a review of the financial or accounting expertise of members of the Audit Committee. Other items on the agenda for that meeting were the distribution of attendance fees for 2015 and the definition of the distribution method for attendance fees for 2016 and a review of the Board's draft report on corporate governance.

On March 30, 2016, the committee met to study the principles of the long term incentive schemes implemented by the Group.

On February 27, 2017, the committee met to examine the statement of variable elements of compensation for the Chairman and Chief Executive Officer for 2016 and the conditions for his fixed and variable compensation for 2017. The conditions of the compensation for the main executives of the Group were studied. The committee also proposed the renewal of members of the Board of Directors and its committees. At the same meeting, the committee conducted the annual assessment though the use of specialized committees of the independence of members of the Board of Directors, each Director a member of the Nomination and Remuneration Committee taking no part in the decision concerning him or herself, and a review of the financial or accounting expertise of members of the Audit Committee. Other items on the agenda for that meeting were the distribution of attendance fees for 2016 and the definition of the distribution method for attendance fees for 2017 and a review of the Board's draft report on corporate governance.

The Nomination and Remuneration Committee reported on its work and recommendations to the Board of Directors.

Compensation policy for corporate officers

Attendance fees paid to members of the Board of Directors

Attendance fees paid in 2016 for 2015

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

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

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

Based on recommendations from the Nomination and Remuneration Committee, the Board of Directors, on February 17, 2016, determined the distribution of attendance fees in 2016 to members of the Board and specialized Committee meetings held during 2015.

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

The component of 40% of the specialized committees was distributed as follows: 20% to the Audit Committee, 12% to the Nomination and Remuneration Committee, and 8% to the Corporate Social and Environmental Responsibility Committee. These component distributions are strictly committee attendance-based.

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

For 2015, in accordance with the Board of Directors decision of February 17, 2016, a total of €274,381 was paid in 2016. This compensation to Board of Directors members is disclosed in detail in section 3.3.2 of this Registration Document.

Attendance fees paid in 2017 for 2016

In line with the distribution for 2015 in 2016, 60% of the total €300,000 was allocated to the Board of Directors on February 28, 2017, 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 distributed based on members' attendance rate at Board of Directors' meetings.

The component of 40% of the specialized committees was distributed as follows: 20% to the Audit Committee, 12% to the Nomination and Remuneration Committee, and 8% to the Corporate Social and Environmental Responsibility Committee. These component distributions are strictly committee attendance-based.

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

The Board of Directors meeting of February 28, 2017 distributed a total of €286,599 to Board of Directors and committee members to be paid in 2017 for 2016.

Other compensation

The compensation and benefits awarded to the Chief Executive Officer were determined by the Board of Directors at its meeting of February 17, 2016, on the recommendations of the Nomination and Remuneration Committee. The annual and multi-year variable compensations were structured so as to strengthen the link between the compensation paid and the Group's performance. Just as in 2015 and 2014, in addition to a fixed compensation, a mechanism for annual variable compensation was established, 80% of which is based on financial targets. The Board of Directors used four financial criteria for 2016. 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.

On April 4, 2016, the Board of Directors granted an equivalent in bonus shares settled in cash to Alexandre Bompard.

This equivalent in bonus shares will be vested on June 17, 2018, provided that a continuous service condition and a stock market performance condition for the Groupe Fnac share is achieved (average of the last 20 stock market closing prices of the Groupe Fnac share prior to June 17, 2018). The value of the equivalent in bonus shares is measured by this average. If this average in June 2018 is lower than a predefined price, there will be no payment. Provided the presence condition is met, the related payment, in cash, will be made no later than September 30, 2018.

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

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

Corporate Social and Environmental Responsibility Committee

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

The committee reports on the actions and results of the previous year and presents the Fnac Darty Group strategies for the current year.

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

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

The committee is composed of four Directors: Brigitte Taittinger-Jouyet (Chairwoman of the committee and Independent Director), Arthur Sadoun (Independent Director), Alexandre Bompard (Director, who was reappointed by the General Meeting of June 17, 2016), and Alban Greget (Director).

The composition of this committee was maintained by the Company's Board of Directors at its meeting of February 28, 2017 as concerns Brigitte Taittinger-Jouyet (Independent Director), who is the Chairwoman (subject to the renewal of her term of office as Director at the 2017 General Meeting) Alexandre Bompard (Chairman of the Board of Directors) and Arthur Sadoun (Independent Director). The Board of Directors' proposal to nominate Héloise Temple-Boyer as Director to replace Alban Gréget, whose term of office expires at the end of the General Meeting approving the 2016 financial statements, will be subject to the approval of that General Meeting.

Work of the Corporate Social and Environmental Responsibility Committee in 2016 and through February 27, 2017

The Corporate Social and Environmental Responsibility Committee met once in 2016, and once so far in 2017.

On February 15, 2016, the committee reviewed Groupe Fnac's general CSR policy, the report of actions and results for 2015, and the goals and strategy for 2016. It also verified that the Group had met its data publications obligations under Article L. 225-102-1 par. 5 and 6.

On February 27, 2017, the committee reviewed the Group's general CSR policy, the report on the actions and results for 2016 relating to Fnac, the overview of Darty's CSR initiatives, and the challenges, goals and strategies for 2017 for Groupe Fnac Darty. It also verified that the Group had met its data publications obligations under Article L. 225-102-1 par. 5 and 6.

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

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 the current capital structure (Artémis Group currently holds 24.70% of the capital and voting rights of Groupe Fnac), and 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, 2016 would be 1.71% (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 Darty Group is based on the AMF's reference framework published on July 22, 2010.

This framework takes account of the legislative and regulatory changes that have happened since it first came out in 2007, particularly the Law of July 3, 2008, the Order of December 8, 2008 and the studies on Chairmen's reports on internal control and risk management procedures published in February and December 2016 by AMF.

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

3.5.3.1 / General principles of risk management

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

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

- creating and protecting the Company's value, assets and reputation;
- preserving the perpetuity of the company's short, medium and long term activities;
- securing the Company's decision-making process and other processes to achieve the goals;
- encouraging consistency between the Company's actions and its values;
- mobilizing the Company's workforce around a shared approach to managing the main risks.

Components of risk management

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

An organizational framework

This organizational framework includes:

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

Organization of risk management at country level

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

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

Organization of risk management at Group level

The Internal Audit Departments organize, 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 distributes a set of rules and best practices aimed at controlling risks under its responsibility, and the network of Country Security Directors also relies on this set of rules and best practices.

The Legal Department identifies and analyzes the Group's material legal risks and the insurable risks to be included in the Group's financial statements.

Preparation of the strategic plan by the Strategy Department provides the opportunity to assess the major external risks and update the mapping of the Group's major risks. In accordance with the guidelines, this is sent to the Internal Audit Department.

Risk management policy

Fnac instituted its risk management policy in 2011 which is based on the COSO II guideline and then updated it in 2015. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses. Darty adopts the same approach.

A three-step risk management process

- Risk identification – at Fnac and at Darty, risk identification is an ongoing process. Risk identification helps to categorize and centralize major risks either with the Risk Prevention Department, or with the Internal Audit Department depending on the type of risk.
- Risk assessment – at Fnac and at Darty, this approach is documented at least once a year during a risk self-assessment process headed by the Internal Audit Department. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, HR-related, legal or reputation nature) and assess the likelihood of their occurrence, as well as the required level of risk management.

Handling risk: the last step of the risk management process includes identifying the action plan(s) best suited to the Company.

Managing risk management procedures

The risk management system is subject to regular monitoring and review, which allows for ongoing improvements.

The Audit Committee meets at least once a year to examine the risk mapping prepared by the Group's Audit Department and monitor the progress of dedicated action plans.

3.5.3.2 / Links between risk management and internal control

The risk management and internal control procedures are complementary to the management of the Group's activities:

- the risk management procedures aim to identify and analyze the main risks. Such risks are addressed and are the subject of action plans. These plans may propose a change to the organization, the implementation of projects and the introduction of controls. These controls to be implemented are in line with internal control procedures and may be reviewed in light of the risk mapping;
- the internal control procedures rely on the risk management procedures to identify the main risks to be contained;
- the audit plan relies mainly on risk mapping to test the assessment of the level of control of identified risks.

The coordination and balance between the two systems depend on their shared underlying control environment, and, more specifically, the Company's specific risk and control culture and ethical values.

3.5.3.3 / General internal control principles

Definition and objectives of internal control

The internal control system at Fnac Darty Group encompasses a number of appropriate resources, policies, practices, procedures and initiatives whose purpose is to ensure that the required measures are taken to address:

- the activities, efficiency of its operations and efficient use of resources;
- the risks likely to have a material impact on the Company's assets or its ability to meet its objectives, whether of an operational, financial or compliance nature.

Internal control is defined as a process conducted by executive management under the control of the Board of Directors, and implemented by the Directors and all employees. Irrespective of its quality and extent of application, it cannot entirely guarantee that the objectives in the following areas will be achieved:

- compliance with applicable laws and regulations;
- implementation of instructions and strategy adopted by executive management;
- proper functioning of internal processes, including those contributing to protecting the assets;
- reliability of financial information.

Limits of internal control

The following limitations inherent in any internal control system affect the probability that the Company will achieve its established objectives in particular:

- human errors or malfunctions that occur when decisions are taken or implemented;
- deliberate collusion between several persons making it possible to elude the control system in place;
- deliberate fraud by management;
- where the implementation, or even maintenance, of a control would be more burdensome than the risk which it is supposed to alleviate;
- moreover, when endeavoring to achieve the above-mentioned objectives, companies are confronted with events and hazards that are outside of their control (unforeseen changes in markets and competition, unforeseen change in the geopolitical situation, errors in forecasting or estimating the impact of such changes on the organization, etc.).

Components of internal control

The quality of the internal control system depends on the following components:

- a control environment based on rules of conduct and integrity upheld by the executive management and communicated to all employees;
- the existence of a clear and appropriate definition of roles and responsibilities;
- a system for categorizing, analyzing and managing the main risks;
- ongoing monitoring of the internal control system, and regular review of its performance.

Fnac Darty Group'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 specific business code of conduct also applies to Darty employees.
- A "suppliers' gifts and benefits charter" distributed in 2006 sets out in more detail the rules concerning the various gifts and enticements from suppliers and third parties; the rules concerning suppliers' gifts and benefits are included in Darty's business code of conduct.
- A Fnac Values Charter, distributed in 2012 as the result of an internal collective process, specifies four key values: Commitment, Passion, Respect and Innovation. The key unifying values of Darty are Respect, Solidarity, Exemplary Performance, Spirit of Service, and Operational Excellence.
- An Internal Control Charter, issued in 2010, was updated and supplemented in 2013. It defines the role, as set forth by the AMF framework, of each individual involved in internal control. Darty also has internal control guidelines that are regularly updated and sent to employees.
- A code of conduct for securities trading, circulated in 2013, in compliance with AMF instructions, defines the obligations incumbent on persons holding privileged information. Darty employees who hold privileged information have received a letter reminding them of the obligations and penalties that apply in this regard.

- 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. The charter applicable to Darty employees was disseminated to staff in 2010.

These codes and charters have been validated by the Group's executive management. They are available on the intranet sites of the two companies so that each employee can refer to them. These codes and charters will be updated and harmonized in 2017 so that they can be appropriated and applied uniformly to all employees in the new Fnac Darty Group.

"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. These "Essential Rules" will be updated in 2017 to include the entire new scope of consolidation of Fnac Darty Group, and will then be disseminated as "Essential Rules of Fnac Darty".

Human resources policy

The human resources policy contributes to internal control, in particular by delegations of power and responsibilities, descriptions of functions, an employee assessment system and investments in training.

- Given the size of Fnac Darty Group, the size of its workforce, the diversity of its activities, and the geographical dispersion of its different entities, it is necessary to delegate powers and responsibilities for the business to operate effectively. Responsibilities are delegated to appropriate people and entities, along with all the powers and resources they need to carry them out, in compliance with applicable regulations. Official job descriptions exist for key functions. The descriptions refer to the necessary controls for the supervision of the activity and also serve as a framework for the individual assessment system. The identification and description of key skills (managerial and business specific) for the Group allows for the gradual implementation of a shared system for managing skills.
- Training, a component of annual plans, is focused on business-specific skills, combining specific know-how and management expertise. It is provided from the time new recruits first join the Group and continues throughout their careers ensuring their individual development.
- All Fnac Darty 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 Fnac Darty Group management positions.
- An employee opinion survey is conducted every two years.
- Compensation policies are managed and controlled by Group Human Resources for principal management functions and by Country Human Resources for other functions, in accordance with the main defined goals.
- Group Human Resources deploys and coordinates the Group's Corporate Social and Environmental Responsibility Committee policy.

Organization

The organization of the Group's internal control involves persons in the entire chain of responsibility, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Corporate Social and Environmental Responsibility Committee, and the Statutory Auditors.

The allocation of responsibilities and division of functions ensures control and provides the basis on which the respective roles of the various decision-making bodies are built.

Executive Committee

The Executive Committee determines Fnac Darty 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.

The committee is chaired by the Chairman and Chief Executive Officer, and in 2016 also included the Managing Director of Fnac Northern Europe, the Managing Director of Darty France, the Director of Services of Darty, the Sales Director of Fnac, the Director of Marketing and E-commerce of Fnac, the Director of Marketing and E-commerce of Darty, the Chief Executive Officer of Vanden Borre, the Managing Director of Fnac Portugal who oversees operations in Brazil, the Managing Director for Spain, the Director of France Billet, the CFO of Fnac Darty Group who oversees the operations of BCC, the Director of Human Resources at Fnac Darty, the Director of Communications of Fnac Darty Group, the Director of IT Systems Organization at Fnac and the Director of Operations at Fnac.

The Director of Strategy and M&A at Fnac Darty runs and coordinates all Executive Committee projects.

Investment Committees

Since 2008, the Group Investment Committee has examined and authorized all investment decisions on major projects and projects related to:

- the creation of directly owned or franchised stores;
- the acquisition or disposal of companies or businesses.

The Group Investment Committee is chaired by the Group's Chairman and Chief Executive Officer and its permanent members are the Groupe Chief Financial Officer and the Financial Control Director. Country projects are presented by the country CEO assisted by his Chief Financial Officer and the experts involved in the projects (e.g. the Property Department for a real estate project).

The IT Investment Committee has examined and authorized all investment decisions on major IT projects since 2012.

The IT Investment Committee is chaired by the Group Chief Financial Officer and its permanent members are the Director of IT Systems Organization at Fnac, the Director of IT Systems Organization at Darty, the Financial Control Director of Fnac and the Financial Control Director of Darty. Country projects are presented by the country CEO, assisted by his Chief Financial Officer.

Operational managers and employees

Management is the operational agent for internal control and relies on it for the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Fnac and Darty manager. This responsibility begins at the first level of supervision. The delegation of powers and responsibilities is the first step in making the principal participants more aware of these internal controls.

As part of their delegated powers and formalized responsibilities, each Director and manager defines, implements and manages the internal control system. In particular, store, subsidiary and entity Directors are responsible for maintaining a satisfactory level of internal control on the assets and cash flows of the unit or company they manage.

Employees must be aware of the internal control systems in respect of the objectives they have been assigned, and must comply with the control principles and rules, and can be a source of improvement and malfunction detection. They are informed of the existing measures when they sign their employment contracts and by the internal regulations of the legal entities to which they are attached.

Other internal control participants

- The Legal Departments of Fnac and Darty advise and assist the operational departments and subsidiaries on major legal matters.
- The Tax Department of Fnac Darty Group advises and assists the operational departments and subsidiaries on major tax questions.
- The Financial Control Departments of Fnac and Darty are in charge of implementing and ensuring compliance with the procedures for reporting and preparing the consolidated financial statements.
- The Human Resources Department of Fnac Darty Group advises and ensures that internal practices comply with labor laws and regulations.
- The Risk Prevention Departments of Fnac and Darty conduct specific risk analyses and propose action plans on security, safety and the environment.

Supervisory and internal control assessment bodies

- The Board of Directors contributes to the general control environment through the skills of its members. It is regularly informed of major internal control and risk management methodologies and describes them in its Activity Report.
- Part of the Audit Committee's responsibility is "to implement and ensure the relevance of internal controls; identify and hedge risks of the Company, in particular of its financial or commercial, tangible or intangible assets, staff, customer or third party risks of any type arising from the activities of the Company and/or its subsidiaries".
- Part of the Nomination and Remuneration Committee's responsibility is "to evaluate the independence of the members of the Board of Directors, propose the appointment of its members, executive management and the specialized committees, and examine and propose to the Board all elements and conditions for the compensation of members of executive management and the Group's senior executives".
- Part of the Corporate Social and Environmental Responsibility Committee's responsibility is "to examine the principal risks and opportunities for the Group in corporate social and environmental matters".
- The Internal Audit Departments of Fnac and Darty, through their missions, contribute to the assessment of the internal control system and draw up recommendations for the improvement of its practices. The Internal Audit Departments are in charge of managing and coordinating risk management, in particular through annual risk mapping and monitoring of action plans. They are 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 Departments of Fnac and Darty, which report to the Fnac Darty Group Chief Financial Officer, report the main results of their assessments to the executive management and the Audit Committee.

- The Statutory Auditors review the internal control systems to certify the financial statements by identifying strengths and weaknesses, assessing the risk of material misstatement and, if necessary, making recommendations.

System for managing main risks

The risk management system described above in section 3.5.3.1 "General principles of risk management" is structured as described above in section 3.5.3.2 "Links between risk management and internal control" with the internal control system in order to contribute to its ongoing assessment and improvement.

Oversight of the system

The ongoing oversight of the internal control system and the regular review of how it is functioning comprise three types of tasks: annual self-assessment exercises, internal audit assignments and observations made by the Statutory Auditors.

Self-assessment

Those in charge are asked to apply the internal control system to assess the level of internal control achieved through key controls for the proper functioning of their activities.

This approach helps to:

- raise awareness among operational and functional managers of the internal control procedures for which they are responsible;
- provide a structured and objective framework for analyzing risks and sharing internal control best practice;
- launch action plans and, if necessary, improvement plans.

The internal control analysis strategy is based on the following principles:

- an annual self-assessment of Fnac's Essential Rules, through questionnaires filled in by key operational staff in each Fnac country organization. In 2016, 14 cycles were self-assessed. The questionnaire for the "Finance, Accounting and Management" cycle sent to country Chief Financial Officers takes into account AMF's reference framework and, in particular, its application guide.

  These questionnaires help operational staff to assess the quality of internal control procedures for which they are responsible. They standardize the level of internal control across all activities and have them benefit from best practices. They enable the launch of improvement action plans based on the results obtained.

  This self-assessment exercise will be introduced for the Darty companies in 2017;
- 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 2016, all stores in France and abroad were self-assessed.

Internal audit

In 2016, the Internal Audit Departments continued to strengthen their system for assessing the internal control and risk control of the organizations The main actions undertaken concern:

- Internal Control Committees for all French and foreign subsidiaries. The purpose of these committees includes:
  - formalizing feedback from operational managers concerning identified and/or proven risks, and
  - ensuring that control activities are implemented and that they cover the subsidiary's risks.

  These Internal Control Committees met between January and December with the country and subsidiary CEOs and CFOs, and the Legal Department, Tax Department, Financial Control Department and Internal Audit Department;
- on-site audit missions were carried out, both in France and abroad, including audits of store operational cycles and audits of the cycles of the main support functions at the head offices of subsidiaries (product procurement and overheads, HR, marketing, etc.).

Statutory Auditors

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 2016, Fnac Darty Group's Finance Department supervised the Fnac Financial Control Department, the Fnac France Finance Department, the Legal and Insurance Departments, the Tax Department, the Fnac Investor Relations and Financing Department, the Darty Cash Management Department, the Darty Management Control Department, the Risk Prevention Departments, the Corporate Development Department, the Property and Expansion Department and the Internal Audit Departments and the Public Affairs Department.

Standards

Accounting standards

The Group has a body of accounting rules and policies which must be applied to all consolidated subsidiaries.

These accounting rules, which are regularly updated, take into account changes in accounting regulations and standards.

The accounting standards establish the principles required for the consistent treatment of operations. They specify, in particular, the recording methods pursuant to International Financial Reporting Standards (IFRS).

The budgetary and closure procedures ensure consistency in the treatment of data.

Fnac and Darty have specific accounting plans which are in the course of being harmonized and standardized.

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 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 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 SAP information system in all Groupe Fnac activities to ensure consistent treatment, comparison and control of accounting and financial information. Financial management and accounting data is managed with an SAP information system that is different from Fnac's system for Darty France, with software developed in-house for Vanden Borre (Darty Belgium) and with the IT system Microsoft Dynamics Nav for BCC (Darty Netherlands).
- Financial reporting data and budget construction and tracking data is managed with one and the same information system in all Groupe Fnac activities, and this SAP BPC tool interfaces with the accounting information system. Financial reporting, and budget construction and tracking data is managed with one and the same tool for Darty activities; this Hyperion Enterprise tool interfaces with Darty's different accounting information systems and with Fnac's BPC reporting tool.
- Consolidation data is collected in a single consolidation tool HFM, which interfaces with the accounting information system for Fnac and with Fnac Darty's BPC consolidated reporting system to recover the Darty data.

To reinforce internal control of systems, the Organization and Information Systems Department has strengthened the segregation of duties and has improved right of access controls through an annual review for Groupe Fnac.

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 the end of December for companies within Fnac's scope of consolidation and at the end of April and the end of October for companies within Darty's scope of consolidation, 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, February 28, 2017

Alexandre Bompard

Chairman, Chief Executive Officer

3.6 / REPORT OF THE STATUTORY AUDITORS PREPARED PURSUANT TO ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF GROUPE FNAC

Year ended December 31, 2016

Dear Shareholders,

In our capacity as Statutory Auditors of the company Groupe Fnac SA and in accordance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby submit to you our report 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, 2016.

It is the Chairman's task 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, containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly as regards corporate governance.

It is our responsibility to:

- report to you our observations made on the information contained in the Chairman´s report concerning the internal control and risk management procedures pertaining 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 of internal control related to the preparation and treatment of accounting and financial information that we have noted in the course of our mission have been appropriately reflected in the Chairman's report.

On the basis of our work, we have nothing to report on the information concerning the company´s internal control and risk management procedures pertaining to the preparation and processing of the accounting and financial information contained in the report of the Chairman of the Board of Directors prepared pursuant to Article L. 225-37 of the French Commercial Code.

Other information

We hereby attest that the report of the Chairman of the Board of Directors reflects those other items of information required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit
A department of KPMG S.A.

Hervé CHOPIN
Partner

Deloitte & Associés

Stéphane RIMBEUF
Partner

3.7 / SPECIAL AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

General Meeting called to approve the financial statements for the year ended December 31, 2016

Dear Shareholders,

As the Statutory Auditors of your Company, we are presenting our report on regulated agreements and commitments.

Based on the data that we have been given, it is our responsibility to inform you of the features, principal terms, the justifying reasons of interest to the Company, and the agreements and commitments we were told about, or that we may have discovered in the course of our assignment; we are not required to express an opinion as to their utility or suitability or to investigate whether other agreements and commitments exist. Under Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the appropriateness of entering into these agreements and commitments, for the purpose of approving them.

In addition, it is our responsibility to inform you, where appropriate, of the data stipulated in Article R. 225-31 of the French Commercial Code regarding the performance of agreements and commitments in the course of the last year that had already been approved by the General Meeting.

We have applied the procedures we considered necessary pursuant to the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this mission. These procedures consisted of checking the consistency of the data we were given against the basic documents from which the data was taken.

Agreements and commitments submitted for theapproval of the general meeting

Agreements and commitments authorized during the last year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the last year which is to be submitted for approval by the General Meeting pursuant to Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the general meeting

Agreements and commitments approved in prior years

a) the performance of which continued during the past year

Pursuant to Article L. 225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, which had already been approved by the General Meeting in prior years, continued during the last year.

Consulting services agreement with the BDGS firm authorized by the Board of Directors at its meeting of July 10, 2015

Person concerned

Antoine Gosset-Grainville, Director, Groupe Fnac SA and partner in the firm BDGS.

Nature and purpose

This agreement with the BDGS firm covers consulting services rendered to Groupe Fnac S.A. to monitor the process to acquire the Darty Group and any capital transaction related to this acquisition. This agreement ended at the end of December 2016.

Terms

The amount of the fees for the consulting services of the BDGS firm recognized for the year ended December 31, 2016, established on the basis of the time spent by the attorneys and the application of the hourly rates per category of consultant, totaled €4,019,166.86 before taxes.

Participation of Mr. Alexandre Bompard, Chairman and Chief Executive Officer, in a defined-contribution supplemental pension plan

Person concerned

Mr. Alexandre Bompard, Chairman and CEO of Groupe Fnac S.A.

Nature and purpose

In a decision dated July 30, 2013, the Board of Directors of your Company authorized Mr. Alexandre Bompard's membership in the supplemental defined-contribution pension plan for all Groupe Fnac executives in France; this commitment was extended by the Board of Directors on February 17, 2016, subject to renewal of Alexandre Bompard's term of office approved by the General Meeting of June 17, 2016.

Terms

Mr. Alexandre Bompard has a supplemental defined-contribution pension plan identical to the one given to all Groupe Fnac executives in France.

The payments made for his membership amounted to €10,631.04 before taxes for 2016.

Agreement on exit from the tax consolidation by and between Kering SA, Groupe Fnac S.A. and its French subsidiaries

Persons concerned

Mrs. Patricia Barbizet, Director of Groupe Fnac S.A. and director of Kering S.A.

Nature and purpose

On January 1, 2013, Kering SA assigned slightly more than 5% of the capital of Groupe Fnac S.A. to the Dutch company KERNIC MET BV. This disposal resulted in the exit of Groupe Fnac S.A. and the French subsidiaries in which it holds at least 95% from the scope of the Kering SA tax consolidation group, effective January 1, 2013.

In a decision dated April 17, 2013, the Board of Directors of your Company authorized the agreement for the exit of Groupe Fnac SA and its French subsidiaries from the tax consolidation group of Kering SA.

Terms

The exit of these companies from the tax consolidation group of Kering SA resulted in the signature of an agreement for removal from tax consolidation signed by Kering SA and Groupe Fnac SA and its French subsidiaries. The agreement stipulates in particular that the tax deficits, net long-term capital losses and tax credits accrued during the period when they belonged to the consolidated Kering Group will remain posted to the Kering Group.

In the event of an additional tax assessment for Groupe Fnac S.A. or one of its subsidiaries, it will owe Kering S.A. the amount as assessed, in accordance with the principles of the agreement, as it can no longer benefit from the tax deficits, net long-term losses or tax credits recognized during the period in which they belonged to the Kering consolidated group.

Over the course of year 2016, the amount €948,071.00 was paid to Kering S.A. as the result of a tax assessment concerning the company MSS, a subsidiary of Groupe Fnac S.A.

b) not performed during the last year

We have also been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous years, which were not performed during the past year.

Non-compete commitment for Mr. Alexandre Bompard, Chairman and Chief Executive Officer

Persons concerned

Mr. Alexandre Bompard, Chairman and CEO of Groupe Fnac S.A.

Nature and purpose

In a decision dated July 30, 2013, the Board of Directors of your Company authorized a non-compete agreement concluded between your Company and its Chairman and Chief Executive Officer Mr. Alexandre Bompard. This commitment was extended by the Board of Directors on February 17, 2016, subject to the renewal of Mr. Alexandre Bompard's term of office approved by the General Meeting of June 17, 2016.

Terms

This commitment covers the distribution segment specialized in cultural and/or technological products and entertainment products for the consumer market in France, Belgium, Spain, Switzerland, Portugal and Brazil. This commitment is limited to a period of two years from the end of Alexandre Bompard's term of office.

In return for this commitment, 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 implementation of this clause.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

4 COMMENTS ON THE PERIOD

Table containing pro forma data

4.1 / PRO FORMA FINANCIAL INFORMATION

In order to provide a reference framework for assessing the Group's performance, Fnac Darty has published pro forma operating information for years 2015 and 2016. The figures present the financial position as if Fnac's acquisition of Darty had taken place on January 1, 2015.

The pro-forma financial information includes the consolidated operating results of Fnac and Darty produced on an individual basis, after alignment of the accounting policies and impacts of the purchase price allocation, which in turn have an impact on operating income.

The pro forma financial information, established pursuant to Appendix II of the Regulation (EC) 809/2004 and the ESMA recommendations on pro forma financial reporting, are purely illustrative and deal with a hypothetical situation. As a result, they do not represent the financial position or the operating performance of Fnac Darty if the combination had actually occurred on January 1, 2015.

(€ million)	Reported 2016	Adjustment period	Adjustments to accounting methods	Allocation of the acquisition price	Pro forma 2016	Reported 2015 restated*	Adjustment period	Adjustments to accounting methods	Allocation of the acquisition price	Pro forma 2015
Income from ordinary activities	5,369.2	2,049.6	(0.3)		7,418.5	3,739.0	3,539.1	(0.1)		7,278.0
Cost of sales	(3,791.8)	(1,415.2)	6.0		(5,201.0)	(2,626.2)	(2,430.9)	(32.7)		(5,089.8)
GROSS MARGIN	**1,577.4**	**634.4**	**5.7**	**0.0**	**2,217.5**	**1,112.8**	**1,108.2**	**(32.8)**	**0.0**	**2,188.2**
Personnel expenses	(785.3)	(347.4)	(0.6)		(1,133.3)	(551.8)	(592.7)	1.9		(1,142.6)
Other current operating income and expenses	(631.2)	(250.3)	2.4	(3.0)	(882.1)	(476.0)	(428.2)	30.8	(8.6)	(882.0)
Share of profit from equity associates	0.2	1.0	0.0		1.2	0.0	1.6	0.0		1.6
CURRENT OPERATING INCOME	**161.1**	**37.8**	**7.4**	**(3.0)**	**203.3**	**85.0**	**88.9**	**(0.2)**	**(8.6)**	**165.2**
Other non-current operating income and expenses	(39.1)	(27.7)	(4.7)	(18.8)	(90.4)	(9.7)	(54.6)	(8.4)	(1.1)	(73.8)
OPERATING INCOME	**122.0**	**10.2**	**2.6**	**(21.9)**	**112.9**	**75.3**	**34.3**	**(8.6)**	**(9.7)**	**91.4**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

This pro forma information has been prepared on the basis of "published" information that corresponds to:

- for 2016, the audited IFRS consolidated financial statements of Fnac Darty for the year ended December 31, 2016, including 12 months of operating activity of the Fnac brand and five months of operating activity of the Darty brand, beginning August 1 (for convenience, the flows are recognized as of August 1, even though the date of the takeover of Darty by Fnac Darty was July 18);
- for 2015, the comparative information for the year ended December 31, 2015, restated for the reclassification of Fnac Brazil as discontinued operations, as included in the audited consolidated financial statements of Fnac Darty for the year ended December 31, 2016, and corresponding to 12 months of operating activity of the Fnac brand.

The pro forma adjustments consist of the following items:

(i) period adjustments that reflect:

- in 2016, the operating activity of the Darty brand from January 1, 2016 to July 31, 2016, the date of the accounting consolidation of Darty by Fnac Darty;
- in 2015, the operating activity of the Darty brand from January 1, 2015 to December 31, 2015.

Given the different annual closing dates of Fnac (December 31) and Darty (April 30), the Darty historical financial information was established from monthly IFRS accounting reports, which have not all been audited or subject to a limited review by the Darty Auditor.

(ii) Adjustments to accounting methods that correspond in 2016 and 2015 to the homogenization of the accounting methods between the Fnac and Darty brands, as well as the adjustments to the Darty opening balance sheet at August 1, 2016 considered to be at January 1, 2015 or 2016. The adjustments in the accounting methods primarily consist of the harmonization of the methodologies for valuing inventories and supplier discounts purchase cut-offs.

(iii) Adjustments related to the allocation of the purchase price that represented in 2016 and 2015 the operating income impact of the recognition of the assets and liabilities acquired at fair value. A provisional valuation of the identifiable assets acquired and liabilities assumed was completed as of August 1, 2016. The valuation work will continue in 2017, primarily on the real property assets acquired. For more details on the calculation of the allocation of the purchase price, refer to Chapter 5, section 15.2.1.

4.2 / ANALYSIS OF BUSINESS ACTIVITIES AND CONSOLIDATED RESULTS

Definitions and alternative performance indicators:

Definition of revenues

The Group's "real" revenues (or income from ordinary activities) correspond to its reported revenues.

The Group uses the following notions of change in revenues:

1. Change in revenues at constant exchange rates:

   Change in revenues at constant exchange rates means that the impact of changes in the foreign exchange rate has been excluded. The impact of foreign exchange rates is eliminated by recalculating sales from year N-1, based on foreign exchange rates used for year N.

2. Change in revenues at constant consolidation:

   The change in revenues at constant consolidation means that the impact of changes in scope of consolidation is corrected in order to exclude modifications such as acquisitions or disposals of subsidiaries. Revenues of subsidiaries acquired or sold since January 1 of year N-1 are excluded from the calculation of the change.

3. Change in revenues on a same-store basis:

   The change in revenues on a same-store basis means that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed since January 1 of year N-1 are excluded from the calculation of the change.

Definition of current operating income

The total operating income of the Groupe Fnac includes all the income and costs directly related to Groupe Fnac operations, whether the income and costs are recurring or whether they result from one-off operations or decisions.

"Other non-current operating income and expenses" reflects the unusual and significant items for the consolidated entity that could disturb tracking of the Group's business performance.

As a result, and in order to monitor Group operating performance, Groupe Fnac uses current operating income as a major management balance, which is defined as the difference between the total operating income and "Other non-current operating income and expenses".

Current operating income is an intermediate aggregate that facilitates understanding of the entity's operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a constant and stable manner over time in accordance with the principle of continuity and relevance for financial reporting.

Definition of EBITDA and EBITDAR

In addition to the results published, the Group presents additional performance indicators that exclude the impact on current operating income of net amortization, depreciation and provisions on non-current operating assets recognized in current operating income for EBITDA, as well as rents excluding rental charges on building operating leases for EBITDAR. The Group believes that this information can assist investors in their analysis of the Group's performance. These indicators are also used in the context of the financial covenants applicable under the Credit Facility Agreement. EBITDA and EBITDAR are not indicators stipulated by IFRS and do not appear in the Group consolidated financial statements. EBITDA and EBITDAR have no standard definition and, therefore, the definition used by the Group may not match the definitions of these terms used by other companies.

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.

EBITDAR = EBITDA before rental payments.

Definition of free cash flow from operations

The Group also used an intermediate aggregate to track its financial performance described as free cash flow from operations. This financial indicator measures net operating cash flow and gross operating investment flow (defined as purchases and sales of tangible and intangible non-current assets, and the change in supplier accounts payable for non-current assets).

Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.

Definition of net cash

Net cash represents gross cash and cash equivalents minus gross financial debt and accrued interest not due, as defined by National Accounting Board recommendation 2013-03 of November 7, 2013.

Rounding

The following tables contain data rounded off individually. The arithmetic calculations performed on the basis of rounded-off items may differ from the aggregates or sub-totals shown.

4.2.1 / Key financial information

The financial information presented below is derived from the consolidated financial statements for the periods ended December 31, 2015 and 2016, prepared in accordance with IFRS as adopted by the European Union, set forth in section 5.1 “Group consolidated financial statements at December 31, 2016 and 2015” in this Registration Document.

Along with the financial information reported and in order to provide a reference framework to assess the Group's future performance, Fnac Darty has published pro forma financial information for years 2015 and 2016. The pro forma financial information shows the position as if the Darty acquisition had taken place on January 1, 2015. Section 4.1 “Pro forma financial information” shows the shift between the historical financial information and the pro forma financial information for years 2015 and 2016.

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the years ended December 31, 2015 and 2016 presented in section 5.1 “Group consolidated financial statements at December 31, 2016 and 2015”, in this Registration Document; (ii) the analysis of the Group's cash and equity capital shown in section 4.3 “Cash and capital resources”, in this Registration Document; and (iii) the information on trends and targets presented in section 4.4 “Recent events and outlook”, in this Registration Document.

Key income statement data for the Group

	Year ended December 31					
	Reported			Pro forma		
(€ million)	**2016**	**2015 restated***	**Change**	**2016**	**2015**	**Change**
Revenues	5,369.2	3,739.0	43.6%	7,418.5	7,278.0	1.9%
Gross margin	1,577.4	1,112.8	41.8%	2,217.5	2,188.2	1.3%
Current operating income	161.1	85.0	89.5%	203.3	165.2	23.1%
Operating income	122.0	75.3	62.0%	112.9	91.4	23.5%
Net income from continuing operations	21.8	50.3	(56.7%)			
Net income from continuing operations, Group share	21.2	49.8	(57.4%)			
(as % of revenues)						
Gross margin	29.4%	29.8%	(0.4)pt	29.9%	30.1%	(0.2)pt
Current operating margin	3.0%	2.3%	0.7pt	2.7%	2.3%	0.5pt
Other financial data not derived from the audited financial statements						
EBITDA [a]	237.6	145.0	63.9%	305.3	273.2	11.7%
EBITDAR [b]	394.5	269.4	46.4%	510.8	486.5	5.0%

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

(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 before rental payments.*

Selected segment information

	Year ended December 31							
	Reported				Pro forma			
	2016		**2015 restated***		**2016**		**2015**	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Revenues								
France-Switzerland	4,218.6	78.6%	2,898.6	77.5%	5,854.4	78.9%	5,734.1	78.8%
Iberian Peninsula	656.2	12.2%	657.3	17.6%	656.2	8.8%	657.3	9.0%
Benelux	494.4	9.2%	183.1	4.9%	907.9	12.2%	886.6	12.2%
TOTAL	**5,369.2**	**100.0%**	**3,739.0**	**100.0%**	**7,418.5**	**100.0%**	**7,278.0**	**100.0%**
Current operating income								
France-Switzerland	132.9	82.5%	57.9	68.1%	176.3	86.7%	131.4	79.5%
Iberian Peninsula	23.2	14.4%	24.2	28.5%	23.2	11.4%	24.2	14.6%
Benelux	5.0	3.1%	2.9	3.4%	3.8	1.9%	9.6	5.8%
TOTAL	**161.1**	**100.0%**	**85.0**	**100.0%**	**203.3**	**100.0%**	**165.2**	**100.0%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Key balance sheet data for the Group

	Year ended December 31		
	Reported		
(€ million)	**2016**	**2015**	**Change**
Non-current assets	2,579.1	606.0	1,973.1
Current assets	2,309.5	1,306.6	1,002.9
Shareholders' equity	1,040.2	564.3	475.9
Non-current liabilities	1,366.5	77.7	1,288.8
Current liabilities	2,518.3	1,270.6	1,247.7
Financial debt	*863.0*	*0.5*	*862.5*
Cash and cash equivalents	*654.8*	*544.6*	*110.2*
Net cash	(208.2)	544.1	(752.3)

Key cash flow statement data for the Group

	Year ended December 31					
	Reported			Pro forma		
(€ million)	**2016**	**2015 restated***	**Change**	**2016**	**2015**	**Change**
Cash flow before taxes, dividends and interest	198.0	119.9	78.1	202.5	198.0	4.6
Change in working capital requirement	86.0	49.8	36.2	147.3	116.3	31.1
Net cash flows from operating activities	246.5	153.8	92.7	303.9	281.6	22.3
Net cash flows from operating investment activities	(95.7)	(57.1)	(38.6)	(111.2)	(68.3)	(42.8)
Net cash flows from investment activities	(1,117.7)	(63.1)	(1,054.6)			
Net cash flows from financing activities	992.5	(70.2)	1,062.7			
Net cash	(208.2)	544.1	(752.3)			

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

4.2.2 / General overview

4.2.2.1 / Introduction

The following table provides a breakdown of the Group's 2016 revenues by geographic region and category of products and services.

	Reported									
	Year ended December 31, 2016									
	Consumer electronics		Publishing products		Household appliances		Other products and services		Total	
	(€ million)	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of revenues from all regions)*
France-Switzerland	2,134.7	50.6%	962.7	22.8%	498.2	11.8%	623.0	14.8%	4,218.6	78.6%
Iberian Peninsula	389.8	59.4%	219.3	33.4%	0.0	0.0%	47.1	7.2%	656.2	12.2%
Benelux	245.7	49.7%	61.9	12.5%	139.7	28.3%	47.1	9.5%	494.4	9.2%
TOTAL	**2,770.2**	**51.6%**	**1,243.9**	**23.2%**	**637.9**	**11.9%**	**717.2**	**13.4%**	**5,369.2**	**100.0%**

	Pro forma									
	Year ended December 31, 2016									
	Consumer electronics		Publishing products		Household appliances		Other products and services		Total	
	(€ million)	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of revenues from all regions)*
France-Switzerland	2,734.7	46.7%	963.4	16.5%	1,130.8	19.3%	1,025.5	17.5%	5,854.4	78.9%
Iberian Peninsula	389.8	59.4%	219.3	33.4%	0.0	0.0%	47.1	7.2%	656.2	8.8%
Benelux	430.0	47.4%	62.0	6.8%	321.5	35.4%	94.4	10.4%	907.9	12.2%
TOTAL	**3,554.5**	**47.9%**	**1,244.7**	**16.8%**	**1,452.3**	**19.6%**	**1,167.0**	**15.7%**	**7,418.5**	**100.0%**

New operating segments:

- the changes in the Group's organization required a modification of the operating segments of Fnac Darty;
- with the integration of the central corporate functions by country, segmentation by brand (Fnac, Darty) loses its relevance;
- the Group will be managed and performance tracked by country.

Reported:

The Group manages its operations based on the following geographic segments:

- **France-Switzerland** *(78.6% of Group revenues in 2016, 82.5% of Group current operating income in 2016)*. The "France-Switzerland" region makes the largest contribution to Group revenues with €4,218.6 million in revenues in 2016;
- **Iberian Peninsula** *(12.2% of Group revenues in 2016, and 14.4% of Group current operating income in 2016)*. The "Iberian Peninsula" region covers the Group's operations in Spain and Portugal and posted revenues of €656.2 million in 2016;
- **Benelux** *(9.2% of Group revenues in 2016, 3.1% of Group current operating income in 2016)*. The "Benelux" region covers the Group's activities in Belgium and the Netherlands and recorded revenues of €494.4 million in 2016.

Pro forma:

The Group manages its operations based on the following geographic segments:

- **France-Switzerland** *(78.9% of Group revenues in 2016, 86.7% of Group current operating income in 2016).* The "France-Switzerland" region made the largest contribution to Group revenues with €5,854.4 million in revenues in 2016. The Group's activity in France and Switzerland at the end of 2016 was driven by directly operated stores (307 in France and 6 in Switzerland), 152 stores operated as a franchise in France (including the stores in Morocco, Qatar and Côte d'Ivoire) and its websites, primarily fnac.com, darty.com and fnac.ch (ecommerce site online since 2016);
- **Iberian Peninsula** *(8.8% of Group revenues in 2016, and 11.4% of Group current operating income in 2016).* The Group conducts its business in the Iberian Peninsula through directly operated store networks (27 in Spain and 23 in Portugal at the end of 2016), franchise stores (2 in Spain, one of which opened in July 2016) and through the fnac.es and fnac.pt websites;
- **Benelux** *(12.2% of Group revenues in 2016, 1.9% of Group current operating income in 2016).* The "Benelux" region covers the Group's operations in Belgium and the Netherlands, where the Group operated 74 and 73 directly owned stores respectively at year-end 2016.

Product and service categories

In each geographic region where it operates, the Group analyzes its sales by category of products and services. This analysis is organized in five main segments:

- **Consumer Electronics** *(47.9% of Group revenues in 2016).* The Consumer Electronics category generated revenues of €3,554.4 million in 2016. This segment includes two sub-categories of products:
  - *"Microcomputing"* represents sales of the following products: desktop computers, laptops, tablets, software, printers, e-readers, telephones and office products and accessories, as well as all connected products. Microcomputing accounted for 64.0% of revenues from the consumer electronics category in 2016,
  - *"Retail Electronics"* includes sales of the following products: cameras and photography accessories, televisions and video accessories such as DVD players, Blu-Ray players and other accessories (home cinema), and audio items and accessories (MP3 players, headphones, *docking stations* and related accessories). The "Retail Electronics" sub-category generated 36.0% of consumer electronics revenues in 2016;
- **Editorial Products** *(16.8% of Group revenues in 2016).* The Editorial Products segment generated revenues of €1,244.7 million in 2016. It includes two sub-categories of products:
  - *"Books"* covers hard copy and digital books. The "Books" sub-category represented 56.3% of the revenues generated on sales of editorial products in 2016,
  - *"Discs and Gaming"* includes music (CDs), videos (DVDs and Blu-Ray discs), gaming, including video games (new and used) and consoles, as well as derivative products (gadgets, t-shirts, musical instruments, and others). This sub-category accounted for 43.7% of editorial products revenues in 2016;
- **Household Appliances:** *(19.6% of Group revenues in 2016).* The Household Appliance category generated €1,452.3 million in revenues in 2016. It includes two sub-categories of products:
  - *"Major household appliances"* are refrigerators/freezers, cooking items, dishwashers and washing machines/dryers. This sub-category accounted for 62.9% of appliance revenues in 2016,
  - *"Small domestic appliances"* include vacuum cleaners, body care and water/air treatment appliances. This sub-category accounted for 37.1% of revenues from sales of household appliances in 2016;
- **Other products and services:** *(15.7% of Group revenues in 2016).* This category represents two sub-categories: first, products in the development phase for generated revenues of €398.9 million; including kitchen equipment, Home & Design products, Games & Toys and Stationery; and second, the "services" and "other revenues" items, which generated €768.2 million in revenues in 2016 and include 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.

Number of stores at December 31, 2016

The following table shows the growth in the number of stores over the period:

	2016			2015		
Number of stores*	**Owned**	**Franchise**	**Total**	**Owned**	**Franchise**	**Total**
France-Switzerland	313	152	465	314	99	413
Iberian Peninsula	50	2	52	48	1	49
Benelux	147	0	147	146	0	146
TOTAL	**510**	**154**	**664**	**508**	**100**	**608**

* *Excluding Brazilian stores.*

The Group opened twelve directly owned stores and 55 stores under franchise in 2016. At the same time, the Group closed ten directly owned stores and one franchise store.

The financial results of directly owned stores are fully consolidated in the Group's financial statements. The Group analyzes the change in its revenues over a given period on a basis which includes all stores, as well as a constant-store basis, i.e. the revenues generated by stores that, as of January 1 of a given year, were in operation for the full twelve months of the previous year.

In regards to stores operated under franchise, the Group recognizes goods sold to franchised stores as product revenues under Group revenues, and royalties on revenues generated by franchised stores through business with their clients are recognized as services revenues under Group revenues.

Unless otherwise indicated, all financial data in this section include the full scope of consolidation and are presented on a current exchange rate basis.

Traffic, average checkout value, checkout transactions and number of loyalty program members

The Group's revenues are a function of the number of checkout transactions and average checkout values. Checkout transactions depend on customer traffic (visits to a store or website) and the sales conversion rate.

The number of Group loyalty program members rose 12.7% to total 6.7 million at the end of 2016.

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.

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 2016, the Group generated 32.7% of its consolidated revenues for the year during the fourth quarter, stable compared to 2015.

Fluctuations in foreign exchange rates

The impact of fluctuations in foreign exchange rates is limited and primarily consists of the impact of exchange rate fluctuations on the income statement resulting from the translation of the local-currency results of the Group's subsidiaries in Switzerland and Brazil into euros (see section 6.3 "Market risks" in this Registration Document).

In 2016, the Group recorded growth of +1.9% in its pro forma revenues at current exchange rates. At constant exchange rates, pro forma revenues were up by +2.0%.

The foreign exchange risk incurred on purchases made by the Group is relatively low as the Group's subsidiaries make the vast bulk of their sales and generate the vast bulk of their costs in the local currency, i.e. primarily in euros.

4.2.2.2 / Significant events during the year

4.2.2.2.1 / Rapid progress in the Fnac Darty integration

While Fnac Darty achieved good commercial performance, the integration process has advanced rapidly since the operational takeover of Darty, which took place at the end of July 2016.

The working groups set up during the summer launched the first initiatives and enhanced the strong potential for value creation by the new entity.

At the end of 2016, synergies have already had a favorable impact of €9 million on recurring operating income, compared with the €6.5 million originally targeted.

As a result, the Group moved up the target date for achieving its objective of €130 million in synergies, from the end of 2019 to the end of 2018. At least half would be achieved by the end of 2017.

Revenue synergies (an additional €20 million target for current operating income) would be generated by the pooling of omnichannel capacities such as click&collect, “shop-in-shops” (placement of one brand in the stores of the other), and joint loyalty cards or gift cards. Cross-initiatives have already been implemented starting last summer, including: the introduction of a Darty space in the Fnac.com Marketplace, the pick-up of Fnac.com purchases in the Darty network (75 stores available at year-end 2016), and the introduction of a ticketing space on darty.com.

Cost synergies (representing an additional €110 million target for current operating income) would stem mainly from synergies on merchandise purchases (brown goods, gray goods and small domestic appliances) and the pooling of support functions. The optimization of logistics would also generate significant savings and develop a distinctive service for the delivery/installation of consumer electronics.

The costs of implementing these synergies should be around €110 million over the period 2016/2018.

4.2.2.2.2 / A very solid operating performance in 2016 (pro forma)

Fnac Darty consolidated revenues totaled €7,418.5 million, an increase of +2.0% (at constant exchange rates). Sales momentums was positive in both the France-Switzerland segment (+2.1%) and internationally (+1.3%).

Current operating income rose +23.1% to €203.3 million under the combined impact of growth in business, a well-controlled gross margin rate, the solid execution of cost reduction plans and the first synergies.

Free cash flow generation was robust at €192.8 million. Restated for non-recurring costs related to the acquisition of Darty, free cash flow was up 17%.

This very solid performance was achieved in the context of a modest economic recovery and weak markets in most of the Group’s product categories. It reflects the strong transformation momentum in progress in both brands and the continued focus of the teams on improving operational efficiency.

4.2.2.2.3 / More attractive e-commerce offer

With a total of 13.6 million unique visitors on average per month, Fnac Darty has become France’s second-largest e-commerce retailer.

Internet activities generated strong momentum in 2016 and were driven in particular by development of the Marketplaces, improved delivery services and rapid growth in omnichannel sales, which accounted for 45% of online orders.

Fnac and Darty continued to reinforce the quality of their digital offering, with the ramp-up of the Marketplace on darty.com, the launch of the retail site in Switzerland, the introduction of one-click purchasing on Fnac.com, and improvement of web platforms in the Iberian Peninsula.

In delivery services, Fnac 2h Chrono is now accessible to 30% of Fnac.com unique visitors thanks to its deployment in 10 major cities during 2016. Darty also developed “same-day” delivery in the Paris region for household appliances and televisions.

4.2.2.2.4 / A unique territorial network and continued expansion

Fnac Darty has a network of 664 stores (459 in France) with a territorial density that has increased considerably thanks to the complementarity of the Fnac and Darty networks.

The pace of expansion has remained very strong in 2016 in both brands, with a total of 67 stores opening over the course of the year.

Fnac opened 27 stores in 2016 (compared with 15 in 2015), seven of which were outside of France. With 20 openings in France, mainly franchises, the Group was able to capitalize on the respective partnerships created with Intermarché and Vindemia for the proximity format, Lagardère Services for the “Travel retail” format, and SEDADI for the Fnac “Connect” format.

Darty opened 40 stores in 2016, 36 of which were franchised stores in France (compared with 24 in 2015) and three integrated stores in Belgium.

4.2.2.2.5 / New product and service offers

The Group has also continued its efforts to enrich its products and services offering. The Games & Toys and Stationery categories are recording double-digit growth. In addition, the roll-out of the Kitchen offer at Darty accelerated with the opening of eight new spaces in France, bringing the number of stores with this offer to a total of 86 at year-end 2016. The first two Vanden Borre Kitchen stores were opened as franchises in Belgium, within the partnership with Ixina. Finally, Fnac successfully launched its new "Fnac+" loyalty card in October, which includes unlimited access to all delivery services and the benefits of the member program.

4.2.2.2.6 / Presentation of Fnac Brazil as discontinued operations

The Group has initiated a process to find partners in Brazil that can lead to complete withdrawal from the country.

An investment bank has been authorized to identify potential partners and conduct discussions.

Fnac Brazil is penalized by its lack of critical mass in a market that is already consolidated.

Fnac Brazil has serious assets to create value with a partner. They include:

- strong brand recognition;
- quality locations (12 stores).

4.2.2.2.7 / Vivendi acquires stake in the Group

On April 11, 2016, Fnac Darty and Vivendi announced a "strategic partnership" under which the Vivendi Group acquired an equity stake in the Group through a reserved capital increase in the amount of €159.0 million, at a price of €54 per share. This transaction gives Vivendi an 11% stake in Fnac as of December 31, 2016.

In the context of this partnership, on July 11 Fnac Darty and Vivendi announced their first joint commercial initiative to increase the value of their respective membership programs by allowing Canal+ customers to benefit from the reimbursement of their subscription to Fnac's Express+ delivery service.

4.2.3 / Comparison of the Group's annual results for years 2015 and 2016

The table below shows the Group's consolidated income statement for the years ended December 31, 2015 and December 31, 2016, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Year ended December 31									
	Reported					Pro forma				
	2016		2015 restated*			2016		2015		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	Change	*(€ million)*	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	Change
Revenues	**5,369.2**	**100.0%**	**3,739.0**	**100.0%**	**43.6%**	**7,418.5**	**100.0%**	**7,278.0**	**100.0%**	**1.9%**
Gross margin	**1,577.4**	**29.4%**	**1,112.8**	**29.8%**	**41.8%**	**2,217.5**	**29.9%**	**2,188.2**	**30.1%**	**1.3%**
Personnel expenses	(785.3)	(14.6%)	(551.8)	(14.8%)	(42.3%)	(1,133.3)	(15.3%)	(1,142.6)	(15.7%)	0.8%
Other current operating income and expenses	(631.2)	(11.8%)	(476.0)	(12.7%)	(32.6%)	(882.1)	(11.9%)	(882.0)	(12.1%)	(0.0%)
Share of profit from equity associates	0.2	0.0%	0.0	0.0%	-	1.2	0.0%	1.6	0.0%	(25.0%)
Current operating income	**161.1**	**3.0%**	**85.0**	**2.3%**	**89.5%**	**203.3**	**2.7%**	**165.2**	**2.3%**	**23.1%**
Other non-current operating income and expenses	(39.1)	(0.7%)	(9.7)	(0.3%)	(303.1%)	(90.4)	(1.2%)	(73.8)	(1.0%)	(22.5%)
Operating income	**122.0**	**2.3%**	**75.3**	**2.0%**	**62.0%**	**112.9**	**1.5%**	**91.4**	**1.3%**	**23.5%**
(Net) financial expense	(76.2)	(1.4%)	(11.1)	(0.3%)	(586.5%)					
Income tax	(24.0)	(0.4%)	(13.9)	(0.4%)	(72.7%)					
Net income from continuing operations for the financial year	**21.8**		**50.3**		**(56.7%)**					
Net income from discontinued operations	(21.6)		(2.0)		-					
Consolidated net income	**0.2**		**48.3**		**(99.6%)**					
Group share	*(0.4)*		*47.9*							
share attributable to non-controlling interests	*0.6*		*0.4*							

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

4.2.3.1 / Revenues

Reported:

The Group reported a 43.6% increase in revenues, due mainly to the Darty acquisition.

Pro forma:

The Group saw an increase in its revenues in 2016 (+1.9%).

Exchange rates had a negative effect of 0.1 points, primarily due to the decline of the Swiss franc against the euro. At constant exchange rates, the change in the Group's revenues was +2.0%.

On a same-store basis, the Group's revenues were up by 2.0%. Integrated store closings were offset by new integrated store openings.

Although macroeconomic conditions improved slightly in 2016 in the Group's main countries in Europe, the consumer environment was still sluggish on Group markets.

The table below provides a breakdown of revenues for the years ended December 31, 2015 and December 31, 2016, by geographical region.

	Year ended December 31							
	Reported							
	2016		2015 restated*					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
France-Switzerland	4,218.6	78.6%	2,898.6	77.5%	45.5%	45.5%	45.7%	45.4%
Iberian Peninsula	656.2	12.2%	657.3	17.6%	(0.2%)	(0.2%)	(0.2%)	(0.6%)
Benelux	494.4	9.2%	183.1	4.9%	170.0%	170.0%	170.0%	164.7%
TOTAL	**5,369.2**	**100.0%**	**3,739.0**	**100.0%**	**43.6%**	**43.6%**	**43.7%**	**43.3%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

	Year ended December 31							
	Pro forma							
	2016		2015					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
France-Switzerland	5,854.4	78.9%	5,734.1	78.8%	2.1%	2.1%	2.1%	2.4%
Iberian Peninsula	656.2	8.8%	657.3	9.0%	(0.2%)	(0.2%)	(0.2%)	(0.6%)
Benelux	907.9	12.2%	886.6	12.2%	2.4%	2.4%	2.4%	1.3%
TOTAL	**7,418.5**	**100.0%**	**7,278.0**	**100.0%**	**1.9%**	**1.9%**	**2.0%**	**2.0%**

	Year ended December 31							
	Reported							
	2016		2015 restated*					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
Consumer electronics	2,770.2	51.6%	2,108.1	56.4%	31.4%	31.4%	31.5%	30.9%
Publishing products	1,243.9	23.2%	1,297.0	34.7%	(4.1%)	(4.1%)	(4.2%)	(4.8%)
Household appliances	637.9	11.9%	0.0	0.0%	-	-	-	-
Other products and services	717.2	13.4%	333.9	8.9%	114.8%	114.8%	116.3%	116.3%
TOTAL	**5,369.2**	**100.0%**	**3,739.0**	**100.0%**	**43.6%**	**43.6%**	**43.7%**	**43.3%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

	Year ended December 31							
	Pro forma							
	2016		2015					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current forex	Change at comparable consolidation	Change at constant foreign exchange rates and consolidation	Change at constant foreign exchange rates, consolidation and stores
Consumer electronics	3,554.5	47.9%	3,455.1	47.5%	2.9%	2.9%	2.9%	2.5%
Publishing products	1,244.7	16.8%	1,297.9	17.8%	(4.1%)	(4.1%)	(4.2%)	(4.8%)
Household appliances	1,452.3	19.6%	1,450.1	19.9%	0.2%	0.2%	0.2%	0.2%
Other products and services	1,167.0	15.7%	1,074.9	14.8%	8.6%	8.6%	8.8%	8.7%
TOTAL	**7,418.5**	**100.0%**	**7,278.0**	**100.0%**	**1.9%**	**1.9%**	**2.0%**	**2.0%**

Growth in revenues of consumer electronics is primarily due to the increase in sales of the "Retail Electronics" sub-category, which posted excellent performance driven by sales of televisions and decoders in the first half of the year (Euro 2016 soccer championship and the transition to TNT HD) and excellent performance in the Photo sector in the fourth quarter. The Audio sector continues to be dynamic with growing sales. The "Microcomputing" sub-category was driven by growth in sales of no-contract phones and sales of Connected Products.

The decline in revenues from Editorial Products is mainly due to the fall in revenues in the "Discs and Gaming" sub-category, which is negatively affected by the structural decline in video and audio discs (a consequence of the digitalization phenomenon). The Gaming sector was negatively impacted by the fact that there were no new launches of new versions of consoles and new games in 2016. The "Books" sub-category was down slightly in 2016 in spite of good performance in the final quarter.

The slight increase in revenues of household appliances is due mainly to the growth in the "Small Household Appliances" sub-category. The "Large Household Appliances" sub-category was down, negatively impacted by the refrigeration and cooking sectors.

Growth in revenues of Other products and services benefited, firstly, from the strong growth in the Games & Toys, Stationery and Cooking sectors and, secondly, from the increase in Marketplace commissions and royalties related to development of the franchise.

Internet operations now account for 16.1% of Group sales, a 1.1-point increase, due to development of the omni-channel strategy, Marketplaces and mobile traffic.

4.2.3.2 / Gross margin and gross profit margin

Reported:

The Group's gross margin came to €1,577.4 million in year 2016, an increase of 41.8%, due mainly to the Darty acquisition.

Pro forma:

The Group's gross margin came to €2,217.5 million in year 2016, an increase on the total of €2,188.2 million in 2015.

This resulted in a profit margin of 29.9% in 2016, compared to 30.1% in 2015.

The gross profit margin fell slightly in 2016. It was negatively impacted by the product mix and the dilutive effect of the development of franchising, which was partially offset by the sound management of commercial operations and the gains achieved by partnerships with suppliers.

4.2.3.3 / Personnel expenses

Reported:

Personnel expenses amounted to €785.3 million (14.6% of revenues) for year 2016, compared with €551.8 million (14.8% of revenues) for the year 2015, following the acquisition of Darty.

Pro forma:

Personnel expenses amounted to €1,133.3 million (15.3% of revenues) for year 2016, compared with €1,142.6 million (15.7% of revenues) for year 2015, i.e. a decrease in personnel expenses and a 0.4% improvement in the Personnel expenses/revenues ratio.

Initiatives to improve the operating efficiency of the personnel structures continued in all geographic areas.

4.2.3.4 / Other current operating income and expenses

Reported:

Other current operating income and expenses amounted to €631.2 million (11.8% of revenues) for year 2016, compared with €476.0 million (12.7% of revenues) for year 2015, following the Darty acquisition.

Pro forma:

Other current operating income and expenses were stable at €882.1 million (11.9% of revenues) for year 2016, compared to €882.0 million (12.1% of revenues) for year 2015, a 0.2% improvement in the Other current operating income and expenses/ revenues ratio.

4.2.3.5 / Current operating income

Reported:

Current operating income amounted to €161.1 million for year 2016, compared to €85.0 million in year 2015, following the Darty acquisition.

Pro forma:

Current operating income amounted to €203.3 million for year 2016, compared to €165.2 million in year 2015, an increase of 23.1%.

"Current operating profitability" came to 2.7% in 2016 compared to 2.3% in 2015.

	Year ended December 31							
	Reported				Pro forma			
	2016		2015 restated*		2016		2015	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*
France-Switzerland	132.9	82.5%	57.9	68.1%	176.3	86.7%	131.4	79.5%
Iberian Peninsula	23.2	14.4%	24.2	28.5%	23.2	11.4%	24.2	14.6%
Benelux	5.0	3.1%	2.9	3.4%	3.8	1.9%	9.6	5.8%
CURRENT OPERATING INCOME	**161.1**	**100.0%**	**85.0**	**100.0%**	**203.3**	**100.0%**	**165.2**	**100.0%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

4.2.3.6 / EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Year ended December 31							
	Reported				Pro forma			
	2016		2015 restated*		2016		2015	
	(€ million)	(as % of revenues)	(€ million)	(as % of revenues)	(€ million)	(as % of revenues)	(€ million)	(as % of revenues)
Current operating income	**161.1**	**3.0%**	**85.0**	**2.3%**	**203.3**	**2.7%**	**165.2**	**2.3%**
Depreciation, amortization and provisions [(a)]	76.5	1.4%	60.0	1.6%	102.0	1.4%	108.0	1.5%
EBITDA	**237.6**	**4.4%**	**145.0**	**3.9%**	**305.3**	**4.1%**	**273.2**	**3.8%**
Rents [(b)]	156.9	2.9%	124.4	3.3%	205.5	2.8%	213.3	2.9%
EBITDAR	**394.5**	**7.3%**	**269.4**	**7.2%**	**510.8**	**6.9%**	**486.5**	**6.7%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*
(a) *Depreciation, amortization and provisions correspond to net allocations for depreciation and amortization and provisions on non-current operational assets recorded as current operating income.*
(b) *Rents correspond to property rents excluding rental charges on operating leases.*

4.2.3.7 / Other non-current operating income and expense

This item shows a net expense of €39.1 million in 2016 compared to a net expense of €9.7 million in 2015.

In the pro forma financial statements, Other operating income and expenses for 2016 showed an expense of €90.4 million compared to an expense of €73.8 million for 2015.

The following table shows the reported and pro forma breakdown of this item in 2015 and 2016. In 2016, most non-current expenses were for the costs related to the Darty acquisition.

	Year ended December 31			
	Reported		Pro forma	
	2016	2015 restated*	2016	2015
	(€ million)	(€ million)	(€ million)	(€ million)
Costs connected with Darty acquisition	(20.7)	(5.5)	(62.9)	(5.5)
Restructuring costs	(7.5)	(3.3)	(9.8)	(3.3)
Tascom 2015	(5.3)	0.0	(8.8)	0.0
Sale of call center business	(2.8)	0.0	(2.8)	0.0
Darty impairment and Darty 2015 restructuring costs	0.0	0.0	0.0	(61.3)
Other risks	(1.5)	(0.9)	(1.9)	(3.7)
Litigation and disputes	(1.3)	0.0	(4.2)	0.0
TOTAL	**(39.1)**	**(9.7)**	**(90.4)**	**(73.8)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

In the reported financial statements, costs related to the Darty acquisition include all costs incurred in the Group's acquisition of Darty. These are primarily fees and commissions. In the pro forma financial statement, these costs also include all costs incurred by Darty in the Darty acquisition bid and prior to the acquisition of control of Darty, by the Group.

Restructuring expenses relate to the staff and organizational adaptation plans in France and in other countries, as well as costs incurred in closing Darty's London offices.

The expense of €5.3 million in the reported financial statements and €8.8 million in pro forma financial statements is for the 2015 tax on retail space:

Article 66 of the 2015 Amending Finance Act supplemented Article 6 of the Law of July 13,1972 relating to the tax on retail space in France, adding a new generating event as of January 1, 2016. The addition of a second generating event resulted in a review of the accounting treatment adopted based on IFRIC 21. A change in the tax legislation applies prospectively as of January 1, 2016. This will in practice lead to two taxes being recognized in 2016: the tax due as of January 1, 2016 on 2015 revenues, and the progressive tax that will be created once the revenue threshold in 2016 is crossed.

In the 2016 statements:

- the tax due as of January 1, 2016 appears in Other non-current income and expenses;
- the progressive tax that has been created appears in Current operating income.

Darty impairment and restructuring costs in 2015 represent impairments carried out by Darty in asset value tests and costs relating to restructuring plans in France and the Netherlands.

4.2.3.8 / Operating income

In the reported financial statements, the Group's operating income came to €122 million for year 2016 financial year compared to €75.3 million for year 2015. This increase is due to Darty's consolidation within the Group as of August 2016. In the pro forma financial statements, 2016 operating income recorded a profit of €112.9 million, up from a profit of €91.4 million for year 2015. This strong improvement is due to the sound performance of the business over the year.

4.2.3.9 / Net financial expense

In 2016, net financial income/expense comprised a financial expense of €76.2 million, compared to a financial expense of €11.1 million in 2015. This decrease related mainly to the financing costs of the Darty plc acquisition.

The breakdown of the Group's net financial expense in 2016 and 2015 is as follows:

	Year ended December 31	
	Reported	
	2016	**2015 restated***
	(€ million)	*(€ million)*
Costs of Group debt	(53.1)	(5.7)
Other financial income and expenses	(23.1)	(5.4)
Net financial expense	**(76.2)**	**(11.1)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

In 2016, the cost of the Group's net financial debt was €76.2 million, up by €65.1 million compared to the same period in the previous year. This cost includes the costs for financing the new Group and for the change in the financial structure of Fnac Darty, which was impacted in 2016 primarily by the financial debt incurred in acquiring the share capital of Darty and by the creation of new instruments to finance the new combined Group.

In 2016, other financial income and expenses mainly included penalties related to the early repayment of the Darty bond on September 19, 2016, as well as the costs associated with consumer credit.

4.2.3.10 / Income tax

Income tax includes income tax paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. The Group recognized a corporate income tax expense of €24 million for year 2016, compared to €13.9 million for year 2015, an increase of €10.1 million, related mainly to the inclusion of Darty in the scope of consolidation.

	Year ended December 31	
	Reported	
(€ million)	2016	2015 restated*
Pre-tax income	**45.8**	**64.2**
Current tax expense	(3.3)	(7.4)
Tax expense related to the corporate value-added tax (CVAE)	(13.7)	(9.0)
Deferred tax income / (expense)	(7.0)	2.5
TOTAL TAX LIABILITY	**(24.0)**	**(13.9)**
Effective tax rate	**52.40%**	**21.65%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

4.2.3.11 / Net income from continuing operations

Net income from continuing operations amounted to a profit of €21.8 million for year 2016, compared to a profit of €50.3 million for year 2015. This decline was related mainly to the Darty acquisition costs and the costs of financing the new Group.

4.2.3.12 / Net earnings per share

The weighted average number of ordinary shares of the Group used to calculate net earnings per share was 21,229,756 for year 2016 compared to 16,659,746 for 2015, an increase of 4,570,010 shares. This increase is related to the capital increase associated with Vivendi's acquisition of a stake in Fnac Darty, as well as the capital increase for the purpose of compensating Darty plc shareholders in the Darty plc acquisition.

At December 31, 2016, Group net earnings per share amounted to -€0.02. This figure was €2.87 the previous year.

Group net earnings per share for continuing operations came to €1.00 per share as of December 31, 2016 compared to €2.99 as of December 31, 2015.

4.2.4 / Breakdown of revenues and current operating income by geographical region for years 2015 and 2016

4.2.4.1 / Comparison of results for 2015 and 2016 for the France-Switzerland segment

The following table shows the key items in the income statement for the France-Switzerland segment for the years ended December 31, 2015 and December 31, 2016.

	Year ended December 31					
	Reported			Pro forma		
(€ million)	2016	2015 restated*	Change	2016	2015	Change
Revenues	4,218.6	2,898.6	45.5%	5,854.4	5,734.1	2.1%
Current operating income	132.9	57.9	129.5%	176.3	131.4	34.2%
Operating profitability	3.2%	2.0%	1.2pt	3.0%	2.3%	0.7pt

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Revenues in France-Switzerland segment

Reported:

Revenues amounted to €4,218.6 million for year 2016 compared to €2,898.6 million for year 2015, an increase of 45.5%, driven by the Darty acquisition.

Pro forma:

Revenues amounted to €5,854.4 million for year 2016 compared to €5,734.1 million for year 2015, an increase of 2.1%. The France-Switzerland segment opened four directly owned stores and closed five stores in 2016. In 2015, the France-Switzerland segment opened two directly owned stores. At constant exchange rates, the increase in the Group's revenues was 2.1%.

The pace at which new franchise stores opened was stepped up significantly, with 54 new stores opened in 2016 (including 36 Darty stores in mainland France and the overseas departments and territories, 13 Fnac proximity-format stores, two Fnac travel retail stores, two Fnac Connect stores and one store in Ivory Coast (Abidjan). At constant exchange rates and on a same store basis, revenues grew by 2.4%.

Although it was more dynamic in the first half of the year, business performed well in the second half.

In what was still a sluggish consumer environment in France, this performance was buoyed by the effective execution of the transformation plan. Market conditions remained difficult in Switzerland as the increase in value of the Swiss franc led to less traffic at stores near the country's borders and fiercer competition.

The Group continued to gain market share in 2016, particularly with regard to the Darty brand.

The number of Fnac loyalty club members in France increased by 16.8% in 2016, from 4.2 million at the end of 2015 to 5.0 million at the end of 2016.

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 at constant exchange rates. This increase is due firstly to the excellent performance achieved by the "Retail Electronics" sub-category, which benefited from strong growth in sales of HD TVs and videos and decoders in the first half of the year and from increased sales in the Photo segment in the fourth quarter. "Microcomputing" also posted excellent performance, buoyed by strong growth in sales of no-contract phones. The Hardware sector suffered from a lack of new products on the tablet market.

Revenues from Games & Toys were down at constant exchange rates, impacted by the "Discs and Gaming" sub-category, which suffered from weak editorial impetus and structural decline in the markets for CDs and DVDs. Gaming also suffered from a lack of new products in 2016. After a more difficult first half of the year, the "Books" sub-category experienced strong momentum in the second half, ending up slightly lower over the whole year.

Revenues from Household Appliances were down at constant exchange rates, impacted by the "Large Household Appliances" sub-category, which was negatively impacted by refrigeration and cooking. "Small household appliances" grew in 2016, benefiting from the excellent performance achieved by vacuum cleaners.

Revenues generated by Other products and services increased at constant exchange rates during the period. This growth is mainly due to the excellent performance posted by Games & Toys and Cooking and by continued growth in Marketplaces and franchising.

Current operating income in France-Switzerland segment

Reported:

Current operating income for the France-Switzerland segment amounted to €132.9 million in year 2016, compared to €57.9 million in year 2015, driven by the Darty acquisition.

Pro forma:

Current operating income for the France-Switzerland segment amounted to €176.3 million in year 2016, compared to €131.4 million in year 2015. This increase reflects higher sales, combined with stability of the margin and effective implementation of a savings program.

Current operating profitability came to 3.0% in 2016, up around 70 basis points compared to 2015.

4.2.4.2 / Comparison of results for years 2015 and 2016 in the Iberian Peninsula

The following table shows the key items in the income statement for the Iberian Peninsula for the years ended December 31, 2015 and December 31, 2016.

	Year ended December 31					
	Reported			Pro forma		
(€ million)	2016	2015 restated*	Change	2016	2015	Change
Revenues	656.2	657.3	(0.2%)	656.2	657.3	(0.2%)
Current operating income	23.2	24.2	(4.1%)	23.2	24.2	(4.1%)
Operating profitability	3.5%	3.7%	(0.2)pt	3.5%	3.7%	(0.2)pt

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Revenues in the Iberian Peninsula

Revenues in the Iberian Peninsula amounted to €656.2 million in 2016 compared to €657.3 million in year 2015, a slight decrease of 0.2%. The trend improved during the year with a downturn in activity in the first half (-0.6%) and a stable second half.

The Group opened four new stores in Spain (three integrated stores and one franchise store), and one new store in Portugal, and closed two stores in Spain. In 2015, the Group had opened two stores in the fourth quarter in Spain. On a same-store basis, revenues declined by 0.6% in 2016.

In Spain and Portugal, consumer trends on our markets were unfavorable throughout the year.

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 down slightly. The "Retail Electronics" sub-category remained stable due to TV sales, which were buoyed by the Euro 2016 soccer championship in the first half of the year. Sales in the "Microcomputing" sub-category were down, negatively impacted by highly competitive hardware markets; these were partially offset by the momentum in the phone sales market.

Revenues from Editorial Products were down. The downturn in the "Discs and Gaming" sub-category is mainly due to the decline in the audio and video markets. The Gaming sector was down slightly, due primarily to the growth in virtual reality products in Portugal. Revenues in the "Books" sub-category were up, helped along by the publications released during the year.

Revenues generated by Other products and services increased during the period. This growth was due mainly to the excellent performance posted by Games & Toys and Stationery, sales of services and insurance for consumer electronics, and Marketplace commissions.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula was €23.2 million for year 2016 compared to €24.2 million for year 2015; this was mainly due to the net expense of €2.8 million related to the closing of one store in Madrid in September 2016.

The current operating income margin was down, falling from 3.5% to 3.7% in 2015.

4.2.4.3 / Comparison of results for 2015 and 2016 in Benelux segment

The following table shows the key items in the income statement for the Benelux segment for the years ended December 31, 2015 and December 31, 2016.

	Year ended December 31					
	Reported			Pro forma		
(€ million)	2016	2015 restated*	Change	2016	2015	Change
Revenues	494.4	183.1	170.0%	907.9	886.6	2.4%
Current operating income	5.0	2.9	72.4%	3.8	9.6	(60.4%)
Operating profitability	1.0%	1.6%	(0.6)pt	0.4%	1.1%	(0.7)pt

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Revenues of Benelux segment

Reported:

The Group generated revenues of €494.4 million in the Benelux segment for 2016 compared with €183.1 million for 2015, an increase of 170.0%, driven by the Darty acquisition.

Pro forma:

The revenues generated in the Benelux segment amounted to €907.9 million for the 2016 period compared with €886.6 million for the 2015 period, an increase of 2.4%.

The Group opened four new directly owned stores in Belgium and closed two stores in the Netherlands. On a same-store basis, revenues increased by 1.3% in 2016.

For its part, Fnac Belgium benefited from the increasing influence of its website and the progressive deployment of omnichannel functionalities.

The distribution of revenues by product category is broken down in note 4.1 “Operating segment data” of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from Consumer Electronics were up. This growth comes from “Microcomputing” subcategory, which in turn was buoyed by growth in the Telephony and Hardware sector. The “Retail Electronics” sub-category was also up thanks to the excellent performance achieved in the Audio and TV-Video sector, offsetting the problems encountered in Photo sales.

Revenues from Editorial Products were down, mainly due to the decline in all sectors of the “Discs and Gaming” sub-category. The “Books” sub-category continued to hold up well.

Revenues from Household Appliances were up sharply. This upturn is due to the excellent performance by the “Large Household Appliances” sub-category, which was positively impacted by growth in all sectors. 2016 saw growth in the “Small Household Appliances” sub-category.

Other products and services posted increased revenues, driven by sales of services and insurance for consumer electronics.

Current operating income in Benelux segment

Reported:

Current operating income in the Benelux segment increased to €5.0 million in 2016 (compared to €2.9 million in 2015) driven by the Darty acquisition.

Pro forma:

Current operating income in the Benelux segment was down at €3.8 million in 2016 (compared to €9.6 million in 2015). Belgium reported good operational performance. In the Netherlands, the difficulties encountered at the end of 2015, following the introduction of a new IT system that disrupted store supplies, weighed down the region’s profitability. The Benelux operating margin decreased by 70 basis points to 0.4%.

4.2.5 / Accounting principles affected by IFRS

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group’s management that can affect the book values of certain assets and liabilities, income and expenses, and information disclosed in the notes to the financial statements. The Group’s management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Amounts in future financial statements could differ from the current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main estimates made by management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to the Group’s business, primarily in relation to inventory and revenues from ordinary activities, plus the assumptions used to calculate obligations relating to employee benefits, share-based payments, and deferred tax. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

For a description of the assumptions used by the Group in the preparation of its financial statements, see note 2.3.2 “Use of estimates and judgment” to the annual financial statements included in section 5.1 “Group Consolidated Financial Statements” in this Registration Document.

4.3 / GROUP CASH AND EQUITY

4.3.1 / General overview

Fnac Darty's main cash requirements stem from its working capital requirements and operating investments. In 2016, the Group used a €650 million bond issue maturing in 2023 to finance the Darty acquisition. The implementation of initiatives aimed at improving working capital requirements and sound investment management enabled Fnac Darty to limit its level of debt.

4.3.2 / Financial resources

4.3.2.1 / Overview

In 2016, the Group had the following financing sources:

- *Cash.* Cash and cash equivalents amounted to €654.8 million as of December 31, 2016 (compared to €544.6 million as of December 31, 2015);
- *Free cash flow.* Operating activities and operating investment activities generated positive net cash flows of €150.8 million as of December 31, 2016 (compared to €96.7 million as of December 31, 2015). Pro-forma free cash flow in 2016 totaled €192.8 million, compared to €213.3 million in 2015;
- *Debt.* Given the acquisition of Darty in 2016, the Group used a €650 million bond issue and drew down a €200 million term loan. A renewable line of credit in the amount of €400 million for a term of five years, to fund the combined entity's working capital requirements, was also set up in 2016. This line was not used as of December 31, 2016. Group net cash represents financial debt and breaks down as follows:

	At December 31	
(€ million)	**2016**	**2015**
Gross financial debt	(863.0)	(0.5)
Cash and cash equivalents	654.8	544.6
Net cash	**(208.2)**	**544.1**

4.3.2.2 / Financial debt

Financial debt as of December 31, 2016

The Group's gross financial debt as of December 31, 2016 stood at €863.1 million.

(€ million)	At December 31 2016	2015
2023 Bond and capitalized interest	655.6	0.0
Medium-term line of credit	200.0	0.0
Finance lease liabilities	7.1	0.5
Bank overdrafts	0.1	0.1
Other financial liabilities	0.3	0.0
TOTAL	**863.1**	**0.6**

The table below sets out the Group's gross debt by currency as of December 31, 2016.

(€ million)	At December 31 2016	2015
Euro	863.1	0.5
Swiss franc	0.0	0.1
TOTAL	**863.1**	**0.6**

The table below sets out the maturities of the Group's financial debt as of December 31, 2016.

	As of December 31, 2016					
(€ million)	Total	N+1	N+2	N+3	N+4	N+5 and beyond
Long-term borrowings and financial debt	**854.9**	**0.0**	**22.1**	**51.5**	**80.8**	**700.5**
2023 Bond	650.0					650.0
Medium-term line of credit	200.0		20.0	50.0	80.0	50.0
Finance lease liabilities	4.9		2.1	1.5	0.8	0.5
Short-term borrowings and financial debt	**8.2**	**8.2**	**0.0**	**0.0**	**0.0**	**0.0**
Capitalized interest on the 2023 bond	5.6	5.6				
Finance lease liabilities	2.2	2.2				
Bank overdrafts	0.1	0.1				
Other financial liabilities	0.3	0.3				
TOTAL	**863.1**	**8.2**	**22.1**	**51.5**	**80.8**	**700.5**

Financing of the Group for the acquisition of Darty plc

As part of the Darty acquisition, the Group set up new sources of financing to fund the cash component of the acquisition and to refinance all the existing borrowings and bank credit lines in each of the two companies.

On April 20, 2016, the Group thus signed a senior loan agreement with Crédit Agricole, Société Générale and Natixis to set up a financing package totaling €1,350 million (replacing the €865 million credit facility set up in late 2015).

These credit facilities were successfully syndicated in June with a pool of twenty or so European banks.

Following the syndication, this loan agreement consisted of:

- a 5-year renewable line of credit in the amount of €400 million to fund the combined entity's working capital requirements. This renewable line of credit replaced the two companies' existing bank credit facilities;
- a 5-year term loan in the amount of €200 million;
- a 1-year bridge-to-capital markets loan in the amount of €750 million.

The primary purpose of these last two credit facilities was to fund the cash component of the transaction and repayment of the €250 million 7-year senior bond issued by Darty plc on February 28, 2014.

The Darty plc bond was redeemed on September 19, 2016.

On September 22, 2016, Fnac Darty had a successful 7-year senior bond issue in the amount of €650 million, bearing annual interest of 3.25%. The funds raised from this bond issue enabled the €750 million bridge loan put in place in April 2016 and used since early August to be repaid. Prior to this issue, the new Group received a BB rating from Standard & Poor's and Ba2 from Moody's on September 19.

Senior Loan Agreement

The Senior Loan Agreement in the total amount of €600 million matures in five years from the date it was signed on April 20, 2016. The Agreement consists of two credit lines:

- a Senior Term Loan Facility in the amount of €200 million, redeemable as of the thirtieth month;
- a Revolving Facility in the amount of €400 million to fund changes in cash related to the seasonal nature of the business.

Drawdowns on the Loan Agreement are made in euros and bear interest at a rate equal to the Euribor reference rate for the period and a margin that can be adjusted based on the Group's rating.

Based on the BB/Ba2 rating obtained by the Group in September 2016, the applicable margin is 2.50% for the term loan and 2.00% for the revolving facility.

The Loan Agreement provides for an undrawn commission fee equal to 40% of the applicable margin, as calculated on the drawn and uncanceled amounts.

As of December 31, 2016, the term loan was drawn down in full. No use was made of the revolving facility.

The Senior Loan Agreement is guaranteed by certain subsidiaries of the Group, the guarantor companies being the same as those guaranteeing the High Yield bonds.

The Loan Agreement includes two financial covenants which are tested on a half-yearly basis:

- An adjusted leverage ratio:

This ratio is defined as "Total adjusted debt" (i.e. net debt plus five times the amount of the rent as shown in the latest consolidated financial statements of the Group) divided by "Consolidated EBITDAR" (i.e. the Group's current operating income plus net changes to depreciation, amortization and provisions on non-current operating assets and rent as shown in the latest consolidated financial statements of the Group).

- An adjusted rate hedging ratio:

This ratio is defined as "Consolidated EBITDAR" (see definition above) divided by "financial expenses (net)" plus rent as shown in the latest consolidated financial statements of the Group.

As of December 31, 2016, the Loan Agreement covenants were complied with.

The loan agreement also includes general restrictive covenants that are customary for this kind of agreement, including certain restrictions related to the granting of pledges or guarantees, the disposal or acquisition of assets, the execution of merger or restructuring transactions, or to debt or dividend distribution (see section 7.5).

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

Senior notes 2023

On September 22, 2016, the Group issued Senior bonds for a principal amount of €650 million, bearing annual interest of 3.25%, redeemable in 2023 ("High Yield" bonds).

These bonds rank pari passu with the Senior Loan Agreement. Interest is payable half-yearly.

The High Yield bonds are admitted for trading on the Global Exchange Market of the Irish Stock Exchange.

These bonds are redeemable in whole or in part at any time until September 30, 2019 at a price equal to the amount of the nominal value plus an early redemption premium and outstanding accrued interest. As of September 30, 2019, they will be redeemable in full or in part at the values shown in the table below:

Redemption period commencing:	**Redemption price** *(as % of the principal)*
September 30, 2019	101.625
September 30, 2020	100.8125
September 30, 2021 and beyond	100.00

These bonds have the same guarantees as the Senior Loan.

The agreement for the High Yield Bond issue contains customary clauses that specifically restrict the Group's ability to incur additional debt, pay dividends or make any other distribution, grant pledges and guarantees, dispose of assets, execute transactions with affiliated companies or merge or consolidate with other entities.

The offering memorandum is available on the Irish Stock Exchange website.

4.3.3 / Breakdown of cash flows

	At December 31			
	Reported		**Pro forma**	
(€ million)	**2016**	**2015 restated***	**2016**	**2015**
Net cash flows from operating activities	246.5	153.8	303.9	281.6
Net cash flows from operating investing activities	(95.7)	(57.1)	(111.2)	(68.3)
Free cash flow from operations	**150.8**	**96.7**	**192.8**	**213.3**
Net cash flows from financial investing activities	(1,027.5)	(6.0)		
Net cash flows from financing activities	136.9	(70.0)		
Net cash flows from discontinued operations	(9.2)	(13.3)		
Financing of Comet pension fund	(4.9)	0.0		
Impact of fluctuations in foreign exchange rates	1.6	1.6		
NET CHANGE IN NET CASH	**(752.3)**	**9.0**		

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

4.3.3.1 / Net flows related to operating activities and operating investments

	At December 31			
	Reported		Pro forma	
(€ million)	2016	2015 restated*	2016	2015
Cash flow before taxes, dividends and interest	198.0	119.9	202.5	198.0
Change in working capital requirement	86.0	49.8	147.3	116.3
Income tax paid	(37.5)	(15.9)	(45.9)	(32.6)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**246.5**	**153.8**	**303.9**	**281.6**
Operating investments	(88.6)	(58.3)	(116.9)	(103.1)
Change in debt and receivables relating to non-current assets	(9.0)	0.7	(9.0)	0.4
Operating divestments	1.9	0.5	14.7	34.4
NET CASH FLOWS FROM OPERATING INVESTING ACTIVITIES	**(95.7)**	**(57.1)**	**(111.2)**	**(68.3)**
FREE CASH FLOW FROM OPERATING OPERATIONS	**150.8**	**96.7**	**192.8**	**213.3**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Reported cash flow from operating activities and operating investments in 2016 came to €150.8 million compared to €96.7 million in 2015. This was helped by the initiatives aimed at improving working capital requirements. The €54.1 million increase is mainly the result of integrating the cash flows generated by Darty.

Operating divestments related to disposals of Darty brand stores.

Cash flow before tax, dividends and interest was up €78.1 million for the same reasons.

Pro forma cash flow from operating activities and operating investments in 2016 was down slightly by €20.5 million. This decline was due in particular to the fact that more income was generated from property disposals in 2015. Pro forma net cash flows for operating activities in 2016 showed a €22.3 million improvement over 2015.

Operating investments in 2016

Reported:

In 2016, the Group's gross operating investments increased by €30.3 million to €88.6 million, compared to €58.3 million in 2015; this was mainly due to the Darty acquisition.

Pro forma:

In 2016, the Group's gross operating investments amounted to €116.9 million compared to €103.16 million in 2015. The investments especially resulted in new stores being opened (in France, Spain, Portugal, Belgium and Switzerland) and led to automation of the logistics warehouses; Kitchen Areas were also established in the Darty network, and the new retail website fnac.ch was launched.

The table below shows gross operating investments by geographical area for 2016 and 2015:

(€ million)	Reported				Pro forma			
	France-Switzerland	Iberian Peninsula	Benelux	Total	France-Switzerland	Iberian Peninsula	Benelux	Total
December 31, 2016								
Sub-total for investments in stores and internet websites	65.5	9.2	6.5	81.2	87.4	9.2	10.8	107.4
Sub-total for operating investments excluding points of sale	6.5	0.6	0.3	7.4	8.4	0.6	0.5	9.5
TOTAL OPERATING INVESTMENTS	**72.0**	**9.8**	**6.8**	**88.6**	**95.8**	**9.9**	**11.3**	**116.9**
December 31, 2015 restated*								
Sub-total for investments in stores and internet websites	45.1	7.0	1.2	53.3	75.3	7.0	13.2	95.5
Sub-total for operating investments excluding points of sale	4.3	0.7	0.0	5.0	6.4	0.7	0.5	7.6
TOTAL OPERATING INVESTMENTS	**49.4**	**7.7**	**1.2**	**58.3**	**81.7**	**7.7**	**13.7**	**103.1**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Main investments planned

At the date of this Registration Document, no significant operating investments were required under firm commitments made to third parties. The Group's strategy in terms of setting up future Group stores is detailed in section 1.5.3.1.

The Group expects that in 2017, gross operating investments should be in line with levels seen in prior years. The priorities for 2017 are as follows:

- to continue to introduce new product families and new sales concepts in stores;
- to open new sales outlets;
- to continue to roll out the omnichannel strategy and develop cutting-edge IT solutions for our websites, mobile apps and stores;
- to support the introduction of synergies within the new Group.

These investments will be financed through the Group's operating cash flow and cash on hand.

The Group plans to continue its controlled investment policy in 2017.

4.3.3.2 / Net cash flows from financial investing activities

(€ million)	At December 31 Reported 2016	2015 restated*
Purchases of subsidiaries net of cash acquired	(1,027.3)	(2.7)
Disposals of subsidiaries net of cash transferred	(1.3)	0.0
Acquisitions of other financial assets	(0.9)	(4.4)
Sales of other financial assets	1.4	0.1
Interest and dividends received	0.6	1.0
Cash flows from financial investing activities	**(1,027.5)**	**(6.0)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The Group's net financial investments represented an outflow of €1,027.5 million in 2016 (compared to an outflow of €6 million in 2015).

In 2016, purchases of subsidiaries net of cash acquired represented the financial cash flows resulting from the acquisition of Darty plc for €1,025.3 million and a €2.0 million outflow to acquire a 50% stake in the company Izneo.

In 2016, disposals of subsidiaries net of cash transferred represented a cash outflow of €1.3 million as part of the disposal of the call center business.

In 2016, acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple fund.

At the first fund call, this financial asset was recognized at its subscription price of €0.7 million.

The Group also agreed to subscribe for the 90% of outstanding units for €6.3 million.

In 2015, purchases of subsidiaries net of cash acquired in the amount of €2.7 million, mainly included the disbursement of the third and final tranche of the Datasport acquisition price in the amount of €1.8 million, and the €0.9 million disbursement to acquire Eazieer.

Acquisitions of other financial assets amounting to €4.4 million mainly included the payment of €3.3 million as part of the new Revolving Credit Facility and Bridge Facility set up to finance the acquisition of Darty plc.

Interest paid and dividends received mainly included the proceeds from financial investments.

4.3.3.3 / Net cash flows from financing activities

	At December 31	
	Reported	
(€ million)	**2016**	**2015 restated***
Increase/Decrease in capital and other transactions with shareholders	157.1	(66.0)
Interest and equivalent payments	(20.2)	(4.0)
Net cash flows from financing activities	**136.9**	**(70.0)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Net cash flows from financing activities amounted to a net inflow of €136.9 million in 2016 (compared to an outflow of €70 million in 2015).

In 2016, the capital increase represented the creation of 2,944,901 shares created for the purpose of the capital increase reserved for Vivendi for an amount of €157.1 million net of issuance costs. In 2016, the increase in interest and equivalent payments represented the financial interest from the instruments created to finance the new Group.

As of December 31, 2015, the net decrease in equity and other transactions with shareholders in the amount of €66 million reflected, partly, a €67.9 million repayment of perpetual deeply subordinated notes issued in 2013 in the amount of €60 million, plus €7.9 million accrued interest, and partly a capital increase of 92,164 shares representing €1.9 million, issue premium included, to service the exercise of the first tranche of options under the performance share plan settled in shareholders' equity instruments, introduced in 2013.

Interest and equivalent payments correspond mainly to commission on the unused €250 million line of credit.

4.3.3.4 / Net change in cash

The net change in cash for 2016 and 2015 was as follows:

	At December 31	
	Reported	
(€ million)	2016	2015 restated*
Net cash at January 1	**544.1**	**535.1**
Free cash flow from operations	150.8	96.7
Interest paid net of interest and dividends received	(19.6)	(3.0)
Purchases and disposals of subsidiaries net of cash acquired or transferred	(1,028.6)	(2.7)
Purchase and sales of other financial assets (net)	0.5	(4.3)
Increase/Decrease in capital and other transactions with shareholders	157.1	(66.0)
Net cash flows from discontinued operations	(9.2)	(13.3)
Financing of Comet pension fund	(4.9)	0.0
Impact of fluctuations in exchange rates	1.6	1.6
Change in cash position	**(752.3)**	**9.0**
Net cash at December 31	**(208.2)**	**544.1**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Net cash flows related to discontinued operations mainly represented financial flows generated by Fnac Brazil.

The financing of the British Comet pension fund which was integrated in the Darty plc acquisition represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom.

4.4 / RECENT EVENTS AND OUTLOOK

4.4.1 / The Group's objectives

Fnac Darty delivered very solid results and displayed strong growth in year 2016.

The Group could thus move up the target date of for achieving its objective of €130 million in synergies by one year. The target date is now set for the end of 2018.

Fnac Darty will continue its strategic progress in 2017: development of new product and service offerings, opening of new, franchised proximity format stores, acceleration of its Internet sales through omnichannel and marketplaces, and also through differentiating after-sales service, personalized customer experience, and implementation of support and purchasing structures that are shared by both brands.

These objectives are not projections or estimates of future Group profits, but represent strategic targets under its action plan. The targets are based on data, assumptions and estimates that the Group considers to be reasonable. These data, assumptions and estimates may change or be modified over time as a result of uncertainties relating to the economic, financial, competitive and regulatory environment in which the Group operates. Moreover, one or more of the risks described in section 6 "Risk Factors" of this Registration Document could have an impact on the Group's businesses, results, financial situation or outlook and therefore jeopardize its ability to achieve the objectives described above. The Group gives no assurance and cannot guarantee that the objectives described in this section will be achieved.

4.4.2 / Recent events

On January 26, 2017, Fnac signed an agreement on Sunday and evening working. The implementation of the agreement will enable Fnac to safeguard its competitiveness, while offering the highest level of rewards to employees who wish to work on Sundays, in terms of both remuneration and volunteering. Nine additional Fnac stores, which are now located in the International Tourist Zone (ITZ) under the terms of the Macron Law, will now be able to open seven days a week, bringing the total to 21 stores in France. The employees of the 12 stores that already open on Sundays will benefit from the more favorable terms of the new Group agreement.

4.5 / REPORT OF THE STATUTORY AUDITORS ON THE PRO FORMA FINANCIAL INFORMATION FOR THE PERIODS ENDED DECEMBER 31, 2015 AND 2016

Dear Chairman and Chief Executive Officer,

In our capacity as Statutory Auditors and pursuant to Commission Regulation (EC) no. 809/2004, we have prepared this report on the pro forma financial information of the company Groupe Fnac S.A. («Groupe Fnac») for the years ended December 31, 2015 and 2016, included in section 4.1 of the 2016 Registration Document.

This pro forma financial information has been prepared for the sole purpose of illustrating the effect that the acquisition of Darty Plc by Groupe Fnac (the «Transaction») could have had on the components of consolidated operating income for the years ended December 31, 2015 and 2016 for Groupe Fnac, if the Transaction had taken effect as of January 1, 2015. By its very nature, the information describes a hypothetical situation and is not necessarily representative of the operational performance that might have been observed if the Transaction had occurred at a date prior to the one on which it actually occurred.

This pro forma financial information was prepared under your responsibility pursuant to Commission Regulation (EC) no. 809/2004 and the ESMA recommendations on pro forma financial information.

It is our responsibility, on the basis of our audit, to express an opinion, under the terms required by Annex II, point 7 of Commission Regulation (EC) no. 809/2004, as to whether the pro forma information has been properly compiled.

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, which do not include either an audit or a limited review of the underlying financial information upon which the pro forma financial information is based, mainly consisted of verifying that the bases used for the pro forma information are in agreement with the source documents described in section 4.1 of the 2016 Registration Document, examining the evidence justifying the pro forma adjustments and meeting with Groupe Fnac management to obtain the information and explanations we deemed necessary.

In our opinion:

- the pro forma financial information was properly compiled on the basis indicated;
- this basis is consistent with the accounting methods of the issuer.

This report is issued for the sole purposes of:

- the filing of the 2016 Registration Document with the AMF and,
- as necessary, the admission to trading on a regulated market, and/or a public offering, of financial securities of the company Groupe Fnac in France and in other countries of the European Union in which notification is made of the prospectus stipulated by AMF which includes this Registration Document

and may not be used in any other context.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

5 FINANCIAL STATEMENTS

5.1 / GROUPE FNAC'S CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Consolidated income statement for the years ended December 31, 2016 and 2015

(€ million)	Notes	2016	2015 adjusted*
INCOME FROM ORDINARY ACTIVITIES	4-5	**5,369.2**	**3,739.0**
Cost of sales		(3,791.8)	(2,626.2)
GROSS MARGIN		**1,577.4**	**1,112.8**
Personnel expenses	6-7	(785.3)	(551.8)
Other current operating income and expenses		(631.2)	(476.0)
Share of profit from equity associates	8	0.2	0.0
CURRENT OPERATING INCOME	9	**161.1**	**85.0**
Other non-current operating income and expenses	10	(39.1)	(9.7)
OPERATING INCOME		**122.0**	**75.3**
(Net) financial expense	11	(76.2)	(11.1)
PRE-TAX INCOME		**45.8**	**64.2**
Income tax	12	(24.0)	(13.9)
NET INCOME FROM CONTINUING OPERATIONS		**21.8**	**50.3**
Group share		*21.2*	*49.8*
share attributable to non-controlling interests		*0.6*	*0.5*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**(21.6)**	**(2.0)**
Group share		*(21.6)*	*(2.0)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**0.2**	**48.3**
Group share		*(0.4)*	*47.8*
share attributable to non-controlling interests		*0.6*	*0.5*
NET INCOME, GROUP SHARE		**(0.4)**	**47.8**
Earnings per share *(€)*	13	(0.02)	2.87
Diluted earnings per share *(€)*	13	(0.02)	2.82
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**21.2**	**49.8**
Earnings per share *(€)*	13	1.00	2.99
Diluted earnings per share *(€)*	13	0.99	2.94

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Consolidated comprehensive income statement

(€ million)	**Notes**	**2016**	**2015 adjusted***
NET INCOME		**0.2**	**48.3**
Items that may be reclassified subsequently to profit or loss	14	11.3	(11.2)
Items that may not be reclassified subsequently to profit or loss	14	(20.8)	(3.7)
OTHER COMPREHENSIVE INCOME ITEMS, AFTER TAX	14	**(9.5)**	**(14.9)**
TOTAL COMPREHENSIVE INCOME		**(9.3)**	**33.4**
Group share		*(9.9)*	*32.9*
share attributable to non-controlling interests		*0.6*	*0.5*

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Consolidated statement of financial position for the years ended December 31, 2016 and 2015

Assets

(€ million)	Notes	As of December 31, 2016	As of December 31, 2015
Goodwill	15	1,605.0	332.4
Intangible non-current assets	16	457.5	71.4
Tangible non-current assets	17	436.2	156.5
Equity interests	8	20.1	0.0
Non-current financial assets	19	15.6	8.2
Deferred tax assets	12	44.7	37.4
Other non-current assets and liabilities		0.0	0.1
NON-CURRENT ASSETS		**2,579.1**	**606.0**
Inventories	20	1,060.7	466.9
Trade receivables	21	210.0	104.1
Tax receivables due	12	19.4	6.2
Other current financial assets	22.1	25.7	12.0
Other current assets	22.1	338.8	172.7
Cash and cash equivalents	26	654.9	544.7
CURRENT ASSETS		**2,309.5**	**1,306.6**
ASSETS HELD FOR SALE	32	**71.4**	**0.0**
TOTAL ASSETS		**4,960.0**	**1,912.6**

Liabilities

(€ million)	Notes	As of December 31, 2016	As of December 31, 2015
Share capital	23	26.1	16.7
Equity-related reserves		977.5	496.7
Translation reserves		(4.4)	(13.5)
Other reserves		34.2	57.4
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,033.4**	**557.3**
Shareholders' equity – Share attributable to non-controlling interests		6.8	7.0
SHAREHOLDERS' EQUITY		**1,040.2**	**564.3**
Long-term borrowings and financial debt	27	854.9	0.3
Provisions for pensions and other equivalent benefits	24	186.3	77.4
Other non-current liabilities	22.2	192.2	0.0
Deferred tax liabilities	12	133.1	0.0
NON-CURRENT LIABILITIES		**1,366.5**	**77.7**
Short-term borrowings and financial debt	27	8.2	0.3
Other current financial liabilities	22.1	10.0	6.0
Trade payables	22.1	1,598.6	817.0
Provisions	25	32.4	13.8
Tax liabilities payable	12	53.2	13.7
Other current liabilities	22	815.9	419.8
CURRENT LIABILITIES		**2,518.3**	**1,270.6**
LIABILITIES RELATING TO ASSETS HELD FOR SALE	32	**35.0**	**0.0**
TOTAL LIABILITIES		**4,960.0**	**1,912.6**

Consolidated cash flow statement as of December 31, 2016 and 2015

(€ million)	Notes	2016	2015 adjusted*
NET INCOME FROM CONTINUING OPERATIONS		**21.8**	**50.3**
Income and expense with no impact on cash		105.3	48.5
CASH FLOW FROM OPERATIONS	31.1	**127.1**	**98.8**
Financial interest income and expense		54.3	4.9
Dividends received		(0.1)	(0.2)
Net tax charge payable	12	16.7	16.4
CASH FLOW FROM OPERATIONS BEFORE TAX, DIVIDENDS AND INTEREST		**198.0**	**119.9**
Change in working capital requirement	22	86.0	49.8
Income tax paid		(37.5)	(15.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**246.5**	**153.8**
Purchase of non-current tangible and intangible assets		(97.6)	(57.6)
Disposal of non-current tangible and intangible assets		1.9	0.5
Purchases of subsidiaries net of cash acquired		(1,021.8)	(2.7)
Disposals of subsidiaries net of cash transferred		(1.3)	0.0
Acquisition of other financial assets		(0.9)	(4.4)
Disposal of other financial assets		1.4	0.1
Interest and dividends received		0.6	1.0
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(1,117.7)**	**(63.1)**
Increase/Decrease in capital and other transactions with shareholders		157.1	(66.0)
Bonds issued		650.0	0.0
Increase/Decrease in other financial debt		200.0	(0.2)
Interest and equivalent payments		(14.6)	(4.0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**992.5**	**(70.2)**
Net cash flows from discontinued operations	32	(7.6)	(13.0)
Financing of the Comet pension fund	31.4	(4.9)	0.0
Impact of fluctuations in exchange rates		1.4	1.5
NET CHANGE IN CASH		**110.2**	**9.0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	31	**544.6**	**535.6**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	31	**654.8**	**544.6**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Change in consolidated shareholders' equity as of December 31, 2016 and 2015

(Before appropriation of 2016 earnings) *(€ million)*	Number of shares outstanding [(a)]	Share capital	Equity-related reserves	Undated deeply subordinated notes (TSSDI)	Translation reserves	Other reserves and net income	Shareholders' equity: Group share	Shareholders' equity: Non-controlling interests	Shareholders' equity: Total
AS OF DECEMBER 31, 2014	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.3)**	**19.5**	**588.7**	**6.7**	**595.4**
Total comprehensive income					**(11.2)**	**44.1**	**32.9**	**0.5**	**33.4**
Capital increase/(decrease)	92,164	0.1	1.8				1.9		1.9
Change in scope							0.0	(0.2)	(0.2)
Repayment of perpetual deeply subordinated notes				(60.0)		(7.9)	(67.9)		(67.9)
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						1.6	1.6		1.6
Dividends paid						0.0	0.0		0.0
AS OF DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**0.0**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**
Total comprehensive income					**9.1**	**(19.0)**	**(9.9)**	**0.6**	**(9.3)**
Capital increase/(decrease)	9,434,997	9.4	480.8				490.2		490.2
Change in scope							0.0	(0.8)	(0.8)
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						2.1	2.1		2.1
Dividends paid						0.0	0.0		0.0
Fair value of the acquisition of non-controlling interests of Darty plc						3.2	3.2		3.2
Share of Darty plc acquisition expenses posted to shareholders' equity						(9.9)	(9.9)		(9.9)
Other movements						0.3	0.3		0.3
AS OF DECEMBER 31, 2016 [(a) (b)]	**26,122,771**	**26.1**	**977.5**	**0.0**	**(4.4)**	**34.2**	**1,033.4**	**6.8**	**1,040.2**

(a) Par value of shares of €1 .
(b) Number of shares of capital stock as of December 31, 2016: 26,122,771.

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5.2 / NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 reflect the accounting position of Groupe Fnac and its subsidiaries, as well as its interests in associated companies and joint ventures.

On February 28, 2017, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2016. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Publication background

Fnac Darty, composed of Groupe Fnac and its subsidiaries (collectively herein "Fnac Darty"), is the leader in the leisure and entertainment, technology, and household appliances retail market in France and a major player on markets in other countries where it operates such as Spain, Portugal, Belgium, the Netherlands and Switzerland. Fnac Darty also has franchise operations in Morocco, Qatar and Ivory Coast.

The admission of Groupe Fnac's securities for trading on the NYSE Euronext regulated market in Paris requires the drafting of consolidated financial statements according to IFRS standards.

The Group's consolidated financial statements are presented in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1 / General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for year 2016 have been prepared as of the closing date of the financial statements in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) and which are mandatorily applicable at that date, and are presented with comparative data for year 2015 prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB. The Group's financial statements, therefore, have been prepared in compliance with the standards and interpretations as published by the IASB.

The international standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as the interpretations of the IFRIC (International Financial Reporting Interpretation Committee).

The consolidated financial statements presented do not take into account the standards and interpretations which at the end of the reporting period were still in the drafting and review stage with the IASB (International Accounting Standards Board) and IFRIC, or standards whose application was not mandatory in 2016.

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, 2016

- Amendments to IAS 1 – Disclosure Initiative.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization.
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions.
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint arrangements.
- Amendments issued in the Annual Improvements to IFRS, 2010-2012 Cycle.
- Amendments issued in the Annual Improvements to IFRS, 2012-2014 Cycle.

The application of these amendments had no significant impact on the Group's consolidated financial statements.

2.2.2 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning on or after January 1, 2016 which were not adopted early by the Group

- IFRS 9 – Financial Instruments Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial assets. They will replace, effective January 1, 2018, the existing principles in IAS 3 – Financial Instruments.

The impact of the application of IFRS 9 on the Group's financial statements is currently being assessed. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant and is still being assessed.

- IFRS 15 – Revenue from Contracts with Customers IFRS 15 will replace, effective January 1, 2018, IAS 18 – revenue from ordinary activities

The impact of the application of IFRS 15 on the Group's financial statements is currently being assessed. The Group will be impacted by the implementation of IFRS 15. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant and is still being assessed.

2.2.3 Main standards, amendments and interpretations published by the IASB, not yet adopted by the European Union

- On January 13, 2016, the IASB published IFRS 16 – Leases. IFRS 16 will replace IAS 17. In 2016, the Group conducted a survey on all the leases at its subsidiaries along with their main provisions, for the purpose of conducting an analysis in 2017 of the qualitative and quantitative impacts of the coming standard on the Group's consolidated financial statements.

Once the analysis is completed, the Group will be able to determine transitioning procedures and assess the impact on the Group's financial statements, which may be significant given the large number stores under lease.

The IASB has also published the following amendments and improvements, which the Group expects will have no significant impact:

- Amendments to IAS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses;
- Amendments to IAS 7 – Disclosure Initiative;
- Amendments to IFRS 2 – Classification and Valuation of Share-Based Payment Transactions;
- Annual Improvements to IFRS, 2014-2016 Cycle – Various amendments.

2.2.4 Options taken on first-time adoption of IFRS

The Group prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with the provisions of IFRS 1 – First-time adoption of international financial reporting standards.

In accordance with the option provided for by IFRS 1, the Group chose to prepare its first IFRS financial 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, Fnac Darty has kept the options offered by IFRS 1 identical to those applied by the Kering Group:

- business combinations: only business combinations that took place after January 1, 1999 were restated in accordance with IFRS 3;
- employee benefits: Group cumulative actuarial gains and losses were recognized on the transition date and offset against the Kering Group's opening shareholders' equity on its transition to IFRS;
- cumulative currency translation adjustments: Group foreign exchange translation adjustments were reset at zero and offset against the Kering Group's opening consolidated reserves on its transition to IFRS. Consequently, the foreign exchange translation adjustments shown in shareholders' equity are those arising since January 1, 2004;
- share-based payments: in accordance with the option allowed by IFRS 2, for share-based payment plans, the Group opted to apply this standard only to plans issued by the Kering Group after November 7, 2002 that had not been vested as of January 1, 2005;
- financial assets and liabilities recognized prior to the transition date, either at fair value on the income statement or available for sale, were designated on the Kering Group's transition date (January 1, 2005).

2.3 / Framework for the preparation and presentation of the consolidated financial statements

2.3.1 Valuation bases

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

- certain financial assets and liabilities, valued at fair value;
- fair value of defined benefit plan assets;
- the proportion of securities held by a subsidiary or associated company, valued at fair value at the moment of loss of control or significant influence;

- non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgment

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book values of certain assets and liabilities, income and expenses, and information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Depending on changes in these assumptions, the items shown in the Group's future financial statements may differ from current estimates. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main assumptions and estimates made by Group management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities. The main assumptions and estimates used by the Group are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate
Notes 2.10 and 18	Impairment tests on non-financial assets	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 24	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent
Notes 2.9 and 20	Inventories	Prospects for inventory disposal for calculating impairment
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based compensation plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Note 32	Assets held for sale	Assets held for sale are valued and recognized at the lower amount of their net book value and fair value minus cost of sale.

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7, using the indirect method based on consolidated net comprehensive income and is broken down into three categories:

- cash flow from operating activities (including taxes);
- cash flow from investing activities (in particular, acquisitions and sales of equity interests and non-current assets, excluding finance leases);
- cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buy-backs, dividend payments).

The acquisition of an asset as part of a finance lease agreement has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 / Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities (including ad hoc companies) over which the Group exercises control.

Entities are fully consolidated where the Group:

- Has power over the entity in which is it invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it is invested; and
- Has the ability to exercise its power over the entity in which it is invested so as to affect the return it obtains from it.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has:

- power over more than half of the voting rights by virtue of an agreement with other investors;
- power to govern the financial and operating policies of the entity under an agreement;
- power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are eliminated in their entirety.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Consolidation of equity associates

Fnac Darty exercises significant influence at certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recognizing, on the date that the entity becomes an associate or partner in a joint venture, an equity interest in equity associates in the consolidated statement of financial position. This equity interest is initially recognized at acquisition cost. It is then, after the acquisition date, adjusted by the Group's share in the total undistributed profit or loss of the entity concerned. Those results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate. Profit or loss due to remeasurement at fair value of the equity interest that it held when taking control of an equity associate is recorded in "Share of profit or loss from equity associates".

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. Equity associates are included in the Group's internal reporting in accordance with IFRS 8, and their operating performance is tracked at the level of the operating division to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating profit.

2.4.3 Business combinations

The Group applies IFRS 3R – Business Combinations.

Business combinations are recognized using the acquisition method:

- acquisition cost is measured at the fair value of the transferred asset, including any subsequent price adjustment, at the date of taking control. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
- any difference between the transferred asset (acquisition price) and the fair value of the identified assets acquired and liabilities assumed on the date of taking control is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at the acquisition date. Impacts subsequent to this period are recognized directly in income, as is any change to an estimate.

For any assumption of control involving less than 100% of share capital, the remaining component (non-controlling interest) is measured:

- either at fair value: in which case, goodwill is recorded proportionate to the non-controlling equity interest (using the "full goodwill" method);
- or as a proportion of the identifiable net assets of the acquired entity: in which case, only the goodwill representing the acquired portion is recognized (using the "partial goodwill" method).

Costs directly attributable to the acquisition are recognized as expenses in the period in which they are incurred.

Earn-out payments and other price adjustments relating to a business combination are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

If a business combination is undertaken in stages, the Group's prior stake in the acquired business is remeasured at fair value at the point of taking control, and recognized in the income statement. To calculate goodwill at the point of taking control, the fair value of the transferred asset (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as equity prior to taking control is recycled through the income statement.

2.5 / Translation of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in the Group are valued using the currency of the main economic environment in which the entity operates ("functional currency"). The Group's financial statements are presented in euros, which is its presentation currency.

2.5.2 Recognition of transactions in a foreign currency

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

The Group's consolidated financial statements are presented in euros. The financial statements of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the Company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

- 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 exchange rate over the period is recognized in other items of comprehensive income as a gain/(loss) on translation.

2.5.4 Net investment in an activity abroad

Foreign exchange translation adjustments recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit and loss on the date of loss of control.

Foreign exchange translation adjustments relating to loans in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit and loss on disposal of the net investment.

2.6 / Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

From the acquisition date, goodwill is allocated to cash generating units (CGUs) and CGU groups defined by the Group. 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 2016 is described in section 5.2, note 18.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in the Group's operating income.

2.7 / Intangible non-current assets

Intangible 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 the Group that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

The Group's lease rights are recognized by the Group as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 / Property, plant & equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the item.

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 the Group 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 the Group for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is eight to twenty years for fixtures and fittings on land and buildings, and three to ten years for equipment.

Property, plant and equipment are subject to an impairment test whenever an indication of loss of value is identified; for example, a planned closure, reduction in the workforce, or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. In cases when the recoverable value of the asset in isolation cannot be accurately determined, the Group 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 the Group almost all the risks and benefits inherent in ownership of an asset are classified as finance lease agreements.

Goods rented by virtue of agreements qualified as finance lease agreements are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are impaired over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on the Group virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary leases are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15. They mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full as profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the operation has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on the Group the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 / Inventories

Inventory is valued at the lower end of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs, and the provision for unknown markdowns between the last inventory date and the invoice date. The advantages obtained from suppliers counted as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

The Group may need to record an impairment on inventories:

- based on likelihood of disposal;
- if they are partially damaged;
- if they are completely obsolete;
- if their sale price is less than their net realizable value.

2.10 / Impairment of assets

Goodwill, intangible assets with an unlimited useful life and CGUs or CGU groups containing these elements are annually subject to an impairment test in the second half of the year.

In addition, whenever events or circumstances indicate that there could be loss of value on goodwill, other intangible assets, property, plant and equipment, and CGUs or CGU groups, an impairment test is performed. Such events or circumstances may be linked to significant unfavorable changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a CGU or CGU group is less than the net book value.

The recoverable value of an asset or a CGU or CGU group is the higher of its fair value less costs to sell and its value in use.

The value in use is determined in relation to future cash flow projections, taking account of the time value and specific risks related to the asset or the CGU or CGU group. Future cash flow projections are based on medium-term plans and budgets. These plans are constructed on a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. These values are determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

If the recoverable value of the asset or CGU or CGU group is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a CGU or CGU group, loss of value is assigned primarily to goodwill if applicable and is recorded on the line “Other non-current operating income and expenses” on the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

On the partial disposal of a CGU, the goodwill value assigned corresponding to the partial exit is valued on the basis of the relative values of the activity disposed of and the portion of the CGU retained, unless another method is more relevant.

2.11 / Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet at their fair value, as assets (positive fair value) or liabilities (negative fair value).

All these instruments are disclosed in section 5.2, note 29.

2.11.1 Financial assets

Pursuant to IAS 39, financial assets are classified in one of the following four categories:

- financial assets valued at fair value on the income statement;
- loans and receivables;
- assets held to maturity;
- assets available for sale.

The classification determines the accounting treatment of these instruments. Financial assets are classified by the Group on the date of initial accounting, according to the objective for which they were acquired. Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

1. Financial assets valued at fair value on the income statement

These are financial assets held by the Group to realize a profit on disposal in the short term, or financial assets deliberately classified in this category.

These assets are valued at fair value; changes in their value are recorded in the income statement.

2. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are determined or determinable and that are not listed on an active market and not held for the purposes of a transaction or available for sale.

These assets are valued at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value and the amortized cost are equivalent to the amount of the original invoice unless the effective tax rate has a significant impact.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Receivables related to equity interests, deposits and guarantees, loans and current receivables and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other current financial assets.

3. Assets held to maturity

Assets held to maturity are non-derivative financial assets, other than loans and debts, with a fixed term whose payments are determined or determinable, that the Group has the intention and capacity to hold through to maturity. These assets are valued at fair value initially, then at amortized cost using the effective interest rate method.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity appear in non-current financial assets.

4. Assets available for sale

Assets available for sale are non-derivative financial assets that do not come under the abovementioned categories. They are valued at fair value. The recognized underlying capital gains or losses are accounted for in other items of comprehensive income until their disposal. However, if there is objective evidence of impairment of an asset available for sale, the cumulative loss is recognized in income.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques using reliable and observable market data. If it is impossible to reasonably estimate the fair value of a security, it is valued at historic cost. These assets are subject to impairment tests in order to assess their degree of recoverability.

This category mainly includes unconsolidated equity interests and transferable securities that do not come under the other financial asset definitions. They appear in non-current financial assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IAS 39. For the Group, borrowings and financial debts, supplier debts and other debts are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial asset to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at market interest rates. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Hedging relationships are detailed in the section on “Derivative instruments”.

Financial liabilities designated at fair value on options, other than liabilities derivatives, are valued at fair value. Fair value adjustments are accounted for in the income statement. Transaction costs connected with the establishment of these financial liabilities are accounted for immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, the Group may need to use various financial instruments to reduce its exposure to foreign exchange risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification, and they are valued at their fair value on the transaction date. The change in fair value of derivative instruments is always recorded on the income statement except in the case of cash flow hedges and net investment hedges.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risk:

- cash flow hedges are used to cover the risk of changes in cash flow attached to recognized assets or liabilities or a highly probable 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, formulated and documented from the date of its inception;
- the effectiveness of the hedging relationship is demonstrated both prospectively and retrospectively. The income obtained in this way must be in a confidence interval between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship:

- for cash flow and net investment hedges:
  - the effective portion of the change in fair value of the hedging instrument is recorded directly against other items of comprehensive income. These amounts are reclassified on the income statement symmetrically to the method of accounting for the hedged items, i.e. principally under gross margin for commercial hedge transactions and under financial income for financial hedge transactions,
  - the ineffective portion of the hedge is recognized in the income statement;
- for fair value hedges, the hedged component of the items is recognized on the balance sheet at its fair value. The change in this fair value is recorded in the income statement and is offset, unless ineffective, by recognition in the income statement of the symmetrical changes in fair value of the financial instruments used as hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the balance sheet comprise liquid assets, money market UCITS, short-term investments and other liquid and readily convertible instruments with negligible risk of fluctuation in value and maturing within three months or less of the acquisition date.

Investments for a term of over three months and restricted or pledged bank accounts are not included in cash. Bank overdrafts appear under financial liabilities on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest not yet due on assets appearing under cash and cash equivalents and bank overdrafts. The cash flow statement is explained in detail in note 26.

2.11.5 Definition of the Group's consolidated net financial debt

Net financial debt includes:

- cash and cash equivalents: This item consists of trading securities (money-market and short-term money-market UCITS), easily accessible or disposable very-short-term risk-free deposits and investments maturing in less than three months, as well as cash in 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 26);
- short-term credit, long-term credit, and bank overdrafts: this item includes mainly 2023 bonds, and medium-term credit balances at banks (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-compensation plans, eventually paid in cash, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is valued on the allotment date, then revalued on each balance sheet date. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the commitment calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a liability to personnel. The change in the fair value of the amount payable is recorded in the income statement for each financial year.

Share-based transactions paid in equity instruments

Performance-compensation plans, eventually paid in equity instruments, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is irreversibly valued on the allotment date. The mathematical models used for these valuations are described in note 7.2 and note 7.3.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.13 / Taxes

Income tax for the 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 the Group expects to recover or pay the book value of the assets and liabilities using the enacted or anticipated tax rate on the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carryforward of tax losses and tax credits.

A deferred tax asset is recognized only if it appears probable that the Group will obtain sufficient profits in the future to make the tax deferral useful.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering the deferred tax assets is reviewed periodically per tax entity and may lead to discontinuing previously recognized deferrals. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income at that stage is projected over rolling two-year periods. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless the Group is in a position to control the date when the timing difference will reverse, and if it is probable that it will not reverse in the foreseeable future.

Corporate value-added tax (CVAE), a levy assessed on a company's added value, in the Group's opinion meets the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

The treatment of taxation uncertainty

In the event of uncertainty over taxation, the Group exercises its judgment over whether each tax uncertainty should be treated separately or whether some uncertainties should be treated together when calculating taxable income (tax loss), tax bases, loss carry-forwards, unused tax credits, and tax rates.

2.14 / Treasury stock and other shareholders' equity instruments

The Group may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recorded as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 26.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

2.15 / Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the expenditure of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, the Group assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with the Group's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects the current assessments of the time value of the money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before the balance sheet date. The restructuring costs recorded in provisions correspond mainly to employment costs (redundancy payments, early retirement, lack of notice periods etc.), and compensation for breaking contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 / Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Group companies provide various types of benefits for their employees.

For defined-contribution plans, the Group has no obligation to make supplementary payments over and above the contributions already paid to a fund if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected credit unit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately in other items of comprehensive income for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan, is recognized immediately in the income statement even if the rights to the benefit have not been vested by the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Reductions, payments and costs of past services are recognized in current operating income. The provision recognized on the balance sheet corresponds to the present value of the liabilities thus calculated, after deducting the fair value of the plans' assets.

2.17 / Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current assets held for sale and discontinued operations requires particular accounting and specific presentation of the assets (or group of assets) held for sale and discontinued operations that were or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value will be recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of sale. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on the Group's balance sheet, with no restatement for past years.

A discontinued activity that was sold or held for sale is defined as a component of an entity having a cash flow that can be identified separately from that of the rest of the entity and which represents a line of activity or a principal, distinct region. Over the reported periods, the income from these activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

2.18 / Recognition of income from ordinary activities

Income is mainly derived from the sale of merchandise and delivery of services provided by the stores and trading websites of the Group, the sale of merchandise by franchises, and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, proceeds from non-use of loyalty cards and gift vouchers are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Income from ordinary activities is valued at the fair value of the amount received in exchange for the goods and services sold, excluding taxes, net of discounts and rebates and after elimination of intra-group sales.

In accordance with IFRIC 13 – Customer Loyalty programs, the benefits granted to customers through loyalty programs are counted separately from the original sale. The benefits are valued at their fair value and accounted for as a deduction from the original sale, after applying a redemption rate corresponding to the probability of use of the benefits by the members, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered.

Sales of goods are recognized when a Group entity transfers to the purchaser the risks and benefits inherent in ownership of the item, generally at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be recognized as a reduction from the proceeds of ordinary operations, in order to allow for any return of merchandise that could take place after the balance sheet date.

The provision of services, such as sales of extended warranties or services related directly to the sale of the goods, is recognized in the period when the services are rendered. If an entity of the Group acts as an agent in the sale of these services, the revenues are recognized at the time of the sale, and correspond to the margin generated or the commission received. This mainly concerns ticket sales, the sale of gift boxes, certain extended warranties and web sales generated on behalf of suppliers (Marketplace).

2.19 / Operating income

Operating income includes all the income and costs directly related to Group operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

Other non-current operating income and expenses, excluding current operating income, includes:

- restructuring costs and costs relating to headcount reductions;
- impairment losses on capitalized assets identified primarily in impairment tests on cash generating units (CGUs) and goodwill;
- gains or losses linked to changes in consolidation scope (acquisition or disposal);
- major litigation not arising from the Group's operating activities.

2.20 / Earnings per share

Net earnings per share are calculated by dividing the Group share of consolidated net profit by the weighted average number of shares in circulation during the financial year.

Diluted net earnings per share are calculated by dividing the Group share of consolidated net profit for the year by the average number of shares in circulation together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net earnings excluding non-current items per share are calculated by adjusting the Group share of consolidated net profit for non-current items for their amount net of tax and non-controlled interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expenses" on the income statement.

2.21 / Operating segments

In accordance with IFRS 8 – Operating segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman & CEO and the Executive Committee members who constitute the Group's principal decision-making body.

An operating segment is a distinct component of the Group, engaged in activities likely to generate income and incur expenses, whose operating results are regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to common performance indicators for all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographic regions composed of several countries in which the Group conducts its operations through stores:

- France – Switzerland: This segment consists of Group activities managed from France, carried out in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar and Ivory Coast that are managed from France;
- Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
- Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg;

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3 HIGHLIGHTS

3.1 / Changes in scope of consolidation

As of August 1, 2016, the first closing date of the offer, the Group held 98.5% of the share capital of Darty plc. As of August 17, 2016, Darty shares were delisted (from the London and Euronext Paris stock exchanges). At the end of the squeeze-out period, which was September 12, the Group had acquired 100% of the share capital of Darty plc, of which 30.64% was paid in shares. Groupe Darty plc is consolidated in the Group's financial statements since August 1, 2016.

In June 2016, the Group sold its call-center business responsible for phone-based customer relations and after-sales service. Business Support Services (B2S), a company specializing in customer relations, took over that entire business and its employees.

To support its development in ticketing technologies and services, France Billet, a subsidiary of Fnac and market leader in France in the ticketing market, acquired the company Eazieer which was fully consolidated in the financial statements as of the first half of 2016. The financial terms of this acquisition include the payment of a price supplement of up to €2.0 million if the company achieves its performance targets within the established time period.

On January 28, 2016, the Group and Izneo announced that the distributor had taken an equity stake in the digital graphic novel distribution and viewing provider.

Since the first half of 2016, Izneo has been consolidated under the equity method, with no significant impact on Group equity.

In the fourth quarter of 2016, the Group began a process of searching for partners in Brazil who could aid the Group in completely leaving the country. An investment bank has been appointed to identify potential partners and lead discussions. This decision to pull out of its activities in Brazil was approved by the Board of Directors at its meeting of January 26, 2017. In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016, and in the adjusted presentation of the financial statements for December 31, 2015. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet, with no restatement for previous years. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

3.2 / Other significant events

On April 11, 2016, Groupe Fnac Darty and Vivendi Group announced a "strategic partnership" whereby Vivendi Group would take a stake in the Group after a reserved capital increase in the amount of €159.0 million, at a price of €54 per share. This transaction allowed Vivendi to hold approximately 11% of Fnac as of December 31, 2016.

On September 22, 2016 the Group issued a €650 million senior bond with a maturity of seven years, bearing interest at 3.25% per year.

3.3 / Main consequences of Brexit on the Group's financial statements

One of the consequences of the UK referendum on membership of the European Union on June 23, 2016 which resulted in the vote to leave the EU, was the depreciation of the pound sterling versus the euro. This change in the exchange rate was reflected in the Group's financial statements as a positive currency translation effect on outflows connected with the cash takeover bid for Darty plc shares, valued at 170 pence per Darty share. The average exchange rate for the purchase of Darty plc shares was £0.825 to €1 , about 12% lower than the rate on December 31, 2015.

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.

In 2016, the operating structure was changed, and operations are now split into three segments:

- France – Switzerland: This segment consists of Group activities managed from France, carried out in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar and Ivory Coast that are managed from France;
- Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
- Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg;
- Fnac Brazil is reclassified as a discontinued operation. This activity has been excluded from the new operations segmentation.

The comparative 2015 statements have been adjusted to reflect the new operations segmentation. As a reminder, in 2015, operations were split into four segments (France, Iberian Peninsula, Brazil, and Other Countries including Belgium and Switzerland).

The new operating segments reflect the new structure of Fnac Darty. The principle of "One Group Serving Two Brands" requires activities to be consolidated by country. This means that the new operating segments consolidate brands based on their geography.

4.1 / Information per operating segment

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2016				
INCOME FROM ORDINARY ACTIVITIES	**4,218.6**	**656.2**	**494.4**	**5,369.2**
Consumer electronics	2,134.7	389.8	245.7	2,770.2
Publishing products	962.7	219.3	61.9	1,243.9
Household appliances	498.2	0.0	139.7	637.9
Other Products and Services	623.0	47.1	47.1	717.2
OPERATING INCOME	**96.0**	**22.2**	**3.8**	**122.0**
Income and expense with no impact on cash [(a)]	87.2	12.7	5.4	105.3
Purchase of tangible and intangible non-current assets [(b)]	81.9	9.1	6.6	97.6
SEGMENT ASSETS	**3,545.4**	**170.9**	**391.9**	**4,108.2**
SEGMENT LIABILITIES	**2,131.7**	**266.7**	**208.3**	**2,606.7**

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2015 ADJUSTED*				
INCOME FROM ORDINARY ACTIVITIES	**2,898.6**	**657.3**	**183.1**	**3,739.0**
Consumer electronics	1,611.3	391.5	105.3	2,108.1
Publishing products	1,006.0	223.3	67.7	1,297.0
Household appliances	0.0	0.0	0.0	0.0
Other Products and Services	281.3	42.5	10.1	333.9
OPERATING INCOME	**50.5**	**22.4**	**2.4**	**75.3**
Income and expense with no impact on cash [(a)]	31.4	11.3	5.8	48.5
Purchase of tangible and intangible non-current assets [(b)]	49.5	6.8	1.3	57.6
SEGMENT ASSETS	**1,014.1**	**171.9**	**57.6**	**1,243.6**
SEGMENT LIABILITIES	**918.6**	**251.9**	**47.9**	**1,218.4**

** Restated for the reclassification of Fnac Brazil as a discontinued operation.*
(a) Income and expense with no impact on cash include:
- current and non-current amortization, depreciation & impairment, as well as impairment of non-current assets;
- current & non-current provisions for contingencies and losses and reversals;
- provisions, reversals and discounting of provisions for pensions & other equivalent benefits;
- proceeds from disposal of operating & financial assets;
- deferred tax charges and reversals.
(b) Purchase of tangible and intangible non-current assets 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)	2016	2015
Goodwill	1,605.0	332.4
Intangible non-current assets	457.5	71.2
Tangible non-current assets	436.2	156.6
Other non-current assets and liabilities	0.0	0.0
Non-current segment assets	**2,498.7**	**560.2**
Inventories	1,060.7	446.1
Trade receivables	210.0	79.9
Other current assets	338.8	157.4
SEGMENT ASSETS EXCLUDING FNAC BRAZIL	**4,108.2**	**1,243.6**
SEGMENT ASSETS OF FNAC BRAZIL	**0.0**	**60.5**
Non-current financial assets	15.6	8.2
Equity interests	20.1	0.0
Deferred tax assets	44.7	37.4
Tax receivables due	19.4	6.2
Other current financial assets	25.7	12.0
Cash and cash equivalents	654.9	544.7
Assets held for sale	71.4	0.0
TOTAL ASSETS	**4,960.0**	**1,912.6**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	2016	2015
Trade payables	1,598.6	787.2
Other current liabilities	815.9	431.2
Other non-current liabilities	192.2	0.0
SEGMENT LIABILITIES EXCLUDING FNAC BRAZIL	**2,606.7**	**1,218.4**
SEGMENT LIABILITIES OF FNAC BRAZIL	**0.0**	**18.4**
Shareholders' equity, Group share	1,033.4	557.3
Shareholders' equity – Share attributable to non-controlling interests	6.8	7.0
Long-term borrowings and financial debt	854.9	0.3
Deferred tax liabilities	133.1	0.0
Provisions for pensions and other equivalent benefits	186.3	77.4
Short-term borrowings and financial debt	8.2	0.3
Other current financial liabilities	10.0	6.0
Provisions	32.4	13.8
Tax liabilities payable	53.2	13.7
Liabilities relating to assets held for sale	35.0	0.0
TOTAL LIABILITIES	**4,960.0**	**1,912.6**

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2016**	**2015 adjusted***
Net sales of goods	4,915.1	3,533.0
Net sales of services	231.9	153.4
Other revenue	222.2	52.6
TOTAL SALES	**5,369.2**	**3,739.0**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The increase in sales in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, phone services, gift boxes, “NES” extended warranties, and Marketplace).

Other income mainly includes reinvoicing of shipping costs and commissions, and the proceeds from non-use of loyalty cards and gift vouchers.

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 24).

(€ million)	**2016**	**2015 adjusted***
France-Switzerland	(650.6)	(456.9)
Iberian Peninsula	(65.8)	(70.1)
Benelux	(68.9)	(24.8)
TOTAL PAYROLL EXPENSE	**(785.3)**	**(551.8)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The increase in payroll costs in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

In 2016, payroll costs include an expense of €14.8 million, versus €30.4 million in 2015, related to the application of IFRS 2 regarding all share-based transactions involving Group shares.

The average paid workforce for the Group's activities, in full-time equivalent, was composed as follows:

	2016	2015 adjusted*
France-Switzerland	17,121	8,006
Iberian Peninsula	2,753	2,806
Benelux	2,907	428
TOTAL AVERAGE PAID WORKFORCE	**22,780**	**11,240**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The total paid workforce as of December 31, for the Group's activities was as follows:

	2016	2015 adjusted*
France-Switzerland	18,944	8,803
Iberian Peninsula	3,872	3,962
Benelux	3,202	594
TOTAL REGISTERED WORKFORCE	**26,018**	**13,359**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

NOTE 7 PERFORMANCE-BASED COMPENSATION PLANS

The fair value of all performance-based payment plans was measured using the Black & Scholes method based on random payouts at future share prices assuming 30% price volatility of Fnac shares. Share price projections use a stochastic method based on geometric Brownian motion.

7.1 / Value units plan

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan granted in 2013 and 2014 amounted to €3.0 million.

2014 Plan

Part of the 2014 value units plan matured on February 29, 2016. The value units of Plan beneficiaries who were in service on February 29, 2016 were vested, subject to performance conditions (Fnac average closing share price for February 2016 of €55.33), at that exit price. Those amounts were paid in cash in April 2016 to beneficiaries in service on February 29, 2016, totaling €9.1 million including employer contributions. For Executive Committee members, two-thirds of this amount was paid. The remaining third is paid provided they are in service on February 28, 2017.

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan amounted to €1.7 million.

The main features of this plan are summarized below:

Main features	2014-2017 value units plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	2 years/3 years
Vesting date	February 28, 2016 and February 28, 2017
Number of beneficiaries at inception	125
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of value units	2014-2017 value units plan
Awarded	170,048
In the process of being vested as of January 1, 2016	**154,305**
Vested in 2016	125,967
Canceled in 2016	82
Currently being vested at December 31, 2016	**28,256**

2013 Plan

The 2013 value units plan matured on July 31, 2016. Vesting was subject to performance conditions (average closing share price in July 2015 of €55.07) which were achieved. For Executive Committee members, the payment of the last third of the value units was conditional on being in service on July 31, 2016. Cash payments were made in July 2016 totaling €5.7 million, including employer contributions.

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan amounted to €1.3 million.

Main features	2013-2016 value units plan
Date of Board of Directors' meeting	July 30, 2013
Vesting period	2 years/3 years
Vesting date	July 31, 2015 and July 31, 2016
Number of beneficiaries at inception	112
Number of beneficiaries at December 31, 2016	0
Performance condition	Yes

Number of value units	2013-2016 value units plan
Awarded	456,018
In the process of being vested as of January 1, 2016	**82,235**
Vested in 2016	82,235
Canceled in 2016	0
Currently being vested at December 31, 2016	**0**

7.2 / Performance share plans

The total IFRS 2 expense recognized as of December 31, 2016 for the performance share plans granted in 2013, 2014 and 2015 amounted to €8.6 million.

2015 Plan

The total IFRS 2 expense recognized as of December 31, 2016 for the 2015 performance share plan amounted to €0.9 million.

The main features are summarized below:

Main features	2015-2018 performance share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries at December 31, 2016	11
Performance condition	Yes

Number of stock options	2015-2018 performance share plan
Awarded	164,954
In the process of being vested as of January 1, 2016	**164,954**
Vested in 2016	0
Canceled in 2016	2,971
Currently being vested at December 31, 2016	**161,983**

2014 Plan

The first tranche of the 2014 performance share plan was vested on September 30, 2016. Given its average closing price over the last 20 trading days immediately preceding September 30, 2016 (average €65.74) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on September 30, 2016. These options were exercised between October 1 and October 20, 2016 or cashed in October 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2016 for the 2014 performance share plan amounted to €3.7 million.

The main features are summarized below:

Main features	2014-2017 performance share plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	€23.60
Number of beneficiaries at inception	9
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of stock options	2014-2017 performance share plan
Awarded	366,406
In the process of being vested as of January 1, 2016	**366,406**
Vested in 2016	185,473
Canceled in 2016	18,126
Currently being vested at December 31, 2016	**162,807**

2013 Plan

The second tranche of the 2013 performance share plan was vested on March 31, 2016. Given its average closing price over the last 20 trading days immediately preceding March 31, 2016 (average €57.17) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries in service as of March 31, 2016. These options were exercised between April 1, 2016 and March 31, 2017 or cashed in April 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2016 for the 2013 performance share plan amounted to €4.0 million.

The main features of this plan are summarized below:

Main features	2013-2017 performance share plan
Date of Board of Directors' meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	€20.28
Number of beneficiaries at inception	10
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of stock options	2013-2017 performance share plan
Awarded	656,536
In the process of being vested as of January 1, 2016	**463,668**
Vested in 2016	189,683
Canceled in 2016	12,993
Currently being vested at December 31, 2016	**260,992**

7.3 / Awarding of bonus shares

The total IFRS 2 expense recognized as of December 31, 2016 for the bonus shares granted in 2015 and 2016 amounted to €3.2 million.

2016 Plan

On the recommendation of the Nomination and Remuneration Committee, on April 4, 2016, the Board of Directors decided to award performance options to certain group employees (125 beneficiaries) in order to link them to the Company's performance through an increase in the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

The plan is for a four-year period (June 17, 2016 – June 16, 2020). Permanent vesting is conditional on two years' service for French residents (June 17, 2016 – June 16, 2018) and four years' service for foreign residents (June 17, 2016 – June 16, 2020), and is conditional on the Group's share price performance as measured in June 2018 (average closing price of Groupe Fnac shares over the 20 trading day immediately preceding June 17, 2018). French residents are also required to hold their awarded shares for a period of two years (June 17, 2018 – June 16, 2020: the "lock-in period").

The total IFRS 2 expense recognized as of December 31, 2016 for the 2016 performance share plan amounted to €1.2 million.

The main features are summarized below:

Main features	Bonus share plan 2016-2020
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Foreign residents	4 years (June 17, 2016 – June 16, 2020)
Lock-in period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries at December 31, 2016	119
Performance condition	Yes

Number of bonus shares	Bonus share plan 2016-2020
Awarded	96,525
Vested in 2016	0
Canceled in 2016	**2,895**
Currently being vested at December 31, 2016	**93,630**

2015 Plan

The total IFRS 2 expense recognized as of December 31, 2016 for the 2015 performance share plan amounted to €2.0 million.

The main features are summarized below:

Main features	Bonus share plan 2015-2019
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Foreign residents	4 years (March 2015 – February 2019)
Lock-in period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries at December 31, 2016	111
Performance condition	Yes

Number of bonus shares	Bonus share plan 2015-2019
Awarded	82,494
In the process of being vested as of January 1, 2016	81,054
Vested in 2016	0
Canceled in 2016	**8,529**
Currently being vested at December 31, 2016	**72,525**

7.4 / Analysis of sensitivity to fluctuations in Fnac share price

At December 31, 2016, a share price of €64.23 was used to measure the fair value of the Group's value units plan and performance share plan obligations. The impact of a €1 change upwards or downwards in its share price on the fair value of its obligations is €0.3 million.

7.5 / Kering bonus share allotment plans and share purchase and subscription plans

Bonus shares were allocated by the Kering Group to employees of the Group. 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 2016, no amounts were invoiced by the Kering Group to the Group for these plans. A total of €3.3 million was reinvoiced in 2013 by the Kering Group to the Group for plans definitively allotted to Group employees.

As of December 31, 2016, there were no further non-eligible plans (prior to November 7, 2002). The main features of this plan are summarized below:

	2012/2 plan
Awarding of bonus shares	**Bonus shares**
Date of award	04/27/2012
Expiration date	N/A
Vesting period	(a)
Number of beneficiaries	38
Number originally awarded	3,685
Number outstanding as of December 31, 2015	2,975
Number outstanding as of January 1, 2016	**2,975**
Number canceled in 2016	695
2016 adjustments	
Number exercised in 2016	
Number of shares awarded	2,280
Number expired in 2016	
Number outstanding as of December 31, 2016	**0**
Number exercisable as of December 31, 2016	
Exercise price *(€)*	
Weighted average price of the options exercised & shares remitted *(€)*	

(a) The shares are vested four years after their allotment except in the case of resignation or dismissal for serious misconduct or gross negligence (all rights forfeited). The number of shares definitively allotted is subject to the share's performance on the stock market. There is no lock-in period.

The granting of bonus shares does not give rise to a capital increase.

For this plan, the lock-in period is four years from the date of allotment.

The valuation of services rendered by the beneficiaries is assessed on the plan's allotment date:

For bonus share allotment plans, using a Black & Scholes type method with Monte Carlo algorithm having two underlying assets.

7.6 / Awarding of Darty bonus shares

Bonus shares were awarded by Groupe Darty to certain employees in 2013, 2014 and 2015.

In accordance with plan rules, the acquisition of Groupe Darty by Groupe Fnac resulted in the vesting of these variable multi-year components subject to performance conditions and on a prorated basis. As an exception, these shares were settled in cash.

The cash payments to the 65 beneficiaries were made in 2016 and 2017 in the gross amount of £7.3 million equivalent.

NOTE 8 ASSOCIATES

(€ million)	2016	2015 adjusted*
France-Switzerland	0.3	0.0
Iberian Peninsula	0.0	0.0
Benelux	(0.1)	0.0
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**0.2**	**0.0**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation*

Income from equity associates mainly reflects the income from Ménafinance and Izneo, in which the Group holds 50% of capital.

(€ million)	2016	2015 adjusted*
Menafinance	0.9	0.0
Izneo	(0.6)	0.0
Vanden Borre Kitchen	(0.1)	0.0
SHARE OF PROFIT/(LOSS) OF EQUITY ASSOCIATES	**0.2**	**0.0**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
EQUITY INTERESTS AS OF DECEMBER 31, 2015	**0.0**	**0.0**	**0.0**	**0.0**
Profit/(loss) of associates	**0.2**	0.9	(0.6)	(0.1)
Dividends paid	**0.0**			
Change to scope of consolidation	**19.9**	17.8	2.0	0.1
Translation difference	**0.0**			
Other	**0.0**			
EQUITY INTERESTS AS OF DECEMBER 31, 2016	**20.1**	**18.7**	**1.4**	**0.0**

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
Non-current assets	**113.8**	107.8	6.0	
Current assets	**188.8**	186.8	1.5	0.5
Non-current liabilities	**163.5**	163.5	0.2	(0.2)
Current liabilities	**131.8**	131.0	1.4	(0.6)
Revenues	**95.2**	93.7	1.0	0.4
Operating expenses	**(26.8)**	(25.8)	(0.8)	(0.2)
Operating income	**(10.5)**	(9.6)	(1.2)	0.2
Net income	**0.3**	1.8	(1.2)	(0.2)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is composed as follows:

(€ million)	2016	2015 adjusted*
France-Switzerland	132.9	57.9
Iberian Peninsula	23.2	24.2
Benelux	5.0	2.9
CURRENT OPERATING INCOME	**161.1**	**85.0**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Other current operating income and expenses amounted to a net expense of €631.2 million in 2016 (compared to a net expense of €476.0 million in 2015).

The increase in current operating income in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and advertising costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

(€ million)	2016	2015 adjusted*
Costs connected with Darty acquisition	(20.7)	(5.5)
Restructuring costs	(7.5)	(3.3)
Tascom 2015	(5.3)	0.0
Sale of call-center business	(2.8)	0.0
Litigation and disputes	(1.3)	0.0
Other risks	(1.5)	(0.9)
NON-CURRENT OPERATING INCOME AND EXPENSES	**(39.1)**	**(9.7)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

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 €39.1 million in 2016 consisted mainly of the following:

- €20.7 million in costs linked to the acquisition of Darty; These were mainly professional fees and commissions;
- Restructuring costs of €7.5 million for workforce and structural adjustments in France and abroad, as well as costs incurred in closing Darty's London offices;

- a €5.3 million expense for 2015 tax on retail space: Article 66 of the Amending Finance Law for 2015 supplements Article 6 of the Law of July 13, 1972, governing tax on retail space in France by adding a new generating event effective January 1, 2016. The addition of a second generating event led to a review of the accounting treatment adopted based on IFRIC 21. As it involves a change in tax law, it applies prospectively from January 1, 2016. This leads, in practice, to recognizing two taxes in 2016: the tax due on January 1, 2016 on 2015 revenues, and the progressive tax on sales once the revenue threshold is exceeded in 2016;
- a net expense of €1.3 million for disputes and litigation, and a net expense of €1.5 million for various expenses.

The total expense of €9.7 million in 2015 consisted mainly of the following:

- €5.5 million in costs derived from the acquisition of Darty;
- restructuring costs of €3.3 million in France and abroad.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

	Reported	
(€ million)	**2016**	**2015 adjusted***
Costs connected with Group debt	(53.1)	(5.7)
Costs connected with Darty acquisition	(15.2)	(0.2)
Cost of consumer credit	(6.3)	(4.8)
Other net financial expenses	(1.6)	(0.4)
TOTAL	**(76.2)**	**(11.1)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

As of December 31, 2016, net financial income was composed of a financial expense of €76.2 million, compared with a financial expense of €11.1 million for the same period the previous year.

In 2016, the breakdown of net financial expenses was as follows:

- costs amounting to €53.1 million related to Group debt, which included the cost of financing the new Group and reorganizing its financial structure, mainly impacted by the acquisition in 2016 of the entire share capital of Darty and the introduction of new instruments to finance the new Combined Group;
- costs related to the Darty acquisition, which mainly include the penalties for early redemption of the Darty bond on September 19, 2016;
- expenses for the cost of consumer credit totaling €6.3 million in 2016 (compared to an expense of €4.8 million in 2015); The increase reflects the entry of Darty into the scope of consolidation on August 1, 2016.

NOTE 12 TAX

12.1 / Breakdown of the income tax expense from continuing operations

12.1.1 Income taxes

(€ million)	**2016**	**2015 adjusted***
PRE-TAX INCOME	**45.8**	**64.2**
Tax charge payable excluding the corporate value-added tax (CVAE)	(3.3)	(7.4)
Tax charge related to the corporate value-added tax (CVAE)	(13.7)	(9.0)
Deferred tax income/(expense)	(7.0)	2.5
TOTAL TAX CHARGE	**(24.0)**	**(13.9)**
EFFECTIVE TAX RATE	**52.40%**	**21.65%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

12.1.2 Rationalization of the income tax rate

(as a % of income before taxes)	**2016**	**2015 adjusted***
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**38.00%**
Impact of the taxation of foreign subsidiaries	(2.58%)	(12.49%)
THEORETICAL TAX RATE	**31.85%**	**25.51%**
Impact of items taxed at a lower rate	0.00%	(1.16%)
Impact of permanent timing differences	7.90%	(2.91%)
Impact of unrecognized timing differences	28.07%	(8.33%)
Impact of unrecognized tax-loss carry-forwards	7.35%	(1.80%)
Impact of the corporate value-added tax	10.43%	9.98%
Impact of the reduction in the income tax rate in France (2017 Finance Law)	(22.62%)	0.00%
Impact of tax reassessments	(10.77%)	0.00%
Other	0.19%	0.36%
EFFECTIVE TAX RATE	**52.40%**	**21.65%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2017 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, on all profits of all companies.

The Group's net tax expense takes this reduction into account, by applying a tax rate of 28.0% plus the 3.3% social security contribution, for items with taxes coming due in 2020 and onwards.

12.1.3 Current tax rate

Excluding non-current items, the Group's tax rate is as follows:

(€ million)	2016	2015 adjusted*
Pre-tax income	45.8	64.2
Non-current items	(39.1)	(9.7)
CURRENT INCOME BEFORE TAX	**84.9**	**73.9**
Total tax charge	(24.0)	(13.9)
Tax on non-current items	(0.3)	0.7
CURRENT TAX CHARGE	**(23.7)**	**(14.6)**
CURRENT TAX RATE	**27.92%**	**19.81%**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

As of January 1, 2013, Groupe Fnac assembled its own tax consolidation group to include all its French subsidiaries excluding Tick&Live and Eazieer.

As of May 1, 2011, Darty Holdings SAS assembled a tax consolidation group to include the French subsidiaries that it owned directly or indirectly. This tax group's fiscal year end is April 30.

12.2 / Changes in balance sheet items

12.2.1 Tax payable

(€ million)	2014	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2015
Tax receivables due	6.2				6.2
Tax liabilities payable	(13.3)				(13.7)
TAXES PAYABLE	**(7.1)**	**(16.4)**	**15.9**	**0.1**	**(7.5)**

(€ million)	2015	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2016
Tax receivables due	6.2				19.4
Tax liabilities payable	(13.7)				(53.2)
TAXES PAYABLE	**(7.5)**	**(16.7)**	**37.5**	**(47.1)**	**(33.8)**

12.2.2 Tax deferred

(€ million)	2014	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2015
Net deferred tax assets	33.1	2.5	1.9	(0.1)	37.4
Deferred tax liabilities	0.0				0.0
NET DEFERRED TAXES	**33.1**	**2.5**	**1.9**	**(0.1)**	**37.4**

(€ million)	2014	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2015
Provisions for pensions and other equivalent benefits	19.3	0.3	1.9	0.2	21.7
Recognized tax losses and tax credits	9.9	2.9			12.8
Other assets & liabilities	3.8	(0.7)		(0.2)	2.9
NET DEFERRED TAX ASSETS (LIABILITIES)	**33.0**	**2.5**	**1.9**	**0.0**	**37.4**

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016
Net deferred tax assets	37.4	(4.1)	(9.7)	21.1	44.7
Deferred tax liabilities	0.0	(2.9)	0.0	(130.2)	(133.1)
NET DEFERRED TAXES	**37.4**	**(7.0)**	**(9.7)**	**(109.1)**	**(88.4)**

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016
Provisions for pensions and other equivalent benefits	21.7	(4.4)	(9.7)	31.7	39.3
Recognized tax losses and tax credits	12.8	(0.5)	0.0	0.0	12.3
Marques Darty & Vanden Borre	0.0	16.8	0.0	(118.3)	(101.5)
OTHER ASSETS & LIABILITIES	**2.9**	**(18.9)**	**0.0**	**(22.5)**	**(38.5)**
NET DEFERRED TAX ASSETS (LIABILITIES)	**37.4**	**(7.0)**	**(9.7)**	**(109.1)**	**(88.4)**

12.3 / Unrecognized deferred tax

The change in tax losses and unused tax credits is as follows:

(€ million)	2016	2015 adjusted*
Non-activated tax losses	269.1	5.9
Non-activated timing differences	61.2	19.2
TOTAL UNRECOGNIZED TAX BASES	**330.3**	**25.1**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The change in non-activated timing differences mainly reflects Group Fnac's equity interest in Darty plc.

The change in non-activated tax losses reflects the entry of Darty into the scope of consolidation, and particularly the tax losses of its British and Dutch entities.

12.4 / Tax loss changes and timing

(€ million)	Total	Of which non-capitalized	Of which capitalized
AS OF DECEMBER 31, 2015*	**43.3**	**5.9**	**37.4**
Losses generated during the financial year	(1.3)		
Losses deducted and time-barred during the financial year	0.0		
Changes in scope of consolidation and foreign exchange rates	264.9		
AS OF DECEMBER 31, 2016	**306.9**	**269.1**	**37.8**
TAX-LOSS CARRY-FORWARDS WITH A MATURITY OF	**69.0**	**69.0**	**0.0**
Of less than 5 years	0.0		
Over 5 years	69.0	69.0	
Indefinite tax-loss carry-forwards	237.9	200.1	37.8
TOTAL	**306.9**	**269.1**	**37.8**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

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 2016, the Group held an average of 14,174 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2016, the Group liquidated its position and did not hold any treasury shares.

Net diluted earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of dilutive potential ordinary shares. Dilutive potential shares correspond to the shares granted to employees as part of transactions for which payment is based on shares settled with equity instruments.

For 2016, instruments issued by Groupe Fnac had a dilutive effect of 256,772 shares.

The number of shares that could potentially become dilutive during a subsequent year was 204,878.

Earnings per share as of December 31, 2016

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**(0.4)**	**21.2**	**(21.6)**
Weighted average number of ordinary shares issued	21,229,756	21,229,756	21,229,756
Weighted average number of treasury shares	(14,174)	(14,174)	(14,174)
Weighted average number of ordinary shares	**21,215,582**	**21,215,582**	**21,215,582**
BASIC EARNINGS PER SHARE (€)	**(0.02)**	**1.00**	**(1.02)**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**(0.4)**	**21.2**	**(21.6)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**(0.4)**	**21.2**	**(21.6)**
Weighted average number of ordinary shares	21,215,582	21,215,582	21,215,582
Potentially diluting ordinary shares	256,772	256,772	256,772
Weighted average number of diluted ordinary shares	**21,472,354**	**21,472,354**	**21,472,354**
DILUTED EARNINGS PER SHARE (€)	**(0.02)**	**0.99**	**(1.01)**

Earnings per share as of December 31, 2015

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**47.8**	**49.8**	**(2.0)**
Weighted average number of ordinary shares issued	16,659,746	16,659,746	16,659,746
Weighted average number of treasury shares	(12,325)	(12,325)	(12,325)
Weighted average number of ordinary shares	**16,647,421**	**16,647,421**	**16,647,421**
BASIC EARNINGS PER SHARE *(€)*	**2.87**	**2.99**	**(0.12)**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**47.8**	**49.8**	**(2.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**47.8**	**49.8**	**(2.0)**
Weighted average number of ordinary shares	16,647,421	16,647,421	16,647,421
Potentially diluting ordinary shares	316,591	316,591	316,591
Weighted average number of diluted ordinary shares	**16,964,012**	**16,964,012**	**16,964,012**
DILUTED EARNINGS PER SHARE *(€)*	**2.82**	**2.94**	**(0.12)**

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: revaluation of net liabilities for defined benefit plans;
- the effective portion of the change in fair value of the hedging instrument is recorded against other items of comprehensive income.

The amount of these items after related income tax effects and adjustments for reclassification of results are as follows:

(€ million)	**Net**
Translation differences	9.1
Effective portion of the change in fair value of the hedging instrument	2.2
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**11.3**
Revaluation of net liabilities for defined benefit plans	(20.8)
Items that may not be reclassified subsequently to profit or loss	**(20.8)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2016	**(9.5)**

(€ million)	**Net**
Translation differences	(11.2)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(11.2)**
Revaluation of net liabilities for defined benefit plans	(3.7)
Items that may not be reclassified subsequently to profit or loss	**(3.7)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2015	**(14.9)**

NOTE 15 GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	**Gross**	**Impairment**	**Net**
GOODWILL AS OF JANUARY 1, 2015	**412.0**	**(79.6)**	**332.4**
Foreign exchange fluctuations	(1.1)	1.1	0.0
GOODWILL AS OF DECEMBER 31, 2015	**410.9**	**(78.5)**	**332.4**
From acquisitions	1,273.2		1,273.2
Disposals and withdrawals	(0.6)		(0.6)
Foreign exchange fluctuations	0.8	(0.8)	0.0
IFRS 5 flows	(3.9)	3.9	0.0
GOODWILL AS OF DECEMBER 31, 2016	**1,680.4**	**(75.4)**	**1,605.0**

In 2016, the increase in goodwill was linked to the acquisition of Darty (€1,272.4 million) and the acquisition of Eazieer (€0.8 million).

Disposals consisted of the sale of the company Attitude.

IFRS 5 flows involved the reclassification of goodwill for Fnac Brazil in the "Assets held for sale" line of the balance sheet.

Asset impairment tests performed in 2016 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 as follows:

(€ million)	2016	2015
France-Switzerland	1,476.4	317.1
Benelux	128.6	15.3
TOTAL	**1,605.0**	**332.4**

15.2 / Business combinations

15.2.1 Consideration provided for acquisition and other impacts on cash flow

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

At the Combined Shareholders' Meeting held on June 17, 2016, Group shareholders approved the issue of new Fnac shares to Darty shareholders almost unanimously.

On July 18, 2016, the Competition Authority announced that it had decided to approve the Group's purchase of Darty. After several months of constructive discussions between the Group and the Authority, the latter acknowledged that physical stores and online sales were part of the same market. The combined entity will have to sell six existing points of sale and one future point of sale, across the combined networks of Fnac and Darty in France (400 stores).

On July 19, 2016, Fnac's offer was declared unconditional in all respects, with all conditions precedent as described in the Offer Document having been met or lifted.

On August 1, 2016, the first closing date of the offer, the Group held 98.5% of the share capital of Darty. On August 17, 2016, Darty shares were delisted (from the London and Euronext Paris exchanges).

At the end of the squeeze-out period, which was September 12, 2016, the Group had acquired 100% of the share capital of Darty, of which 30.64% was paid in shares.

The counterpart of the acquisition amounted to €1,079.0 million, of which:

- €746.7 million for the acquisition of Darty shares, paid in cash;
- €332.3 million for the acquisition of Darty shares, paid in securities.

The entire consideration was paid in 2016.

15.2.2 Financing

As part of its new offer to acquire Darty, the Group set up new sources of financing to pay the cash component of the acquisition and to refinance all existing borrowings and balances at banks.

- The Senior Loan Agreement totaling €600.0 million matures five years from the date of its signing, April 20, 2016. It consists of two lines:
  - a €200.0 million medium-term loan (Senior Term Loan Facility) redeemable after the thirtieth month;
  - a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonality of its activities. This facility had not been used as of December 31, 2016.
- On September 22, 2016 the Group issued a €650 million senior bond with a maturity of seven years, bearing interest at 3.25% per year.

15.2.3 Allocation of the acquisition price

Groupe Darty's opening balance sheet was fully consolidated in the Group's financial statements from August 1, 2016.

A provisional valuation of identifiable assets and liabilities was recorded as of August 1, 2016. The valuation process will continue in 2017, primarily of the acquired real estate.

The acquisition of Darty shares progressed in stages between April 2016 and September 2016. Any time more control was taken involving an equity interest of less than 100%, the portion of equity not acquired (non-controlling interest) was measured at fair value: goodwill was recognized for the non-controlling interest (using the full goodwill method).

The following table shows:

- the consideration provided for Groupe Darty in the amount of €1,079.0 million;
- the identifiable assets acquired less the liabilities assumed recognized after remeasurement at fair value on the acquisition date in the amount of -€193.4 million;
- provisional goodwill of €1,272.4 million corresponding to the difference between the consideration and the fair value of net assets acquired. For a period of 12 months beginning August 1, 2016, the fair value of assets acquired and liabilities assumed may be adjusted.

(€ million)	**Total consideration**	**Fair Value**
TOTAL CONSIDERATION	**1,079.0**	
NET ASSETS ACQUIRED AT FAIR VALUE		**(193.4)**
Valuation of brands		326.7
Valuation of franchise relations		17.4
Lease rights		11.0
Other intangible non-current assets		28.2
Other non-current assets		268.0
Other property, plant and equipment		9.8
Financial assets		27.5
Assets held for sale		8.0
Working capital requirement		(337.8)
Net Financial Debt		(217.2)
Pensions and other employee-related liabilities		(111.7)
Other current liabilities		(223.3)
GOODWILL		**1,272.4**

If Darty activities had been consolidated from January 1, 2016, the statement of comprehensive income would have included:

- an additional €2,049.3 million in revenues, totaling €7,418.5 million;
- an additional €9.1 million operating loss, for a total profit of €112.9 million;
- an additional €65.4 million consolidated loss, for a total loss of €65.3 million;

Pro forma financial information for years 2016 and 2015 is disclosed in the management report.

For the period August 1, 2016 to December 31, 2016, Darty's contribution to Group consolidated revenues was €1,630 million. Darty's contribution to consolidated net profit for the same period was €50.7 million.

NOTE 16 INTANGIBLE NON-CURRENT ASSETS

In 2016, the change in intangible non-current assets mainly reflected the acquisition of Darty.

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	0.0	0.0	344.0	0.0	0.0	0.0	344.0
Software	373.4	27.3	(3.1)	184.6	(2.9)	0.0	0.0	579.3
Other intangible non-current assets	24.5	3.8	(0.4)	33.6	0.0	0.0	0.1	61.6
TOTAL	**397.9**	**31.1**	**(3.5)**	**562.2**	**(2.9)**	**0.0**	**0.1**	**984.9**

Amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	(0.5)
Software	(324.1)	(26.1)	2.3	(156.8)	2.5	0.0	0.1	(502.1)
Other intangible non-current assets	(2.4)	(0.4)	0.4	(22.5)	0.0	0.0	0.1	(24.8)
TOTAL	**(326.5)**	**(27.0)**	**2.7**	**(179.3)**	**2.5**	**0.0**	**0.2**	**(527.4)**

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	0.0	(0.5)	0.0	344.0	0.0	0.0	0.0	343.5
Software	49.3	27.3	(26.1)	(0.8)	27.8	(0.4)	0.0	0.1	77.2
Other intangible non-current assets	22.1	3.8	(0.4)	0.0	11.1	0.0	0.0	0.2	36.8
TOTAL	**71.4**	**31.1**	**(27.0)**	**(0.8)**	**382.9**	**(0.4)**	**0.0**	**0.3**	**457.5**

Gross value as of December 31, 2015

(€ million)	2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0
Software	351.2	14.4	(0.1)	(0.9)	8.8	373.4
Other intangible non-current assets	18.4	7.6	(0.1)	0.0	(1.4)	24.5
TOTAL	**369.6**	**22.0**	**(0.2)**	**(0.9)**	**7.4**	**397.9**

Amortization and impairment as of December 31, 2015

(€ million)	2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0
Software	(298.1)	(22.5)	0.1	0.9	(4.5)	(324.1)
Other intangible non-current assets	(3.4)	(0.2)	0.1	0.0	1.1	(2.4)
TOTAL	**(301.5)**	**(22.7)**	**0.2**	**0.9**	**(3.4)**	**(326.5)**

Net values as of December 31, 2015

(€ million)	2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Software	53.1	14.4	(22.5)	0.0	0.0	4.3	49.3
Other intangible non-current assets	15.0	7.6	(0.2)	0.0	0.0	(0.3)	22.1
TOTAL	**68.1**	**22.0**	**(22.7)**	**0.0**	**0.0**	**4.0**	**71.4**

NOTE 17 TANGIBLE NON-CURRENT ASSETS

In 2016, the change in property, plant and equipment mainly reflected the acquisition of Darty.

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	3.9	(2.5)	287.3	0.0	0.0	0.0	288.7
Fixtures, fittings and commercial facilities	646.7	44.2	(36.6)	510.5	(17.6)	0.3	1.9	1,149.4
Technical and telecommunications equipment	159.9	10.1	(1.5)	(0.2)	(4.5)	0.0	(0.2)	163.6
Other property, plant and equipment	40.4	(0.7)	(0.2)	6.5	(0.2)	(0.1)	0.0	45.7
TOTAL	**847.0**	**57.5**	**(40.8)**	**804.1**	**(22.3)**	**0.2**	**1.7**	**1,647.4**

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	(3.8)	1.6	(97.0)	0.0	0.0	0.0	(99.2)
Fixtures, fittings and commercial facilities	(531.2)	(41.8)	32.9	(426.9)	16.5	(0.3)	0.2	(950.6)
Technical and telecommunications equipment	(139.5)	(6.7)	1.7	0.2	4.6	0.0	(0.1)	(139.8)
Other property, plant and equipment	(19.8)	(0.9)	0.5	(1.9)	0.4	0.1	(0.0)	(21.6)
TOTAL	**(690.5)**	**(53.2)**	**36.7**	**(525.6)**	**21.5**	**(0.2)**	**0.1**	**(1,211.2)**

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	3.9	(3.8)	(0.9)	190.3	0.0	0.0	0.0	189.5
Fixtures, fittings and commercial facilities	115.5	44.2	(41.8)	(3.7)	83.6	(1.1)	0.0	2.1	198.8
Technical and telecommunications equipment	20.4	10.1	(6.7)	0.2	0.0	0.1	0.0	(0.3)	23.8
Other property, plant and equipment	20.6	(0.7)	(0.9)	0.3	4.6	0.2	0.0	0.0	24.1
TOTAL	**156.5**	**57.5**	**(53.2)**	**(4.1)**	**278.5**	**(0.8)**	**0.0**	**1.8**	**436.2**

Gross value as of December 31, 2015

(€ million)	2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	625.1	26.4	(30.1)	(4.0)	29.3	646.7
Technical and telecommunications equipment	161.2	4.4	(4.8)	(1.3)	0.4	159.9
Other property, plant and equipment	40.3	5.7	(0.7)	0.0	(4.9)	40.4
TOTAL	**826.6**	**36.5**	**(35.6)**	**(5.3)**	**24.8**	**847.0**

Amortization and impairment as of December 31, 2015

(€ million)	2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	(506.9)	(30.6)	29.9	4.0	(27.6)	(531.2)
Technical and telecommunications equipment	(138.3)	(7.5)	4.7	1.5	0.1	(139.5)
Other property, plant and equipment	(18.2)	(2.2)	0.7	0.1	(0.2)	(19.8)
TOTAL	**(663.4)**	**(40.3)**	**35.3**	**5.6**	**(27.7)**	**(690.5)**

Net values as of December 31, 2015

(€ million)	2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	118.2	26.4	(30.6)	(0.2)	0.0	1.7	115.5
Technical and telecommunications equipment	22.9	4.4	(7.5)	(0.1)	0.2	0.5	20.4
Other property, plant and equipment	22.1	5.7	(2.2)	0.0	0.1	(5.1)	20.6
TOTAL	**163.2**	**36.5**	**(40.3)**	**(0.3)**	**0.3**	**(2.9)**	**156.5**

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2016, disposals of tangible non-current assets mainly reflected the closing of the Fnac store in Castellana, Spain, and the closing of the Darty store in Besançon.

In 2015, disposals of tangible non-current assets were mainly related to the closure of the Fnac Montparnasse store, following the sub-leasing of part of the store to Uniqlo.

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 items are broken down in note 15.

18.1 / Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions adopted by the Group for the CGUs whose goodwill is not fully impaired as of December 31, 2016 are as follows:

	Discount*		Perpetual growth	
	2016	2015	2016	2015
France	7.4%	9.4%	1.0%	1.0%
Belgium	7.3%	9.7%	1.0%	1.0%

* *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, 2016, 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, 2016, 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 2016 did not lead to the recognition of impairment losses for any of the Group's CGUs in 2015.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	2016	2015
Equity investments	1.0	1.0
Deposits and guarantees	14.3	7.2
Other	0.3	0.0
TOTAL	**15.6**	**8.2**

The change in non-current financial assets reflects Darty's entry into the scope of consolidation.

NOTE 20 INVENTORIES

(€ million)	2015	Other changes	Change in scope	Foreign exchange fluctuations	Assets and liabilities held for sale	2016
Gross sales inventory	483.9	118.8	517.2	0.3	(21.5)	1,098.7
Inventory impairment	(17.0)	(2.3)	(19.2)	(0.1)	0.6	(38.0)
NET INVENTORY VALUE	**466.9**	**116.5**	**498.0**	**0.2**	**(20.9)**	**1,060.7**

In 2016, the change in inventories mainly reflected the acquisition of Darty.

The Group may need to record an impairment on inventories:

- based on likelihood of disposal;
- if they are partially damaged;
- if they are completely obsolete;
- if their sale price is less than their net realizable value.

Changes in impairment	2016	2015
AS OF JANUARY 1	**(17.0)**	**(22.9)**
(Allocations) & reversals	(2.3)	4.7
Inclusion in scope of consolidation	(19.2)	0.0
IFRS 5	0.6	1.0
Foreign exchange differences	(0.1)	0.2
AS OF DECEMBER 31	**(38.0)**	**(17.0)**

NOTE 21 TRADE RECEIVABLES

(€ million)	2015	Other changes	Change in scope	Foreign exchange fluctuations	Assets and liabilities held for sale	2016
Gross trade receivables	109.7	66.3	66.5	(0.1)	(24.4)	218.0
Impairment of trade receivables	(5.6)	(2.6)	0.0	0.0	0.2	(8.0)
NET VALUE	**104.1**	**63.7**	**66.5**	**(0.1)**	**(24.2)**	**210.0**

In 2016, the change in trade receivables mainly reflected the acquisition of Darty.

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.

Changes in impairment	2016	2015
AS OF JANUARY 1	**(5.6)**	**(6.9)**
(Allocations) & reversals	(2.6)	1.3
Inclusion in consolidation scope	0.0	0.0
IFRS 5	0.2	0.0
Foreign exchange differences	0.0	0.0
AS OF DECEMBER 31	**(8.0)**	**(5.6)**

NOTE 22 CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT LIABILITIES

22.1 / Current assets and liabilities

(€ million)	2015	WCR cash flows	Other cash flows	Change in scope	Foreign exchange differences	Assets and liabilities held for sale	2016
Inventories (1)	466.9	116.5		498.0	0.2	(20.9)	1,060.7
Trade receivables due (2)	104.1	63.7		66.5	(0.1)	(24.2)	210.0
Trade receivables payable (3)	(16.7)	(2.3)		0.0	0.0	0.1	(18.9)
NET TRADE RECEIVABLES (4)=(2)+(3)	**87.4**	**61.4**	**0.0**	**66.5**	**(0.1)**	**(24.1)**	**191.1**
Trade payables due (5)	(817.0)	(338.2)		(472.9)	(0.1)	29.6	(1,598.6)
Trade payables receivable and provisions (6)	55.9	61.1		33.9	0.0	(1.5)	149.4
NET TRADE PAYABLES (7)=(5)+(6)	**(761.1)**	**(277.1)**	**0.0**	**(439.0)**	**(0.1)**	**28.1**	**(1,449.2)**
Social security liabilities (8)	(151.4)	19.5		(168.9)	0.1	1.5	(299.2)
Tax payables and receivables (excluding income tax) (9)	8.5	(26.5)		5.2	0.1	(28.1)	(40.8)
Liabilities relating to commercial operations (10)	(104.9)	14.9		(132.7)	0.0	0.7	(222.0)
Deferred income and expense (11)	(24.5)	(2.3)		21.3	0.0	0.6	(4.9)
Other (12)	11.8	7.6		(39.6)	(0.7)	0.4	(20.5)
OTHER OPERATING WCR (Σ 8 TO 12)	**(260.5)**	**13.2**	**0.0**	**(314.7)**	**(0.5)**	**(24.9)**	**(587.4)**
OPERATING WCR (Σ 1 TO 12)	**(467.3)**	**(86.0)**	**0.0**	**(189.2)**	**(0.5)**	**(41.8)**	**(784.8)**
Other current assets and liabilities	6.0		9.7	0.0	0.0		15.7
Payables and receivables for non-current operating assets	(25.8)		9.0	(3.4)	0.0		(20.2)
Tax receivables and payables due	(7.5)		20.8	(47.1)	0.0		(33.8)
CURRENT ASSETS AND LIABILITIES [(a)]	**(494.6)**	**(86.0)**	**39.6**	**(239.8)**	**(0.5)**	**(41.8)**	**(823.1)**

(a) Excluding current provisions, borrowings and short-term liabilities, and cash and cash equivalents.

In 2016, the change in current assets and liabilities mainly reflected the acquisition of Darty.

Because of the nature of its business activities, the Group's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or assets. The "Liabilities relating to commercial operations" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

22.2 / Other non-current liabilities

In 2016 non-current liabilities amounted to €192.2 million and reflected the acquisition of Darty. The portion outstanding for more than one year consisted of Darty extended product warranties.

NOTE 23 SHAREHOLDERS' EQUITY

23.1 / Share capital

As of December 31, 2016, share capital amounted to €26,122,771, consisting of 26,122,771 fully paid-up shares with a par value of €1. Share capital had increased by 9,434,997 shares, representing €490.2 million, issue premium included. The capital increase consisted of:

- 2,944,901 shares created to service the capital increase reserved for Vivendi;
- 6,490,096 shares created to serve as the capital increase for the acquisition of 30.64% of Darty.

23.2 / Appropriation of earnings

No dividend was paid in 2016 in respect of 2015.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined-contribution plans or defined-benefit plans.

Under the defined-contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a company to an employee upon retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in the Group have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

The Group has no obligations in respect of medical costs.

UK pension funds

The Comet pension fund in the UK corresponds to retirement benefit obligations to former employees of Comet in the UK.

Supplemental retirement benefits

A defined-benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the year

Changes in the value of the accrued benefits under the defined-benefit plans are as follows:

(€ million)	2016	2015
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**88.3**	**79.2**
Cost of services provided during the period	8.0	5.4
Contributions paid by the members	0.5	0.6
Financing interest expense	1.8	1.6
Cost of past services	(0.2)	(0.1)
Revaluation of liabilities	28.1	5.6
Reductions	(2.4)	(2.5)
Benefits paid	(9.2)	(2.6)
Change in scope	701.9	0.0
Fluctuations in foreign currency exchange rates	(0.4)	1.1
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**816.3**	**88.3**

The increase in obligations in 2016 was mainly connected with the entry of Groupe Darty into the scope of consolidation, notably in regards to assumption of the Comet UK pension fund (formerly Groupe Darty with continuing obligations).

The breakdown of the discounted value of the obligation by type of plan and by country as of December 31, 2016 is as follows:

(€ million)	2016	2015
Pension funds – UK	632.0	0.0
End-of-career allowances – France	155.0	73.7
Supplemental pension plans (LPP) – Switzerland	13.1	12.8
Supplemental retirement benefits – France	9.0	0.0
Long-service awards – France	7.2	1.8
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**816.3**	**88.3**

Changes in the fair value of the assets of defined-benefit plans are as follows:

(€ million)	2016	2015
FAIR VALUE OF DEFINED-BENEFIT PLAN ASSETS AS OF JANUARY 1	**10.9**	**10.1**
Contributions paid by the employer	6.8	2.0
Contributions paid by the members	0.5	0.6
Financial interest on assets	0.4	0.2
Benefits paid	(9.0)	(2.7)
Actual return on assets	16.8	0.1
Other	(0.1)	(0.1)
Change in scope	603.6	0.0
Fluctuations in foreign currency exchange rates	0.1	0.7
FAIR VALUE OF DEFINED-BENEFIT PLANS AS OF DECEMBER 31	**630.0**	**10.9**

Fnac Darty expects to pay out an estimated €20.5 million in 2017.

As of December 31, 2016, 46.7% 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)	**2016**	**2015**	**2014**	**2013**	**2012**
Discounted value of the commitment	816.3	88.3	79.2	69.1	74.5
Fair value of the defined benefit plan assets	(630.0)	(10.9)	(10.1)	(10.5)	(11.3)
SHORTFALL/(EXCESS)	**186.3**	**77.4**	**69.1**	**58.6**	**63.2**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**186.3**	**77.4**	**69.1**	**58.6**	**63.2**
of which provisions – continuing operations	186.3	77.4	69.1	58.6	63.2
of which provisions – discontinued operations	0.0	0.0	0.0	0.0	0.0

(€ million)	**2016**	**2015**
Pension funds – UK	30.8	0.0
End-of-career allowances – France	134.0	70.2
Supplemental pension plans (LPP) – Switzerland	5.3	5.4
Supplemental retirement benefits – France	9.0	0.0
Long-service awards – France	7.2	1.8
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**186.3**	**77.4**

24.2 / Expenses recognized

The total expense of €6.8 million in 2016 (versus €4.2 million in 2015) recognized in defined-benefit plans can be broken down as follows:

(€ million)		**2016**	**2015**
Cost of services provided		7.8	5.3
Other costs		0.1	0.1
Net financial cost		1.5	1.4
Cost of past services taken to income		(0.2)	(0.1)
Decreases and payments		(2.4)	(2.5)
TOTAL EXPENSE		**6.8**	**4.2**
Of which	*recognized as operating expense*	*5.3*	*2.8*
	as net financial expense	*1.5*	*1.4*
	as discontinued operations	*0.0*	*0.0*

For 2016, total net accrued defined-benefit liability was revalued to a loss of €11.2 million (a loss of €5.6 million in 2015).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty's obligations are as follows:

	2016	2015
Discount rate	2.9% (UK) - 0.75% (Switzerland) - 1.60% (France)	1.00% (Switzerland) - 2.05% (France)
Expected rate of increase in salaries	1.50%	1.50%

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.

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	Supplemental retirement benefits – France	Pension funds – UK	Total
Discount rate - 50 basis points	165.9	7.6	14.1	9.1	700.4	897.1
Discounted value of the 2015 commitment	155.0	7.2	13.1	9.0	632.0	816.3
Discount rate + 50 basis points	145.1	7.0	12.2	8.9	570.1	743.3

NOTE 25 PROVISIONS

(€ million)	2015	Allocation	Reversal used	Reversal unused	Change in scope	Foreign exchange differences	IFRS 5 flows	2016
Provisions for restructuring	1.8	0.0	(1.4)	(0.2)	6.8	0.0	0.0	7.0
Provisions for litigation and disputes	9.6	2.6	(4.2)	(3.0)	20.3	0.0	(4.8)	20.5
Other provisions	2.4	0.8	(1.1)	(1.1)	5.3	0.0	(1.4)	4.9
CURRENT PROVISIONS	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
TOTAL	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
IMPACT ON OPERATING INCOME		**(3.4)**		**4.3**				**0.9**
current operating income		(2.7)		3.0				0.3
other non-current operating income and expenses		(0.7)		1.3				0.6

In 2016, the change in provisions for contingencies and expenses was strongly impacted by the entry of Groupe Darty into the scope of consolidation (€32.4 million).

IFRS 5 flows in 2016 involved the reclassification of provisions for contingencies and expenses for Fnac Brazil in the "Liabilities associated with assets held for sale" line of the balance sheet for an amount of €6.2 million.

(€ million)	2014	Allocation	Reversal used	Reversal unused	Change in scope	Foreign exchange differences	IFRS 5 flows	2015
Provisions for restructuring	11.5	1.5	(10.6)	(0.6)	0.0	0.0	0.0	1.8
Provisions for litigation and disputes	20.4	0.5	(0.7)	(2.3)	0.0	(1.6)	(6.7)	9.6
Other provisions	2.9	0.3	(0.1)	(0.4)	0.0	(0.5)	0.2	2.4
CURRENT PROVISIONS	**34.8**	**2.3**	**(11.4)**	**(3.3)**	**0.0**	**(2.1)**	**(6.5)**	**13.8**
TOTAL	**34.8**	**2.3**	**(11.4)**	**(3.3)**	**0.0**	**(2.1)**	**(6.5)**	**13.8**
IMPACT ON OPERATING INCOME		**(2.3)**		**3.3**				**1.0**
current operating income		(2.2)		2.7				0.5
other non-current operating income and expenses		(0.1)		0.6				0.5

IFRS 5 flows in 2015 involved the neutralization of flows for provisions for contingencies and expenses at Fnac Brazil, connected with the reclassification of Fnac Brazil in 2015 as a "discontinued activity".

NOTE 26 CASH AND CASH EQUIVALENTS

26.1 / Breakdown by cash flow category

This item is broken down as follows:

(€ million)	2016	2015
Cash	271.8	256.0
Cash equivalents	383.1	288.7
TOTAL	**654.9**	**544.7**

As of December 31, 2016, cash equivalents comprised Sicavs (open-ended investment funds) and three interest-bearing current accounts. The Sicavs also included €6.0 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of the Group's share listing. The composition of cash equivalents has remained relatively unchanged since December 31, 2015.

The items that the Group recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2016, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Breakdown by currency

(€ million)	2016	%	2015	%
Euro	637.9	97.4%	532.3	97.7%
Swiss franc	11.4	1.7%	12.2	2.2%
US dollar	4.4	0.7%	0.0	0.0%
Pound sterling	0.8	0.1%	0.0	0.0%
Other currencies	0.4	0.1%	0.2	0.0%
TOTAL	**654.9**	**100.0%**	**544.7**	**100.0%**

NOTE 27 FINANCIAL DEBT

27.1 / Breakdown of debt by repayment maturity

(€ million)	2016	N+1	N+2	N+3	N+4	N+5	Beyond that date
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**854.9**		**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
Bonds 2023	650.0						650.0
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Finance lease liabilities	4.9		2.1	1.5	0.8	0.5	
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**8.2**	**8.2**					
Capitalized interest on 2023 bonds	5.6	5.6					
Finance lease liabilities	2.2	2.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.3	0.3					
TOTAL	**863.1**	**8.2**	**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
%		**1.0%**	**2.6%**	**6.0%**	**9.4%**	**5.9%**	**75.3%**

In 2016, to finance the acquisition of Darty and to finance the combined new Group, Fnac Darty issued €650 million in bonds and set up a €200 million medium-term credit facility.

(€ million)	2015	N+1	N+2	N+3	N+4	N+5	Beyond that date
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**0.3**		**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
Bonds 2023	0.0						
Medium-term credit facility	0.0						
Finance lease liabilities	0.3		0.2	0.1		0.0	0.0
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**0.3**	**0.3**					
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.0						
TOTAL	**0.6**	**0.3**	**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
%		**50.0%**	**33.3%**	**16.7%**	**0.0%**	**0.0%**	**0.0%**

27.2 / Breakdown by repayment currency

(€ million)	2016	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2015	%
Euro	863.1	854.9	8.2	100.0%	0.5	83.3%
Swiss franc	0.0	0.0	0.0	0.0%	0.1	16.7%
TOTAL	**863.1**	**854.9**	**8.2**		**0.6**	

27.3 / Gross debt by category

The Group's gross debt is as follows:

(€ million)	2016	2015
Bonds 2023	655.6	
Medium-term credit facility	200.0	
Finance lease liabilities	7.1	0.5
Bank overdrafts	0.1	0.1
Other financial liabilities	0.3	
TOTAL	**863.1**	**0.6**

NOTE 28 EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2016, the breakdown of the exposure to various market risks was as follows:

28.1 / 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 2016		
(€ million)	2016	Less than one year	One to five years	More than five years
Investment securities and cash	580.0	580.0		
FLOATING-RATE FINANCIAL ASSETS	**580.0**	**580.0**	**0.0**	**0.0**
Other financial liabilities	207.5	2.6	204.9	
FLOATING-RATE FINANCIAL DEBT	**207.5**	**2.6**	**204.9**	**0.0**

		Maturities for 2015		
(€ million)	2015	Less than one year	One to five years	More than five years
Investment securities and cash	444.4	444.4		
FLOATING-RATE FINANCIAL ASSETS	**444.4**	**444.4**	**0.0**	**0.0**
Other financial liabilities	0.6	0.3	0.3	0.0
FLOATING-RATE FINANCIAL DEBT	**0.6**	**0.3**	**0.3**	**0.0**

Interest rate risk sensitivity analysis

Based on the above, and in terms of the Group's net exposure, an interest rate change of 50 basis points would have an impact over a full year of €0.9 million on the Group's consolidated income before tax as of December 31, 2016.

(€ million)	Impact on income
As of December 31, 2016	
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.

28.2 / Exposure to foreign exchange risk

Fnac Darty uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks.

In addition, the Group may have to implement single-option strategies (purchase of options or tunnels) to hedge future exposure.

In accordance with IAS 39, these derivatives are analyzed in respect of hedge accounting eligibility criteria. These foreign exchange derivatives are recognized on the balance sheet at their market value at the accounting year end.

The treatment of foreign exchange hedges in the form of derivatives is described under the heading "Derivatives" in note 2.11.3 "Derivatives".

As of December 31, 2016, these derivatives mainly included a foreign exchange hedge agreement in dollars.

(€ million)	2016	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**58.6**	**0.0**	**57.6**	**1.0**	**0.0**	**0.0**
Futures & swap futures	58.6		57.6	1.0		0.0

As of December 31, 2015, the derivatives included the introduction of an option hedging agreement, as part of the hedging of the alternative partial payment in cash to Darty shareholders.

(€ million)	2015	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**97.9**	**0.0**	**0.0**	**97.9**	**0.0**	**0.0**
Futures & swap futures	97.9			97.9		

The Group's balance sheet exposure to non-euro currencies as of December 31, 2016 was as follows:

(€ million)	2016	GBP	RMB	USD	Swiss franc
Exposed trade receivables	0.2			0.0	0.2
Other exposed financial assets	17.0	0.8	0.4	4.4	11.4
Exposed trade payables	17.3			0	17.3
Exposed financial debt	0.0				
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**0.8**	**0.4**	**4.4**	**(5.7)**
Hedging instruments	0.0				
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**0.8**	**0.4**	**4.4**	**(5.7)**

Trade receivables and payables in currencies exposed to foreign-exchange risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Fnac Darty entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-significant as of the accounting year end.

Based on market data at the accounting year end, foreign exchange derivatives would have little impact in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (primarily the US dollar).

28.3 / Exposure to share price fluctuation risk

As part of current operations, the Group deals in the shares issued by the Group. As of December 31, 2016, no derivative instrument was used to hedge equity risk in the sense of IAS 39.

28.4 / Other market risks – credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by the Group. In general, the Group does not consider itself to be exposed to a particular credit risk on its financial assets.

28.5 / Liquidity risk

Management of the liquidity risk of the Group and each of its subsidiaries is closely and periodically assessed by the Group using its financial reporting procedures.

The analysis below sets forth the contractual obligations related to financial liabilities and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at the accounting year end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule. Cash flow relating to foreign exchange derivatives is not significant.

(€ million)	2016 Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	863.1	(863.1)	(8.2)	(204.9)	(650.0)
Trade payables	1,598.6	(1,598.6)	(1,598.6)		
TOTAL	**2,461.7**	**(2,461.7)**	**(1,606.8)**	**(204.9)**	**(650.0)**

(€ million)	2015 Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.6	(0.6)	(0.3)	(0.3)	
Trade payables	817.0	(817.0)	(817.0)		
TOTAL	**817.6**	**(817.6)**	**(817.3)**	**(0.3)**	**0.0**

NOTE 29 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

	2016	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	15.6	15.6		1.0	14.6	
CURRENT ASSETS						
Trade receivables	210.0	210.0				210.0
Cash and cash equivalents	654.9	654.9	654.9			
NON-CURRENT LIABILITIES						
Long-term borrowings and financial debt	854.9	854.9				854.9
CURRENT LIABILITIES						
Short-term borrowings and financial debt	8.2	8.2				8.2
Trade payables	1,598.6	1,598.6				1,598.6

	2015		Breakdown by accounting classification			
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
NON-CURRENT ASSETS						
Non-current financial assets	8.2	8.2		1.0	7.2	
CURRENT ASSETS						
Trade receivables	104.1	104.1				104.1
Cash and cash equivalents	544.7	544.7	544.7			
NON-CURRENT LIABILITIES						
Long-term borrowings and financial debt	0.3	0.3				0.3
CURRENT LIABILITIES						
Short-term borrowings and financial debt	0.3	0.3				0.3
Trade payables	817.0	817.0				817.0

As of December 31, 2016, 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 the Group's credit risk and interest rate conditions at the accounting year end.

The Group has three separate categories of financial instruments based on its two valuation methods (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the characteristics of the financial instruments recognized in the balance sheet at fair value through profit or loss at the accounting year end:

- **Level 1 category:** financial instruments quoted in an active market;
- **Level 2 category:** financial instruments whose valuation at fair value calls for valuation techniques based on observable market parameters;
- **Level 3 category:** financial instruments whose fair value measurement calls for valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transactions in the markets on the same instrument or on observable market data available at the close of the accounting period) or on parameters that are only partially observable.

The Group's financial instruments are all level 2 category.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	2016	2015
Gross financial debt	863.1	0.6
Cash and cash equivalents	(654.9)	(544.7)
NET FINANCIAL DEBT	**208.2**	**(544.1)**

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €654.8 million as of December 31, 2016 and corresponds to the cash and cash equivalents listed in the cash flow statement.

(€ million)	2016	2015
BALANCE SHEET CASH AND CASH EQUIVALENTS	**654.9**	**544.7**
Bank overdrafts	0.1	0.1
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**654.8**	**544.6**

Total cash and cash equivalents were up by €110.2 million at December 31, 2016 as compared to December 31, 2015.

	As of December 31	
(€ million)	2016	2015 adjusted*
Net cash flows from operating activities	246.5	153.8
Net cash flows from investing activities	(1,117.7)	(63.1)
Net cash flows from financing activities	992.5	(70.2)
Net cash flows from discontinued operations	(7.6)	(13.0)
Financing of the Comet pension fund	(4.9)	0.0
Impact of fluctuations in foreign exchange rates	1.4	1.5
NET CHANGE IN CASH	**110.2**	**9.0**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

31.1 / Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

	As of December 31	
(€ million)	2016	2015 adjusted*
Cash flow from operations before tax, dividends and interest	198.0	119.9
Change in working capital requirement	86.0	49.8
Income tax paid	(37.5)	(15.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**246.5**	**153.8**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

In 2016, the working capital requirement amounted to -€784.8 million. The change in the Group's working capital requirement, excluding the impact of the consolidation of Darty (-€189.2 million) and the reclassification of Fnac Brazil as a discontinued activity (-€41.8 million) generated a total resource of €86.0 million (€49.8 million as of December 31, 2015). This improvement is mainly due to continuing rigorous management of inventories and trade payables.

The composition of cash flow from operations before tax, dividends and interest was as follows:

(€ million)	2016	2015 adjusted*
Net income from continuing operations	**21.8**	**50.3**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	74.7	48.6
Current proceeds from the disposal of operating assets	2.5	(0.2)
Non-current proceeds from the disposal of operating assets	3.4	1.0
Non-current proceeds from the disposal of financial assets	2.4	0.0
Deferred tax income and expense	7.0	(2.5)
Discounting of provisions for pensions & other similar benefits	29.5	1.4
IFRS valuation of Darty plc shares	(14.0)	0.0
Other items without impact on cash	(0.2)	0.2
CASH FLOW FROM OPERATIONS	**127.1**	**98.8**
Financial interest income and expense	54.3	4.9
Dividends received	(0.1)	(0.2)
Net tax charge payable	16.7	16.4
CASH FLOW FROM OPERATIONS BEFORE TAX, DIVIDENDS AND INTEREST	**198.0**	**119.9**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

31.2 / Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for purchases and disposals of property, plant, and equipment and intangible assets (net operating investments), as well as acquisitions and disposals of subsidiaries net of cash acquired or transferred, acquisitions of other financial investments, and interest and dividends received (net financial investments).

Operating and financial investments made by the Group in 2016 amounted to €1,117.7 million (versus €63.1 million in 2015).

	As of December 31	
(€ million)	2016	2015 adjusted*
Net operating investments	(95.7)	(57.1)
Net financial investments	(1,022.0)	(6.0)
CASH FLOWS FROM INVESTING ACTIVITIES	**(1,117.7)**	**(63.1)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The Group's net operating investments in 2016 amounted to €95.7 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	**2016**	**2015 adjusted***
Purchase of non-current intangible assets	(31.1)	(22.0)
Purchase of non-current tangible assets	(57.5)	(36.3)
Change in advances & installment on non-current assets	0.0	0.0
Change in debt for non-current assets	(9.0)	0.7
TOTAL NON-CURRENT ASSET PURCHASES	**(97.6)**	**(57.6)**
Disposal of non-current assets	1.9	0.5
TOTAL PURCHASES AND DISPOSALS OF NON-CURRENT ASSETS	**(95.7)**	**(57.1)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

The Group's net financial investments represented an outflow of €1,022 million in 2016 (versus an outflow of €6 million in 2015) mainly reflecting the acquisition of Darty.

	As of December 31	
(€ million)	**2016**	**2015 adjusted***
Purchases of subsidiaries net of cash acquired	(1,021.8)	(2.7)
Disposals of subsidiaries net of cash transferred	(1.3)	0.0
Acquisition of other financial assets	(0.9)	(4.4)
Disposal of other financial assets	1.4	0.1
Interest and dividends received	0.6	1.0
(NET) FINANCIAL INVESTMENTS	**(1,022.0)**	**(6.0)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

In 2016, purchases of subsidiaries, net of cash acquired, reflected cash flows connected with the acquisition Darty in the amount of €1,019.8 million and a disbursement of €2.0 million for the acquisition of 50% of Izneo.

In 2016, disposals of subsidiaries net of cash transferred represented a cash outflow of €1.3 million, as part of the sale of its call-center business.

In 2016, acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple Fund.

At the first call for funds, this financial asset was recognized at its subscription price of €0.7 million. The Group also agreed to underwrite the remaining 90% for €6.3 million.

In 2015, purchases of subsidiaries net of cash acquired, in the amount of €2.7 million, mainly included the disbursement of the third and final tranche of the Datasport acquisition price in the amount of €1.8 million, and the €0.9 million disbursement to acquire Eazieer.

Acquisitions of other financial assets amounting to €4.4 million mainly included the payment of €3.3 million as part of the new Revolving Facility and Bridge Facility set up to finance the acquisition of Darty plc.

Interest paid and dividends received mainly included the proceeds from financial investments.

31.3 / Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's equity and borrowing.

	As of December 31	
(€ million)	**2016**	**2015 adjusted***
Net cash flows from investing activities	157.1	(66.0)
Bonds issued	650.0	0.0
Increase/Decrease in other financial debt	200.0	(0.2)
Interest and equivalent payments	(14.6)	(4.0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**992.5**	**(70.2)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Net cash flows from financing activities amounted to a net resource of €992.5 million in 2016 (versus an outflow of €70.2 million in 2015).

In 2016, the capital increase represented the 2,944,901 shares created to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

In 2016, to finance the acquisition of Darty and to finance the combined new Group, Fnac Darty issued €650 million in bonds and set up a €200 million medium-term credit facility.

In 2016, the €14.6 million interest and equivalent payments represented financial interest and commissions on the non-use of credit facilities set up to finance the new Group.

As of December 31, 2015, the net decrease in equity and other transactions with shareholders in the amount of €66 million reflected, partly, a €67.9 million repayment of perpetual deeply subordinated notes issued in 2013 in the amount of €60 million, plus €7.9 million accrued interest, and partly a capital increase of 92,164 shares representing €1.9 million, issue premium included, to service the exercise of the first tranche of options under the performance share plan settled in shareholders' equity instruments, introduced in 2013.

Interest and equivalent payments correspond mainly to the commission on the unused €250 million line of credit.

31.4 / Financing of the Comet pension fund

The financing of the UK pension fund that was assumed upon acquisition of Darty plc represents disbursements by the Group in line with retirement benefit obligations to former Comet employees in the UK.

The current amount of annual contributions to the Comet pension fund is 10,000 pounds sterling.

NOTE 32 DISCONTINUED ACTIVITIES

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.

In the fourth quarter of 2016, the Group began a process of searching for partners in Brazil who could aid the Group in completely leaving the country. An investment bank has been appointed to identify potential partners and lead discussions. This decision to pull out of its activities in Brazil was approved by the Board of Directors at its meeting of January 26, 2017.

In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016, and in the adjusted presentation of the financial statements for December 31, 2015. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet, with no restatement for past years. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

32.1 / Net income from discontinued operations

(€ million)	**2016**	**2015 adjusted***
INCOME FROM ORDINARY ACTIVITIES	**118.6**	**136.8**
Cost of sales	(91.5)	(103.9)
GROSS MARGIN	**27.0**	**33.0**
Personnel expenses	(11.3)	(12.7)
Other current operating income and expenses	(22.2)	(20.3)
CURRENT OPERATING INCOME	**(6.5)**	**0.1**
Other non-current operating income and expenses	(12.0)	0.3
OPERATING INCOME	**(18.6)**	**0.4**
(Net) financial expense	(2.7)	(2.0)
PRE-TAX INCOME	**(21.2)**	**(1.6)**
Income tax	(0.4)	(0.4)
NET INCOME	**(21.6)**	**(2.0)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Net income from discontinued activities includes Fnac Brazil in the amount of -€21.1 million in 2016 and -€2.0 million in 2015.

In 2016 it also includes -€0.5 million for discontinued Darty activities in Italy and Turkey.

32.2 / Net cash flows from discontinued activities

(€ million)	**2016**	**2015 adjusted***
Net cash flows from operating activities	(2.7)	(12.0)
Net cash flows from investing activities	0.0	0.0
Net cash flows from financing activities	(3.2)	(1.0)
NET CASH FLOWS	**(5.9)**	**(13.0)**
Cash at start of period or net cash flow and change in intra-group cash flows	(1.7)	0.0
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(7.6)**	**(13.0)**

* *Restated for the reclassification of Fnac Brazil as a discontinued operation.*

Net cash flows from discontinued activities include Fnac Brazil for a net amount of -€7.6 million in 2016 and for a net amount of -€13.0 million in 2015.

32.3 / Assets held for sale and liabilities associated with assets held for sale

(€ million)	2016	2015
Assets held for sale	**71.4**	**0.0**
Inventories Fnac Brazil	*22.2*	
Trade receivables Fnac Brazil	*16.4*	
Receivables from suppliers Fnac Brazil	*2.3*	
Other current assets Fnac Brazil	*21.6*	
Assets relating to stores being sold	*9.0*	
Liabilities relating to assets held for sale	**35.0**	**0.0**
Liabilities relating to assets held for sale Brazil	*32.3*	
Liabilities relating to stores being sold	*2.7*	
TRANSLATION GAIN/(LOSS) FNAC BRAZIL RECOGNIZED IN EQUITY	**(0.3)**	**3.3**

Assets held for sale and liabilities associated with assets held for sale, include the assets and liabilities associated with Fnac Brazil as well as the points of sale to be sold at the request of the Competition Authority on July 18, 2016.

The sales outlets are Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen, Darty Vélizy and the Darty Cuisine outlet in Wagram.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	2016
Operating lease agreements	218.9	332.2	36.5	587.5
Irrevocable purchase obligations	22.7	15.2	0.0	37.9
TOTAL COMMITMENTS GIVEN	**241.6**	**347.4**	**36.5**	**625.4**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	2015
Operating lease agreements	126.1	238.2	25.3	389.6
Irrevocable purchase obligations	16.4	5.1	0.0	21.5
TOTAL COMMITMENTS GIVEN	**142.5**	**243.3**	**25.3**	**411.1**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreement" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be canceled by the lessee. They mainly correspond to non-cancellable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

The increase in operating lease commitments mainly reflects the entry of Groupe Darty into the scope of consolidation, for a total commitment (buildings and furniture) of €238.5 million.

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)	2016	2015
Less than one year	(2.2)	(0.2)
One to five years	(4.9)	(0.3)
Over five years		
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(7.1)**	**(0.5)**

33.2 / Pledges and charges on real estate

As part of its offer to acquire Darty, the Group set up new sources of financing to pay the cash component of the acquisition and to refinance both companies' existing borrowings and balances at banks.

The Senior Loan Agreement totaling €600.0 million matures five years from the date of its signing, April 20, 2016. It consists of two lines:

- a €200.0 million medium-term loan (Senior Term Loan Facility) repayable after the thirtieth month;
- a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonality of its activities.

Also, on September 22, 2016, Fnac Darty successfully issued €650.0 million of senior bonds with a seven year maturity.

The following Group companies have agreed to guarantee the facilities subscribed by Groupe Fnac SA: Fnac SA, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	Less than one year	One to five years	Over five years	2016	2015
Amount of unused line of credit at period-end	0.0	400.0	0.0	400.0	1,115.0
Amount of used line of credit at period-end	0.0	0.0	0.0	0.0	0.0
Other guarantees received	14.4	13.7	18.0	46.1	41.9
TOTAL COMMITMENTS RECEIVED	**14.4**	**413.7**	**18.0**	**446.1**	**1,156.9**
Commitment relating to the acquisition of Darty plc	0.0	0.0	0.0	0.0	98.1
Rent guarantees and real estate securities	5.8	15.2	20.8	41.8	26.8
Other commitments	93.3	29.0	3.4	125.7	55.5
TOTAL COMMITMENTS GIVEN	**99.1**	**44.2**	**24.2**	**167.5**	**180.4**

None of the €400.0 million Revolving Facility had been drawn down as of December 31, 2016; it therefore constitutes an off-balance-sheet commitment.

The increase in rent guarantees in 2016 is partly due to the consolidation of Groupe Darty whose commitments amount to €11.0 million.

The change in other commitments is mainly linked to granting a new up-front payment to Apple to guarantee business with Darty ($40.0 million), as well as the €26.9 million guarantee (equivalent to £23.0 million), maturing in 2022, granted by Darty in 2012 on the occasion of the sale of Comet, under the framework of the Comet pension fund.

As part of the agreement to sell Comet, Darty placed a £50.0 million investment in Hailey 2 LP GP Limited. Given the uncertainty of future returns, this investment was completely written-off in 2012 (year of Comet sale). To date, two payments have been received totaling £5.9 million. Due to the uncertainty of the last return, no income accrual has been recorded.

The credit facilities disclosed in December 2015 consisting of two financial instruments negotiated in late 2015 amounting to €865.0 million in anticipation of the acquisition of Darty, were repaid in 2016.

The €98.1 million commitment given in 2015, corresponding to the cash portion of the initial offer made to Darty shareholders, fell in 2016 on completion of the transaction.

33.4 / The Group's dependency on patents, licenses and supply agreements

The Group is not heavily dependent on patents, licenses or supply agreements.

33.5 / Proceedings and litigation

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

In 2015, the Brazilian subsidiary underwent a tax audit which resulted in the notification of a tax reassessment due to:

- lack of filing of Sintegra return (electronic file including operational data);
- unjustified tax credits.

After consulting its legal counsel, the Company had contested these reassessments and considered them unjustified. However, a provision was recognized in the December 31, 2015 financial statements, corresponding to a reasonable estimate of the risk incurred. As of December 31, 2016, there was no significant change in the Group's position.

According to their experts, none of the disputes in which the Group's companies or businesses are involved threatens the Group's normal and foreseeable course of business or its planned development.

The Group is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at year-end. No litigation is material at the Company or Group level, when considered on a stand-alone basis.

The Group has no knowledge of any other litigation or arbitration that in the recent past could have or may have had a significant impact on the financial position, business or earnings of the Group.

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Groupe Fnac

As of December 31, 2016, the Artémis Group owned 24.70% of Fnac Darty's share capital and voting rights.

As of December 31, 2016, the Vivendi Group owned 11.27% of Fnac Darty's share capital and voting rights.

The main transactions during the year between all Fnac Darty consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

- reinvoicing by the Kering Group, an IT services provider, in the amount of €3.3 million excluding taxes.

The main transactions at Fnac Darty since taking the equity interest in Vivendi Group in the first half of 2016, between all the Group's consolidated companies and the parties related to Vivendi Group, are as follows:

- reinvoicing by the Universal Group, a musical products supplier, in the total amount of €17.4 million excluding taxes;
- reinvoicing by the Universal Group, a musical products customer, in the total amount of €1.0 million excluding taxes;
- reinvoicing by the Olympia Group, a ticket sales provider, in the total amount of €3.9 million excluding taxes;
- reinvoicing by the Canal+ Group, a subscription services provider, in the total amount of €0.2 million excluding taxes.

In 2015, a previously authorized regulated agreement was entered into with BDGS, a legal firm specializing in market operations, especially cross-border transactions, and in competition law, one of its founding partners being Director Antoine Gosset-Grainville; its services for year 2015 amounted to €1.4 million excluding taxes. Payments made for these and other services came to a total of €4.1 million before tax in year 2016. The business relationship between the Group and the BDGS firm ended on December 31, 2016.

In 2015, the main transactions between all the Group's consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

- reinvoicing by the Kering Group, an IT services provider, in the amount of €1.6 million excluding taxes.

NOTE 35 REMUNERATION OF DIRECTORS

Short-term benefits

Following the acquisition of Darty and the restructuring of the Group's management, the scope of responsibilities of the main Directors was redefined and now corresponds to the Executive Committee of the new Group. Compensation posted to expenses was as follows:

(€ million)	**2016 [(a)]**	**2015 [(a)]**
Short-term benefits	10.0	7.0
Severance packages	0.0	0.1
Tax on high remuneration	0.0	0.0

(a) Amounts including employee-related costs.

Long-term benefits

In 2016, four multi-year variable compensation plans based on value units and performance options partially matured.

In accordance with IFRS 2, the instruments that had matured and the service and performance conditions attached to those instruments were updated. At the same time, the turnover ratios of the 2014 value units plan were reviewed to take account of the duration of service remaining. The volatility ratio of the Fnac share price was also remeasured at 30%. The obligations measured in accordance with IFRS 2 of these multi-year compensation plans amounted to €13.1 million including employer contributions in 2016 and €22.9 million including employer contributions in 2015. Final vesting of these plans is subject to performance and presence conditions. All these instruments are disclosed in section 5, note 7.

The 2013 value units plan matured on July 31, 2016. Vesting was conditional on performance (average closing share price in July 2015 of €55.07) which was achieved. For Executive Committee members, the payment of the last third of value units was conditional on being in service on July 31, 2016. Cash payments were made in July 2016 totaling €5.7 million, including employer contributions.

The value units plan introduced in 2014 and partially unlocked at the end of February 2016 resulted in a payment in April 2016. The average closing price of Groupe Fnac shares in February 2016 of €55.33 fully meets the performance criteria, and the value units were valued at that exit price and paid to the beneficiaries in service within the Group on February 29, 2016. For Executive Committee members, only two-thirds of this amount was paid, as one-third is conditional on being in service on February 28, 2017. The amount paid in 2016 was €4.3 million including employer contributions.

The second tranche of the 2013 performance share plan was vested on March 31, 2016. Given its average closing price over the last 20 trading days immediately preceding March 31, 2016 (average €57.17) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries in service on March 31, 2016. These options were exercised between April 1, 2016 and March 31, 2017 or cashed in April 2016 for the Chairman & Chief Executive Officer. The amount paid in April 2016 to the Chairman & Chief Executive Officer was €3.7 million including employer contributions (see section 3.3.1).

The first tranche of the 2014 performance share plan was vested on September 30, 2016. Given its average closing price over the last 20 trading days immediately preceding September 30, 2016 (average €65.74) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on September 30, 2016. These options were exercised between October 1 and October 20, 2016 or cashed in October 2016 for the Chairman & Chief Executive Officer. The amount paid in October 2016 to the Chairman & Chief Executive Officer was €4.0 million including employer contributions (see section 3.3.1).

NOTE 36 AUDITORS' FEES

The fees (excluding taxes) paid to the Statutory Auditors for Groupe Fnac, the Group's parent and associated network, can be broken down as follows:

	2016									
	Deloitte & Associés				KPMG				Price Waterhouse Coopers	
	Statutory Auditors		Network		Statutory Auditors		Network		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification and examination of individual and comprehensive financial statements, limited to the half-year										
Issuer	0.3	38%		0%	0.3	43%		0%		
Fully integrated subsidiaries	0.2	25%	0.2	100%	0.2	29%	0.1	100%	1.3	87%
SUB-TOTAL	**0.5**	**63%**	**0.2**	**100%**	**0.5**	**71%**	**0.1**	**100%**	**1.3**	**87%**
Services other than the certification of financial statements										
Issuer	0.2	25%		0%	0.2	29%		0%		
Fully integrated subsidiaries	0.1	13%	0.0	0%	0.0	0%	0.0	0%	0.2	13%
SUB-TOTAL	**0.3**	**38%**	**0.0**	**0%**	**0.2**	**29%**	**0.0**	**0%**	**0.2**	**13%**
TOTAL	**0.8**	**100%**	**0.2**	**100%**	**0.7**	**100%**	**0.1**	**100%**	**1.5**	**100%**

The fees paid in 2016 also include those charged for the certification of the financial statements by PricewaterhouseCoopers, the Statutory Auditor for Darty.

	2015							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and examination of individual and comprehensive financial statements, limited to the half-year								
Issuer	0.2	50%		0%	0.2	67%		0%
Fully integrated subsidiaries	0.2	50%	0.2	67%	0.1	33%	0.2	100%
SUB-TOTAL	**0.4**	**100%**	**0.2**	**67%**	**0.3**	**100%**	**0.2**	**100%**
Services other than the certification of financial statements								
Issuer		0%		0%		0%		0%
Fully integrated subsidiaries	0.0	0%	0.1	33%		0%		0%
SUB-TOTAL	**0.0**	**0%**	**0.1**	**33%**	**0.0**	**0%**	**0.0**	**0%**
TOTAL	**0.4**	**100%**	**0.3**	**100%**	**0.3**	**100%**	**0.2**	**100%**

NOTE 37 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

On January 26, 2017, Fnac signed an agreement regarding Sunday work and evening work. Its implementation will allow Fnac to remain competitive while offering the best compensation, in terms of money and benefits, to employees wishing to work Sundays. Nine additional Fnac stores, now situated in the International Tourist Zone (*Zone Touristique Internationale*/ZTI) as defined by the Macron Law will now be able to open seven days a week, making a total of 21 stores in France open on Sunday. The employees of the 12 stores already open Sundays will benefit from the most favorable terms of the new Group agreement.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2016

The Group's subsidiaries are as follows:

Fully consolidated: F

Consolidated under the equity method: E

	% interest			
Company	**At December 31, 2016**		**At December 31, 2015**	
FNAC BRAND				
Groupe Fnac	F	100.00	F	100.00
FRANCE				
Alize – SFL	F	100.00	F	100.00
Attitude		sold in June 2016	F	100.00
Codirep	F	100.00	F	100.00
Eazieer	F	100.00		0.00
Fnac	F	100.00	F	100.00
Fnac Acces	F	100.00	F	100.00
Fnac appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	F	98.00	F	98.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00		0.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live (formerly Kyro Concept)	F	50.00	F	50.00
BELGIUM				
Belgium Ticket	F	75.00	F	100.00
Fnac Belgium	F	100.00	F	100.00
SPAIN				
Fnac Espana	F	100.00	F	100.00
MONACO				
Fnac Monaco	F	100.00	F	100.00
PORTUGAL				
Fnac Portugal	F	100.00	F	100.00
SWITZERLAND				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
BRAZIL				
F.Brasil	F	100.00	F	100.00

Company	% interest		
	At December 31, 2016		At December 31, 2015
DARTY BRAND			
UNITED KINGDOM			
Darty limited (ex Darty Plc)	F	100.00	0.00
Kesa Holdings Limited	F	100.00	0.00
Kesa International Limited	F	100.00	0.00
Kesa Sourcing Limited	F	100.00	0.00
Kesa Spain Limited	F	100.00	0.00
Kesa Turkey Limited	F	100.00	0.00
FRANCE			
A2I Darty Alsace Lorraine SNC	F	100.00	0.00
A2I Darty Nord SNC	F	100.00	0.00
A2I Darty Ouest SNC	F	100.00	0.00
A2I Darty Provence Méditerranée SNC	F	100.00	0.00
A2I Darty Rhône Alpes SNC	F	100.00	0.00
A2I Île-de-France SNC	F	100.00	0.00
Centrale d'Achat des Professionnels de l'Électromenager SNC "CAPROFEM"	F	100.00	0.00
Compagnie Européenne de Commerce et de Distribution SAS "CECD"	F	100.00	0.00
Compagnie Européenne de Vente et d'Accessoires en Ligne SNC "CEVL"	F	99.90	0.00
Dart Financements SAS	F	100.00	0.00
Darty Développement SAS	F	100.00	0.00
Darty Grand Est SNC	F	100.00	0.00
Darty Grand Ouest SNC	F	100.00	0.00
Darty Holdings SAS	F	100.00	0.00
Darty SNC	F	100.00	0.00
Établissements Darty & Fils SAS	F	100.00	0.00
Immobilière Darty SNC	F	100.00	0.00
Kesa Electricals SAS	F	100.00	0.00
Kesa France SA	F	99.70	0.00
Ménafinance SA	E	50.00	0.00
Participations Distribution Services SNC	F	100.00	0.00
Vidéo Information France SNC "VIF"	F	100.00	0.00

Company	% interest At December 31, 2016		% interest At December 31, 2015
NETHERLANDS			
BCC Elektro-Speciaalzaken BV	F	100.00	0.00
BCC Holding Amstelveen BV	F	100.00	0.00
BCC Vastgoed Holding BV	F	100.00	0.00
Bouwerij Amstelveen BV	F	100.00	0.00
Bouwerij Amstelveen OG BV	F	100.00	0.00
Oude Haagweg Holding BV	F	100.00	0.00
Oude Haagweg OG BV	F	100.00	0.00
Polectro BV	F	100.00	0.00
Polectro Plaza BV	F	100.00	0.00
Rivieradreef Holding BV	F	100.00	0.00
Rivieradreef OG BV	F	100.00	0.00
BELGIUM			
New Vanden Borre	F	100.00	0.00
New Vanden Borre transport	F	100.00	0.00
Vanden Borre Kitchen	E	50.00	0.00
OTHER COUNTRIES			
Kesa Electirical Asia Limited	F	100.00	0.00
Kesa Electrical Consulting limited	F	100.00	0.00

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES EARNING IN FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

Per €1	2016 closing rate	2016 average rate	2015 closing rate	2015 average rate
Pound sterling	0.86	0.82	0.73	0.73
Swiss franc	1.07	1.09	1.08	1.07
Brazilian real	3.43	3.86	4.31	3.69

5.3 / PARENT COMPANY FINANCIAL STATEMENTS

Asset balance sheet

Assets

(€ million)	Notes	Gross value	Amortization, depreciation, provisions	At December 31, 2016 Net value	At December 31, 2015 Net value
NON-CURRENT ASSETS					
Equity investments		1,954.1	0.0	1,954.1	674.4
Other non-current financial assets [(a)]		0.7	0.0	0.7	0.0
NON-CURRENT FINANCIAL ASSETS	**3**	**1,954.8**	**0.0**	**1,954.8**	**674.4**
Tangible and intangible non-current assets	4	0.0	0.0	0.0	0.0
TOTAL NON-CURRENT ASSETS		**1,954.8**	**0.0**	**1,954.8**	**674.4**
CURRENT ASSETS					
Trade receivables [(b)] [(c)]	5	286.8	0.0	286.8	100.0
Marketable securities	6	6.1	0.0	6.1	6.5
Cash and cash equivalents [(c)]	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**292.9**	**0.0**	**292.9**	**106.5**
TOTAL ASSETS		**2,247.7**	**0.0**	**2,247.7**	**780.9**
(a) Less than one year:				-	-
(b) More than one year:				-	-
(c) Related to affiliated companies:				*244.5*	*62.0*

Liabilities balance sheet

Liabilities

(€ million)	Notes	At December 31, 2016	At December 31, 2015
Shareholders' equity			
Capital stock		26.1	16.7
Additional paid-in capital		977.5	496.7
Reserves	7	1.7	1.7
Retained earnings		201.0	26.3
Regulated provisions		3.6	
Net profit (loss) for the period		138.8	174.7
TOTAL SHAREHOLDERS' EQUITY		**1,348.7**	**716.1**
Other shareholders' equity		**0.0**	**0.0**
Provisions	**8**	**0.0**	**0.0**
Debt			
Bond [a]		655.6	0.0
Other financial liabilities [a] [c]		200.0	0.0
Other liabilities [b] [c]	9	43.4	64.8
TOTAL LIABILITIES		**2,247.7**	**780.9**
(a) Less than one year:		*5.6*	-
(b) More than one year:		*0.9*	*5.8*
(c) Related to affiliated companies:		*5.6*	*28.1*

Income statement

(€ million)	Notes	2016	2015
Operating income		20.4	29.0
Operating expenses		(43.8)	(32.7)
OPERATING INCOME (LOSS)	**11**	**(23.4)**	**(3.7)**
Charges and interest on debt owed to non-Group entities		(14.6)	(0.4)
derivative sales		(14.8)	0.0
Current account interest		(2.0)	0.0
Interest on perpetual deeply subordinated notes		0.0	(7.9)
Reversal of financial impairment		164.0	164.0
Other financial income and expenses		3.7	2.2
NET FINANCIAL INCOME	**12**	**136.3**	**157.9**
CURRENT INCOME BEFORE TAX		**112.9**	**154.2**
Non-recurring income	13	(7.3)	(5.6)
Employee profit-sharing		0.0	0.0
Income tax	14	33.2	26.1
NET INCOME FOR THE PERIOD		**138.8**	**174.7**

Cash flow statement

(€ million)	Notes	2016	2015
Net income		138.8	174.7
Income and expense with no impact on cash		(160.7)	(164.0)
CASH FLOW		**(21.8)**	**10.7**
Change in working capital requirements		(196.7)	(9.4)
CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**15**	**(218.5)**	**1.2**
(Purchases)/Disposals of operating non-current assets		(0.7)	0.0
Change in non-current financial assets		(782.5)	60.0
CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**15**	**(783.2)**	**60.0**
Net change in financial debt		844.2	(2.6)
Capital increases		157.1	(58.1)
Dividends paid by Groupe Fnac		0.0	0.0
CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**15**	**1,001.3**	**(60.7)**
CHANGE IN CASH POSITION		**(0.4)**	**0.5**
CASH AT BEGINNING OF PERIOD		**6.5**	**6.0**
CASH AT END OF PERIOD		**6.1**	**6.5**

Change in equity and other shareholders' equity

(€ million (before appropriation of earnings))	Number of shares outstanding	Capital stock	Additional paid-in capital	Reserves and retained earnings	Net profit (loss) for the period	Shareholders' equity	Other equity (TSSDI)
AT DECEMBER 31, 2014	**16,595,610**	**16.6**	**494.9**	**0.1**	**27.9**	**539.5**	**60.0**
Approp. of 2014 earnings				27.9	(27.9)	0.0	
Capital increase						0.0	
Capital reduction						0.0	
Dividends paid						0.0	
Exercise of stock options	92,164.0	0.1	1.8			1.9	
Interest on perpetual deeply subordinated notes (TSSDI)						0.0	
Repayment of perpetual deeply subordinated notes (TSSDI)					(7.9)	(7.9)	(60.0)
Regulated provisions						0.0	
2015 income (loss) excluding interest from TSSDI					182.6	182.6	
AT DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**28.0**	**174.7**	**716.1**	**0.0**
Approp. of 2015 earnings				174.7	(174.7)	0.0	
Capital increase	9,434,997	9.4	480.8			490.2	
Capital reduction						0.0	
Dividends paid						0.0	
Exercise of stock options						0.0	
Interest on perpetual deeply subordinated notes (TSSDI)						0.0	
Repayment of perpetual deeply subordinated notes (TSSDI)						0.0	
Regulated provisions				3.6		3.6	
Profit/Loss 2016					138.8	138.8	
AT DECEMBER 31, 2016	**26,122,771**	**26.1**	**977.5**	**206.3**	**138.8**	**1,348.7**	**0.0**

5.4 / NOTES

NOTE 1 HIGHLIGHTS OF THE PERIOD

Darty Acquisition

In the context of the Darty acquisition offer, Fnac published its Offer Document on May 18, 2016 containing the detailed terms and conditions of its offer for Darty.

At the Combined Shareholders' Meeting held Friday, June 17, 2016, the shareholders of Groupe Fnac almost unanimously approved the issuance of new shares of Fnac to Darty shareholders.

On July 18, 2016, the Competition Authority announced that it had decided to authorize the Groupe Fnac's purchase of Darty.

On July 19, Fnac's offer was declared to be unconditional in all respects as all related conditions precedent, as described in the Offer Document, had been met or lifted.

On August 1, 2016, the first closing date of the offer, Fnac held 98.5% of the capital of Darty. On August 17, 2016, the Darty share was delisted (from the London Stock Exchange and Euronext Paris).

At the end of the mandatory withdrawal period on September 12, 2016, Fnac acquired 100% of the capital of Darty, 30.64% of which was paid in securities.

The consideration for the acquisition recognized in the financial statement of Groupe Fnac totaled €1,115.7 million, including:

- €782.5 million related to purchases of Darty shares with a cash consideration, including costs directly related to the acquisition, and integrated into the value of the shares for €25.8 million;
- €333.2 million related to acquisitions of Darty shares in consideration of securities.

The entire consideration paid was recognized in 2016.

Group financing tied to the Darty plc acquisition transaction

In the context of the Darty acquisition, the Group established new sources of financing intended to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

Therefore, on April 20, 2016, the Group signed a senior credit facility agreement with Crédit Agricole, Société Générale and Natixis for the establishment of a financing package for a total of €1,350 million (replacing the €865 million facility set up in late 2015).

These financing lines were successfully syndicated in June with a pool of around twenty European banks.

At the end of the syndication, this credit facility consisted of the following:

- a revolving credit line for €400 million for five years, intended to finance working capital requirements of the combined entity; this revolving credit line replaced the existing bank lines of credit of each of the companies;
- a medium-term line of credit in the amount of €200 million for a term of five years;
- a bridge credit line ("bridge to capital markets") in the amount of €750 million and a term of one year.

These last two lines were primarily intended to finance the cash component of the transaction and to redeem the senior bond in the amount of €250 million maturing in seven years issued by Darty plc on February 28, 2014.

The Darty plc bond was redeemed on September 19, 2016.

On September 22, 2016, Fnac Darty successfully issued senior bonds for €650 million maturing in seven years, and bearing interest at 3.25% per annum. The funds raised from this bond issue were used to repay the €750 million bridge loan set up in April 2016 and used since the beginning of August. Prior to this issue, the new Group had won a BB rating from Standard & Poor's and Ba2 from Moody's on September 19, 2016.

Senior Credit Facility

The Senior Credit Facility agreement for a total of €600 million with maturing five years from the date of its signature on April 20, 2016. It is composed of two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200 million that may be amortized as of the thirtieth month;
- a revolving credit facility (in the amount of €400 million), intended to finance the changes in cash flows related to seasonal variations.

Other significant events

Just as in 2015, Mr. Alexandre Bompard decided to reinvest his entire multi-year variable remuneration paid in 2016, net of income and other taxes, in shares of Groupe Fnac. Shares acquired in this manner will be registered shares and held for at least two years.

On October 25, 2016 Mr. Alexandre Bompard made this reinvestment, purchasing 88,529 shares of Groupe Fnac at a price of €60.

Value units plan

A portion the 2014 value units plan matured on February 29, 2016. Plan beneficiaries who were in service on February 29, 2016 received, subject to performance conditions (average closing prices of Fnac share price in February 2016 of €55.33), their value units at that price. Those amounts were paid in cash in April 2016 to beneficiaries in service on February 29, 2016, and totaled €9.1 million including employer contributions. Two-thirds of these value units were paid to the Executive Committee members. Payment of the remaining third is tied to a condition of service on February 28, 2017.

The 2013 value units plan expired on July 31, 2016. Acquisition under the plan was subject to performance conditions (average of market closing prices for July 2015 at €55.07), which were achieved. For some members of the Executive Committee, payment of the final third of the value units was tied to a condition of employment at July 31, 2016. The cash payment was made over July 2016 for a total of €5.7 million, including employer contributions.

Performance stock option plan

The first tranche of the 2014 performance share plan was vested on September 30, 2016. Given the average closing price of the Groupe Fnac share over the last 20 trading days before September 30, 2016 (average of €65.74) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on September 30, 2016. These options were exercised between October 1 and October 20, 2016 or paid in cash in October 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

The second tranche of the 2013 performance stock option plan was vested on March 31, 2016. Given the average closing price of the Groupe Fnac share over the last 20 trading days before March 31, 2016 (average of €57.17) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries in service on March 31, 2016. These options were exercised between April 1, 2016 and March 31, 2017 or paid in cash in April 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

Awarding of bonus shares

On the recommendation of the Nomination and Remuneration Committee of April 4, 2016, the Board of Directors decided to award bonus shares to certain Group employees (125 beneficiaries) in order to make them partners in the Company's performance by linking them to the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

The term of this plan is four years (June 17, 2016 – June 16, 2020). Full vesting of these bonus shares is subject to a condition of employment for two years (June 17, 2016 – June 16, 2018) for French residents and four years (June 17, 2016 – June 16, 2020) for foreign residents, and also to a condition on the market performance of Groupe Fnac valued in June 2018 (average of the 20 market closing prices of the Groupe Fnac share preceding June 17, 2018). In addition, the French residents must retain these shares for a period of two years (June 17, 2018 – June 16, 2020: holding period).

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

The 2016 financial statements have been prepared in accordance with Regulation 2014-03 of the French Accounting Standards Board (ANC) as approved by the Ministerial Order of September 8, 2014 governing the French General Chart of Accounts.

General accounting conventions were applied in accordance with the principle of prudence, in accordance with basic assumptions (going concern, consistency of accounting policies from one year to the next, independence of years) and in accordance with the general rules of preparation and presentation of annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The 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.

Pursuant to the opinion (CNC No. 2007-C) issued by the Emergency Committee of the French National Accounting Board, the company Groupe Fnac SA (ex Caumartin Participations), has irrevocably opted to recognize acquisition costs in the book value of shares.

At 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, 2016, Groupe Fnac did not hold any treasury shares.

SICAV

SICAV shares are recognized at cost. They are estimated at year-end at their net asset value. Any unrealized capital loss is subject to an impairment provision. Any unrealized capital gain is not taken into account.

2.4 / Tax consolidation

Groupe Fnac notified the French tax authorities in writing on March 15, 2013 that it and all of its subsidiaries had opted for the tax consolidation plan applicable to groups implemented by Article 68 of the 1988 finance law. The tax consolidation agreement took effect on January 1, 2013.

The tax consolidation agreement entered into July 1, 2013 between Groupe Fnac and its subsidiaries and sub-subsidiaries is effective as from January 1, 2013. As of December 31, 2016, it covered 15 companies.

Under this plan, Groupe Fnac acts as a corporate income tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Corporate income tax is broken down as follows:

- the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred had it not been consolidated for tax purposes;
- Groupe Fnac takes immediate account of tax savings or expenses resulting from the difference between the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on taxable income as a whole.

2.5 / Operating income (loss)

Operating income results from income and expenses related to the Company's current activities.

2.6 / Net financial income

Net financial income results from the income and expenses attached to the Company's financing and to cash management.

2.7 / Non-recurring income

Non-recurring income includes income and expenses that, by their nature, occurrence or material character, do not fall within the Company's current operations.

2.8 / Performance-based remuneration plans

The Company applies Regulation CRC 2008-15 dated December 4, 2008 relating to the accounting treatment of stock options (subscription and purchase) and bonus shares granted to employees. This regulation stipulates that whenever it is probable that the Company will deliver existing shares to plan beneficiaries, a liability should be recognized on the basis of the probable outflow of resources.

Performance-based remuneration plans comprise a value units plan, which is provided in cash, and a performance-based share plan, which may be provided as stock options or in cash, depending on the beneficiary.

These plans result in the recognition of a personnel expense spread over the vesting period.

NOTE 3 NET NON-CURRENT FINANCIAL ASSETS

(€ million)	At December 31, 2015	Increase	Decrease	At December 31, 2016
Gross value				
Equity investments				
Fnac SA, Darty plc	838.4	1,115.7	0.0	1,954.1
Other non-current financial assets				
Daphni stake	0.0	0.7		0.7
GROSS VALUE	**838.4**	**1,116.4**	**0.0**	**1,954.8**
Impairment				
Fnac SA equity investments	(164.0)	0.0	164.0	0.0
IMPAIRMENT	**(164.0)**	**0.0**	**164.0**	**0.0**
NET VALUE	**674.4**	**1,116.4**	**164.0**	**1,954.8**

Equity investments

As of December 31, 2016, Groupe Fnac held:

- 46,421,807 shares of Fnac SA stock out of 46,421,808 shares for a gross value of €838.4 million. In order to take changes in the Group's market capitalization into account, the provision of €164 million on the Fnac SA shares was reversed in its entirety;
- 529,553,216 shares of Darty plc out of 529,553,216 shares for a value of €1,115.7 million.

Other non-current financial assets

As of December 31, 2016, other non-current financial assets consisted of an equity interest in the Daphni investment fund for €0.7 million, corresponding to a first drawdown of 10% out of a total commitment of €7 million.

There are no other non-current financial assets following the repayment in 2015 of the intra-group loan made to Fnac SA in the amount of €60 million at the same time as the repayment of the perpetual deeply subordinated notes by Groupe Fnac.

NOTE 4 TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

As of December 31, 2016, Groupe Fnac had no tangible or intangible non-current assets.

NOTE 5 RECEIVABLES

(€ million)	At December 31, 2016	At December 31, 2015
Tax consolidation current accounts	0.0	0.0
Current accounts of subsidiary	233.8	39.5
Income tax	12.0	28.0
Group customers	10.7	22.5
Group customers – accrued income	0.0	0.0
Issue premiums on bonds	0.0	0.0
Other	2.5	1.3
Prepaid expenses [(a)]	27.8	8.7
TOTAL	**286.8**	**100.0**
Related to affiliated companies:	*244.5*	*62.0*
(a) More than one year:	*17.6*	*0.0*

The negative current account of €233.8 million reflects receivables against the subsidiary Fnac SA.

The amount of €12.0 million in 2016 for "Income tax" primarily represents tax credits.

The Group's receivables of €10.7 million consist of Fnac receivables for €3.9 million and Darty receivables in the amount of €6.8 million.

Prepaid expenses for €27.8 million primarily reflect fees and commissions for placing the bond and credit lines granted to finance the Darty acquisition.

In 2015, prepaid expenses for €8.7 million were also for fees for establishing financial instruments in the context of the Darty acquisition offer.

NOTE 6 MARKETABLE SECURITY AND CASH AT BANK AND IN HAND

(€ million)	At December 31, 2016	At December 31, 2015
Treasury shares	0.0	0.0
Sicav	6.1	6.0
Foreign exchange risk hedging instruments	0.0	0.7
Impairment	0.0	(0.2)
MARKETABLE SECURITIES	**6.1**	**6.5**
Bank deposit and fund transfers	0.0	0.0
CASH AND CASH EQUIVALENTS	**0.0**	**0.0**
CASH LIABILITIES	**6.1**	**6.5**
Related to affiliated companies:	*0.0*	*0.0*

The marketable securities are SICAVs for €6.1 million and correspond to the liquidity contract.

In 2016, under the liquidity contract, 558,406 shares were purchased at an average price of €57.26 for a total amount of €31,974,035, and 558,406 shares were sold at an average price of €57.39 for a total of €32,046,387. As of December 31, 2016, the following amounts appear in the liquidity account: 0 shares and €6,105,426.00.

In 2015, Groupe Fnac set up a hedge using options, as part of the hedging of the alternative partial payment in cash to Darty shareholders. At acquisition, the hedge using options was reflected in the recognition of €0.7 million on the asset side of the balance sheet. As of December 31, 2015, the change in the fair value of this asset led to impairment in the amount of €0.2 million. This asset was cleared in 2016.

NOTE 7 RESERVES

(€ million)	**At December 31, 2016**	**At December 31, 2015**
Legal reserve	1.7	1.7
Regulated reserves	0.0	0.0
Other reserves	0.0	0.0
RESERVES	**1.7**	**1.7**
Regulatory provisions	3.6	0.0
TOTAL	**5.3**	**1.7**

In 2016, regulated provisions represented exceptional amortization of €3.6 million for the fiscal amortization of the Darty acquisition costs.

NOTE 8 PROVISIONS

As of December 31, 2016, Groupe Fnac had no significant provisions.

NOTE 9 OTHER DEBTS

(€ million)	**At December 31, 2016**	**At December 31, 2015**
Tax consolidation current accounts	4.7	23.3
Current accounts of subsidiary	0.0	0.0
Dividends to be paid	0.0	0.0
Tax and social security liabilities	18.5	25.7
Other liabilities	20.2	15.8
TOTAL	**43.4**	**64.8**
Related to affiliated companies:	*5.6*	*28.1*

As of December 31, 2016, other debts primarily represented invoices relating to the new financing set up and to the commitment of Groupe Fnac in the context of its stake in the Daphni fund for €6.3 million.

The income tax and social security liabilities primarily consisted of liabilities for the performance remuneration plan in the amount of €13.1 million.

In 2015, other debts primarily covered the invoices related to the establishment of the Darty acquisition offer.

NOTE 10 OTHER OFF-BALANCE-SHEET COMMITMENTS

Retirement benefits

The amount of the retirement benefits was €0.7 million as of December 31, 2016, and €0.5 million at December 31, 2015.

Other commitments:

In the context of the Darty acquisition, the Group established new sources of financing intended to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

The Senior Credit Facility agreement for a total of €600 million with maturing five years from the date of its signature on April 20, 2016. It is composed of two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200 million, that is amortizable as of the thirtieth month;
- a revolving credit line (Revolving Facility) in the amount of €400 million, intended to finance the changes in cash flow related to seasonal effects.

In addition, on September 22, 2016, Fnac Darty successfully issued senior bonds in the amount of €650 million, maturing in seven years.

In order to secure these financing lines obtained by Groupe Fnac SA, the following companies of the Group were the guarantors: Fnac SA, Fnac Direct, Etablissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

Furthermore, it should be noted that the revolving line of credit ("Revolving Facility") in the amount of €400 million that can be mobilized was not drawn down as of December 31, 2016, and is therefore an off-balance sheet commitment.

NOTE 11 OPERATING INCOME (LOSS)

(€ million)	**2016**	**2015**
Group royalties	19.4	28.9
Other reinvoicings	0.9	0.0
Payroll expenses	(18.9)	(26.9)
Purchasing, external costs and income and other taxes	(24.9)	(5.8)
Net amortization and depreciation and provisions	0.0	0.0
Other income and expenses	0.1	0.1
TOTAL	**(23.4)**	**(3.7)**

In 2016, the operating income was impacted by the commission expense on the lines of credit in the amount of €19.4 million, included in external charges.

NOTE 12 FINANCIAL INCOME (LOSS)

(€ million)	2016	2015
Net financial expenses		
Charges and interest on debt owed to non-Group entities	(14.6)	(0.4)
Sale of derivatives	(14.8)	0.0
Interest on Group current accounts	(2.0)	0.0
Interest on perpetual deeply subordinated notes	0.0	(7.9)
Reversal of financial impairment	164.0	164.0
Interest on the subordinated loan	0.0	2.4
Other financial income and expenses	3.7	(0.2)
TOTAL	**136.3**	**157.9**
Related to affiliated companies:	*162.0*	*166.4*
Interest on Group current accounts	*(2.0)*	*0.0*
Dividends	*0.0*	*0.0*

In 2016, the net financial result was income of €136.3 million, essentially due to the reversal of a provision on the securities of Fnac SA for €164 million.

Financial expenses of €32.6 million reflect a loss on the sale of a derivative product (currency swap) for €14.8 million, then primarily interest and commissions on the lines of credit and bond put into place. Financial income of €5.0 million primarily reflects income from a foreign exchange gain on financing operations for €4.2 million.

In 2015, net financial income of €157.9 million consisted primarily of a reversal of depreciation on the securities of the subsidiary Fnac SA, interest expense on the perpetual deeply subordinated notes for €7.9 million, and interest income on a subordinated loan of €2.4 million made to the subsidiary Fnac SA.

NOTE 13 NON-RECURRING INCOME

(€ million)	2016	2015
Income on disposals of non-current operating assets	0.0	0.0
Exceptional amortization	(3.6)	0.0
Darty integration costs	(3.7)	(0.1)
Other non-recurring income/(expenses)		(5.5)
TOTAL	**(7.3)**	**(5.6)**

In 2016, the non-recurring result was an expense of €7.3 million composed of:

- costs and fees related to the integration of Darty in the amount of €7.3 million, partially reinvoiced to Darty for €3.6 million;
- exceptional amortization in the amount of €3.6 million related to the tax amortization of the costs on the Darty acquisition.

In 2015, non-recurring expenses was a charge for €5.6 million, including €5.5 million in costs incurred in the Darty acquisition.

NOTE 14 INCOME TAX

(€ million)	2016	2015
Tax consolidation dividend/loss	33.2	26.1
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	**33.2**	**26.1**

As in 2015, Groupe Fnac generated no income tax in 2016, and the net profit from the tax consolidation was €33.2 million.

If there were not tax consolidation, Groupe Fnac would have had no tax liability because of its tax loss situation.

The total accumulated amount of tax deficits that can be carried forward as of December 31, 2016 was €87.6 million.

NOTE 15 CASH FLOW STATEMENT

The change in cash flow from operating activities was an expense of €218.5 million at December 31, 2016, primarily due to the increase of €194.3 million in debit current accounts with Fnac SA.

Investing activities represented an expense of €783.2 million, primarily linked to the acquisition of the Darty shares.

Financing transactions mainly consisted of the placement of the financing (bond of €650 million and draw on the medium-term €200 million line of credit), as well as the capital increase reserved for Vivendi in the amount of €157.1 million net of issuance fees.

NOTE 16 OTHER INFORMATION

16.1 / Compensation paid to corporate officers

For year 2016, the gross amount paid to the corporate officer, including in-kind benefits and contributions to the supplemental pension plan, was €13,871,892, including €900,000 for the fixed annual remuneration, €931,500 for the annual variable remuneration, €11,978,895 for the multi-year variable remuneration, €28,733 in attendance fees, €22,133 for benefits in kind, and €10,631 for contributions to the supplemental pension plan.

16.2 / Average workforce

In 2016, the average number of employees of Groupe Fnac was eleven persons.

16.3 / Related-party transactions

As of December 31, 2016, Artémis Group owned 24.70% of Groupe Fnac's share capital and 24.70% of its voting rights.

As of December 31, 2016, Groupe Vivendi held 11.27% of the capital, and 11.27% of the voting rights in Groupe Fnac.

In year 2015, a related-party agreement was previously authorized and signed with BDGS, a legal firm specializing in market operations, particularly cross-border transactions, and in competition law. Antoine Gosset-Grainville, a member of the Board, is one of the founding partners, and the amount of the service for 2015 totaled €1.4 million before tax. The amount of this service and other services totaled €4.1 million before tax for 2016.

16.4 / Trade payables and payment schedules

As of December 31, 2016, trade payables and related accounts amounted to €6.8 million, €0.9 million of which were related to 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 year 2016.

NOTE 18 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS

(€ million)	Capital stock	Shareholders' equity excluding capital & income	Share of capital held	Dividends received during the year		Book value of securities held	Securities and endorsements given by the Company	Revenues before tax of previous year	Profit or (loss) for last year ended	Dividends received by the Company during the year
				Gross	Net					
Subsidiaries owned at +50%										
Fnac SA	325.0	194.2	99.99%	838.4	838.4	0.0	0.0	2,374.3	20.9	0.0
Darty plc [(a)]	168.9	70.9	100%	1,115.7	1,115.7	0.0	0.0	0.0	(12.2)	0.0
Fnac Luxembourg SA	0.03	0.0	100%	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Source: annual financial statements for year ended 04/30/2016.

NOTE 19 FIVE-YEAR RESULTS

	2016	2015	2014	2013	2012
FIVE-YEAR RESULTS					
CAPITAL AT YEAR END					
Share capital *(€)*	26,122,771.0	16,687,774.0	16,595,610.0	16,595,610.0	545,718,719.0
Number of common shares outstanding	26,122,771.0	16,687,774.0	16,595,610.0	16,595,610.0	6,131,671.0
Maximum number of future shares to be created					
by conversion of bonds					
by the exercise of stock options					
Operations and results for the year *(€ thousands)*					
Income from ordinary activities	20,311.4	28,896.0	18,679.7	8,174.0	0.0
Earnings before tax, employee profit-sharing, amortization, depreciation and provisions	(54,961.5)	(15,409.5)	5,020.6	(9,034.7)	(5,920.8)
Employee profit-sharing payable for the year	(10.0)	(13.1)	(7.7)	0.0	0.0
Income tax (expense)/credit	33,162.1	26,108.2	22,912.3	10,200.0	0.0
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	138,832.0	174,684.5	27,920.2	1,165.3	(331,968.2)
Distributed earnings	0.0	0.0	0.0	0.0	0.0
DATA PER SHARE *(€)*					
Earnings after tax, employee profit-sharing, and before amortization, depreciation and provisions	(0.83)	0.64	1.68	0.07	(0.97)
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	5.31	10.47	1.68	0.07	(54.14)
Dividend:					
net dividend per share	0.0	0.0	0.0	0.0	0.00
STAFF					
Average number of employees during the year	11.0	10.0	11.0	5.0	0.0
Total payroll for the year *(€ thousand)*	14,879.5	21,753.9	14,848.3	9,581.0	24.3
Amount paid for employee benefits for the year *(€ thousand)*	4,002.2	5,193.3	5,318.7	3,599.8	0.0

5.5 / MATERIAL CHANGE IN FINANCIAL OR COMMERCIAL POSITION

To the best of the Groupe Fnac's knowledge, no event likely to have a significant influence on the Group's activity, financial position and assets has occurred since December 31, 2016.

5.6 / REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

Year ended December 31, 2016

Dear Shareholders,

In execution of the mission entrusted to us by your General Meeting, we hereby submit our report for the year ended December 31, 2016, on:

- the audit of the annual financial statements of Groupe FNAC, as attached to this report;
- the justification of our assessments;
- the specific controls and disclosures required by law.

The annual financial statements have been approved by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on these statements.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance about whether 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 certify that, with regard to French accounting rules and principles, the financial statements are regular, accurate, and reflect a faithful image of the results of the operations of the past financial year as well as the Company's financial position and assets as of the end of that year.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matter to your attention.

Note 2.1 to the financial statements explains the accounting rules and methods relating to the valuation of equity investments. In the course of our assessment of the accounting rules and principles followed by your Company, we have checked the suitability of the accounting methods specified above and ascertained their correct application.

The assessments made in this way are part of our process of auditing the annual financial statements as a whole and have thus contributed to our opinion as expressed in the first part of this report.

III. Specific verifications and information

We also conducted the specific controls required by law in accordance with 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 remuneration and benefits paid to corporate officers and the commitments made in their favor, we have checked their agreement with the accounts or with the data used to establish them, and, as applicable, with the items obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fairness of this information.

In accordance with the law, we have made certain that you have been provided in the Management Report with the various information related to the acquisition of capital and controlling interest, along with the identity of the shareholders and voters.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

5.7 / REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

Dear Shareholders,

In execution of the mission entrusted to us by your General Meetings, we hereby submit our report for the year ended December 31, 2016, on:

- the audit of the consolidated financial statements of Groupe FNAC, as attached to this report;
- the justification of our assessments;
- the specific verification provided for by law.

The consolidated financial statements have been approved by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on these statements.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance about whether 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 whole formed by the consolidated entities, in accordance with IFRS guidelines, as adopted by the European Union.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

- Note 15.2 "Business combination" to the consolidated financial statements sets forth the procedures for the takeover of Darty plc and its subsidiaries, and the impact thereof on the consolidated financial statements, on the understanding that allocation of the acquisition price was not finalized as of December 31, 2016. Our work included examining the report of the independent assessor used by the company to determine the fair value of the brands (and the franchises) recognized as intangible assets, to review the data and valuation methods used, and to assess the accuracy of the assumptions employed. We also verified the correct accounting treatment for this acquisition in accordance with the procedures described in Note 2.4.3 "Business combinations" and the appropriateness of the information presented in Note 15.2 to the financial statements.
- During the second half of the financial year, your Company systematically tested goodwill for impairment, and also assessed whether there was any evidence of impairment of long-term assets, in accordance with the procedures set out in note 2.10 to the consolidated financial statements. We have reviewed the procedures for implementing these impairment tests together with the forecasted cash flows and assumptions used, and have verified that note 18 in the annex to the consolidated financial statements provides appropriate disclosures.
- Your company continues with the evaluation, and if necessary, the impairment of inventory according to the methods described in note 2.9 in the annex 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.
- Notes 2.12 and 2.16 in the annex to the Consolidated Financial Statements specify the evaluation methods of share-based payments and employee retirement benefits and other long-term employee benefits. These commitments have been measured by outside actuaries. Our work consisted in reviewing the data used, assessing the assumptions made, and verifying that notes 7 and 24 in the annex to the consolidated financial statements provide appropriate disclosures.

The assessments made in this way are part of our process of auditing the consolidated financial statements as a whole and have thus contributed to our opinion as expressed in the first part of this report.

III. Specific verification

We have also proceeded, in accordance with the professional standards applicable in France, with the specific verification provided by the law of information relating to the Group data in the Management Report.

We have no comment to make on its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

6

RISK FACTORS

Risk management is an integral part of the Fnac Darty 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 did not identify any other material risks, excluding those mentioned herein.

6.1 / STRATEGIC AND ECONOMIC RISKS

The Group might not be successful in changing its model given the downturn in its key markets.

The Fnac and Darty brands operate in markets that are undergoing massive change, primarily due to the increasing reach of the internet and the resulting changes in consumer purchasing patterns, such as the digitalization of physical consumer media. The spread of this new media has given rise to a spectacular boom in e-commerce, which has shaken up the status quo in every market and in every country in which the Fnac and Darty brands operate, by significantly changing modes of consumption, consumer behavior (and customer-attraction and retention tools), as well as distribution methods (see section 1.3.2.1 "Internet Revolution"). The boom in e-commerce has especially spawned new web-only retailers ("pure players") to the detriment of traditional retailers like our two brands. They are generating intense competition in prices and they offer a very wide range of products, all constituting a serious threat to traditional retailers. Specifically, the development of e-commerce has reduced prices and margins in the markets of our two brands.

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 Fnac Darty Group to new developments and to the shrinkage of its principal markets lies at the heart of the strategic plan. The aim is to especially extend the brand's territory to leisure (Stationery, Sport, DIY, Gardening, Pets etc.), to integrate digitalization in the existing product universe, to develop product ecosystems, to create new fast-growing product lines and to adapt its sales models to customers' new expectations, by focusing on an omnichannel, multi-brand approach to distribution and associated services.

The Group's markets are facing fierce competition.

The retail market for consumer electronics and editorial products is highly competitive (see section 1.3.2.2 "Competitive Environment"). The Group competes with traditional, international and local retailers, including some that are developing online sales platforms. The Group is also in competition with pure players in e-commerce. Some of these are established in countries where they can benefit from more favorable tax structures than the Group and are open 24/7. Some pure players operate globally and promote intense price rivalry to drive up their sales and market share. Their pricing can be more competitive due to their purchasing volumes, and because they have a lighter cost structure and none of the constraints associated with a store-based model, along with the offer of an increasingly large product range. Over the past few years, new competitors such as manufacturers, internet service providers (ISPs) and digital platforms also have emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as our brands in the marketing and supply chain. Finally, piracy is undermining the attractiveness of the legitimate editorial products offered by the Fnac brand and constitutes a source of unfair competition.

In addition, the decline in the markets in which the Fnac brand operates also tends to strengthen competition by reducing available revenue for the various players.

More intense competition could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Monitoring and reacting to the competitive environment and its changes take place at the country level and are overseen at the Group level by the Strategy Department as part of an approach aimed at anticipating competition, conducting strategic reviews of geographical locations and identifying development or arbitrage opportunities.

The problems faced by Fnac in Brazil might not be reversible.

Political instability in Brazil, the country's economic crisis, the problems in managing complex local taxes, the consumer confidence indicator, the hike in consumer credit interest rates and the inadequate size of Fnac's retail network in that country are all impediments to business recovery. The economic crisis being experienced by the country seriously impacted the markets of Fnac and its local competitors in both 2015 and 2016, and despite the recovery initiatives undertaken, Fnac Brazil experienced a 13% decline in revenues. This is why a decision has been made to explore all options for leaving the country. Fnac Brazil was consequently classified as a discontinued or held for sale operation according to IFRS 5 (see note 32 of section 5.2 of the consolidated financial statements).

Risks relating to the conduct of the Fnac Darty consolidation.

The main aim of the plan to merge the two brands is to create value for the new entity, especially through synergies in purchasing, logistics optimization, pooling back-office functions, and savings on buying services (see section 1.4.1.1 "Synergies: high value creation potential").

Also, implementing the consolidation while at the same time maintaining the operating activities of the two brands is a key challenge. The synergies underpinning the plan might not in fact materialize as predicted, the timetable for implementing the plan might not be complied with, management might be faced with conflicts between plans with different prioritization concerns, the organizational revamp might have a structural operational risk, particularly in terms of pooling the tools for processing operations and associated flows such as logistical flows. Other material risks might also be generated by the Fnac Darty consolidation. For example, the new Group might confront a lack of sales initiative during the transformation period, or our two brands might be more strongly exposed to attempts of internal or external fraud which take advantage of management's focus on projects underway for the merger.

Action plans have therefore been adopted to support the changeover process and to maintain constructive ongoing dialog with both staff representative bodies. These actions are key to the success of this consolidation plan, just as they are for all such operations.

Risks relating to the Group's inability to sell the stores concerned by the decision of the French Competition Authority.

In its July 27, 2016 decision, the French Competition Authority authorized Darty's acquisition by Groupe Fnac, subject to sale of the commercial leases and goodwill pertaining to one Fnac store, four Darty stores in Paris and one Darty store in Vélizy. The sale of these six stores must be implemented with one or more consumer electronics retailers to ensure that the consumer has credible alternatives, to maintain competitiveness in the catchment area in question and thus ensure that consumers are provided with a diversified range of products and services; this has to be done within no more than 11 months from September 1, 2016, i.e. by the deadline of July 31, 2017. The Group will be at risk if it encounters difficulties in assigning these assets within the time periods established by the competition authority.

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 may be affected by a deterioration in its labor relations, including with its unions, or by a deterioration of the social climate within the Group.

The Group is constantly adapting its human resources and organizational structure; this requires the Group to maintain good relations with its employees, unions and employee representative bodies. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group is a responsible employer, and it pays particular attention to adapting its systems to prevailing issues in terms of human resources, as presented in chapter 2 of this Registration Document, in particular section 2.3.3 "Employee Relations".

The Group might be faced with heightened psycho-social risks impacting its employees, a loss of morale on the part of those employees or a talent drain.

The Fnac Darty consolidation plan might well cause some concern to employees in both companies. Uncertainty about the coming changes may cause an increase in psychosocial risks, a loss of motivation on the part of employees who may be less involved and an increase in talent leaving the two brands. Also, the two brands have put an action plan into place, particularly in-person verbal communication with employees, an informational website dedicated to the merger project and workshops currently in progress.

The activities of the Group could be impacted by acts of terrorism.

Following the attacks in Paris in 2015, and Nice in 2016, extension by the government of the state of emergency in France, the national security system that is at its highest alert in both France and in Spain, the placement of Belgium at level 3 on a scale of 1 to 4, and the risk that also exists in the other countries where the Group is based, particularly Africa, a major critical risk was identified in 2015 at Group level and this was retained in 2016. This risk concerns both the threat to the safety of the Group's employees, customers and service providers, and the threat to the goods necessary for its business to function. An unanticipated risk of an attack on the safety of people and goods in our Group would do great harm to the image of our brands, and its business could be severely damaged especially through a decrease in store traffic. Additionally, the Group, in conjunction with the Risk-Prevention Department, has therefore taken steps to strengthen the security of stores located in sensitive areas and has also reinforced its links with the authorities. In addition, store employees have been informed about crisis management and a telephone helpline has been set up for employees to access psychological support.

The Group's operations could be impacted by security vulnerabilities in IT tools and the incompatibility of those tools with operational changes.

Most of the Group's operations rely on information systems developed or administered by internal resources or outside contractors. Any fragility or failure of these systems could disrupt business operations and potentially have major repercussions on the Group's sales and financial results, particularly with regard to websites and ordering and payment systems, and especially during peak end-of-year and start-of-year business activity.

These information systems are constantly changing and are difficult to address as a single entity, particularly in the Fnac Darty consolidation plan. Together with the development of portable technology and cybercrime, this makes information system security an additional challenge especially with regard to hacking, both for data relating to the business and for personal client data.

The Fnac Darty Group's Information Systems Departments ensure that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents, particularly in the context of sharing tools due to the consolidation of the two brands, and to arrange emergency plans. The success of the plan to merge the IT systems is key to preventing operational malfunctions, or even, in the worst case scenario, a complete standstill of logistical flows. As a result, a progressive rollout, a double-run operation and an unwind option have been provided to secure these operations.

From a security perspective, the Fnac Darty Group's IT Systems Departments, underpinned by the network of country or entity IT managers, help safeguard the security of the information systems and the data they contain through appropriate governance, shared standards, and the dissemination of the charter for the proper usage of IT tools to employees, in order to raise their awareness of these risks, and regular checks as well as verification of the reliability of external IT contractors by obtaining contractual guarantees that would ensure the confidentiality and security of processed data, in the form of PCI DSS compliance by service providers processing banking data, and through the performance of security audits of external contractors. Therefore, as part of the phishing risk, audits were carried out in order to implement appropriate action plans, to include crisis simulation exercises, the toughening of the password policy and data encapsulation of PCs. The group may thus face a CNIL compliance risk in a legal environment undergoing significant change.

The Group could be affected by a deterioration in its relations with certain suppliers, franchises, partners or service providers or by difficulties obtaining supplies.

The Fnac Darty Group offers a wide range of products and is supplied by a large number of suppliers. In France in particular, the amount of purchases from the top ten suppliers represented around 40% of the total purchases made in 2016. A major portion of the Group's operations depends on its capacity to negotiate in good conditions and maintain contracts and business relations with its suppliers, especially those (e.g. Samsung, Apple, Microsoft etc.) for whose products there is no substitute as far as customers are concerned. Any deterioration in the brands' relationships with their main suppliers, the imposition of stricter conditions by suppliers (especially with respect to payment terms), or the non-renewal or early termination of its main supply agreements may have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's activities also depend on its relations with its partners, for example regarding consumer credit or the development of its marketing range and its relations with service providers who play a key role in its operations such as IT resources, transport, delivery and payroll management.

In this respect, since its flotation in June 2013, the Group now only benefits from the provision of IT services directly from Kering, for a transition period until June 30, 2019.

Any significant failure, deterioration, sudden termination or non-renewal of the Group's contractual relationships with its partners and contractors could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's sales policy is designed to develop strategic partnerships offering long-term relationships with key franchisees, suppliers, partners and contractors in its primary markets.

As regards the franchises, the terms of the franchise agreement strive for a balance between respect for the reciprocal rights and obligations of each of the parties over a seven year period, which is conducive to the establishment of a relationship of trust and partnership.

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 periodically request the amendment or early termination of the contract in force. Agreements with suppliers are renegociated from time to time, and the Group generally tends not to accept, to the degree possible, clauses of change in controlling interest.

The Group could be affected by a deterioration of its relationships with its property owners.

The Group's success is due in particular to its ability to develop and manage a store network that meets its requirements as well as its customers' expectations. The Group may be exposed to the risk of non-renewal of its leases or face conflicts with its property owners at the time of a lease renewal.

In order to improve its operating profitability, the Group proceeds as often as necessary to renegotiate its rents, optimize the management of its retail space and optimize the terms under which its rents are indexed. No guarantee can be given regarding the Group's capacity to successfully implement its strategy for the optimization, usage and allocation of its retail space (including the deployment of any new product universe), control its rents or maintain and develop a network of stores in the best locations and on acceptable terms.

The Fnac Darty Group's property portfolio is constantly monitored to ensure its optimal use and anticipate any necessary adjustments to preserve a portfolio of prime-quality sites negotiated in the best market conditions.

The Group could be exposed to significant financial risks if its insurance coverage proves to be inadequate.

The Group is exposed to risks that are inherent to its business. Although the Group has taken out a third-party liability and business interruption insurance policy, legal proceedings for third-party liability or business interruption could lead to substantial damages, some of which may not be covered by insurance. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents resulting from fires, explosions, water damage, theft, natural events causing damage to the Group's own property (buildings, furniture, equipment, merchandise or computer systems) or following a business interruption at its premises, nor that it will be able to maintain this insurance on acceptable terms in the future. The Fnac Darty Group's operations, earnings, financial position and outlook could be materially adversely affected if the insurance coverage of the Group's two brands proved to be inadequate or unavailable in the future (see section 6.5 "Insurance").

Changes to the assumptions used to determine the book value of some assets, mainly as a result of an unfavorable market environment, could cause a depreciation of these assets, especially certain intangible assets like goodwill.

Goodwill represents the amount paid by the Group in a business combination that exceeds the fair value of the identifiable net assets on the date of acquisition. Goodwill is allocated to each cash-generating unit in each country. Goodwill is tested for impairment annually at the level of the groups of cash-generating units that correspond to operating segments, during the second half of the year or whenever events or circumstances indicate that the book value of those units may not be recoverable.

The recoverable value of groups of cash-generating units is determined on the basis of their value-in-use, which is in turn determined on the basis of certain assumptions. These assumptions primarily include the discount rate, growth rate and change in sales prices and direct costs during the period in question. Management determines discount rates using pre-tax discount rates that reflect the rate of return expected by the market for investments with a similar risk level. Growth rates are based on the Group's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical data regarding these changes and on estimates of future changes in the market.

If business operations and forecasts change, the estimated recoverable value of goodwill or the assets themselves may decline significantly and require impairment.

Details of assumptions and the study of the impacts of the sensitivity of the impairment tests are detailed in note 18 to the consolidated financial statements.

The absence of significant impairment charges in the future cannot be guaranteed, especially if market conditions were to deteriorate.

The Group is exposed to tax risks and could have to bear the costs and obligations related to current or future tax inspections.

As an international group, Fnac is subject to the tax laws of several countries and conducts its activity while respecting a variety of regulatory obligations. Given that tax laws and regulations in the various countries in which the Group operates sometimes do not provide clear-cut and definitive guidance, the Group's structure, conduct of its business and tax regime is based on its own interpretation of local and French tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant French and local tax authorities or that the tax laws and regulations in some of these countries will not be subject to change and varying interpretations, which could adversely affect the Group's effective tax rate, cash flow, earnings, financial position and outlook.

Should the Fnac Darty Group be subject to tax audits, as is currently the case in France for both Darty and Fnac and in Brazil, or be the subject of future tax adjustments, it may be unable to provide the necessary evidence or defend its position or interpretation of the relevant law or regulation before the tax authorities. The financial statements on provisions for the risks related to tax disputes are presented in notes 25 and 33.5 of section 5.2 "Notes to the consolidated financial statements". However, the Group cannot rule out the possibility that tax inspections will lead to reassessments resulting in amounts payable to the relevant tax authorities that could exceed the amount of the existing provisions, even though these have been valued based on the recommendations of external consultants attributing to the Group an unfavorable effective tax rate, cash position, earnings, financial situation and outlook.

The Group's intellectual and industrial property rights may be challenged.

The Group owns or uses intellectual and industrial property rights, including trademarks, logos and domain names that it uses in its business. Over the past few years, the Group has set up a monitoring system for its portfolio of brands and domain names in order to defend its rights. However, the Group cannot be certain that the measures undertaken to protect its intellectual and industrial property rights will be effective or that third parties will not infringe, misappropriate or terminate its intellectual or industrial property rights. Given the importance of recognizing the Group's brands, particularly the "Fnac" brand and the "Darty" brand, any infringement or misappropriation could have a material adverse effect on the Group's image, operations, financial position or earnings.

The main shareholders who hold a significant percentage of the Company's share capital could influence decisions made by 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 24.70% of the Company's share capital and voting rights and 3 of the 12 members of the Board of Directors have ties to it. In addition, following the capital increase reserved for Vivendi, Vivendi holds 11.27% of the share capital and voting rights of the Company and 2 of the 12 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 and the Vivendi 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.

Own-brand products and/or products under a trademark license are mainly manufactured abroad and distributed by the Group; the Group is consequently liable for both the regulatory compliance and the quality of the products.

Significant non-compliance of these products would result in a product recall and/or a major problem with a customer that might affect the image of our trademark and brands. Controls are regularly carried out to monitor both the quality of the products and respect of the regulations. Also, the crisis management procedures that are in place at Group level will allow for effective tracking of potential risks, detailed above, if our Brands were faced with them.

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.

Market risk

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

The Group makes the vast majority of its sales and incurs the vast majority of its costs in the accounting currency of each country.

Exposure to currency risk is detailed in section 5.2, note 28.2 to the consolidated financial statements.

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 28.1 to the consolidated financial statements.

Liquidity risk

Liquidity risk for the Group and each of its subsidiaries is closely and regularly evaluated by the Group through periodic financial reporting.

Exposure to liquidity risk is detailed in section 5.2 note 28.5 of the consolidated financial statements.

Group financing

In the bid to acquire Darty and for the purpose of financing the future Combined Group, the Group put in place a bank loan with a syndicate of fifteen or so European banks in April 2016.

On September 22, the Group also successfully issued a seven-year senior bond for €650 million bearing annual interest of 3.25%.

As of December 31, 2016, the Fnac Darty Group's net debt was €863.1 million, consisting mainly of:

- a €200 million bank term loan maturing in April 2021;
- €655.6 million in senior bonds maturing in September 2023 with capitalized interest.

Pro forma, free cash flow from operations amounted to €193 million as of December 31, 2016

The €400 million revolving facility maturing in April 2021 was unused.

The loan agreement and the bond contain clauses customary for these types of financing, namely financial commitments, general restrictive covenants and events of default.

As of December 31, 2016, all of the financial covenants relating to the Loan Agreement were being complied with (see section 4.3.2.2 of this Registration Document).

The Company conducts a specific periodic review of its liquidity risk.

All of the terms and conditions of the Group's financing lines are detailed in section 4.3.2.2 of this Registration Document.

Centralized cash management

Fnac 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 ("cash pool") in order to encourage coordination and optimization of the utilization of cash surpluses or coverage of aggregate cash requirements within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their investment program with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

As part of the Darty consolidation, Darty's main French and foreign subsidiaries have been integrated into the Group's cash pool.

Credit and/or counterparty risks

Credit risk: due to its great number of customers, the Group does not consider it is exposed to a significant concentration of credit risk. However, the development of these franchise and B2B activities may have a negative effect on cashflow, earnings, or the Group's financial position. The Group has internal procedures to control these risks, especially through requested guarantees and insurance policies.

Counterparty risk: the Group's strategy is to invest its cash in bank deposits or short-term money-market UCITS that aim to achieve performance close to EONIA in compliance with the rules on diversification and quality of counterparty. According to the Group, these investments do not therefore expose it to significant counterparty risk. In addition, as part of its risk management policy relating to interest rates and currency, the Group decided it was necessary to enter into hedging agreements with leading financial institutions and in its view the counterparty risk can therefore be considered to be negligible.

Currency risk

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

The Group makes the vast majority of its sales and incurs the vast majority of its costs in the accounting currency of each country.

Exposure to currency risk is detailed in section 5.2, note 28.2 to the consolidated financial statements.

Interest rate risk

Exposure to interest rate risk is detailed in section 5.2, note 28.1 to the consolidated financial statements.

Volatility of the market price of the Company's shares

Stock markets experience significant fluctuations which are not always related to the results of operations of the companies whose shares are being traded. These market fluctuations may have a material adverse effect on the market price of the Group's shares.

The market price of the Group's shares could also be materially affected by many factors that affect the Group, its competitors, general economic conditions, or the specialty retail market (in particular the entertainment and consumer electronics segments). The market price of the Company's shares could fluctuate significantly, particularly in response to factors such as:

- substantial block trades of shareholdings in a market of low daily trading volumes or changes in the reported financial results of the Group or its competitors;
- announcements made by the Group's competitors or other companies with similar businesses and/or announcements relating to the specialty retail market (particularly the retailing of entertainment products and consumer electronics) or to the financial and operating performance of these companies;
- adverse political, economic or regulatory developments in the countries and markets in which the Group operates;
- announcements relating to changes in the Group's shareholder base;
- announcements relating to changes in the Group's officers or key employees; and
- announcements relating to the Group's scope of consolidation (acquisitions, disposals, etc.).

6.4 / FINANCIAL RISK

The Group may be unable to comply with some of its obligations under the Loan Agreement.

The Group may be unable to comply with some of its obligations under the Loan Agreement, particularly the restrictive covenants, due to circumstances affecting the Group's markets or operations. Failure to meet any of the stipulations, especially those of the covenants, could constitute a default under the terms of the Loan Agreement, and entitle the agent of the Loan Agreement (Société Générale) who could, and must if so requested by the lenders, (i) terminate with immediate effect the obligations of each lender, (ii) declare early repayment of all the amounts due under the Loan Agreement (including accrued interest on these amounts and any other amounts payable under the Loan Agreement). In the event that the amounts due under the Loan Agreement are declared immediately due and payable, the Group might face a cash shortage. This situation could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets. As of December 31, 2016, all financial covenants were being complied with (see section 4.3.2.2. of the Comments on the period).

The Group's covenants under the Loan Agreement and the High Yield Bond could reduce its flexibility to conduct its business.

The Loan Agreement and the bond include commitments that significantly reduce the Group's flexibility in how it conducts its operations, including but not limited to, implementing certain investment or divestment operations including asset sales or purchases, modifying the Group's financial structure including its indebtedness, granting pledges or guarantees or implementing merger or restructuring operations. If as a result the Group were unable to make certain modifications to its operations or its structure this might have a material adverse effect on the image, operations, results, outlook, financial situation and assets of the Group.

The Loan Agreement and the High Yield bond also include a clause under which the creditors of Fnac Darty could request full or partial early repayment of the loans in the event of a change of control. This restriction could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets.

The Group's results could be impacted by events requiring the revaluation of its pension plans.

The pension plan known as the "COMET pension plan", which is funded by Darty in the United Kingdom, has been taken over as part of the Fnac Darty consolidation. Darty's funding obligations depend on the future performance of the assets, the level of interest rates used to measure future commitments, actuarial projections and experience of changes in pension plans and the applicable regulations. Due to the many variables that determine the pension funding obligations, which are hard to predict, as well as any statutory changes, the future funding obligations for this pension plan in terms of cash could be larger than the amounts estimated as of December 31, 2016. In that case, the funding obligations could negatively impact the Group's financial position or operating results (see section 5.2 note 31.4 of the consolidated financial statements).

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 for Fnac and by the Risk Prevention Department for Darty, whose roles are to identify risks, quantify their impact and reduce them by:

- recommending preventive measures for risks that can be eliminated or reduced by these means; or
- scheduling financing arrangements, including transfer to the insurance company of risks of an exceptional nature where the potential impact is high and the frequency is low.

This requires each Group subsidiary to provide the Group Legal and Insurance Department with information aimed at identifying and quantifying risks and to implement appropriate resources to ensure business continuity in the event of an incident. Based on this information, the Group Legal and Insurance Department negotiates with the major players in the insurance and reinsurance industry in order to find the cover best suited to the Group's risk coverage requirements.

Risk prevention policy

The aim of the risk prevention, precaution and protection policy, which is implemented at the subsidiary level, is to identify, assess and reduce the exposure, occurrence and intensity of incidents, through:

- audits of the main operational facilities;
- appraisals of value-at-risk;
- following the recommendations of security professionals;
- internal control procedures;
- staff training; and
- implementation of appropriate emergency plans.

The Group's insurance policy

The Group's policy of transferring material risks to insurance companies is primarily determined by:

- the best economic balance between risk cover, premiums and deductibles; and
- the offer and constraints in the insurance market, and applicable local regulations.

Under its insurance policy, the Group favors the "all risks with exceptions" approach, which is determined by assessing the financial consequences for the Group of potential claims, specifically in terms of:

- third-party liability: personal injury or damage to property caused to third parties due to products, installations and equipment;
- property damage resulting from fire, explosion, water damage, riots, terrorism, war or other causes; and
- operating losses following direct damage.

For the franchises, the Group has adopted the principle of absorbing claims that are small in terms of cost (especially for All-Risks and Third-party Liability). This contributes to setting up preventive actions to reduce the incidence of claims.

The setting up of insurance coverage is based on determining the level of coverage required to cope with the reasonably estimated occurrence of the risk of liability, damage or other risks for each facility and company concerned. This appraisal takes into account assessments made by insurers, as underwriters of the Group's risks.

Uninsured risks are those for which no coverage is offered on the insurance market or where insurance is offered at a cost that is disproportionate to the potential benefits of such insurance.

As is the case for comparable groups, these risks are managed within the Group's general approach to risk management.

The main insurance programs which the Group has taken out pool the purchase of insurance coverage, to which all of the Group's subsidiaries adhere. This coverage is underwritten by international insurance brokers that specialize in the coverage of major risks with reputable insurers. Fnac and Darty each have different brokers centralizing their insurance programs until April 30, 2017. As of May 1, the Fnac Darty Group as a whole will have a shared insurance program with better indemnities, lower deductibles and lower consolidated cost compared to the consolidated cost at present.

Main insurance programs

The main insurance programs taken out by the Group to cover the risks it faces in its operations are described below. Where necessary, they may be supplemented by local programs specific to the country in question:

Damages and operating losses: The principal purpose of this policy is to insure the Group especially against damage resulting from fire, explosions, water damage, theft, natural disasters affecting property (buildings, furniture, equipment, merchandise, IT installations) and those for which the Group is liable, and against consequential operating losses, for an estimated necessary period of time before normal business can be resumed. The total amount of the damage covered under these policies varies according to the risk and the geographical area under consideration. This amount is therefore capped at €370 million per claim for Fnac and €250 million per claim for Darty.

Third-party liability: This policy chiefly covers operating risks and post-delivery or post-service risks of physical injury or material damage caused to third parties due to the activity of any of its subsidiaries or products sold by the Group. The amount of damages covered in this respect is capped for the Group for an insured period expiring April 30, 2017. Thus the amount of damages covered in this respect during this period is capped at €75 million per claim for the Fnac brand and €50 million per claim for the Darty brand.

Transport of merchandise: These policies cover the business activities of the stores, subsidiaries and the fnac.com website, especially the risk of damage, theft, loss or major events (excluding acts of war) during transportation conducted by Group subsidiaries, from the delivery of merchandise by suppliers through to delivery in store or to the intended recipient. The amount of damages compensated under this policy in 2016 is commensurate with the risks run. Accordingly, the amount of the damage indemnified under the policy is capped at €10 million per claim.

Insurance costs borne by the Group: The costs borne by the Group for all insurance policies for the year ended are approximately €2.1 million for Fnac and €4.1 million pro forma for Darty.

6.6 / RISK MANAGEMENT

The Group closely associates risk management with internal control. The Group's risk management and internal control systems rely on a series of resources, procedures, and actions aimed at ensuring that proper measures are taken to identify, analyze and control:

- risks that could have a significant impact on the Company's assets or the realization of its objectives, whether operational, financial or related to compliance with laws and regulations; and
- the activities, efficiency of its operations and efficient use of resources.

For more information on risk management and internal control procedures (including with respect to the Group's subsidiaries), see the report on risk management and internal control procedures in section 3.5 of the Registration Document.

6.6.1 / The risk management system

The implementation of the risk management system in the Fnac Darty Group is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.6.1.1 / Organization

Managing the exposure to decentralized risks at the country level is the responsibility of the Managing Director in each country and local executives who are closest to the risks relating to the operations they conduct or oversee.

Managing the exposure to centralized risks at "Group" level relies on work carried out on risk mapping, identification and assessment, carried out by the Internal Audit, Financial Control, Risk Prevention, Legal and Strategy Departments.

A Fnac risk management policy was formalized in 2011 and updated in 2015 and is based on the COSO II guidelines. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

In addition, the Group has a dedicated Safety & Risk Prevention Department whose objectives at Group level are to harmonize procedures, reduce risks, and optimize safety costs by promoting synergies and raising the awareness of all Fnac and Darty personnel.

6.6.1.2 / Procedure

The risk management procedure is organized into three chronological steps:

- risk identification – At Fnac and at Darty, risk identification is an ongoing process. It allows key risks to be identified and centralized, based on type, either by the Safety and Risk Prevention Department or by the Internal Audit Department;
- risk assessment – At Fnac and at Darty, 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 the Fnac Darty Group'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 Fnac Darty Group also conducts regular internal audits on both brands to assess and improve the effectiveness of its risk management systems.

6.6.2 / Risk mapping

Under its risk management and internal control procedures, the Fnac Darty Group maps the principal risks to which it is exposed. The Group assesses the potential impact of each risk that is identified. The risk maps are updated regularly and allow the Group to define and monitor the various action plans that are implemented to reduce or manage these risks. The risks identified in the most recent Fnac Darty Group risk map are described in the previous parts of this section 6 on "Risk Factors".

7 INFORMATION ON THE COMPANY, CAPITAL AND SHAREHOLDERS

7.1 / THE COMPANY

7.1.1 / History and development

7.1.1.1 / Company name

The name of the Company is "Groupe Fnac".

7.1.1.2 / Place of registration and registration number

The Company is registered under No. 055 800 296 with the Créteil Business and Trade Registry.

7.1.1.3 / Date of incorporation and term

Date of incorporation

The Company was incorporated on December 15, 1917.

Term of the Company

The term of the Company is January 1, 2100, unless it is dissolved early or extended.

7.1.1.4 / Registered office, legal form and applicable law

Registered office

The registered office of Groupe Fnac is located at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France (telephone: +33 1.55.21.57 93).

Legal form and applicable law

Groupe Fnac is a French joint stock company *(société anonyme)* specifically governed by the provisions of Book II of the French Commercial Code.

Previous corporate form

The Company was initially incorporated as a joint stock company *(société anonyme).* It was transformed into a simplified stock company by a unanimous resolution of the shareholders on June 4, 2002. On September 26, 2012, the Company's partners approved the transformation of the Company into a French joint stock company *(société anonyme)* with Board of Directors.

7.1.2 / Articles of incorporation and bylaws

The Company's bylaws were written pursuant to the laws and regulations governing French joint stock companies with a Board of Directors. The principal stipulations described below are taken from the Company's bylaws, as adopted by the Company's Ordinary and Extraordinary General Meeting of April 17, 2013.

They were amended:

- under the terms of the Twentieth Resolution passed by the Ordinary and Extraordinary General Meeting of the Company of May 29, 2015 no double voting rights, as instituted by Law 2014-384 of March 29, 2014, were granted;
- under the terms of the Twenty-Third Resolution passed by the Ordinary and Extraordinary General Meeting of May 29, 2015, in order to harmonize Article 22 of the bylaws with the new legal provisions resulting from the Decree of December 8, 2014 which from then on provided for (i) a "record date" two days before the General Meeting instead of three, and (ii) proof that the securities of a voting shareholder are registered in an account and no longer in the bearer shares register.

7.1.2.1 / Corporate purpose

Article 2 of the Company's bylaws provides that its purpose is to:

- create, operate and develop commercial or industrial establishments in the sectors of the distribution of cultural, educational, musical, leisure, electronic and computer products and services, services for individuals and companies, or personal, home and office equipment, directly or indirectly by setting up subsidiaries or acquiring interests, throughout the world;
- acquire, administer and sell financial securities or interests of any type in any entity with a lawful purpose, irrespective of the legal form, including unincorporated entities, throughout the world and for any length of time or duration, and carry out any transaction on these financial securities or interests, directly or indirectly by setting up subsidiaries or acquiring interests;

- carry out any transactions, including of a financial, investment or real estate nature, relating directly or indirectly or being necessary or practical for any reason, including being related or ancillary, to the above.

To this end, the Company may act, directly or indirectly, on its own behalf or on behalf of third parties, either alone or in a partnership, association or company with any other company, individual or enterprise and carry out any transaction that comes within the scope of its purpose.

7.1.2.2 / Fiscal year

From January 1 to December 31 of each year.

7.1.2.3 / Administrative, management, supervisory bodies and executive management

Board of Directors

Internal rules of the Board of Directors

The Board of Directors has internal rules whose purpose is to specify the operating procedures of the Company's Board of Directors.

Members of the Board of Directors (Article 12 of the Bylaws and Article 1 of the Board's internal rules)

The Board is composed of at least three and no more than eighteen members, subject to exceptions allowed by applicable law, including in the case of a merger.

A person cannot be appointed Director if, having passed the age of 70, his or her appointment has the effect of increasing the proportion of Board members of that age above one-third of total members. If, because a Director has reached the age of more than 70, the above proportion of one-third is exceeded, the oldest Director shall be deemed to have resigned at the conclusion of the next Annual General Meeting.

The Directors are appointed for a term of three years under the conditions set forth by law by the General Meeting. The Directors are eligible for re-election and may be dismissed at any time by a General Meeting. In the event that one or more Directors' seats are vacant, the Board may make provisional appointments of Directors, in compliance with the law, which will be subject to ratification at the next Annual General Meeting. A Director appointed under these conditions to replace another Director remains in office during the time remaining on his predecessor's term of office. The Board members' terms of office may be arranged in such a way as to allow for a renewal of members as regularly as possible.

The Board must ensure balance within its membership and within the committees of Board members that it establishes, by taking the necessary measures to ensure that its duties and those of its committees are fulfilled with the required independence and objectivity.

The proportion of independent members, when possible, must be at least half of the Board of Directors, two thirds of the Audit Committee and at more than half of the Nomination and Remuneration Committee and the Corporate, Social and Environmental Responsibility Committee. Independent member qualification is not a value judgment on the qualities and competences of Board members.

Whenever a member's term of office is renewed or a new member is appointed to the Board and at least once a year prior to the publication of the Company's Annual Report, the Board assesses the independence of each of its members (or nominees). During this assessment, the Board, following the opinion of the Nomination and Remuneration Committee, examines the qualification of each of its members (or nominees), on a case-by-case basis, with respect to the criteria below, particular circumstances and the situation of the interested party in relation to the Company. Shareholders are informed of the assessment's conclusions through the Annual Report and, where necessary, the General Meeting is also informed thereof when electing new Board members.

The assessment of independence of each Board member must include the following criteria:

- in the past five years, the member is not nor has been a Company employee or corporate officer, or an employee or Director of any company that has consolidated the Company, or of a company consolidated by the Company;
- the member is not an officer of a company in which the Company is, directly or indirectly, a Director or in which an employee designated as such or an officer of the Company (current or within the last five years) is a Director;
- the member is not a significant customer, supplier, investment banker or commercial banker of the Company, or for which the Company represents a significant proportion of its business, nor being directly or indirectly associated with any such person;
- the member has no close family relationship with a corporate officer;
- the member has not been the Company's Statutory Auditor during the past five years;
- the member has not been on the Company's Board for more than twelve years as of the date on which the member was appointed to the current office.

For Board members holding ten per cent or more of the Company's capital or voting rights, or representing a legal entity holding such an interest, the Board, upon recommendation of the Nomination and Remuneration Committee, shall assess the qualification of independence by taking into account the composition of the Company's capital and whether there is any potential conflict of interest.

The Board may hold that a member of the Board, even though he or she meets the above criteria, should not be deemed independent due to his or her particular situation or that of the Company, due to its shareholding structure or on any other ground. Conversely, the Board may hold that a Board member who does not meet the above criteria is nonetheless independent.

Chairman of the Board of Directors (Article 14 of the Bylaws and Article 1 of the Board's internal rules)

The Board elects individuals from among its members to serve as Chairman and Vice Chairman, for terms not exceeding their term of office as a Board member. Their duties include calling and chairing Board meetings. The Chairman is eligible for re-election and may be dismissed at any time by the Board of Directors. At no time may he or she be more than 65 years of age.

Committees of the Board of Directors (Article 15 of the Bylaws and Article 1 of the Board's internal rules)

The Board may decide to set up permanent or temporary committees from among its members in order to facilitate the operations of the Board and to provide effective assistance in preparing its decisions. These committees are charged, under the responsibility of the Board, with examining the subjects that the Board or its Chairman submits for their examination and advice to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal rules specific to each committee and approved by the Board.

As of the date of this Registration Document, the Board has decided to establish the following permanent committees: (i) an Audit Committee, (ii) a Nomination and Remuneration Committee and (iii) a Corporate, Social and Environmental Responsibility Committee (see section 3.2.3 "Board of Directors Committees" of this Registration Document).

Operation of the Board of Directors (Article 15 of the Bylaws and Article 5 of the Board's Internal Rules)

The Board is convened by its Chairman, or Vice Chairman or upon the request of at least one-third of the Directors. In the latter case, the Chairman or, failing this, the Vice Chairman must convene the Board within fifteen days of receipt of the request.

The Board may be convened by any means, including verbally. The person who gave notice of the Board's meeting sets the meeting's agenda.

The Board meets at least four times a year, and at any other time, as often as the Company's interests require it. A provisional schedule of each year's meetings is sent to the Directors by November 30 of the preceding year, at the latest. The frequency and duration of meetings must be such as to allow a thorough examination and discussion of matters coming within the Board's authority.

Meetings are chaired by the Chairman of the Board or, in his or her absence, the Vice Chairman or, in his or her absence, by the oldest Director or by any other Director appointed by the Board.

The Board can only deliberate if at least half its members are present. Persons present at the meeting for the purposes of calculating the quorum and the majority shall be deemed to include the Directors who take part in the meeting via videoconference facilities or other appropriate means under the conditions provided for by the law and regulations. All Directors may give a written proxy to another Director to represent them at a meeting of the Board of Directors. Each Director may only hold one proxy per meeting.

Decisions are taken by a majority vote of the members present, deemed present or represented. In the event of a split vote, the vote of the Chairman of the meeting shall be decisive.

The Board of Directors shall appoint a Secretary, who can be chosen from outside its members.

A register of attendance shall be kept for meetings of the Board and minutes shall be taken, as provided by the laws and regulations in force. The attendance register shall mention the attendance of members by videoconference or by any other means of telecommunication.

The Duties of the Board of Directors (Articles 13 and 17 of the Bylaws and Articles 3 and 4 of the Board's internal rules)

The Board carries out the duties and exercises the powers entrusted to it by law and the Company's bylaws. It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly attributed to the General Meetings and within the limits of the corporate purpose, it handles all issues affecting the Company's operations and regulates the Company's affairs by its deliberations.

The Board carries out the audits and verifications it deems necessary. The Board is regularly informed of the Company's financial and cash position, as well as the Company's or Group's commitments and obligations. The Chairman and Chief Executive Officer communicate to the Directors, on an ongoing basis, any information concerning the Company of which they are aware and which they consider useful or relevant to communicate.

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

- issues and transactions that materially affect the Group's strategy, financial structure or scope of business;
- the following transactions conducted by the Company or any entity controlled by the Company to the extent that each of these transactions exceeds an amount set by the Board of Directors:
  - any investment or divestment, including an acquisition or sale or exchange of interests in any existing or future companies,

- any borrowing (or series of borrowings) or loan of money or early repayment of a loan of any kind.

The Board of Directors also oversees the Company's and Group's proper governance, in order to ensure a high level of sustainable development and transparency consistent with the Group's, Group Directors' and employees' corporate social responsibility.

Compensation of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's Internal Rules)

The General Meeting may allocate an annual fixed sum to Directors as Directors' fees, which are distributed among Directors as determined by the Board. On the recommendation of the Nomination and Remuneration Committee, the Board:

- distributes freely among its members the Directors' fees allocated to the Board by the General Meeting; a portion determined by the Board is deducted from the aggregate amount allocated to the Board and paid to committee members, based on their presence at the Committee meetings;
- determines the amount of compensation paid to the Chairman and Vice Chairman; and
- may allocate to some of its members exceptional remuneration for missions or duties assigned to them.

Executive management

Chief Executive Officer (Article 17 of the bylaws)

a) Appointment of the Chief Executive Officer

If the Board of Directors chooses to separate the functions of Chairman and Chief Executive Officer (CEO), it shall appoint the CEO from among the members of the Board or from outside it, and shall also set his or her term of office and compensation and, as applicable, the limits to his or her powers. At no time may the CEO be more than 65 years of age.

b) Powers of the Chief Executive Officer

The Chief Executive Officer is vested with the broadest powers to act in the Company´s name in all circumstances. He shall exercise these powers within the limits of the corporate purpose and what the law expressly assigns to the General Meetings and to the Board of Directors. The CEO represents the Company in its relations with third parties.

Some of the CEO's decisions are subject to the prior consent of the Board (see above). Moreover, the Board sets, under the conditions set forth by law, either a total amount below which the CEO may give, with or without the option of delegating, commitments in the name of the Company in the form of sureties, endorsements or guarantees, or an amount above which each of the above commitments may not be given. All transactions exceeding the global ceiling or maximum amount set for commitments must be authorized by the Board.

The CEO may grant, with or without the option of substituting, any delegation to any corporate officer that he or she elects, subject to the restrictions provided for by law.

Chief Operating Officers (Article 18 of the Bylaws)

Upon the CEO's recommendation, whether this position is held by the Chairman of the Board or by another person, the Board may appoint one or more natural persons charged with assisting the CEO, with the title of Chief Operating Officer (COO). The maximum number of Chief Operating Officers is set at five. At no time may a Chief Operating Officer be more than 65 years of age.

Should the CEO cease or be prevented from exercising his or her duties, the Chief Operating Officer(s) shall, unless otherwise decided by the Board of Directors, keep their positions until the appointment of the new CEO.

In agreement with the CEO, the Board of Directors determines the extent and duration of the powers given to the Chief Operating Officers. The Chief Operating Officer(s) shall hold, with regard to third parties, the same powers as the CEO.

7.1.2.4 / Rights, privileges, and restrictions on shares

The shares may be freely traded under the conditions prescribed by law.

Each share gives the right to a part of the Company's assets and profits and to a portion of the surplus remaining in the event of liquidation, in proportion to the number and par value of existing shares.

Under the terms of the Twentieth Resolution passed by the Ordinary and Extraordinary General Meeting of the Company on May 29, 2015, no double voting rights, as instituted by Law 2014-384 of March 29, 2014, were granted.

As a result, each shareholder has as many votes as he has shares, subject to the provisions of the regulations in force or the bylaws.

Each time that the ownership of a certain number of securities is required in order to exercise a given right, especially in the case of exchange, conversion, consolidation or allocation of securities, capital reduction, merger, spin-off or any other transaction, a number of securities fewer than the amount required does not give the owner any right vis-à-vis the Company. In this case, their holders shall be personally responsible for obtaining the requisite number of securities or a multiple of this number, and the provisions of Article L. 228-6 of the French Commercial Code shall apply to odd lots.

7.1.2.5 / Changes in shareholders' rights

Any change in rights attached to shares in the Company is governed by applicable legal and regulatory provisions.

7.1.2.6 / Annual Meetings

Convening Annual Meetings

The Company's Annual Meetings are convened under the conditions and according to the procedures and timetables set forth by the regulations in force and the Company's bylaws. They are held at the registered office or in any other place stated in the notice of meeting.

Attendance and voting at Annual Meetings

Any shareholder may participate in Shareholders' Meetings, personally or through a proxy, under the conditions defined by the regulations in force, with proof of identity and ownership of his or her securities through registration of those securities in his/her name (or, for as long as the Company's shares are listed for trading on a regulated market in the name of the intermediary registered on the shareholders' behalf pursuant to the regulations in force) no later than the second business day preceding the meeting at midnight (Paris time) either in the accounts of registered securities kept by the Company or, for as long as the Company's shares are listed for trading on a regulated market, in bearer share accounts kept by any authorized intermediary. Proof of the status of shareholder can be provided electronically, under the conditions set by the applicable laws and regulations.

Upon a decision by the Board of Directors published in the notice of meeting that such forms of telecommunication are permitted, shareholders who participate in the meeting by video-conferencing or by any means of telecommunication, including the internet, which allow for their identification under the conditions provided by the regulations in force, are deemed to be present for the purposes of calculating the quorum and majority.

Any shareholder may vote from a distance or by proxy in accordance with the regulations in force using a form prepared by the Company, completed and returned to it in accordance with the regulations in force, including electronically or electronic transmission, by decision of the Board of Directors. To be accepted, this form must be received by the Company under the conditions provided by the regulations in force.

By prior decision of the Company's Board of Directors, the recording and signing of electronic forms may be achieved by a reliable identification process that meets the conditions stated in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code and may consist of a user name and password, or any other means consistent with applicable regulations. The proxy or the vote cast electronically before the meeting, as well as the confirmation of receipt issued, shall be considered as irrevocable written instructions enforceable against all parties; it is specified that, if ownership of securities is transferred before the second business day at midnight (Paris time) prior to the meeting, the Company shall invalidate or accordingly modify the proxy or vote, as applicable, cast before that date and time.

Conduct of Annual Meetings

The meetings are chaired by the Chairman of the Board of Directors, or, in his or her absence, by a Director specially delegated for that purpose by the Board. Otherwise, the meeting shall elect its own Chairman.

The minutes of Meetings are prepared and copies are certified and delivered in accordance with the regulations in force.

7.1.2.7 / Clauses of the bylaws that could have an impact on a change of control of the Company

The Company's bylaws do not contain any provisions that would, to the Company's knowledge, have the effect of delaying, deferring or preventing a change of control of the Company.

7.1.2.8 / Shareholding thresholds and identification of shareholders

Declaration of thresholds

The following declarations of share ownership thresholds surpassed by registered intermediaries or fund managers for the year 2016 have been notified to the Autorité des Marchés Financiers (AMF) and/or the Company:

In 2016:

- in a letter dated January 14, 2016, Norges Bank declared that on January 12, 2016, it had exceeded the 3% threshold of the capital and voting rights of Groupe Fnac. On that date, it held 511,973 shares, representing 3.07% of the capital and voting rights of Groupe Fnac;
- On May 27, 2016, Vivendi declared to the Company and AMF that it had crossed the statutory and legal thresholds and held 2,944,201 Groupe Fnac shares, representing 15% of the share capital and voting rights of the Company, and that it did not intend to take control of the latter;

- In a letter dated May 31, 2016, Prudential, through its subsidiaries M&G Investment Management and M&G Investment Funds (7), declared that it had dropped below the threshold of 7% of the capital of Groupe Fnac and held 1,223,014 Groupe Fnac shares, representing 6.22% of the share capital and voting rights of the Company (following the dilution resulting from the issue of new shares for Vivendi);
- In a letter dated May 31, 2016, Norges Bank declared that it had dropped below the threshold of 3% of the capital of Groupe Fnac and held 555,560 shares, representing 2.83% of the share capital and voting rights of the Company (also following the dilution resulting from the issue of new shares for Vivendi);
- in a declaration to AMF dated August 3, 2016, M&G Investment Management Ltd Funds and Prudential plc declared that they had dropped below the statutory threshold of 5% of the capital and voting rights of Groupe Fnac. On that date, M&G Investment Management Ltd Funds and Prudential plc held 1,290,706 shares in Groupe Fnac, representing 4.94% of the share capital;
- in a letter dated August 8, 2016 Axa Investment Managers declared that, on August 2, 2016, it had dropped below the threshold of 3% of the capital and voting rights of Groupe Fnac. On that same date, Axa Investment Managers held 619,407 Groupe Fnac shares, representing 2.37% of the capital and voting rights in Groupe Fnac;
- in a letter dated August 8, 2016 DNCA Finance and its subsidiary DNCA Finance Luxembourg declared that, on August 2, 2016, they had exceeded the threshold of 5% of the capital and voting rights of Groupe Fnac. On that same date, DNCA Finance and its subsidiary DNCA Finance Luxembourg held 2,459,977 shares of Groupe Fnac stock, representing 9.42% of the capital and voting rights in Groupe Fnac;
- then in a letter dated October 18, 2016, DNCA Finance and its subsidiary DNCA Finance Luxembourg declared that, on October 13, 2016, they had dropped below the threshold of 9% of the capital and voting rights of Groupe Fnac. On that same date, DNCA Finance and its subsidiary DNCA Finance Luxembourg held 2,235,807 shares of Groupe Fnac stock, representing 8.55% of the capital and voting rights in Groupe Fnac.

If the Company's shares are listed for trading on a regulated market, in addition to the legal obligation to notify the Company of the holding of certain percentages of share capital, any individual or corporate entity acting alone or collectively, who holds or ceases to hold, directly or indirectly, a percentage of the Company's share capital or voting rights of 3% or more or any multiple of 1% above 3%, has an obligation to notify the Company by registered letter with acknowledgement of receipt within the time provided for in Article R. 233-1 of the French Commercial Code (at the time of writing, no later than the close of trading on the fourth day of trading following the date of the crossing of the ownership threshold). The provisions of paragraph VI bis of Article L. 233-7 of the French Commercial Code and of the General Regulations of the AMF apply *mutatis mutandis* to the thresholds referred to in this paragraph.

If not declared in accordance with the preceding paragraph, shares exceeding the fraction that should have been declared shall be stripped of their voting rights in General Meetings if the absence of such a declaration has been noted at a meeting and if one or more shareholders holding at least 3% of the Company's share capital or voting rights so request at said meeting. Such deprivation of voting rights applies to all General Meetings held until the expiration of a two-year period following the date on which the declaration is regularized.

Furthermore, as long as the Company's shares are admitted to trading on a regulated market, in addition to the thresholds provided by the regulations in force, any person who solely or jointly comes to hold a number of shares representing more than one-twentieth of the Company's share capital or voting rights, must, in its declaration to the Company, include the information referred to in paragraph VII of Article L. 233-7 of the French Commercial Code as specified in the General Regulations of the AMF.

At the end of each period of six months following their first declaration, any shareholders, should they continue to hold a number of shares or voting rights equal to or more than the percentage referred to in the previous paragraph, must renew their declaration of intention, in accordance with the abovementioned terms, for each successive period of six months.

The Company reserves the right to notify the public and shareholders of any information of which it has been advised or of any failure to comply with the abovementioned obligation by the person concerned.

The ownership percentages are determined using the shares and voting rights referred to in Articles L. 233-7 et seq. of the French Commercial Code and the provisions of Articles 233-11 et seq. of the General Regulations of the AMF.

To the knowledge of the Company, no shareholders have crossed the threshold of 3% specified in the bylaws without informing the Company.

Identification of shareholders

If the Company's shares are listed for trading on a regulated market, the Company is authorized to use the methods authorized under the regulations in force to identify the holders of securities that grant immediate or future voting rights at the Company's Shareholders' Meetings.

7.1.2.9 / Specific provisions governing changes in share capital

The Company's share capital may be increased, reduced or redeemed by any method or means authorized by applicable law.

The Company's General Meeting may decide that any reduction in capital shall be made in kind by delivery of assets of the Company.

7.2 / CAPITAL

7.2.1 / Share capital subscribed and authorized share capital not issued

The share capital of the Company as of December 31, 2016 was €26,122,771, divided into 26,122,771 shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class.

As of February 28, 2017, it amounted to €26,308,571 divided into 26,308,571 shares with a par value of (1) euro, fully subscribed and paid up and all of the same class.

The table below shows the financial resolutions approved by the Combined Ordinary and Extraordinary Shareholders' Meetings of the Company on May 29, 2015 and June 17, 2016.

Subject of resolution	Maximum amount	Duration of the authorization [(a) (b)]
Authorization to execute transactions on the Company's shares		18 months [(a)]
Issuance, with maintenance of preemptive subscription rights, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments	€8 million [(c)]	26 months [(b)]
Issuance, with suppression of the preemptive subscription rights, and with a mandatory priority period, of shares and/or transferable securities giving rights to capital and/or securities granting rights to the allotment of debt instruments	€3.3 million	26 months [(b)]
Issuance, with suppression of the preemptive subscription rights and an optional priority period, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments, through a public offering	€2.5 million	26 months [(b)]
Issuance, with suppression of the preemptive subscription rights, of shares and/or transferable securities giving rights to capital and/or transferable securities granting rights to the allotment of debt instruments, through a private investment	€2.5 million	26 months [(b)]
Issuance of shares or transferable securities giving rights to capital without preemptive subscription rights, in consideration for contributions in kind concerning equity securities or transferable securities giving rights to capital	10% of the Company's share capital	26 months [(b)]
Authorization granted to the Board of Directors, in the event of an issue without preemptive subscription rights, to set the issue price up to a limit of 10% of the share capital	10% of the Company's share capital	26 months [(b)]
Capital increase by capitalizing premiums, reserves, profits or other	€8 million	26 months [(b)]
Increase in the number of shares to be issued in the event of a capital increase with or without preemptive subscription rights	As limited by applicable regulations (currently 15% of the initial issue)	26 months [(b)]
Capital increase through the issuance of shares or transferable securities giving rights to capital allocated to members of employee share savings plans with suppression of the preemptive subscription rights of the employees	€0.5 million	26 months [(a)]
Award of stock subscription or purchase options with suppression of preemptive subscription rights	5% of share capital (ceiling shares with the allotments of bonus shares below)	38 months [(a)]
Bonus allotments of existing shares or shares to be issued to Group employees and corporate officers, or to some of them, with suppression of the preemptive subscription rights	5% of share capital (ceiling shares with the stock subscription or purchase options above)	38 months [(a)]
Authorization to reduce capital by canceling treasury stock	10% of share capital per 24 months	26 months [(b)]

(a) On or after June 17, 2016.
(b) On or after May 29, 2015.
(c) All other delegations are charged to this global ceiling.

On three occasions, the Board of Directors used the authorization granted by the General Meeting of April 17, 2013 (Thirtieth Resolution) to grant stock options with suppression of the preemptive subscription rights. In 2013, by decision dated October 22, 2013, to grant 393,922 subscription options representing 2.37% of the share capital at the allotment date; in 2014 by decision dated February 26, 2014, to grant 211,040 subscription options representing 1.2% of the share capital at the allotment date; and, in 2015, by decision dated February 26, 2015 to grant 98,972 subscriptions options representing 0.59% of the share capital at the allotment date date, i.e. a total of 703,934 options, of which 304,623 have been exercised so far; 67,635 options are now canceled due to employees leaving Groupe Fnac, and the balance of 331,676 options at present represents 1.27% of the share capital.

As part of implementing the authorization granted by the General Meeting of April 17, 2013 (Thirty-first Resolution), the Board of Directors decided at its meeting on February 26, 2015 to award a plan of 60,839 bonus shares, representing 0.36% of the share capital at the grant date. At its meeting of April 4, 2016, the Board of Directors decided to award a plan of 67,529 bonus shares subject to the adoption by the General Meeting of June 17, 2016 of the Fourteenth Resolution, which was approved by the said General Meeting, representing 0.34% of the share capital at the grant date. These 128,368 shares may be allotted either in the context of a buyback of existing shares, or in the context of an issue of new shares; they represent 0.49% of the share capital as of December 31, 2016.

The Company also acted on the resolution authorizing the purchase or sale of Company shares as described in section 7.2.3 below.

7.2.2 / Securities not representing capital

Since September 22, the Group has at its disposal Senior notes in the amount of €650 million, bearing 3.25% annual interest, maturing in 2023 (High Yield Obligations) as described in section “4.3.2.2 Financial debt”.

7.2.3 / Shares controlled by the Company, treasury shares and the Company’s acquisition of its own shares

7.2.3.1 / Share buyback program in effect on the date the Registration Document is filed

On June 17, 2016, the Ordinary Shareholders’ Meeting authorized the Company’s Board of Directors, for a period of eighteen months from the date of the meeting, to implement a buyback program for Company shares, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and pursuant to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum purchase price per share	Maximum amount	Maximum number of shares
Share buyback program	18 months	€100 (excluding acquisition costs)	€166,877,740	10% of the Company’s share capital

Authorized objectives

These shares may be acquired at any time within the limits authorized by the legal and regulatory provisions in force, **but not during a public offer period,** especially for the purpose of (i) implementing any Company stock option plans under the provisions of Articles L. 225-177 et seq. of the French Commercial Code or any similar plan; or (ii) allotting or transferring shares to employees for their share of the profits of the Company’s expansion or the implementation of any Group or company savings plan (or similar plan) under the conditions provided by law, especially Articles L. 3332-1 et seq. of the French Labor Code or providing for the free allotment of these shares as a matching contribution of shares and/or as a substitute for the discount, according to the applicable legislative and regulatory provisions; or (iii) the allotment of bonus shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; or (iv) generally, honoring the obligations of share option plans or other share allotments to employees or corporate officers of the Company or an affiliated company; or (v) the remittal of shares on the exercise of rights attached to transferable securities giving rights to capital by redemption, conversion, exchange, presentation of a coupon or by any other means; or (vi) canceling some or all of the shares thus acquired; or (vii) the remittal of shares (as exchange, payment or otherwise) in the context of an acquisition, merger, spin-off or contribution; or (viii) stimulation of the secondary market or the liquidity of the Groupe Fnac share by a market maker under a liquidity contract in accordance with the Ethics Charter recognized by the AMF. This program also has the purpose of implementing any market practice that comes to be accepted by the AMF in future, and, more generally, the execution of any transaction that complies with applicable regulations. In such an event, the Company will advise its shareholders through a press release.

Share buyback to normalize the price under the liquidity contract

Effective June 19, 2013, for a renewable period of twelve months, the Company entrusted Rothschild & Cie Banque with the implementation of a liquidity agreement in accordance with the Ethics Charter established by Amafi and approved by the AMF on March 21, 2011.

To implement this liquidity agreement, a sum of €6 million has been allocated to the liquidity account.

In 2016, under the liquidity contract, 558,406 shares were purchased at an average price of €57.26 for a total amount of €31,974,035, and 558,406 shares were sold at an average price of €57.39 for a total of €32,046,387. Under this liquidity contract, the following resources were in the liquidity account on December 31, 2016: 0 shares and €6,105,426.00.

At the filing date of this Registration Document, the Company does not hold any of its own shares and no shares in the Company are held by any of its subsidiaries or by any third party on its behalf.

7.2.3.2 / Description of the share buyback program submitted to the General Meeting of May 24, 2017 for authorization

A new authorization is being submitted for the approval of the Combined Ordinary and Extraordinary General Meeting of May 24, 2017 called to approve the financial statements for the year ended December 31, 2016, seeking authority for the Board of Directors to implement a new share buyback program for the Company pursuant to the provisions of Article L. 225-209 of the French Commercial Code and the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum purchase price per share	Maximum amount	Maximum number of shares
Share buyback program	18 months	€100	€263,085,710	10% of the Company's share capital

These shares may be acquired, within the limits authorized by the legal and regulatory provisions in force, particularly in order to:

- stimulate the secondary market for, or liquidity of, Groupe Fnac shares through an investment services provider under a liquidity contract in accordance with the Amafi Ethics Charter recognized by the AMF;
- retain the shares purchased to remit them later (as exchange, payment or otherwise) in the context of an acquisition, merger, or spin-off; it is specified that the shares acquired for this purpose may not exceed the limit stipulated in Article L. 225-209, sixth paragraph of the French Commercial Code in the context of an acquisition, merger or spin-off;
- cover share purchase plans and/or bonus share allotment plans (or similar plans) for Group employees and/or corporate officers as well as any allotment of shares under a company or group savings plan (or similar plan), a share in Company profits, and/or any other form of share allotment to Group employees and/or corporate officers;
- cover transferable securities that give the right to Company shares, as required by applicable regulations;
- potentially cancel the shares acquired, subject to authorization to be granted by this Annual Meeting in its Twentieth extraordinary Resolution.

This authorization is also intended to enable the Company to trade in its shares using any means and for any other authorized purpose or using any market practice permitted now or subsequently by applicable laws and regulations or those accepted by the AMF. If the Company undertakes any transactions outside the purposes mentioned above, it will inform its shareholders by means of a press release.

Acquisitions, sales, exchanges and transfers may be arranged by any means, including by acquiring blocks of shares, and the Company reserves the right to use options or derivative instruments subject to applicable regulations.

The Board of Directors, unless authorized in advance by the General Meeting, may not use this delegation for the remainder of the offer period once a third-party tender offer has been filed for the Company's shares.

7.2.4 / Other securities granting rights to capital

On the date this Registration Document was filed, the Company awarded 64,634 bonus shares as described in the Board's Special Report to the Meeting, below.

Special Report of the Board of Directors to the Annual General Meeting on grants of stock options and bonus shares (Articles L. 225-184 and L. 225-197-4 of the French Commercial Code).

The mechanism for the allotment of performance shares described in 3.4.2 "Long-term incentives" is achieved partially through stock subscription options and partially through bonus shares.

The principles and implementation of a long-term incentive plan designed for the principal executives of the Group (excluding the sole corporate officers) were approved by the Board of Directors on October 22, 2013, February 26, 2014 and April 4, 2016 respectively on the recommendation of the Nomination and Remuneration Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013 in its Thirtieth Resolution and by the General Meeting of June 17, 2016 in its Fourteenth Resolution.

These plans consist of an award of stock subscription options to the executives who are not corporate officers and an allotment of bonus shares to the principal executives, Directors of the Leadership Group, and high-potential executives and managers, in order to link them to the Company's performance through the appreciation of its share price.

These options from the stock option plans will be fully vested by the beneficiaries in stages, by tranche, at the end of successive vesting periods subject to the beneficiary's continuing employment in the Group at the end of the relevant period, and will be subject to a Fnac share performance condition defined for each vesting period.

The plan established by the Board of Directors on October 22, 2013 provides for three vesting periods: October 22, 2013 to March 31, 2015 (maturity), October 22, 2013 to March 31, 2016 (maturity) and October 22, 2013 to March 31, 2017.

The plan established by the Board of Directors on February 26, 2014 stipulates two vesting periods: March 1, 2014 to September 30, 2016 (maturity) and March 1, 2014 to September 30, 2017.

The plan established by the Board of Directors on February 26, 2015 stipulates two vesting periods: March 1, 2015 to September 30, 2017 and March 1, 2015 to September 30, 2018.

Main features	2013 plan	2014 plan	2015 plan
Date of the authorization of the General Meeting	April 17, 2013	April 17, 2013	April 17, 2013
Date of Board of Directors' meeting	October 22, 2013	February 26, 2014	February 26, 2015
Exercise price	€20.28	€23.60	€44.10
Performance conditions	Yes	Yes	Yes
Date of vesting:	March 31, 2015: for 26% March 31, 2016: for 30% March 31, 2017: for 44%	September 30, 2016: for 53% September 30, 2017: for 47%	September 30, 2017: for 54% September 30, 2018: for 46%
Number of stock options initially allotted	393,922	211,040	98,972
Number of beneficiaries as of December 31, 2016	7	7	10
Currently being vested at December 31, 2016	145,497	90,178	96,001
Canceled at December 31, 2016	46,537	18,127	2,971
Vested at December 31, 2016	92,164 (1st tranche vested at March 31, 2015) 109,724 (2nd tranche vested at March 31, 2016)	102,735 (1st tranche vested at September 30, 2016)	0
Total options current being vested at December 31, 2016	331,676		

The plan established by the Board of Directors on February 26, 2015 stipulates a bonus share plan with a duration of four years, two vesting years (March 2015 to February 2017) and two conservation years for French residents and four vesting years (March 2015 to February 2019) for foreign residents. The performance condition is assessed on the average closing price of the Groupe Fnac share at the end of February 2017.

The plan established by the Board of Directors on April 04, 2016 stipulates a bonus share plan with a duration of four years, two vesting years (June 17, 2016 to June 16, 2018) and two conservation years for French residents and four vesting years (June 17, 2016 to June 16, 2020) for foreign residents. The performance condition is assessed on the average closing price of the Groupe Fnac share for the 20 days preceding June 17, 2018.

Vesting of the bonus shares is subject to a continuous service condition and a share price performance condition of the Groupe Fnac.

Main features	2015 plan	2016 plan
Date of the authorization of the General Meeting	April 17, 2013	June 17, 2016
Date of Board of Directors' meeting	February 26, 2015	April 04, 2016
Allotment price	€44.10	€50.86
Performance conditions	Yes	Yes
Date of vesting:	For French residents: February 28, 2017 + a two-year lock-in period until February 28, 2019 For foreign residents: February 28, 2019	For French residents: June 16, 2018 + a two-year lock-in period until June 16, 2020 For foreign residents: June 16, 2020
Number of bonus shares initially allotted	60,839	67,529
Number of beneficiaries as of December 31, 2016	110	118
Currently being vested at December 31, 2016	50,779	64,634
Canceled at December 31, 2016	10,060	2,895
TOTAL BONUS SHARES BEING VESTED AT DECEMBER 31, 2016		**115,413**

Companies affiliated to Groupe Fnac under the conditions laid down in Article L. 225-197-2 of the French Commercial Code or controlled by it as defined by Article L. 233-16 of the French Commercial Code have not issued any share purchase or subscription plans.

Diluting effect

As of December 31, 2016, the Company had awarded a total of 331,676 options giving the rights to subscribe to 331,676 shares of the Company, as well as 115,413 bonus shares. As of December 31, 2016, there were 26,122,771 Company shares. On that date, if all subscription options (2013, 2014 and 2015 plans) had been exercised, along with all bonus shares vested through the issue of new shares, 447,089 shares would have been created, representing a dilution percentage of 1.71%.

7.2.5 / Conditions governing any vesting right and/or any obligation attached to capital subscribed, but not paid up

None.

7.2.6 / Share capital of any Group company that is subject to an option or an agreement to place it under option

Except as described in section 7.3 "Shareholders" of this Registration Document, the Company is not aware of any options to acquire all or part of the capital of any company in the Group or any conditional or unconditional agreement to grant an option over all or part of the capital of any company in the Group.

7.2.7 / History of the share capital over the last five years

The table below shows the change in the Company's share capital from September 26, 2012 until the date this Registration Document was filed.

Date	Nature of the transaction	Capital prior to the transaction (€)	Issue premium (€)	Number of shares prior to the transaction	Number of shares after the transaction	Par value after transaction (€)	Capital after transaction (€)
09/26/2012	Division of the par by 7	6,131,671.00	N/A	875,953	6,131,671	1.00	6,131,671.00
12/27/2012	Capital increase	6,131,671.00	0	6,131,671	6,131,671	89.00	545,718,719.00
04/17/2013	Reduction of capital due to losses	545,718,719.00	N/A	6,131,671	6,131,671	72.00	441,480,312.00
04/17/2013	Capital increase	441,480,312.00	0	6,131,671	6,131,671	83.42	511,503,994.82
04/17/2013	Division of the par value and reduction of capital not due to losses	511,503,994.82	494,908,384.82	6,131,671	16,595,610	1.00	16,595,610
05/29/2015	Increase in the number of shares by exercise of stock options	16,595,610	1,776,921.92	16,595,610	16,687,774	1.00	16,687,774
05/24/2016	Increase of capital reserved for Vivendi	16,687,774	156,079,753	16,687,774	19,632,675	1.00	19,632,675
07/29/2016	Capital increase as remuneration for the Darty shares tendered to the share alternative for the Darty plc acquisition offer.	19,632,675	N/A	19,632,675	26,103,758	1.00	26,103,758
09/15/2016	Capital increase as remuneration for the Darty shares tendered to the share alternative for the Darty plc acquisition offer following the forced transfer notifications.	26,103,758	N/A	26,103,758	26,122,771	1.00	26,122,771
01/09/2017	Increase in the number of shares by exercise of stock options	26,122,771	3,749,880.60	26,122,771	26,299,576	1.00	26,299,576

The following major transactions have been executed on the Company share capital between September 26, 2012 and the filing date of this Registration Document:

- the Shareholders' General Meeting of September 26, 2012 approved the seven-for-one share split, reducing the par value of each share from €7 to €1, while increasing the number of existing shares sevenfold;
- acting on the authority granted by the General Shareholder's Meeting of November 29, 2012, the Company's Board of Directors, on December 20, 2012, improved an increase in the Company's share capital of €539,587,048, to increase it from €6,131,671 to €545,718,719, by increasing the par value of each of the 6,131,671 shares composing the share capital by €88 per share, the par value of each share rising from €1 to €89. The capital increase was executed on December 27, 2012;
- the General Meeting held on April 17, 2013 modified and reorganized the share capital of the Company along the following lines:
  - the meeting approved the principle of a reduction of capital, motivated by losses, by €104,238,407, reducing the Company's share capital from €545,718,719 to €441,480,312. This reduction was accomplished by reducing the par value of the Company's shares by €17 per share, which reduced the par value of each of the 6,131,671 shares from €89 to €72. The meeting decided to charge the amount of the capital reduction to "Retained Earnings", which resulted in a reduction from a balance of -€105,930,998.42 to a negative balance of -€1,692,591.42,
  - the meeting approved a capital increase of €70,023,682.82, without issue premium, through the increase in the par value of the 6,131,671 outstanding shares of the Company by €11.42 per share, resulting in a per share increase in the par value from €72 to €83.42. This capital increase, which was completed on the day of the meeting, brought the share capital of the Company from €441,480,312 divided into 6,131,671 shares with a par value of €72 each, fully paid, to €511,503,994.82 divided into 6,131,671 shares with a par value of €83.42 each,
  - the meeting approved the principle of the division of the par value of shares in the Company and a capital reduction not motivated by losses, which resulted in a share capital of €16,595,610 divided into 16,595,610 shares with a par value of €1 each. The meeting allocated the amount of the capital reduction, i.e. €494,908,384.82 to the issue premium item, and decided that said sum would not be distributable, but could later be recapitalized or used to amortize corporate losses. The par value of the shares was divided and the share capital was divided into 16,595,610 shares with a par value equal to the fraction of 511,503,994.82 over 16,595,610,
  - the Board of Directors at its meeting of May 29, 2015 noted the capital increase of €92,164 with a share premium of €1,776,921.92, through the exercise of 92,164 stock options; the share capital was therefore raised from €16,595,610 to €16,687,774 (divided into 16,687,774 shares with a par value of €1).

Following the subdelegation option granted by the Board of Directors:

- the Chairman and Chief Executive Officer, in a decision dated May 25, 2016, noted the capital increase of €159,024,654 with a share premium of €156,079,753 reserved to Vivendi, through the issue of 2,944,901 new shares; the share capital was therefore raised from €16,687,774 to €19,632,675 (divided into 19,632,675 shares with a par value of €1).
- the Chairman and Chief Executive Officer, in a decision dated July 29, 2016, noted the capital increase of €6,471,083 through the issue of 6,471,083 new shares with a par value of €1, as remuneration for the Darty shares tendered as securities for the buyback offer; the share capital was therefore raised from €19,632,675 to €26,103,758 (divided into 26,103,758 shares with a par value of €1).
- the Chairman and Chief Executive Officer, in a decision dated September 15, 2016, noted the capital increase of €19,013 through the issue of 19,013 new shares with a par value of €1, as remuneration for the Darty shares tendered as securities for the buyback offer; the share capital was therefore raised from €26,103,758 to €26,122,771 (divided into 26,122,771 shares with a par value of €1).
- the Chairman and Chief Executive Officer, in a decision dated January 9, 2017, noted the capital increase of €176,805 through the issue of 176,805 new shares with a par value of €1, following the exercise of share subscription options in 2016, thus bringing the share capital from €26,122,771 to €26,299,576 (divided into 26,299,576 shares with a par value of 1 euro).

7.3 / SHAREHOLDERS

7.3.1 / Shareholders

On December 31, 2016, 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	24.70%	24.70%
Vivendi Universal	2,944,901	2,944,901	11.27%	11.27%
Public	16,726,025	16,726,025	64.03%	64.03%
TOTAL	**26,122,771**	**26,122,771**	**100.00%**	**100.00%**

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 24.70% and 11.27% of the Company's share capital and voting rights respectively, the Artémis and Vivendi Groups are represented respectively on the Board of Directors of the Company on a minority basis, with the Artemis Group also represented on the Board committees on a minority basis (see section 3.1.1 "Composition of the administrative and executive bodies" of this Registration Document). This representation is also supported by the presence of independent members of the Company's Board and committees, and by the application of the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (see section 3.2 "Functioning of the administrative and executive bodies" of this Registration Document).

7.3.4 / Agreements that could result in a change of control

None.

7.4 / STOCK MARKET INFORMATION

7.4.1 / Equity market

The Groupe Fnac share has been listed on Euronext Paris, Compartment B, since June 20, 2013.

Codes and classification of the Groupe Fnac share

ISIN code: FR0011476928

Mnemo: Fnac

Euronext code: FR0011476928

Market: Euronext Paris – Local stocks

Compartment: B (Mid-caps)

Indices: SBF250

7.4.2 / Groupe Fnac share price and trading volumes (ISIN code FR0011476928)

At the time of the IPO, the reference price for Groupe Fnac shares was €22.00. On the first day of trading (June 20, 2013), the opening price of the share was €20.03 and the closing price €19.00.

At the end of December 2016, the closing price of the Groupe Fnac share was €64.23, a very sharp increase of 18% over the year. In addition, Groupe Fnac market capitalization reached €1,677.9 million.

(€)	Average closing price	High	Low	Number of shares traded on all platforms
January 2016	54.1	57.5	51.9	1,310,182
February 2016	55.3	61.2	49.6	1,805,527
March 2016	57.3	61.4	54.5	2,067,973
April 2016	55.0	58.6	50.3	1,506,264
May 2016	50.5	52.7	47.9	1,044,511
June 2016	50.3	52.5	46.0	849,513
July 2016	51.4	55.2	48.0	2,108,121
August 2016	57.5	59.9	54.5	1,951,803
September 2016	65.1	69.3	52.7	1,369,866
October 2016	62.9	66.0	60.6	1,536,994
November 2016	64.7	69.5	59.5	862,696
December 2016	66.2	68.8	63.0	824,103
January 2017	61.8	65.9	59.4	1,528,644
February 2017	58.6	61.2	55.0	908,610

(Source: Euronext for the share price and extraction from Bloomberg for the number of shares traded on all platforms).

7.4.3 / Financial services establishment

The securities are managed by:

CACEIS Corporate Trust

Investor Relations

14, rue Rouget-de-Lisle

92862 Issy-les-Moulineaux Cedex 9

Tel: +33 1 57 78 34 44

Fax: +33 1 57 78 32 19

Email: ct-contact@caceis.com

7.5 / DIVIDEND DISTRIBUTION POLICY

The Group's dividend distribution policy depends on the Company's financial results, applicable restrictions related to the Group's financing, the financial situation of the Group, general business conditions, and all other factors considered pertinent by the Company's Board of Directors. The Group's short-term priority is to generate synergies and maximize free cash flow with the aim of reducing debt and improving the Group's financial flexibility. When the Group's situation is more normalized, the dividend policy may be redefined.

On the other hand, under the Loan Agreement, the Company may make dividend distributions or any other type of distribution related to its capital only to the extent that (A) such a distribution and/or payment does not represent, for a year, more than 50% of the distributable profits for the previous year, and (B) no default event under the Loan Agreement is in progress and is not likely to be triggered by such a distribution (see section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document).

The following table shows the net dividends per share distributed by the Company during the course of the last three years:

Year of distribution	2016	2015	2014
Net dividend per share *(€)* [(a)]	0	0	0

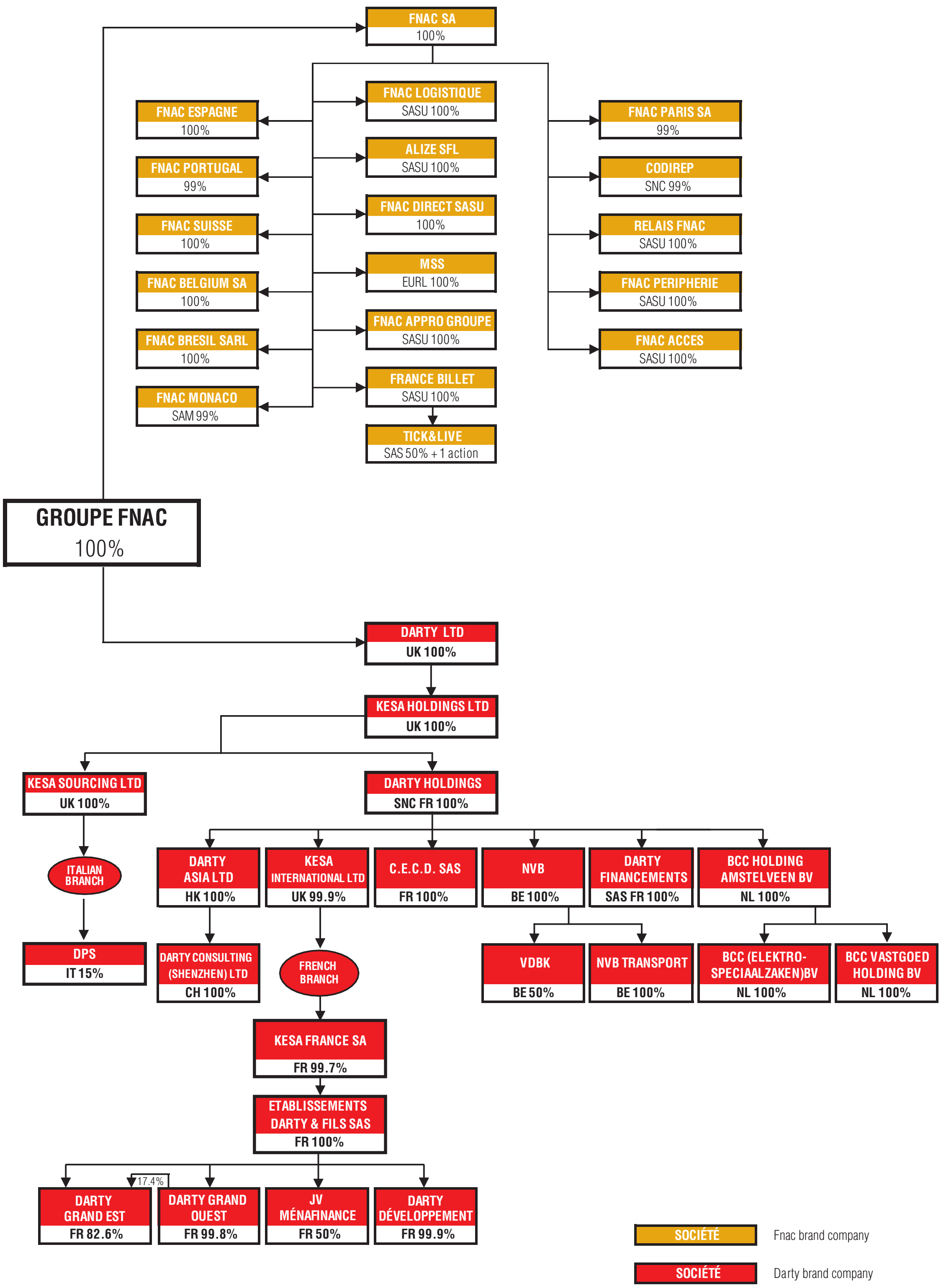
(a) Adjusted to take into account the change in the number of shares and the basis of 26,122,771 shares. See section 7.2.7 "History of the share capital over the last five years" in this Registration Document.

The Combined Ordinary and Extraordinary General Meeting on May 24, 2017 will be asked to appropriate earnings in the amount of €138,831,995.95.

7.6 / ORGANIZATION OF THE GROUP

7.6.1 / Simplified Group organizational chart

The following simplified organizational chart shows the legal structure of the Group's principal subsidiaries as of December 31, 2016:



7.6.2 / Main subsidiaries and equity associates

7.6.2.1 / General overview

The Company is the parent company of a group of companies including, as of December 31, 2016, 70 consolidated subsidiaries (40 in France, one in Monaco and 29 in other countries). The Company also heads a tax consolidation group consisting of 16 French subsidiaries. Darty Holding SAS established a tax consolidation group with the French subsidiaries it holds directly or indirectly.

The Company is a holding company with no operations in its own right. Its principal asset is nearly 100% of the shares of Fnac SA and Darty Ltd. The simplified organization chart provided in section 7.6.1 "Simplified Group organizational chart" includes the main subsidiaries and all direct and indirect interests of the Company as of December 31, 2016. The consolidated subsidiaries are also listed in note 37 "List of subsidiaries consolidated as of December 31, 2016" of the Company's 2016 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 joint stock company *(société anonyme)* with capital of €324,952,656. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under Number 775661390. Groupe Fnac holds nearly 100% of the capital and voting rights of Fnac SA. Fnac SA is directly or indirectly the parent company of all the subsidiaries of the Brand and provides most of the management and support functions for the Brand: Operations Department, Department of Information Systems, Sales Department, Purchasing Department, Operating Department, Communication Department, Marketing and Brand Department, Financial Department, Internal Audit Department, Legal Department, Tax Department and Human Resources.
- **Fnac Paris** is a French joint stock company *(société anonyme)* with capital of €21,676,480. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under Number 350127460. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Paris. Fnac Paris' main business activity is the operation of Fnac stores.
- **Fnac Direct** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at €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 Business and Trade Register under number 377853536. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Direct. Fnac Direct's main business activity is the operation of the fnac.com website.
- **Relais Fnac** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at €70,777,648. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 334473352. Groupe Fnac indirectly holds 100% of the capital and voting rights of Relais Fnac. Relais Fnac includes most of Fnac's regional departments and operates Fnac stores.
- **France Billet** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at €352,512. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 414948695. Groupe Fnac indirectly holds 100% of the capital and voting rights of France Billet. France Billet's main business activity is the marketing and retailing of tickets for sporting, artistic, cultural, tourism and entertainment events via a network of local sales outlets, as well as on the fnac.com and francebillet.com websites.
- **Codirep** is a French partnership *(société en nom collectif)* capitalized at €23,085,326. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 343282380. Groupe Fnac indirectly holds 100% of the capital and voting rights in Codirep. Codirep's main business activity is the operation of Fnac stores.
- **Alizé – SFL** (Société Française du Livre) is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* company with capital of €38,962,737. Its registered office is located at 3, avenue Charles-Lindbergh in Wissous (91320) (France) and it is registered in the Évry Business and Trade Register under number 349014472. Groupe Fnac indirectly holds 100% of the capital and voting rights of Alizé – SFL. The principal activity of Alizé – SFL is the operation of a book store located at 11, rue Rottembourg in Paris in the 12th district, and the supply of services to municipalities, businesses and professionals for their book acquisitions.
- **Fnac Périphérie** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at €8,559,675. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 434001954. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Périphérie. Fnac Périphérie's main business activity is the operation of Fnac stores.

- **Fnac Logistique** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* capitalized at €8,148,416. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Business and Trade Register under number 414702506. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Logistique. Fnac Logistique's main business activity is the operation of the Fnac's warehouses.

- **GRANDES ALMACENES Fnac ESPANA** is a Spanish single-shareholder joint stock company (*société anonyme unipersonnelle* – SAU) with capital of €1,202,000. Its registered office is located at Paseo de la Finca 1, Edificio 11 – 2ª planta 28223 Pozuelo de Alarcón, Madrid (Spain) and it is registered in the Madrid Commerce Register under number A-80/500200 (CIF number). Groupe Fnac holds an indirect 100% interest in Grandes Almacenes Fnac España's share capital and voting rights. Grandes Almacenes Fnac España's main business activity is the operation of Fnac's Spanish stores and website.

- **Fnac Portugal** is a Portuguese limited liability company *(Sociedade por Quotas de Responsabilidade Limitada)* with capital of €250,000. Its registered office is located at Edifício Amoreiras Plaza, Rua Professor Carlos Alberto Mota Pinto, No. 9-6B, 1070 1070,374 Lisbon (Portugal) and it is registered with the Lisbon Commerce Register *(Conservatoria do Registo Comercial)* under Number 503952230. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Portugal. Fnac Portugal's main business activity is the operation of Fnac's Portuguese stores and website.

- **F. Brasil** is a limited liability company *(Sociedade empresaria limitada)* incorporated under Brazilian law with share capital of BRL 219,544,468. 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 indirectly holds 100% of the capital and voting rights of Fnac Portugal. F. Brazil's main business activity is the operation of Fnac's Brazilian stores and website.

- **Fnac Belgium** is a Belgian joint stock company *(société anonyme)* with share capital of €3,072,000. Its registered office is located at 142, avenue Jules Bordet, 1140 Evere, Brussels (Belgium) and it is registered with the Brussels Register of Legal Entities under number 0421 506 570. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Belgium. Fnac Belgium's main business activity is the operation of Fnac's Belgian stores.

- **Fnac Suisse** is a Swiss joint stock company *(société anonyme)* with share capital of CHF 100,000. Its registered office is located at 5, Route des Moulières, 1242 Satigny (Switzerland) and it is registered with the Canton of Geneva Trade Register under Federal Number CH-660.0.404.000-9. Groupe Fnac indirectly holds 100% of the capital and voting rights of Fnac Suisse. Fnac Suisse's main business activity is the operation of Fnac's Swiss activities.

- **Etablissements Darty et Fils** is a French simplified joint stock company *(société par actions simplifiée)* with capital of €23,470,382. Its registered office is located at 129 avenue Gallieni, 93140 Bondy (France) and it is registered in the Bobigny Business and Trade Register under number 542 086 616. Etablissements Darty et Fils SAS is the parent company of two regional subsidiaries Darty Grand Ouest, a French general partnership company *(société en nom collectif)* with capital of €30,612. Its registered office is located at Parc Tertiaire de l'Eraudière, 32 rue Coulongé, 44300 Nantes (France), and it is registered with the Nantes Trade Register under number B 339 403 933, and Darty Grand Est, a French general partnership company (société en nom collectif) with capital of €394,205. Its registered office is located at RN 6 Lieudit l'Époux 69760 Limonest (France) and it is registered with the Lyons Trade Register under number B 303 376 586. The main business activity of Etablissements Darty et Fils SAS, Darty Grand Ouest SNC and Darty Grand Est SNC consists of operating Darty brand stores. Etablissements Darty et Fils SAS also operates the website darty.com. These three subsidiaries had 219 outlets as of December 31, 2016.

- **Darty Développement** is a French simplified joint stock company *(société par actions simplifiée)* with capital of €50,000. Its registered office is located at 14 route d'Aulnay, 93140 Bondy (France) and it is registered in the Bobigny Business and Trade Register under number 490 596 020. The main business activity of Darty Développement SAS is development of the network of franchise stores under the Darty brand and licensed stores. The network of franchise stores and licensed stores consisted of 96 outlets as of December 31, 2016.

- **New Vanden Borre SA** is a Belgian joint stock company *(société anonyme)* with share capital of €22,652,461. Its registered office is located at Slesbroekstraat 100, 1600 Saint Peters Leeuw (Belgium) and it is registered with the Brussels Register of Legal Entities under VAT number BE 04 1207 23419. The main business activity of New Vanden Borre SA is operating Vanden Borre brand stores in Belgium (62 stores).

- **Ménafinance SA** is a French joint stock company accredited as a financial company *(société anonyme agréée en qualité de société financière)* with capital of €5,931,456. Its registered office is located at Bois Sauvage 91038 Evry Cedex (France) and it is registered in the Evry Business and Trade Register under number 319 416 764. The main business activity of Ménafinance is conducting credit transactions for Darty Group customers**.**

- **BCC Elektro Speciaalzaken B.V.** is a Dutch limited liability company (société à responsabilité limitée). Its registered office is located at Amstelveen and established at Bellsingel 61, Schiphol-Rijk, Netherlands. It is registered with the Dutch Chamber of Commerce under number 33156765, and its main business activity is operating BBC brand stores in Holland (73 stores).

7.6.2.3 / Recent acquisitions and disposals

The main acquisitions and disposals made by the Group during the period covered by the financial statements are described in note 3.1 "Changes in scope of consolidation" in the consolidated financial statements in section 5.2.

7.7 / RELATED-PARTY TRANSACTIONS

7.7.1 / Related party transactions

Transactions with related parties are described in note 32 to the consolidated financial statements.

7.7.2 / Regulated agreements

7.7.2.1 / Transactions with the Kering Group

Agreement for exit from the Kering SA tax consolidation group of 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 during year 2016. For this reason, it is described in 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. During the 2016 financial year, the sum of €948,071 was paid to Kering to settle a tax dispute concerning a subsidiary of Groupe Fnac, MSS. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this agreement.

Other transactions with the Kering Group

The Group continued to benefit in 2016 from an IT multi-service platform operated by Kering for hosting servers and applications (including messaging) for the related services (internet access, storage, etc.) invoiced to Fnac SA for €3,275,163.23 before tax.

7.7.2.2 / Agreements with Alexandre Bompard

Non-compete commitment

In 2013, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chairman and Chief Executive Officer, Mr. Alexandre Bompard. This commitment, limited to a term of two years starting from the end of Mr. Alexandre Bompard's term of office, covers the retail sector specializing in cultural and/or technological and leisure products for the mass market in France, Belgium, Spain, Switzerland, Portugal and Brazil. In return for this undertaking, Mr. Alexandre Bompard will receive 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 of May 15, 2014 pursuant to Articles L. 225-42-1 paragraph 6 and L. 225-38 of the French Commercial Code, and continued in 2016. It is also described in section 3.3.1 "Compensation and benefits of the Chairman-Chief Executive Officer" and is mentioned in section 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. This commitment has no effect on year 2016. At its annual review of regulated agreements conducted at its meeting on February 17, 2016, the Board of Directors approved the continuation of this commitment, which was confirmed by the renewal of the term of office of Director, Mr. Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

Supplemental defined-contribution pension plan

During year 2013, a regulated agreement was reached consisting of the membership of Chairman and CEO Mr. 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. It is also described in section 3.3.1 "Compensation and benefits of the Chairman-Chief Executive Officer" and is mentioned in section 3.7 "Special Statutory Auditors' Report on the Regulated Agreements and Commitments" in this Registration Document. The amount of the contribution for this membership for 2016 was €10,631.04. At its annual review of regulated agreements conducted at its meeting on February 17, 2016, the Board of Directors approved the continuation of this commitment, which was confirmed by the renewal of the term of office of Director Alexandre Bompard at the General Meeting of June 17, 2016 and his nomination by the Board of Directors to the position of CEO for the term of his office as Director. At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board approved the continuation of this commitment.

7.7.2.3 / Agreement with BDGS

In 2015, a regulated agreement was entered into with BDGS Associés, a law firm specializing in competition law and in market operations, especially cross-border transactions, one of its founding partners being Director Antoine Gosset-Grainville.

The agreement with the BDGS firm was for consultancy services provided to Groupe Fnac S.A for monitoring the process of acquiring the Darty Group and for any capital transaction related to that acquisition. This agreement terminated in December 2016 and is not being continued in 2017.

The amount of fees relating to the consulting services of the firm BDGS recognized for the year ended December 31, 2016, fees established on the basis of the time spent by the attorneys and application of the per category fee rates, totaled €4,019,166.86 before taxes.

At its annual review of regulated agreements conducted at its meeting on February 28, 2017, the Board of Directors noted that this agreement ended at the December 2016 and will not be continued in 2017.

7.7.3 / Major intra-group transactions

- **Tax consolidation agreement:** in 2013, a regulated agreement was signed by Groupe Fnac and its French subsidiaries in which it holds at least 95% of the share capital for the creation of a tax consolidation group in France, effective January 1, 2013. This agreement was approved by the Ordinary General Meeting of May 15, 2014 pursuant to Article L. 225-42-1 of the French Commercial Code. In its annual review of regulated agreements in force, on February 26, 2015, the Board of Directors decided to declassify this agreement into a current agreement concluded under normal conditions in accordance with Article L. 225-39 of the French Commercial Code.

- **Cash investment and financing agreement:** Fnac SA has entered into centralized cash management agreements for an unlimited term with some of its French subsidiaries and with the company Kesa International Ltd (Groupe Darty, and its Belgian, Spanish, Swiss and Portuguese subsidiaries). Kesa International Ltd (French branch of Kesa International Ltd), entered into a centralized management agreement with the companies Etablissements Darty & Fils, Darty Grand Ouest, Darty Grand Est, Caprofem, UIF, Immobilière Darty, Darty Développement, A2I Darty Ouest, A2I Darty Rhône Alpes, A2I Darty Nord, A2I Alsace Lorraine, A2I Provence Méditerranée, A2I Île-de-France, Darty SNC, Darty Holdings, Kesa Electricals, Darty Financements, CEVL, Kesa France, CECD. 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. Cash agreements have also been entered into between Fnac SA and the French subsidiaries of Darty.

  In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA.

- **Buying agent and reference centralized listing agreements:** some of the Group's French subsidiaries as well as its Spanish, Portuguese, Swiss and Belgian subsidiaries have concluded purchasing agent agreements with Fnac SA or Fnac Appro Groupe ("FAG") for terms of one year that are renewable for each period for an identical term. These agreements have the purpose of instructing Fnac SA or FAG, as appropriate, to define the relevant subsidiary's procurement policy, select its suppliers and certain products sold in its stores, and negotiate the purchasing conditions for those products. Fnac SA has also entered into centralized product listing agreements with some of the Group's French subsidiaries that have a similar purpose; this also includes the purchase of certain products for each contracting subsidiary. In exchange for these services, Fnac SA or FAG, as appropriate, receives from the relevant subsidiary a percentage of the revenue from the products purchased on its behalf.

  In addition, Alizé-SFL's has entered into purchasing agent agreements for terms of one year that are renewable for each period for an identical term with some of the Group's French subsidiaries. The purpose of these agreements is to instruct Alizé-SFL to negotiate the purchasing conditions and to purchase the merchandise, including books, for each relevant subsidiary. In exchange, Alizé-SFL receives from the relevant subsidiary a fixed sum by number of products billed.

- **Service agreements:** Groupe Fnac SA entered into two service agreements with Fnac SA and Société Darty & Fils SA for a renewable one-year term. The purpose of these agreements is to provide the contracting subsidiaries with the expertise of Groupe Fnac SA as it relates to the following: Chairmanship, Strategy Department, definition of the Group's marketing policy, organization and coordination of financial operations, definition of IT system requirements, definition of HR policy.

- Fnac 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.

- A service agreement was also entered into between Groupe Fnac and Etablissements Darty & Fils under which Groupe Fnac provides Etablissements Darty & Fils with various services such as its Chairmanship and Strategy Department, Communications Department, Financial Department, Operations Department and Sales Department, IT Department and HR Department. In return, Groupe Fnac is compensated based on the personnel costs and external expenses incurred plus a 5% margin.

Transactions with related parties are described in note 34 to the consolidated financial statements.

7.8 / MAJOR CONTRACTS

The major contracts to which the Group has been party over the last two years are presented in section 4.2.2.2 “Financing of the Group after admission of the Company’s shares to trading on Euronext Paris” and in 7.7 “Related-party transactions” in this Registration Document.

8 ADDITIONAL INFORMATION ABOUT THE REGISTRATION DOCUMENT

8.1 / PERSONS RESPONSIBLE

8.1.1 / Person responsible for the Registration Document

Alexandre Bompard, Chairman and Chief Executive Officer of Groupe Fnac.

8.1.2 / Statement from the person responsible for the Registration Document and the Annual Financial Report

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to the best of my knowledge, these financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the financial position and profit or loss of the Company and of all consolidated companies, and that the Management Report (the cross-reference table of which is presented in section 8.8.1 herein) presents fairly the changes in business, results and the financial position of the Company and of the companies forming part of the consolidated group, and includes a description of the principal risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit, in which they state that they have audited the information relating to the financial position and accounts contained herein and have read this document in its entirety."

Ivry-sur-Seine, April 14, 2017

Alexandre Bompard

Chairman, Chief Executive Officer

8.1.3 / Person responsible for financial information

Matthieu Malige

Group CFO

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

8.2 / STATUTORY AUDITORS

8.2.1 / Appointed Statutory Auditors

Deloitte & Associés

Represented by Stéphane Rimbeuf

185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Deloitte & Associés is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

KPMG Audit, a department of KPMG SA

Represented by Hervé Chopin

Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris La Défense Cedex
France

KPMG is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

8.2.2 / Alternate Statutory Auditors

BEAS

Represented by Dominique Jumaucourt

185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

BEAS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

KPMG AUDIT IS

Represented by Jay Nirsimloo

Immeuble Le Palatin
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris La Défense Cedex
France

KPMG AUDIT IS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (the Regional Association of Auditors of Versailles).

8.3 / STATUTORY AUDITORS' FEES

The Statutory Auditors' fees are presented in note 36 of section 5.2 on the consolidated financial statements of this 2016 Registration Document.

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.fnacdarty.com) and on the website of the Autorité des Marchés Financiers (www.amffrance.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

- Groupe Fnac's bylaws are available on the Company's website (www.fnacdarty.com);
- any reports, correspondence and other historical financial information or documents, assessments and statements prepared by an expert at the Company's request, of which a part is included or referred to in the Registration Document;
- historical financial information included in the Registration Document;
- information about the Darty plc acquisition offer is available on our website at www.fnacdarty.com;
- historical information about the Darty company is available on our website at www.fnacdarty.com.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's head office.

Regulated information pursuant to the AMF General Regulations has 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 "Organization of the Group" and in note 38 "List of subsidiaries consolidated as of December 31, 2016" in section 5.2. "Notes to the consolidated financial statements for the year ended December 31, 2016".

8.7 / DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Article 28 of EC Regulation No. 809/2004 dated April 29, 2004, this Registration Document incorporates by reference the following information to which the reader may refer:

- for year ended December 31, 2015: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors' Report presented in the 2015 Registration Document filed with the AMF on April 19, 2016, on pages 90 to 91, 15 to 25, 89 to 116, 110 to 112, 118 to 175 and page 190;
- for year ended December 31, 2014: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors' Report presented in the 2014 Registration Document filed with the AMF on April 28, 2015, on pages 90 to 91, 15 to 25, 89 to 116, 110 to 112, 118 to 175 and page 190.

The information contained in the 2014 and 2015 Registration Documents, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document. The 2014 and 2015 Registration Documents are available at the Company's head office and in the Finance section of its website www.fnacdarty.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 year just ended	4.2.2
Business results for the Company, its subsidiaries and the companies that they control	4.2
Key performance indicators of a financial and non-financial nature	Introduction, 4.2.1
Analysis of changes in business, earnings and the financial position	4.2
Progress made or difficulties encountered	4.2.2
Description of the main risks and uncertainties	6
Information about the use of financial instruments: goals and the Company's policy on managing financial risks	5.2.28; 5.2.29; 6.4
Information about market risk (interest rates, foreign exchange, shares)	5.2.28; 6.3
Information about country risk	5.2.28
Important events since the closing date of the balance sheet and the date of the Management Report	4.4.2, 5.2.37; 5.4.17
Foreseeable developments for the Company and entities included in the consolidated group and future prospects	4.4.1
Changes in the presentation of the parent company (and consolidated) financial statements	N/A
The Company's research and development activities	1.7
Significant equity investments in companies headquartered in France	N/A
Trade payables – payment terms	5.4.16.4
Corporate governance	
List of directorships and positions held in any company by each corporate officer	3.1.1
Total remuneration and benefits in kind paid to each corporate officer during the past year (including a list of approved principles and rules for determining the remuneration and benefits granted to corporate officers)	3.3
Commitments of any kind made by the Company to its corporate officers	3.3
Transactions completed by Directors and corporate officers on Company shares	3.3.1; 3.2.5
Options granted, subscribed or purchased during the year by corporate officers, corresponding to compensation components, indemnities or benefits due or that may become due as a result of or subsequent to the assumption, termination or change in these positions	3.3.1
Conditions for the exercise and holding of option by executive corporate officers	3.3.1
Lock-up conditions for bonus shares granted to executive corporate officers	3.3.1
General management method of the Company	3.5.2.2
CSR	
Social information	2.3
Environmental information	2.4
Information about the technological accident risk policy	N/A

N/A: non applicable.

Management Report categories	Section
Share capital and shareholder structure	
Employee share ownership	N/A
Main shareholders and ownership structure and voting rights as of December 31, 2015	7.3.1
Information about factors likely to have an impact in the event of a public tender offer	3.5.2.8
Special report on stock subscription and purchase options, and allotments of bonus shares	7.2.1; 7.2.4
Information about the share buyback program – transactions carried out by the Company on its own shares (average number and price of purchases and sales, reasons for acquisitions made, percentage of share capital represented, etc.)	7.2.3
Any adjustments to shares conferring entitlement to capital in the event of share buybacks or financial transactions	N/A
Summary table of currently valid capital increase authorizations	7.2.1
Profit or loss for the period and proposed appropriation of earnings	7.5
Other	
Dividends paid during the last three years	7.5
Comments made by the Works Council on the economic and social position	N/A
Table of the Company's results for the last five years	5.4.19
Injunctions or monetary penalties for anti-competitive practices	N/A

8.8.2 / Annual Financial Report cross-reference table (Article 222-3 of the AMF General Regulations)

Annual Financial Report categories	Section
Groupe Fnac parent company financial statements	5.3, 5.4 and 5.5
Groupe Fnac consolidated financial statements	5.1 and 5.2
Management Report	See Management Report cross-reference table
Statement by the person responsible for the Annual Financial Report	8.1.2
Statutory Auditors' Report on the Annual Financial Statements	5.6
Statutory Auditors' Report on the consolidated financial statements	5.7
Auditors' fees	5.2.36; 8.3
Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company	3.5
Statutory Auditors' Report, prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors	3.6

8.8.3 / Table corresponding to the categories of Appendix I of European Regulation No. 809/2004

Prospectus number	Prospectus categories	Section
1.	**Persons responsible**	
1.1	Names and positions of persons responsible	8.1.1
1.2	Statement by the person responsible	8.1.2
2.	**Statutory Auditors**	
2.1	Names and addresses of the Statutory Auditors	8.2
2.2	Resignation, removal or non-reappointment	N/A
3.	**Selected financial information**	
3.1	Selected historical financial information	Introduction, 4.2.1
3.2	Selected financial information for interim periods	N/A
4.	**Risk factors**	**5.2.28, 6**
5.	**Group information**	
5.1	History and development	
5.1.1	Company name	7.1.1.1
5.1.2	Place of registration and registration number	7.1.1.2
5.1.3	Date of incorporation and term	7.1.1.3
5.1.4	Registered office, legal form and applicable legislation	7.1.1.4
5.1.5	Important events in the development of the issuer's business	1.1, 1.2, 1.4, 4.2.2
5.2	Investments	
5.2.1	Investments made	4.3.3.1
5.2.2	Main investments in progress	4.3.3.1
5.2.3	Main investments planned	4.3.3.1
6.	**Business activities of the Group**	
6.1	Principal activities	
6.1.1	Nature of the issuer's operations and principal activities	1.5
6.1.2	New products or major services introduced on the market	1.5.2
6.2	Principal markets	1.3
6.3	Exceptional factors	1.1, 1.2
6.4	Dependence	5.2.33.5
6.5	Basis for any statements made by the Company regarding its competitive position	1.1.1, 1.3, 1.4
7.	**Organizational chart**	
7.1	Simplified Group organizational chart	7.6.1
7.2	Main subsidiaries	7.6.2.2
8.	**Property, plant and equipment**	
8.1	Significant existing or planned property, plant and equipment	1.6, 5.2.17
8.2	Environmental issues that may affect the use of tangible non-current assets	2.4

N/A: Not applicable.

Prospectus number	Prospectus categories	Section
9.	**Review of the Group's financial position and results**	
9.1	Financial position	4.2
9.2	Operating income (loss)	
9.2.1	Significant factors	4.2.2.2
9.2.2	Significant changes to net sales or revenues	4.2.3.1
9.2.3	Strategies or factors that could influence the Company's operations	1.1, 1.4
10.	**Group cash and capital resources**	
10.1	Information on the Company's short- and long-term capital resources	4.3.2, 5.1, 5.2.23
10.2	Sources and amounts of the Company's cash flows	4.3.3, 5.2.31
10.3	Information on the Company's borrowing requirements and funding structure	1.1.3, 4.3, 5.2.30, 5.2.31
10.4	Information regarding any restrictions on the use of capital that have significantly influenced or could significantly influence the Company's operations, either directly or indirectly	5.2.28
10.5	Information regarding anticipated sources of funds	5.2.27
11.	**Research and Development, patents and licenses**	**1.7, 5.2.33**
12.	**Information on trends and forecasts**	**4.4**
13.	**Profit forecasts or estimates**	**4.4**
14.	**Administrative, management, and supervisory bodies and executive management**	
14.1	Administrative, management, and supervisory bodies and executive management	3.1.1
14.2	Conflicts of interest of administrative, management and supervisory bodies and executive management	3.1.2
15.	**Compensation and benefits of senior executives**	
15.1	Compensation of corporate officers	3.3, 5.4.35
15.2	Total amount of provisions funded or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits	3.3.1, 5.2.24
16.	**Operation of administrative and management bodies**	
16.1	Date of expiration of current terms of office	3.1.1, 3.2.1
16.2	Service contracts binding members of the administrative, management or supervisory bodies	3.2.2
16.3	Information about the Company's Audit and Remuneration Committees	3.2.3
16.4	Statement of compliance with France's corporate governance system	3.2.4
17.	**Employees**	
17.1	Number and breakdown of employees	2.3.1
17.2	Shareholdings and stock subscription or purchase options held by members of the Board of Directors	3.1.1.1
17.3	Profit-sharing and incentive agreements	3.4
18.	**Principal shareholders**	
18.1	Shareholders	7.3.1
18.2	Shareholders' voting rights	7.3.2
18.3	Control structure	7.3.3
18.4	Agreements that could lead to a change in control	7.3.4
19.	**Related-party transactions**	**7.7**

Prospectus number	Prospectus categories	Section
20.	**Financial information regarding the issuer's assets and liabilities, financial position and earnings**	
20.1	Historical financial information	5.1, 5.3, 5.4.19
20.2	Pro forma financial information	4.1
20.3	Financial statements	5.1, 5.3, 5.4.20
20.4	Audit of the historical annual financial information	
20.4.1	Statement of audit of the historical financial information	4.5, 5.1, 5.3, 5.4.19, 5.6, 5.7
20.4.2	Other information verified by the Statutory Auditors	2.6, 3.6, 3.7
20.4.3	Source of financial information not extracted from the issuer's audited financial statements	8.4, 8.7
20.5	Date of latest financial information	5.1, 5.3
20.6	Interim financial and other information	N/A
20.7	Dividend distribution policy	7.5
20.7.1	Amount of dividend per share that may be adjusted to enable comparison when the number of the issuer's shares has changed	N/A
20.8	Judicial and arbitration proceedings	5.2.33.5
20.9	Material change in the financial or commercial position	5.5
21.	**Additional information**	
21.1	Share capital	
21.1.1	Share capital subscribed and share capital authorized but not issued	7.2.1
21.1.2	Securities not representing share capital	7.2.2
21.1.3	Shares controlled by the Company, treasury shares and acquisition of its own shares by the Company	7.2.3
21.1.4	Other securities granting rights to the capital	7.2.4
21.1.5	Terms governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid-up	7.2.5
21.1.6	Share capital of any Company of the Group that is the subject of an option or an agreement to place it under option	7.2.6
21.1.7	History of the share capital over the past three years	7.2.7
21.2	Articles of incorporation and bylaws	
21.2.1	Corporate purpose	7.1.2.1
21.2.2	Administrative, management, and supervisory bodies and executive management	7.1.2.3
21.2.3	Rights, privileges, and restrictions on shares	7.1.2.4
21.2.4	Changes in shareholders' rights	7.1.2.5
21.2.5	Annual Meetings	7.1.2.6
21.2.6	Provisions of the bylaws that could have an impact on a change of control of the Company	7.1.2.7
21.2.7	Share declaration thresholds and identification of shareholders	7.1.2.8
21.2.8	Specific provisions governing changes in share capital	7.1.2.9
22.	**Major contracts**	**1.1.3, 4.2.2.2, 7.7, 7.8**
23.	**Information from third parties, expert certifications and interest declarations**	**8.4**
24.	**Publicly available documents**	**8.5**
25.	**Information on equity investments**	**5.2.38, 8.6**

N/A: Not applicable.

8.9 / GLOSSARY OF ALTERNATIVE PERFORMANCE INDICATORS

Indicator title	Indicator definition	Sections reconciling indicators with financial statements
EBITDA	EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.	4.2
EBITDAR	EBITDAR = EBITDA before rental payments.	4.2
Free cash flow from operations	Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.	4.2
Changes in revenue at constant exchange rates	Changes in revenues at constant exchange rates mean that the impact of changes in the exchange rate has been excluded. The impact of exchange rates is eliminated by recalculating sales from year N-1, based on exchange rates used for Year N.	4.2
Changes in revenue on a like-for-like basis	Changes in revenue on a like-for-like basis mean that the impact of changes in scope is corrected in order to exclude modifications such as acquisitions or disposals of subsidiaries. Revenues of subsidiaries acquired or sold since January 1 of year N-1 are excluded from calculations of the change.	4.2
Changes in revenue on a same-store basis	Changes in revenue on a same-store basis mean that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed since January 1 of year N-1 are excluded from calculations of the change.	4.2

Notes

Notes

Notes

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FNAC DARTY

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Groupe Fnac, a French limited company (société anonyme)
with share capital of €26,374,120
RCS Créteil 055 800 296