FNAC DARTY

2018

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

CONTENTS

The items from the annual financial report are identified in the section titles using the AFR symbol.

The items from the Non-financial Performance Declaration are identified in the section titles using the NFPD symbol.

FNAC DARTY

2018 REGISTRATION DOCUMENT

including the Annual Financial Report

All our publications can be found on the website www.fnacdarty.com

AUTORITÉ
DES MARCHÉS FINANCIERS
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This Registration Document was filed with the French Markets Authority (*Autorité des marchés financiers* – AMF) on March 18, 2019 in accordance with Article 212-13 of its general regulations. It may be used in support of a financial transaction when supplemented by a Securities Note specified by the AMF. This document was drafted by the issuer and renders its signatories liable.

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

Quote
from the Chief Executive Officer

Enrique MARTINEZ,
Chief Executive Officer
of Fnac Darty

The year 2018 was the first year of our Confiance + strategic plan roll-out, as well as the successful completion of the merger between Fnac and Darty, which started three years ago.

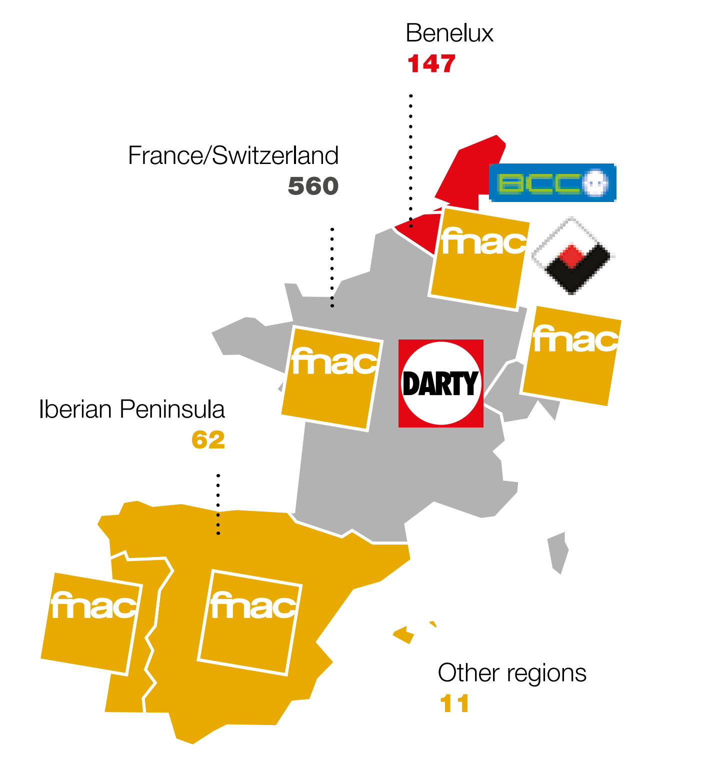
We are proud of the loyalty shown by European consumers to our two brands and of the results achieved over the period, which demonstrate the commitment of our teams and strengthen our position as a leader in our markets.

Fnac Darty is made up of 25,000 employees who strive to offer their customers the best advice and help them make informed choices from a range of the best products and the best services on the market.

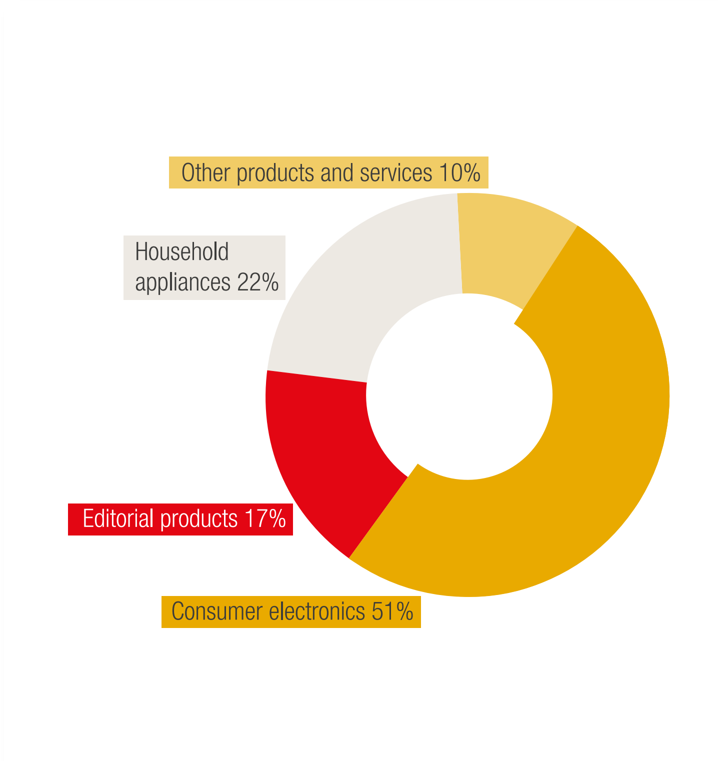
We will focus our efforts for the coming year on accelerating our digital transformation, reinforcing our commitments to society and excellence in the execution of our projects.

The Fnac Darty **network**

NUMBER OF STORES BY REGION



PRODUCT AND SERVICES OFFERING



Fnac Darty in 2018

- Success of the Fnac Darty integration – €131 million in synergies implemented at year-end 2018, one year ahead of the Group's initial commitment.
- Rapid roll-out of the Confiance + plan, which started in December 2017.
- Expansion of delivery offerings with a range of unique services in the market.
- Continuing expansion of the store network with the opening of 66 stores, including 55 franchises.
- 130 dedicated Kitchen points of sale as of the end of 2018, including the first three stores dedicated exclusively to this offering.
- Opening of more than 60 small household appliance spaces within the network.
- Development of the services offering with the acquisition of WeFix.
- 1.5 million Fnac+ and Darty+ subscribers.
- Expansion of Fnac Darty's ecosystem of partnerships, with the strengthening of partnerships with Google and Carrefour and the new partnership with Wehkamp in the Netherlands.

Key figures

- Revenues: **€7.5 billion**
- Number of employees: **25,000**
- Number of stores: **780**
- **Second**-largest e-commerce retailer: 19% of sales made online
- Weight of omnichannel sales: **49%** of online orders

1 Presentation of the Group

1.1 / Fnac Darty: our mission

1.1.1 / A EUROPEAN LEADER IN OMNICHANNEL RETAIL

Operating in 12 countries, including France, Belgium, the Netherlands, Spain and Portugal, Fnac Darty is a European leader in the retail of cultural and leisure goods, consumer electronics and household appliances.

As of the end of December 2018, the Group, which counts 25,000 employees, has a multi-format network of 780 stores, 571 of which are in France [(1)], and is France's second-largest e-commerce retailer in terms of audience with its two commercial websites: fnac.com and darty.com. A leading omnichannel player, Fnac Darty's revenue was €7.5 billion in 2018, 19% of which was generated by its Internet channel.

Its position as leader is based in particular on the high volume of traffic: 258 million visits to stores across the Group and a cumulative average of 24 million unique online visitors per month in France [(2)].

1.1.2 / TWO ICONIC BRANDS

Since their creation more than 60 years ago, both Fnac and Darty have incorporated their values and promoted their deeply held convictions. 2017 saw the creation of Fnac Darty from the merger of these renowned brands, which benefit from being well-known and having strong consumer loyalty. These two brands have complementary positions and missions.

There are three strong values that make up the very essence of the Fnac brand: independence, passion and a spirit of discovery. These values are reflected in its retailers, recognized expertise and product selections, as well as in the unique place that Fnac occupies in French culture (FnacLive, the Fnac Prix Roman literary prize, the Prix Goncourt des Lycéens award for senior high school students, and more). This makes Fnac the hallmark of strolling, entertainment and an open mind, which is something that sparks people's curiosity. With a special place in the field of French retail, this strong brand has made curiosity its mission.

When it comes to Darty, this company's identity is anchored in three key values: confidence, service and accessibility. Darty, a heritage brand, is the brand for everyone. This brand is there for its customers at every stage of their lives, from the big moments to the smallest ones. Part of French homes for 60 years, it is a pioneer in terms of service and after-sales services.

A common ambition unites these two banners, which is to guide customers and help them make the best choice. It is a commitment shared by all the Group's employees, a greater commitment to business where the customer is able to make an educated choice.

(1) Including 8 stores in Switzerland and 11 stores abroad.
(2) Source FEVAD: average for 2018.

1.1.3 / SOCIETAL COMMITMENTS AND RESPONSIBILITIES

Fnac Darty is a Group rooted in its territories, and whose main ambition is to share cultural creation, technological innovations and innovative services as widely as possible.

This ambition induces a strong responsibility for the company to ensure that its practices are exemplary, in particular by engaging in dialog with all its stakeholders.

This requires a good understanding of changes in society, and a constant focus on added value.

1.1.3.1 / Main societal changes affecting the retail sector

Consumers wish to be able to make purchases when they want, from wherever they want, and as quickly as possible.

The rise of digital technology and automation has enabled and accelerated this mode of consumption, bringing with it significant changes to the sector.

At the same time, concern for the environment and societal challenges are pushing a growing proportion of consumers toward more responsible buying habits.

Several indicators demonstrate this evolution: 53% [(1)] of consumers made fewer purchases in 2018 (compared with 48% in 2017), 11% [(1)] rented products instead of buying them (compared with 6% in 2017) and 57% of French people changed their eating habits in 2018; the change in regular new consumers of organic products rose by +17% in 2018 compared to +9% in 2017 [(2)].

Finally, regulatory constraints aimed at ensuring companies integrate all societal issues have been strengthened: the French Sapin II Law, the European General Data Protection Regulation (GDPR), the French law on duty of care, the DPEF (French Non-financial Performance Declaration) and the circular economy roadmap.

1.1.3.2 / Fnac Darty, a responsible Group

With a strong history based on commitments, the Group has a solid foundation for meeting each of these challenges by adapting its economic model to include all the issues linked to its impacts on society.

The Group, far from considering these issues a constraint, actually views them as a great tool to help it stand out from the crowd and build employee commitment.

Therefore, Fnac Darty has incorporated these corporate social responsibility and environmental issues within its business model, as demonstrated in the table "A responsible, value-creating business model" in paragraph 1.1.5, demonstrating the link between its assets, strategy and the impact on society.

To achieve this level of integration, the Group pursues a corporate social responsibility policy that extends to the highest level of the company, and draws on constant consultation with its stakeholders.

This policy is structured around five key challenges established from a risk and materiality analysis:

1. develop human capital;
2. promote more responsible consumption:
   - allow the customer to make an informed choice, and
   - promote a longer lifespan of products;
3. promote economic, social and cultural development of regions;
4. reduce the environmental impacts and road hazards linked to business activities;
5. ensure exemplary business conduct.

The methodology chosen to define these issues and the projects and actions put in place to respond to them are outlined in Chapter 2 of this document, which focuses on the Group's corporate social responsibility policy.

1.1.3.3 / Fnac Darty recognized as a responsible retailer by ESG rating agencies

Fnac Darty's approach to corporate social responsibility has been assessed by ESG rating agencies and awarded a rating. In 2018, based on the analysis of three main criteria – environment (business ethics, environmental policy), social aspects (community engagement, respect of human rights, and human resources) and governance (corporate governance) – Fnac Darty received a score of 35/100 from the Vigeo rating agency (www.vigeo-eiris.com), putting the Group in the top 25% of the Specialised Retail Europe sector. The Group also achieved a score of 61 out of 100 from the Sustainalytics rating agency (www.sustainalytics.com), placing it 36th in its sector. This demonstrates a solid foundation for Fnac Darty, which will continue to strive for ratings that best reflect its actions in terms of corporate social responsibility through the quality and transparency of its data.

(1) Credoc (French Research Center for the Study and Observation of Living Conditions).
(2) French Agency for the Development and Promotion of Organic Agriculture.

1.1.4 / A DIVERSIFIED AND BALANCED PRODUCT OFFERING

The Group is able to propose a balanced offering, built around product categories with complementary growth and margin profiles.

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

1.1.5 / A UNIQUE OMNICHANNEL MODEL

With a cumulative average of 24 million unique online visitors per month [1], Fnac Darty is France's second-largest e-commerce retailer in its markets. The Group is also able to provide its customers with a website per banner and per country of operation, making for nine e-commerce sites in total.

The strong growth of e-commerce activities continued in 2018, and they now represent 19% of the Group's sales compared with 17% in the previous year.

The Group combines the omnichannel capacities of Fnac and of Darty. Omnichannel sales now represent 49% of online orders. By bringing together its in-store and digital offerings, it can provide innovative services, such as:

- Click&mag;
- Click&collect; and
- express or by-appointment delivery offering.

These services guarantee seamless integration of the in-store and online purchasing experience and are described in detail in section 1.4.3.3 "First-rate operational efficiency."

(1) Source FEVAD/Mediamétrie.

Our value-creation model

A responsible, value-creating business model

Our Assets	Our Strategy	Our Impacts
Our economic resources		
■ Two iconic brands: Fnac and Darty ■ 780 stores, including 260 franchises, in 12 countries ■ Unique digital platforms (9 websites) ■ A diversified product and services offering	■ Strengthen the leadership of the Group in its markets ■ Roll out a benchmark omnichannel experience ■ Offer a diversified product range, combined with a differentiating services offering for a customer experience that meets the highest standards	■ €7.5 billion in consolidated revenue in 2018 and more than 45% of operating profit growth since the merger in 2016 ■ The most digitized company in its sector with 19% of its revenue coming from online sales ■ Leading omnichannel player in its sector ■ Improved negotiating power with suppliers due to the Fnac Darty integration and the purchase agreement signed with Carrefour
Our know-how		

■ Two banners and 60 years of history
■ Expertise
■ Independence
■ Services
	■ Roll out a responsible and differentiating business model
	■ Help consumers make an educated choice
	■ Commit to a circular economy and innovate for more sustainable products
		■ 2,500,000 breakdown call-outs including 1,500,000 repairs in 2018
		■ Customer information from independent experts:
		  ▪ 1,038 tests on 492 products carried out in the Labo Fnac in 2018
		  ▪ Environmental impact rating on 69% of consumer electronics products in 2018
		  ▪ Launch of the after-sales service indicator and reparability index in 2018
		■ Leading collector of WEEE in France: over 45,000 metric tons of WEEE sent to Ecosystème for recycling in 2018

Our ecosystem		
■ An open ecosystem of partnerships ■ 166 suppliers ■ 260 franchises ■ 3,500 sellers on the Fnac Darty Marketplace ■ Partnerships with associations and businesses in the social and solidarity economy	■ Roll out of a powerful specialist retailing platform thanks to an open model ■ Exemplary business conduct ■ Geographical coverage and proximity to consumers ■ Triple the size of the Marketplace in the mid-term ■ Commitment to innovation and culture	■ Partnerships with Google, Bouygues, Carrefour and Wehkamp, and acquisition of WeFix in 2018 ■ Relationships of trust with suppliers thanks to our ethical business code ■ Proximity to customers and strong links with local communities ■ Checks on products and sellers for improved customer security ■ 7,000 free cultural events in-store in 2018 and financial contributions made to associations
Our human capital		
■ 25,000 employees in 12 countries ■ 12.7 years of service on average ■ 88% on permanent contracts ■ 39% of employees are women ■ 2,000 dedicated repair staff	■ Creation of a shared Fnac Darty culture ■ Development of employability ■ Make diversity an asset ■ Ensure an appeased social climate by listening to feedback	■ Implementation of a monthly digital survey: Supermood (rollout in France to 14,000 employees and on an international scale in Q1 2019) ■ 52.3% of employees trained in 2018, helping to build customer loyalty (8 million members in 2018) ■ Promote equal opportunities and gender equality (43% of new hires on permanent contracts are women) ■ 4.7% absenteeism/sickness (compared with 4.9% for the industry at the national level) ■ 25.4 rate of frequency of accidents at work (compared with 33.8 at the national level)

1.2 / History

1.2.1 / HISTORY OF FNAC

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

From the outset, the two founders wanted to break the mold of traditional business, so they based their enterprise on the idea of consumer protection. When it was created, “Fnac” was an acronym for the Fédération Nationale d’Achats des Cadres (National Federation for Purchases by Executives). At that time, it was set up to enable executives to buy photographic and cinematographic equipment at attractive prices. Fnac subsequently opened up to a wider customer base by introducing new product categories such as books, music and others.

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

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

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

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

1974 This year 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 its identity as a cultural player.

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

1980 Fnac stock was first traded on the Paris Stock Exchange. 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 Banner 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 by opening its first store in São Paulo, Brazil.

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

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

2011 The Banner 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; and
- developing levers for growth, both in terms of new products and new format stores.

2012 The Banner disposed of its activities in Italy in 2012 and accelerated and strengthened its geographical coverage by opening new format stores operated directly or via a franchise.

2013 In keeping with its strategic refocus, Kering embarked on the Fnac spin-off 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 retailer of consumer electronics, cultural goods and household 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 Banner obtained authorization from the French Competition Authority and took over Darty.

1.2.2 / HISTORY OF DARTY

1957 Creation of the Darty banner.

"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 banner in 1957, they 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 (Seine-Saint-Denis), north-east of Paris.

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

1968 In May, opening in Bondy (Seine-Saint-Denis) of the first superstore specializing in household appliances in an 800 m^2 retail space. Creation of first after-sales service.

1969 Creation and installation of the subsidiary Caprofem, a wholesaler in household appliances, in Pantin (Seine-Saint-Denis).

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 refunding the difference. For the first time, a distributor committed in writing to guaranteeing prices, choices and services to its customers. This contract thus became the company's identity, applying to all employees.

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

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

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

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

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

1988 Growth and dynamism: In April 1988, the management team took the initiative, with the support of the founders, to launch a public tender offer 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 household 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 European Kingfisher group: In 1993, Darty joined the European Kingfisher group which, after a spin-off in 2003, became Kingfisher Electricals SA (KESA). During this period, Darty adapted its range of services to meet new customer expectations by becoming a distributor of multimedia solutions and developing its darty.com website. It also changed the interior design of its stores.

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

1999 Telephone support: Darty created a technical helpline for its multimedia customers, open seven days a week.

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, telephony, 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 associated products. Creation of the first made-to-measure kitchen space within the new Darty store on Rue de Rivoli in Paris.

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

Contrat de Confiance: Launch of the Darty Button to celebrate the fortieth anniversary of the *Contrat de Confiance*. A major innovation, this small connected object 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, 24 hours a day, 7 days a week.

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

1.2.3 / MAJOR STAGES OF THE MERGER BETWEEN FNAC AND DARTY

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

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

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

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

On July 18, 2016, the French Competition Authority announced that it had decided to authorize 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. Therefore, the combined entity had to sell five existing points of sale out of the entire combined Fnac and Darty network in France.

On July 19, Fnac's offer was declared unconditional in all respects, with all conditions precedent as described in the Offer Document having been met or lifted. On this date, Fnac announced that it held or had received valid acceptances of its offer to purchase a total number of shares representing approximately 92.40% of Darty's capital.

On August 1, 2016, the first closing date of the offer, Fnac held 98.50% of Darty's capital.

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, 2016, Fnac had acquired 100% of Darty's share capital, of which 30.64% was paid in shares.

1.2.4 / 2018 HIGHLIGHTS

1.2.4.1 / Success of the Fnac Darty integration

An ambitious project completed one year in advance

2018 marked the success of the Fnac Darty integration, which began in 2016 with the merger of the two banners. The Group had announced an objective of €130 million of synergies to be implemented before the end of 2019, an extremely ambitious target in light of the pro forma current operating income achieved by Fnac Darty in 2016, which was €194 million excluding synergies.

The numerous initiatives deployed rapidly by the Group since 2016 have allowed it to bolster the strong potential of the Fnac and Darty merger, and therefore the Group has brought forward the objective for the full realization of synergies by one year. By the end of 2018, the target of €130 million of synergies had therefore been achieved, with €131 million. This result confirms the high value creation of this merger, which has enabled the creation of a leader in the specialized retail of household appliances and cultural products.

A successful business integration

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

In 2018, Fnac Darty continued to implement commercial initiatives between both banners. Therefore, many projects have been completed successfully since the start of the integration. The Group took advantage of the complementary features of its e-commerce platforms, with the opening of a Darty space on the fnac.com Marketplace website, as well as a ticketing space on the darty.com website.

In addition to a shared gift card, the Group's customers can collect their fnac.com purchases from 320 stores in the Darty network, and their darty.com purchases from 30 stores in the Fnac network. This helps extend the geographical coverage of the Group's stores.

Fnac Darty also continued to expand its offering of cross-banner products and services. At the end of 2018, 31 Fnac stores hosted a Darty shop-in-shop, while two Darty stores hosted Fnac shop-in-shops. Outside France, the small household appliance offering has been rolled out under the Fnac Home banner, with more than 30 stores on the Iberian Peninsula now providing this service. A first point of sale combining both Fnac and Darty stores was also opened in 2017. In terms of services, the numerous exchanges of expertise between the banners have helped develop and optimize the services strategy, particularly with regard to insurance or information security. Around 40 spaces dedicated to Photo Works were also opened within the Darty network, capitalizing on Fnac's experience in this area.

Finally, development of the Group's loyalty programs continued in 2018. The launch of Darty+ in October 2017, based on the Fnac+ model, allowed the creation of a unique subscription package offering privileged access to Darty services. Together, Fnac+ and Darty+ have over 1.5 million subscribers and, since the launch of Darty+, have offered the first cross-brand loyalty scheme. Customers holding only one of these cards can take advantage of free, unlimited and premium delivery from either banner.

Operational integration to create value

Concerning cost synergies (€110 million target contribution to current operating income), savings stem mainly from synergies related to indirect purchasing and goods (brown products, gray products and small household appliances). Therefore, the Group has been able to capitalize on its new size to reinforce relationships with its suppliers, specifically allowing it to take advantage of better purchasing conditions and improve its gross margin rate. This amounted to 30.3% of revenue at the end of 2018, compared with 29.9% at the end of 2016. This was also in spite of the dilutive effect of the franchise network expansion (-0.3 pt in 2017 and in 2018). A clear leader in its markets, Fnac Darty has now established its presence and achieved a high level of customer recognition. This affords it a number of exclusive advantages and allows it to support its partners in driving innovation and product launches. The partnership with Google, for example, gave Fnac Darty exclusive rights to the Google Home smart speaker when it was launched in France at the end of 2017.

The Group also took advantage of the merger of the two banners to optimize its indirect purchasing, specifically through pooling or renegotiating its service contracts. This sound management of its cost base also helped generate significant savings.

The specialization of inventories and logistics centers is now in place in France, which has allowed the transfer of the Wissous 2 warehouse. The implementation of a new logistics structure generates significant savings through the revamping of the transport plan across France. Darty's logistics expertise in delivering large products has also been of service to Fnac, with Darty now responsible for the delivery of televisions for the Group. In Belgium, the new logistics structure is complete and Fnac.be can now fulfill its orders using the Vanden Borre inventory. Optimization of the after-sales service network has also helped cut the number of repair workshops by half, and create a central spare parts warehouse that now supplies all the after-sales service platforms.

In terms of Information Systems, in 2018 the Group continued to optimize the system of the two banners, with the implementation of a shared inventory management system that allows each banner to offer the inventory of the whole Group.

Finally, the new organizational structure for headquarters is in place, and the relocation of teams was finalized in 2018. Darty's London headquarters have been closed since 2016, and the Belgian Fnac and Vanden Borre teams were moved to a single site in 2017.

This new organizational structure has contributed significantly to the spread of a shared culture among the teams, based on the initial vision: "One Group, two banners". Thanks to the rapid and successful integration of Fnac Darty, the Group can quickly roll out the shared Confiance+ strategic plan. This plan was implemented in December 2017 under the leadership of Chief Executive Officer Enrique Martinez and with the contribution of 25,000 employees.

1.2.4.2 / Rapid roll-out of the Confiance+ plan

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

In 2018, the strategic plan was rolled out quickly, alongside the success of the Fnac Darty integration.

In order to become the benchmark omnichannel service platform in Europe, the Group relies on five strategic priorities: the implementation of an open omnichannel platform focused on e-commerce development, the expansion of its store network, the diversification of its offering, the launch of innovative services, and finally a unique loyalty program. Implementation of these strategic initiatives is dependent on the creation of an open ecosystem of partnerships, which allows the Group to draw on specialist expertise to strengthen its service offering and customer experience.

A reinforced omnichannel platform

The Group continued the roll-out of initiatives intended to strengthen its omnichannel footprint, specifically by developing its digital and logistics capabilities.

As a result, in 2018 e-commerce activities represented 19% of the Group's revenue, compared with 17% the previous year. The performance of the Group's e-commerce platforms was particularly strong in the fourth quarter, with double-digit growth across all geographical regions. During the year, online sales development was marked by solid performances internationally, where there was strong growth. The rapid development of Marketplaces also continued, with growth of almost 20% in 2018.

The Group also strengthened its delivery offering with the implementation of next-day delivery for large products, which includes services (installation and removal of old appliance), covering 80% of the French territory. This year, Fnac Darty also rolled out test stores for the reservation of gaming products from the in-store inventory, which gives the Group's customers the option of collecting their purchases within one-hour.

Finally, the in-store omnichannel initiatives continued in 2018 with more than 250 stores digitized by the end of 2018. At the end of the year, the Group also launched its first tests for "Pay&Go". This innovative solution allows customers to pay directly in-store using their cell phones, without going to the counter.

Continued expansion of the store network

The pace of store network expansion has remained very strong in 2018 for both banners, with a total of 66 stores opening throughout the year, including two stores in a new country, Tunisia. As part of this expansion, Fnac opened 26 stores in 2018 (19 in France, 1 in Morocco, 1 in Tunisia, 2 in Switzerland and 3 in Spain), of which 22 are franchises.

Darty opened 40 stores in 2018 (38 in France, 1 in Tunisia and 1 in Belgium), of which 33 are franchises.

The Group capitalized on the respective partnerships created with Intermarché and Vindemia for the Proximity format, Lagardère Travel Retail for the Travel retail format, and Sedadi and Bouygues for the Fnac Connect format. This resulted in the opening of 11 proximity stores, 5 Travel stores and 2 Fnac Connect stores during the year. In 2018, the Group also launched shop-in-shop tests in hypermarkets and supermarkets, using a franchise format. Fnac Darty thus opened the first Fnac shop-in-shop within the retail space of an Intermarché store, as well as two Darty shop-in-shops in Carrefour hypermarkets in Limoges and La Ville-du-Bois, in Essonne (south-west of Paris city center).

The Group also closed 14 stores in 2018, 7 of which were in the Netherlands.

A reinforced diversification of the product offering

Diversification of the product offering continued in 2018, with the opening of spaces dedicated to small household appliances in Fnac stores in Spain, Portugal, Switzerland and France. By the end of 2018, more than 60 small household appliance spaces had been opened across the network, under the Darty or Fnac Home banners. Finally, development of the Kitchen offering has continued with the opening of 25 new points of sale throughout the year, including the first three stores dedicated exclusively to this offering. As of the end of 2018, the Group has over 130 Kitchen points of sale.

Finally, the diversification categories continued their strong performance, with double-digit growth throughout the year. The Games & Toys and Home & Design categories in particular recorded excellent growth.

Services as a major vector of differentiation

Fnac Darty has also continued to develop its service offering, a major driver of value creation and differentiation. This service offering capitalizes specifically on Fnac's client advice expertise and Darty's after-sales service know-how. In 2018, services sales posted double-digit growth.

Services initiatives in 2018 were marked by a keenness to firmly establish the Group as a major player in the circular economy which promotes extending the lifespan of products. Therefore, the Group launched the after-sales service barometer, which allows consumers to monitor changes in the reparability and lifespan of products. This barometer is supplemented by a reparability index for products sold, as well as the launch of the sav.darty.com after-sales service website at the end of 2018. This website is a community platform that brings together Darty's years of experience and advice. A joint service that combines electronic product rental with after-sales services for the entire term of the contract has also been established. The acquisition of WeFix, a French leader in express smartphone repair, in October 2018 is also intended to position Fnac Darty as a benchmark player in smartphone repair and associated services, while offering an enriched ecosystem to customers.

Finally, in 2018, the Group expanded its service offering and strengthened its partnership with Bouygues Telecom by offering its home and mobile Internet subscriptions in Fnac Connect stores. Bolstered by this partnership, the Group also plans to open around 50 new Fnac Connect franchise stores in the next five years, all featuring this service.

Enhanced content for members

Development of the Group's loyalty programs continued in 2018. Together, Fnac+ and Darty+ have over 1.5 million subscribers and, since the launch of Darty+, have offered the first joint approach to loyalty. Customers holding just one of these cards can take advantage of free, premium delivery from either banner.

In 2018, the Group strengthened its strategic alliance with Deezer, a major international player in music streaming and the French leader. Thanks to an exclusive commercial partnership, Fnac now offers its customers the best music streaming, in addition to the Group's physical offering. As loyalty program members or simply when buying audio and music products, Fnac and Darty customers will now benefit from preferential access offers to Deezer services. This means anyone who purchases a high-tech product from either banner will receive a free three-month subscription to Deezer Premium.

In 2018, Fnac Darty enriched its loyalty program with the launch of the Pass Partenaires. This scheme allows customers holding a Fnac, Fnac One, Fnac+ or Darty+ card and holders of a Darty Visa or Fnac Mastercard credit card to take advantage of attractive discounts, free of charge, from over 50 partner banners, which can also be combined with other current promotional offers.

Expansion of Fnac Darty's ecosystem of partnerships

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

In 2018, Fnac Darty signed a partnership agreement with Google, which follows the three-month exclusive deal to sell the Google Home smart speaker when it was launched at the end of 2017. The "Darty Button" has been integrated into the Google Home ecosystem, allowing customers direct access to voice-activated product support. The Google offering is now available in dedicated spaces across all the Group's stores, including around 50 corners. The Group has also been one of Google's top three partners for the launch of the transactions functionality offered by Google Assistant, which allows its customers to test voice-based purchasing via their Fnac Darty customer account. Finally, in the context of strengthening its activities in the field of computer equipment with the launch of Google Shopping Actions in 2018 and its international roll-out in 2019, Google will offer the Fnac Darty offering on its platform from the first quarter of 2019.

The Group has also signed an industrial partnership with Carrefour, to conduct shared purchases for consumer electronics and household appliances in France, showcasing the Group's expertise in building product ranges and negociating. This partnership was further strengthened in 2018 with the testing of two Darty shop-in-shops. Based on the franchise format, these shop-in-shops sell appliances and gray and brown products (IT equipment, TVs, etc.) in two Carrefour hypermarkets in Limoges and La Ville-du-Bois in Essonne (south-west of Paris city center).

In 2018, Fnac Darty also partnered with Bouygues Telecom to market the operator's landline and mobile offerings in Fnac Connect stores. Bolstered by this partnership, Fnac Darty aims to create around 50 new Fnac Connect stores over the next five years, where Bouygues Telecom offerings will be offered. As of the end of 2018, eight Fnac Connect stores have opened.

The Group has also strengthened its partnership with Orange to promote the distribution of new modes of digital reading thanks to an innovative offering of audio books. Fnac Darty has therefore consolidated its position as a leader in editorial product retailing.

Finally, in 2018 an agreement was signed with Wehkamp in the Netherlands, and this came into force at the end of the year. It allows the Dutch subsidiary, BCC, to provide Wehkamp with its entire product range and manage the purchases (electronic products and household appliances) of the two banners. In return, the Group benefits from the digital expertise of its partner, as well as its logistical capacity for small parcels.

1.2.4.3 / Solid results in a complex market environment

Fnac Darty posted revenues of €7,475 million, up by +0.3% like-for-like. This solid performance was achieved despite a market environment marked by exceptional events that have repeatedly impacted business activities, mainly in France: unfavorable weather conditions in the first quarter, strikes in the second and protests at the end of the year.

The gross margin rate reached 30.3%, up +0.2 points compared with 2017, excluding the dilutive effect from franchises of around -30 basis points. This demonstrates a well-controlled commercial policy.

Current operating income rose by +10% to €296 million under the combined effect of the roll-out of synergies from the acquisition of Darty and solid operational performance.

The current operating margin increased significantly (+0.4 points) to achieve 4.0%, compared with 3.6% the previous year.

The Group continued its strong generation of operating free cash flow to reach a total of €173 million [(1)], including -€38 million in non-recurring cash costs as a result of integration.

Finally, the net income from continuing operations reached €150 million in 2018, up sharply by +20% compared with 2017.

This solid performance demonstrates the Group's agility, together with its ability to finalize the integration of both banners, roll out its new strategic plan and deliver perfectly controlled commercial performance in a lackluster consumption environment.

The Group's operational and financial performance is detailed in section 4.1 "Analysis of business activities and consolidated results".

1.2.4.4 / A solid financial structure

The Group has a solid financial structure and a well-controlled financial policy.

As part of the Darty acquisition, the Group used a €650 million bond issue in 2016, which will mature in 2023. This first bond issue was a success, giving the Group an attractive rate with a coupon of 3.25%.

(1) Excluding a fine from the French Competition Authority.

In the first half of 2018, the Group renegotiated its bank debt. This has resulted in improved conditions, and an extension of the credit facilities agreed on April 20, 2016 with its financial partners. This means the final maturity of the Term Loan of €200 million was extended by two years to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its operational model as well as Fnac Darty's new scale. The success of this operation demonstrates the confidence that financial partners have in Fnac Darty's strategy.

In March 2018, Fnac Darty also put in place a NEU CP (Negotiable European Commercial Paper) program for a maximum amount of €300 million. This new approach will strengthen the Group's liquidity while giving it access to a new market – the short-term debt market.

The Group's financial soundness was also emphasized by Standard & Poor's, who raised the Group's long-term credit rating to BB+ in March 2019, after having upgraded Fnac Darty's outlook to positive in April 2018.

On February 18, 2019, Fnac Darty announced the signing of a loan agreement in the amount of €100 million with the European Investment Bank (EIB). Executed within the framework of the "Juncker Plan", this loan is intended to finance the Group's digital transformation investments to support the roll-out of Confiance+. This financing has a maximum maturity of nine years, under very attractive terms. The Group has 18 months to draw down this line.

Fnac Darty also received a BBB- rating from Scope Ratings. This rating is in addition to the BB+ (stable outlook) and Ba2 (stable outlook) ratings received from Standard & Poor's and Moody's.

1.2.4.5 / Governance and shareholding

Ceconomy remains the Group's reference shareholder with 24.3% of share capital. It does not hold any seats on the Board of Directors, but did participate in the cooption of three independent members: Delphine Mousseau, Daniela Weber-Rey and Caroline Grégoire Sainte Marie.

On February 6, 2018, the French insurance broker SFAM purchased Knight Vinke's 11% stake in Fnac Darty, thus becoming the Group's second-largest shareholder.

On July 2, 2018, Vivendi exercised the right it secured at the start of the year to exit its 11% interest in Fnac Darty. Both companies will continue to develop partnerships and opportunities for collaboration.

In 2018, the Group launched a capital increase reserved for employees, allowing almost 5,000 employees to invest in the new corporate project and become shareholders in the Group.

Fnac Darty also continues to take advantage of opportunities for shareholder returns, and the Group seized a market opportunity by implementing for the first time a share buyback program, up to a maximum of 535,000 shares or approximately 2% of capital for a duration of 24 months. The buyback operation is being implemented at a price that may not exceed €130 per share, set by the General Meeting on May 18, 2018. These shares are intended to be canceled so as to offset the dilutive effects of performance share plans or past stock option plans. These buybacks are made under the authorizations granted by the Annual General Meeting of Shareholders, which approved a share buyback program up to a maximum of 10% of share capital, and in accordance with the description published in the 2017 Registration Document, filed on April 3, 2018.

1.3 / Fnac Darty markets and offering

1.3.1 / DESCRIPTION OF MARKETS

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

- editorial products: books (physical or digital), audio (CD, vinyl), DVD/Blu-Ray, new and used video games and consoles, games & toys and stationery;
- consumer electronics: photography, TV video, sound (hi-fi, headsets and speakers), computers and tablets, telephony and connected devices;
- household appliances, divided between large household appliances (refrigerators, cookers, washing machines) and small household appliances (vacuum cleaners, cleaning and small kitchen appliances);
- services: after-sales services, insurance and warranties, gift boxes and gift cards, ticketing, Marketplace and franchise fees.

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 in France [(a)]

	2018	Change compared to 2017		2018	Change compared to 2017
TV (Video)	1,959	5.8%	Books	3,302	0.4%
Sound	1,043	3.0%	Audio	331	(7.0%)
Photo	686	(14.5%)	Video	357	(16.0%)
IT	4,586	(4.2%)	Gaming	1,633	1.6%
Telephony	3,515	2.7%	Stationery	1,291	(2.7%)
Connected devices	1,443	1.1%	Large household appliances	5,712	(0.8%)
Games & Toys	2,097	(5.1%)	Small household appliances	3,247	0.6%

(a) Source: GfK, January 31, 2019.

1.3.2 / MARKET TRENDS

1.3.2.1 / Digitization of distribution and changes in consumer behavior

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

The advent of e-commerce has resulted in the emergence of new specialized online competitors, known as "pure players", who focus on competitive prices and services and an ever-expanding offering. 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 purchasing behavior. The development of e-commerce websites has led to an expanded range of available products and facilitated instant price comparisons. Consumers now have much better information about the features of products via technical fact sheets and consumer reviews. With greater knowledge derived from this information, they are becoming more demanding in-store in terms of price, advice and product offerings.

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 59%, 60% and 69% respectively [(1)]. Although the e-book market is growing in France, the rate of penetration remains low at 3%[(1)] of the market in 2018.

1.3.2.2 / Competitive environment

Fnac Darty's main competitors are:

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

1.3.2.3 / Markets correlated to household income

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

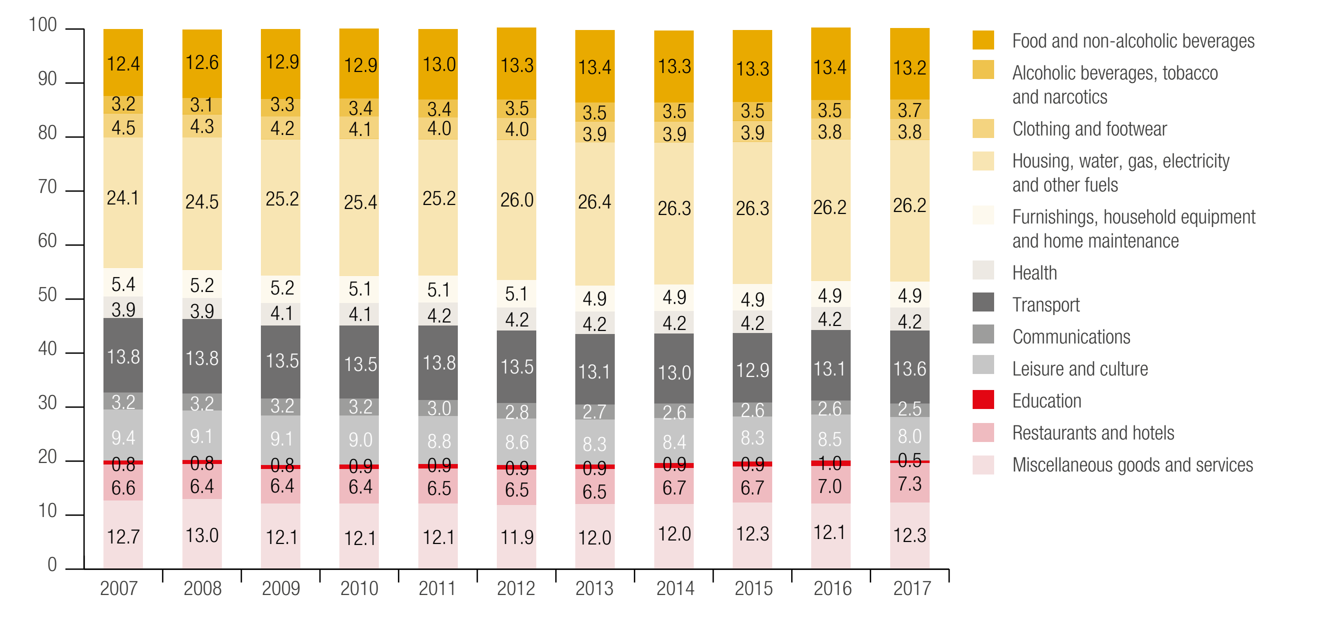
Growth in these markets is sensitive to changes in disposable household income, which in turn is based on changes in gross domestic product (GDP), the tax burden on households and their rate of savings. Since 2008, the downturn in macroeconomic conditions has had the effect of reducing non-essential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

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

(1) Source: GfK, January 31, 2019.

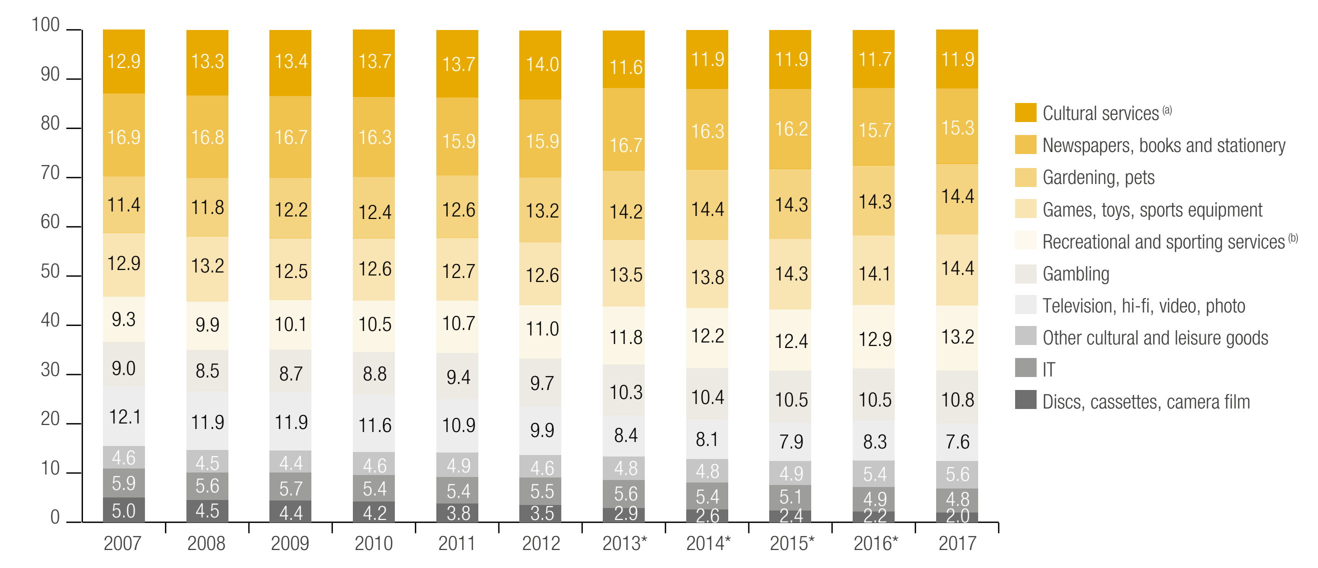
Over the past twenty years, it seems that a growing proportion of disposable household income is allocated to secondary expenses. However, more recently, there is an observable change in this growth, with the proportion of primary expenses in the household budget increasing gradually to the detriment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

Breakdown and change in household consumption by item (%)



The following graph (source: Insee) shows the change in French household consumption in entertainment and cultural products for the period 2007-2017.

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



(a) Cinema, live performances, museums, audiovisual subscriptions (including television fees), photograph development, etc.
(b) Sports, rental of sporting material, fairs and festivals, amusement parks, package trips, weekend breaks, etc.
** Revised 2013, 2014, 2015 and 2016 data.*
Scope: France.
Source: INSEE, national accounts – 2014.

The consumer electronics market, which represented 51% of revenues in 2018, depends heavily on product innovation and household equipment rate cycles. Innovation and its impacts are inherently hard to predict.

The traditional cycle of a consumer electronics 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 when households buy multiple 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. However, with the recent appearance of smartphones with large screens, consumers are now turning more to telephones than to tablets. This phenomenon of substitution and cannibalization of smartphones has also affected existing devices such as MP3 players, GPS systems and cameras.

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

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

Consumers are placing increasing importance on the services related to consumer electronics (phone insurance), as well as delivery and after-sales service.

The white-goods market, which accounts for 22% of 2018 revenue, depends primarily on the renewal of household equipment. 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, especially with an upscale in vacuum cleaners, coffee makers and multi-function kitchen robots. Consumers pay attention to the services associated with these products (warranties), including the delivery and collection of equipment, particularly in the large goods sector.

The editorial products market, which accounts for 17% of 2018 revenue, depends on the publishing schedule for new items. In reality, the slowdown of this market is a sign of the changing times, with the rise of the digital economy. The CD and DVD market has been in decline in recent years and is driving retailers to envisage new modes of consumption for this segment. The books market is showing more resilience but continues with a slight downturn.

1.3.3 / A DIVERSIFIED PRODUCT AND SERVICES OFFERING

The Group is able to propose a balanced offering, built around product categories with complementary growth and margin profiles.

The Fnac and Darty banners each distribute consumer electronics (51% of revenues), a sector whose growth consists of short innovation cycles. This shared offering, with strong positioning by both banners, is enhanced both by Fnac's strength in editorial products (17% of revenues) and by Darty's leading position in the household appliances market (22% of revenues). Other products and services (over 10% of revenues) complement the Group's offering, with categories such as Games & Toys, Stationery, the fitted Kitchen offering, after-sales service, warranties and insurance, and ticketing, which generate higher margins. Through its additional expertise, Fnac Darty endeavors to inform and advise its consumers to help them make the right purchasing decision.

1.3.3.1 / Consumer electronics offering

Both the Fnac and Darty banners are positioned as leaders in the retail of consumer electronics, which includes photography, TV & video, sound, micro-computing, telephony and connected devices. In 2018, the Group generated consolidated revenues of €3,779.5 million from consumer electronics sales, representing 51% of its consolidated revenues.

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

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

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

The Group is also collaborating with Microsoft to set 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. The Group also lets Microsoft benefit from its customer loyalty program and allows Microsoft to present its products in Fnac publications.

This method of collaboration, which was extended to other strategic suppliers such as Google and Samsung, means that the suppliers assume the merchandising or promotional costs at the point of sale. The Group signed an agreement with Google granting it exclusive distribution rights for the launch of its flagship product, the Google Home smart speaker, in all Fnac and Darty stores and on their websites. The offering is now available in dedicated spaces across all the Group's stores, including around 50 corners.

1.3.3.2 / Editorial products offering

Physical products offering

Editorial products include music, video, books and gaming products. In 2018, the Group generated consolidated revenues of €1,249.7 million from the sale of editorial products, representing almost 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 record store in France with a product list of nearly 200,000 titles.

As the leading player in the video market, Fnac has 35,000 active video, DVD and Blu-Ray titles.

Fnac is the premier bookseller in France and offers the largest range in the market with over 500,000 titles sold. In 2018, the Group sold nearly 45 million books in France.

In the gaming segment, Fnac has a catalog of over 11,000 titles in France, including more than 5,000 second-hand video game titles.

Digital offerings

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

In 2017, the Group finalized an exclusive strategic partnership with Deezer, offering all Fnac and Darty customers, in-store and online, a free three-month subscription to Deezer Premium+ when buying any audio product (speakers, headsets, etc.). Fnac+ cardholders can also take advantage of this offer. Furthermore, customers buying a CD, vinyl or who are Fnac members also benefit from an exclusive Deezer Premium+ subscription.

In 2018, the Group strengthened its partnership with Orange to promote the distribution of the latest digital book formats with a new range of audio books. Fnac Darty has therefore consolidated its position as a leader in editorial product retailing.

1.3.3.3 / Household appliances product offering

White goods include small and large household appliances. Large household appliances include products such as refrigerators, washing machines and dishwashers. Small household appliances include 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 2018, the Group generated consolidated revenues of €1,670.6 million from the sale of household appliances, representing 22% of its consolidated revenues.

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

Darty does not sell just the major 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).

The Group is committed to manufacturing solid own-brand products by integrating corporate social responsibility criteria in the processes and documents that frame its supplier relations in order to guarantee the safety and satisfaction of its customers during use of these products. In this regard, in 2018 the Group conducted 99 audits of its suppliers' production plants, primarily based in China. All the actions put in place are outlined in section 2.4.1.2, risk no. 4 of Chapter 2 "Mitigation of risks associated with sourcing from Asia and Eastern Europe" of this Registration Document.

1.3.3.4 / Other products and services

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

After-sales service

Darty is positioned as the leader in France in after-sales service. The Banner 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. The roll-out of this innovative concept continued in 2018 with the opening of 10 new in-store service areas.

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

Darty also launched an innovative and unique offering called the "Darty Button". It was developed with the addition of 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.

Furthermore, both banners offer in-store or at-home training services, and installation of equipment at home.

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

In 2018, the Group expanded its after-sales service offering with the launch of the sav.darty.com platform. The site shares information about repairs to allow customers to benefit from Fnac Darty's expertise and prolong the lifespan of their products. This activity is central to the Group's responsible business model. The acquisition in October 2018 of WeFix, a French leader in express smartphone repair, is also intended to position Fnac Darty as a reference player in smartphone repair and associated services, while offering an enriched ecosystem to customers.

Marketplace

Marketplaces, which are intermediary platforms linking buyers and sellers, support the Banner's online strategy by increasing the depth of the product range 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 3,500 professional sellers and several hundred thousand private sellers, who meet Fnac and Darty's service quality criteria and are managed by dedicated teams, to be listed and to use the website as a sales interface, making the most of the visibility, reputation and transaction security in all the countries in which the Group operates.

The Group is committed to selecting responsible resellers on its Marketplace. This is to ensure the security of transactions and help fight money laundering and financing of terrorism, in accordance with the ACPR (French Prudential Supervision and Resolution Authority). All the actions put in place are outlined in section 2.4.1.2, risk no. 4 of Chapter 2 "Mitigation of risks associated with the Marketplace" of this Registration Document.

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

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

Membership cards

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

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

Darty+ was launched in October 2017 offering unlimited delivery for both banners, including two-hour delivery from the nearest store, as well as priority unlimited daily technical support with the "Darty Button". Darty+ customers can also benefit from exclusive rates for breakdown service for all their devices not covered by a Darty warranty. By the end of 2018, Fnac+ and Darty+ recorded almost 1.5 million members.

Franchise

The Group is giving priority to expansion through a franchise model. This is an asset-light model that enables the Company to benefit from the operating know-how of partners and their knowledge of the local market. This mode of operation limits investment costs while furthering the goal of rapidly increasing Fnac Darty's visibility. The franchisee then pays a fee for the use of the brand's distinctive features based on a percentage of revenues at the relevant sales point, and must comply with strict rules to maintain the brand's integrity in the eyes of consumers.

The Group's goal is to double its franchised store network in the medium term with 400 stores operating as franchises. At the end of 2018, Fnac Darty had 260 stores operating as franchises. The Group's strong presence across regions, through its large network of stores, contributes to the local, social and cultural economy by creating jobs and widening access to culture for as many people as possible.

Insurance and warranty

Both banners sell warranty extensions in addition to the free manufacturer's warranty. Breakage and damage/theft insurance is also available for telephony and multimedia products. Fnac also offers a 100% immediate warranty, which allows a customer to be reimbursed immediately if a product breaks down.

Financing

Fnac offers several financing solutions in partnership with Crédit Agricole Consumer Finance. Through its Mastercard credit card launched in May 2017, Fnac offers the option of postponing payment at no charge for up to two months after the purchase date, and ongoing financing options in several monthly installments. All payments made with the card at Fnac or elsewhere earn holders Fnac loyalty scheme points and allow them to benefit from banner gift cards.

Darty also offers financing solutions and installment payments. The banner offers a Darty Visa card, which – beyond simply financing a purchase – allows customers to earn gift cards for their future purchases and other benefits such as free subscription to the connected service offering the "Darty Button", access to special product offerings, VIP shopping nights, flexible financing offers and credit free of charge.

Subscriptions

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

Rental

In 2018, Fnac Darty continued to develop its rental offering, specifically by offering a combined service for the long-term lease of electronic items for both banners, which includes after-sales services for the entire duration of the agreement. Drawing on the Group's omnichannel model, the geographical coverage of stores and the expertise of Fnac Darty salespeople, a flexible and innovative subscription package has been put in place. This means that, thanks to a salesperson with a dedicated tablet, customers can sign up for this service in-store in just 10 minutes. Smartphones, tablets and computers are offered for lease with three different agreement durations – 12, 24, and 36 months – and monthly payments starting at less than €8 per month (after an initial higher rental payment). Breakdown cover is also included.

Kitchen

In 2007, Darty opened its first in-store space dedicated to the kitchen. Darty's kitchen offering complements the white-goods offering and allows it to capitalize on the Group's expertise and brand image. The rollout accelerated in 2018 with the opening of 25 new spaces in France, including the first three stores dedicated solely to this offering. As of the end of 2018, the Group has over 130 Kitchen points of sale.

Ticketing

Fnac has a Ticketing and Box Office Services division, with the company France Billet (B2C business), which is the leading French ticketing and box office seller for shows and events, and the companies Tick&Live and Eazieer in B2B activities.

France Billet operates ticketing sites under a white label (meaning 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 retail solutions.

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

At the start of 2019, Fnac Darty began exclusive negotiations for the acquisition of Billetreduc.com by its subsidiary France Billet, a specialist in cultural and entertainment ticket sales. The Group is thereby enabling France Billet to diversify and strengthen its ticketing offering across France, in a rapidly-evolving market.

Games & Toys

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

Stationery

To supplement its book offering, the Banner has also created stationery sections based on Premium-position brands across the whole of its Fnac store network.

1.3.4 / GEOGRAPHICAL BREAKDOWN

The Group benefits from the complementarity of the network of the two banners in France, with stores in different formats based in city centers, shopping malls, retail parks outside of large cities, and train stations and airports, in order to adapt to the traffic in each area served. The Group also has shop-in-shops in hypermarkets (two Darty shop-in-shops tests in Carrefour hypermarkets and a Fnac shop-in-shop within an Intermarché store, in addition to the 13 Fnac shop-in-shops in Intermarché shopping malls).

Its international exposure stretches across 12 countries, mainly in Europe.

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

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

1.3.4.1 / Presence in France and Switzerland

In the France/Switzerland region, the Group had a network of 571 stores, 255 of which were operated as franchises at the end of 2018.

The Fnac banner has 180 stores, and the Darty banner has 382 stores. The store network expanded notably last year with the opening of 62 stores over the period, including 54 operated as franchises (33 Darty franchises and 21 Fnac franchises in mainland France and the overseas departments and territories, including 11 Proximity Fnac format stores, 5 Travel Fnac retail stores and 2 Fnac Connect stores). The first Fnac Darty store was also opened in 2017. Managed from France, the Fnac brand also developed franchises in other international markets such as the Congo, Cameroon, Morocco, Ivory Coast and Qatar. Finally, in 2018 Fnac Darty established itself in Tunisia with the opening of a Fnac store and a Darty point of sale.

Across the region, the Group received 168 million visits in 2018, and Fnac Darty is now the second-largest e-commerce retailer in France in terms of average number of unique visitors per month [(1)]. The Fnac Switzerland subsidiary successfully launched its own e-commerce site in 2016.

Key figures	Data at end of 2018
Revenues	€5,835.2m
Operating margin	4.5%
Current operating income	€265.4m

1.3.4.2 / Presence in the Iberian Peninsula

At the end of 2018, the Group had a network of 62 Fnac stores in the Iberian Peninsula and opened three new stores in Spain (two integrated and one franchise over the year).

The Group received 66 million visits in 2018. Both the Fnac Spain and Fnac Portugal subsidiaries have an e-commerce website (fnac.es and fnac.pt).

Key figures	Data at end of 2018
Revenues	€703.1m
Operating margin	3.6%
Current operating income	€25.4m

1.3.4.3 / Presence in Benelux

At the end of 2018, the Group had a total network of 147 stores under the Fnac and Vanden Borre banners in Belgium and BCC in the Netherlands. The Group closed seven stores in the Netherlands over the year.

In the region, the Group received more than 24 million visits in 2018, and each banner has its own website.

Key figures	Data at end of 2018
Revenues	€936.4m
Operating margin	0.6%
Current operating income	€5.2m

1.4 / Group strategy: Confiance+

1.4.1 / A REFERENCE EUROPEAN OMNICHANNEL PLATFORM THAT MEETS CONSTANTLY EVOLVING CUSTOMER EXPECTATIONS

In a retail sector undergoing profound transformation, Fnac Darty has focused on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. By anticipating, since 2011 (Fnac) and 2013 (Darty), new consumer behavior in a world where the two sales channels (stores and web) communicate and interact, the two banners have invested heavily in offering a unique proposition to their customers. In a profoundly changing sector where the boundary between the digital and physical world is fading, the Group offers its customers a unique buying experience, and a totally seamless buying process, by providing the highest digital standards to support their buying experience both online and in-store.

In 2017, Fnac Darty launched its Confiance+ strategic plan, which aims to create the reference omnichannel service platform in Europe by drawing on two pillars: an enriched Fnac Darty ecosystem and an open omnichannel platform.

(1) *Source: Fevad/Mediamétrie.*

1.4.2 / AN ENRICHED CUSTOMER ECOSYSTEM

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

The Group today boasts a balanced product offering, built around product family categories with complementary growth and margin profiles, marked by a spirit of continuous innovation. Fnac Darty is now a key operator both in its markets and with regard to its suppliers, which means its customers can benefit from an unrivaled range of products both online and in-store.

All product categories combined, the Group has a 21% market share in France [(1)]. In premium segments, defined by the highest two quartiles of prices, the Group represents 29% of market share, reflecting its position as a key player in new, innovative and value-creating products.

In adhering to this strong positioning, the Group is developing key partnerships with its suppliers. It is now recognized as an indispensable retail platform, able to enhance the value of the innovations developed by its suppliers. This asset allows it to develop business partnerships and benefit from exclusive advantages and enhanced commercial operations. In 2017 for example, the Group signed a three-month exclusive agreement with Google to distribute its flagship product, the Google Home smart speaker, in all Fnac and Darty stores and on the Group's websites. In 2018, this commercial partnership was strengthened. This has enabled the roll-out of the Google offering in dedicated spaces across all the Group's stores, including around 50 corners.

Fnac Darty intends to continue diversifying its product offering while ramping up certain existing categories and developing new segments connected with the Group's offering. Diversification is an advantage that allows the Group to establish its presence in response to new consumer behaviors, as well as anticipate major technological developments (urban mobility, robotics, drones, etc.). Since 2011, the Group has introduced more than 10 new activities within these two banners, representing 40,000 additional products in these new categories.

This diversification ambition is sustained by the development of the Group's Marketplaces and e-commerce sites. Intermediation platforms between buyers and sellers, the Marketplaces support the Group's digital strategy by expanding the choice available on websites and the number of offers available to Internet users. Their development is continuing steadily in France, as it is for Fnac Spain and Fnac Portugal. The darty.com Marketplace is also growing considerably, with the fnac.com Marketplace providing a dedicated Darty space since 2016. The Group aims to triple its business volumes over the medium term compared with the level at the end of 2016 (12%). The Banner is committed to selecting responsible resellers on its Marketplace. This is to ensure the security of transactions and help fight money laundering and financing of terrorism, in accordance with the ACPR (French Prudential Supervision and Resolution Authority). All the actions put in place are outlined in section 2.4.1.2, risk no. 4 of Chapter 2 “Mitigation of risks associated with the Marketplace” of this Registration Document.

At the same time as building a wide, balanced product offering, Fnac Darty is operating a focused sales policy to offer competitive prices. The Group is deploying targeted promotions to retain its loyal customers.

1.4.2.2 / An unrivaled, enhanced range of services

Fnac Darty's ecosystem is now enhanced by the widest services offering in the market, a clear distinctive competitive advantage built on the DNA of both banners. Darty's experience is an irreplaceable asset in the Group's portfolio of services, featuring its celebrated *Contrat de Confiance* launched in 1973 and built on the model of “best price, best choice, best service”. The after-sales service is a high value-creation factor which truly differentiates the offering from others proposed by pure players. The Group is the leader in this area thanks to Darty's expertise. Fnac's expertise is based on the strength of its independent advice, which stems from the product testing carried out in the Labo Fnac, and the quality of its salespeople's advice.

(1) Source: GfK.

The portfolio of services offered by Fnac Darty therefore covers the entire spectrum from pre-sales to after-sales service, and enhances the Group's product offering with offers that are unique to the market and personalized to meet and anticipate every customer's needs, while making a commitment to provide them with independent expert advice to help them make an educated choice. The range of services offered by the Group can be broken down as follows:

- pre-sale: renowned independent high-quality technical advice notably through the test laboratory created 50 years ago, allowing customers to benefit from unique expertise. In 2018, Fnac Darty implemented two new initiatives to fight planned obsolescence: the reparability index and the first Fnac Darty after-sales service barometer to provide customers with information to help optimize the lifespan of their equipment. In 2018, the Group also implemented an environmental rating for 69% of its consumer electronics products sold, thereby allowing its customers to compare the environmental impact of products in the same category. All these actions are outlined in section 2.2.1.1, risk no. 2 of Chapter 2 "Fnac Darty is committed to informed choices" of this Registration Document;
- in-sale: financing solutions offered by both banners with rental solutions, including the launch of a unified rental offering in 2018, that covers hundreds of high-tech products and product repurchase solutions; and
- after-sale: a unique delivery service covering all regions; protection against product breakdown; theft and damage insurance; in-store, home and remote technical support for product installation, servicing and repair; and Internet or TV content access services. Fnac Darty is committed to improving the lifespan of products by offering the best after-sales service in France, promoting the reuse of products, and participating in the collection and recycling of waste. This means that, in 2018, it carried out 1.5 million repairs and collected and recycled over 45 metric tons of waste. This year, the Group also rolled out new services to step up its efforts, with the implementation of the Fnac Darty certified "Smartphone technical inspection". This is a quality guarantee to facilitate the resale of cell phones between individuals. Fnac Darty also launched the sav.darty.com platform, which is used to share repair information. The acquisition in October 2018 of WeFix, the French leader in express smartphone repair, is also intended to position Fnac Darty as a reference player in smartphone repair and associated services, while offering an enriched ecosystem to customers. All these actions are outlined in section 2.2.1.2, risk no. 2 of Chapter 2 "Fnac Darty is committed to a more circular economy" of this Registration Document.

All these initiatives are part of the Group's commitment to the circular economy. As such, Fnac Darty has received the commendation of the French Ministry for Ecological and Inclusive Transition and, in 2018, was awarded the "Entreprises et Environnement" (businesses and environment) prize by Ademe, in the Circular Economy category.

The combination of the two banners' complementary know-how now permits the delivery of a unique value proposition for the Group's customers. The pooling of Fnac and Darty assets as part of their integration has enhanced each banner's range of services, benefiting customers.

In 2017, Fnac launched a universal payment card for its five million members based on the card offered by Darty, offering members exclusive benefits with every purchase. Darty's unique know-how in home delivery also helped Fnac by having Darty teams set up deliveries of large consumer electronics (TVs, etc.). A new Darty+ membership card was also launched using the Fnac+ card model, the banner's iconic loyalty plan. This roll-out continued in 2018, with the pooling of the two banners' IT security offerings.

The Group intends to continue expanding its services offering to seize new market opportunities and to adapt to the expectations of customers, who want increased speed, more simplicity and more personalization. In line with its development of the digital services offering, the Group wants to offer an optimized online service experience to respond to new consumer behaviors and the increasing digitization of retail. The Group is also launching significant innovations in product-related services, through new remote after-sales service initiatives. This involves the extension of the connected "Darty Button", which was integrated in the Google Home ecosystem in 2018. This offering was developed with the addition of video technology, allowing customers to use the video function on their smartphones to have a visual connection with a customer service agent and speak with the agent by telephone, which in turn facilitates the diagnostic process for Darty personnel.

Lastly, the Group aims to position itself in booming innovative segments, such as the smart home, with the launch of dedicated connected services to offer users and customers real support for their use of the products of tomorrow. The partnership agreement signed with Google in 2018 allowed the Group to strengthen its position in the growing smart speaker segment. The Group will also be among the first to trial voice-activated payment through Google Assistant.

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

Recognition

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

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

This recognition is largely due to the Banner's three core values, expertise, independence and cultural promotion:

- expertise – Among specialty retail brands, Fnac is known for its expertise in the products it sells. The banner maintains its reputation for expertise by focusing on three main areas: laboratory testing, with over 1,000 tests in 2018; the quality of its sales force; and its customer relations;
- 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 the banner's recommendations to customers and enables it to develop closer ties with them. Beginning in 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating; and
- cultural promotion – Fnac is a major cultural player and a company committed to artists, not just through its extensive cultural products offering, but also through the events (7,000 of them in 2018) organized in-store or externally:
  - in the literary field: the Prix Goncourt des lycéens (for senior 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 on the square in front of Paris City Hall,
  - in the photographic and cinema field: photo marathons, photo exhibitions in store or out, master classes with celebrated film directors,
  - in the Gaming field: gaming trophies and a presence at major trade fairs, and
  - Fnac is also contributing to cultural access and education, mainly via the charitable schemes *Grande Collecte* and the solidarity street market in Dijon. These two events are detailed in section 2.2.1.2 "Support associations" in this Registration Document.

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

- best price: low prices guaranteed by issuing a gift card for a limited period for the difference between the price paid and the 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; and
- best service: before, during and after the sale.

Thanks to the quality of the Darty service offering, the Group is perceived as the leader in terms of "service included" prices, value for money, and having the most effective after-sales and delivery services.

Loyalty programs

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

Fnac has a strong customer loyalty program, with more than 8 million members, of whom 5.9 million are in France as of the end of 2018. Revenues generated by loyalty program members accounted for nearly 60% of the Fnac network revenues. The number of members almost doubled in the 2010-2018 period. 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. Members are an asset providing the Banner with a high level of differentiation. They visit the store four times more often than other customers, and on average spend double the amount of a non-member in-store.

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

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

In 2007, Darty launched a customer loyalty card allowing the user to look up all of the products he or she has purchased, their warranties, instructions and a selection of associated products on darty.com. In order to strengthen customer loyalty, the Banner 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 "Darty Button", access to special product offers, to VIP shopping nights, flexible financing offers and credit free of charge.

Since its merger, the Group has launched loyalty programs on a shared basis to help consumers make an educated choice through each banner's unique delivery and after-sales expertise.

Fnac+, launched in 2016 to complement the Fnac Card, gives customers unlimited free access to all Fnac and Darty delivery services: next-business day delivery, delivery at a designated time, and two-hour Chrono delivery in more than 15 cities in France for fnac.com orders. They also have access to priority in-store check-outs to streamline the buying experience. These exclusive benefits complement the benefits offered to Fnac members.

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

The two programs, offering unlimited deliveries from both banners, allow both brands to benefit from a resulting expansion of their customer bases and to offer a unique service to customers. Both programs have a cumulative total of 1.5 million subscribers, representing growth of 40% compared to 2017.

With its unlimited subscriptions, the Group is at the same time expanding its content offering, by offering members a unique value proposition that includes internal content with events and features reserved for members, along with external content with exclusive access to new services such as Deezer for music streaming. In 2018 for example, this content was strengthened with the creation of the Pass Partenaires. This scheme allows loyal customers of both banners to take advantage of attractive discounts from over 50 partner banners, which can also be used in conjunction with other current promotions.

1.4.3 / AN OPEN OMNICHANNEL PLATFORM

1.4.3.1 / Densification of the multi-format store network, reinforcing customer proximity

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

Its strengthened international exposure stretches across 12 countries, with a pronounced European presence, including a new location in 2018: Tunisia.

At the end of December 2018, Fnac Darty had a network of 780 stores (571 in France) [1], which allows the Group to be closer to customers. The Group operates 520 directly owned stores and 260 stores under franchise. In 2018, the Group opened 66 stores (60 in France), 55 of which are franchises.

Going forward, Fnac Darty intends to continue expanding its geographical coverage to strengthen its omnichannel presence. Expansion will rely primarily on franchising. This is an asset-light model that enables the company to benefit from the operating know-how of partners and their knowledge of the local market. For example, the Group capitalized on the respective partnerships created with Intermarché and Vindemia for the Proximity format, with Lagardère Travel Retail for the Travel retail format, and with Sedadi and Bouygues for the Fnac Connect format. Backed by all the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the omnichannel strategy. Section 1.4.3.2 "Optimized and digitized multi-format stores" of this Registration Document outlines each format in detail.

(1) including 8 stores in Switzerland and 11 stores abroad.

In 2018, the opening of new spaces dedicated to small household appliances in Fnac stores in Spain, Portugal, Switzerland and France helped strengthen the customer offering. Finally, development of the kitchen offering has continued at Darty with the opening of 25 new retail areas throughout the year, including the first three stores dedicated solely to this offering. In this market, the Group aims to double its network to achieve nearly 200 dedicated points of sale.

1.4.3.2 / Optimized and digitized multi-format stores

The Group's omnichannel platform has been designed to offer a unique buying experience for customers as well as for all Group partners, providing value for them. It is based on key assets: an extensive network of multi-format stores, an innovative digital platform and a logistics tool designed to the highest standards.

Some 49% of online sales are now omnichannel and therefore rely on unique digital assets and a dense network of multi-format stores.

Store network and formats

With a network of 780 stores in Europe, Fnac Darty's goal is to increase the density of its store network in different formats.

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

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

- the Travel format (railway stations, airports and duty-free areas), with 26 stores, including 24 in France at the end of 2018. The Banner has signed a strategic partnership with Lagardère Travel Retail via Aelia and MRW to develop the Travel retail stores in France under a franchise operation;
- the Proximity format, with 67 stores at the end of 2018. In 2018 alone, the Group opened 11 stores in France and was able to capitalize on partnerships concluded with Intermarché and Vindemia for the proximity format; and
- the Connect format (dedicated to telephony and connected objects), with eight stores at the end of 2018 in France and abroad. For this new concept, Fnac received the prestigious Janus Award in the Business category from the French Institute of Design. This concept will benefit from the partnership agreement signed in 2018 with Bouygues Telecom, with plans to open around 50 new Connect format stores in five years. These stores will then sell items from the Bouygues Telecom offering.

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

At the end of 2018, Fnac had 261 stores in total, including 180 stores in France [1]. Fnac opened 26 stores in 2018 (compared with 28 in 2017), five 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 large cities, such as Paris, Lyon and Marseille. The other Darty stores are generally situated outside of big cities, in shopping malls and retail parks. In order to extend its presence to less populated French regions, particularly those with fewer than 100,000 inhabitants, Darty has also put a franchise network into place. This network has allowed it to expand its store network, for a limited level of investment, and enter into small hubs where a classic large-format store would be too expensive to operate. The first franchise store opened in March 2014. Darty opened 40 stores in 2018, 39 of which were in France (33 franchises and 6 directly owned stores) and 1 of which was a directly owned Vanden Borre store.

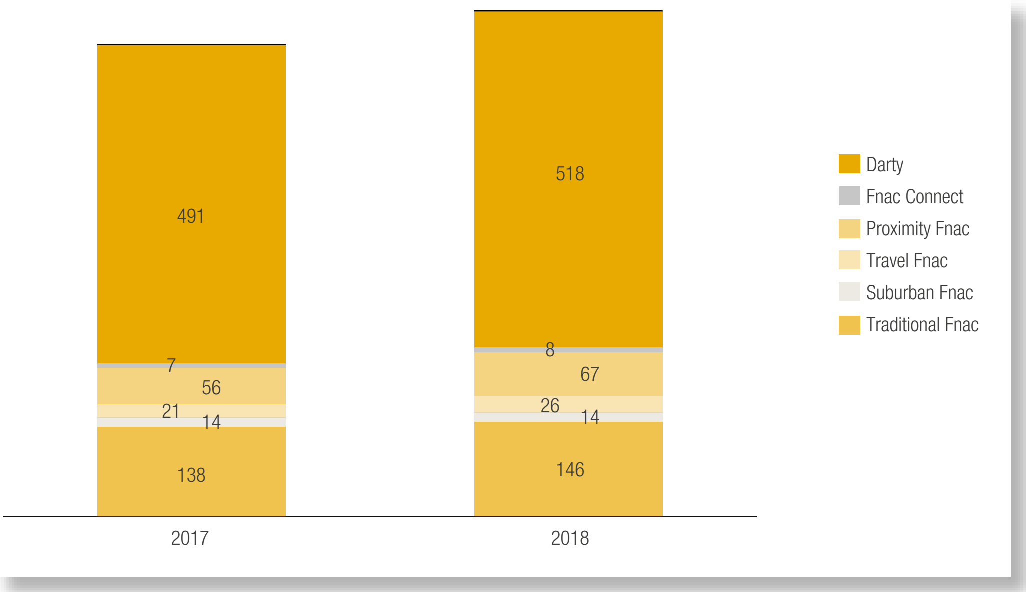
As its geographical coverage is a major asset of its omnichannel platform, the Group intends to continue developing it primarily through franchises. This mode of operation limits investment costs while furthering the goal of rapidly increasing the Banner's visibility. The franchisee then pays a fee for the use of the brand's distinctive features based on a percentage of revenues at the relevant sales point. As of the end of 2018, 260 stores were franchises, with a medium-term objective of over 400 franchises across all the countries in which the Group operates.

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

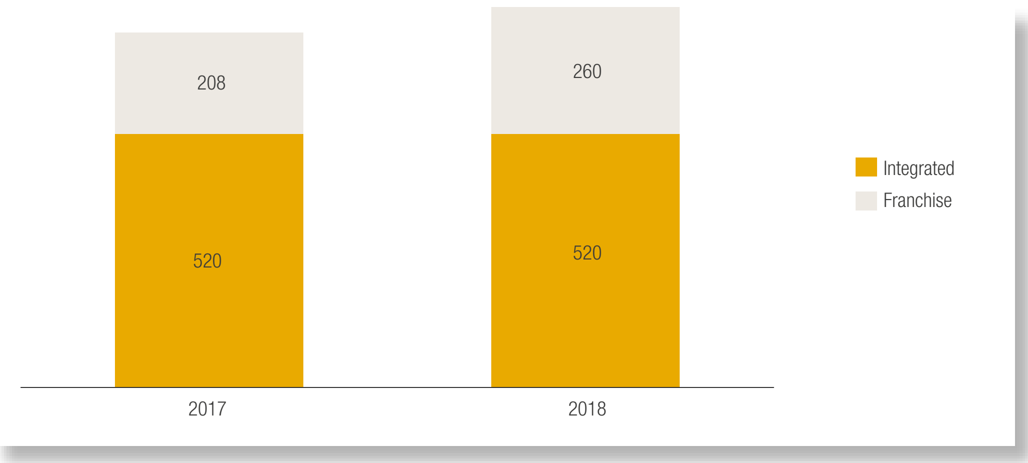
(1) Including 10 stores outside France: 1 in Tunisia, 3 in Morocco, 1 in Congo, 1 in Cameroon, 2 in Ivory Coast and 2 in Qatar.

Format	Date of concept	Average surface area	Location	Offering	Number of stores
Fnac network					
Traditional	1974	2,400 m²	City center – shopping district	Entire offering	146
Suburbs	2006	2,000 m²	Suburban areas	Entire offering	14
Proximity	2012	300 to 1,000 m²	Towns and smaller cities Large cities to supplement the store network	Entire offering	67
Travel (Aelia and MRW)	2011	60 to 300 m²	Airports and railway stations	Topical editorial products Consumer electronics focused on mobility	26
Connect	2015	80 to 100 m² for dedicated stores	City center Shop-in-shop	Telephony and connected objects	8
Darty network					
Traditional integrated	1968	1,500 m²	Proximity large cities – shopping malls	Entire offering	356
Franchise	2014	600 m²	Medium-sized city proximity	Minimum range	163

Number of stores by format



Number of stores by mode of operation



Reinventing the in-store experience to benefit the customer

The density of the network, a real competitive advantage, is central to Fnac Darty's omnichannel platform. Some 81% of Group revenues are now generated in-store. At the same time, e-commerce is taking an increasingly strategic role and strengthening the Group's omnichannel presence by offering customers flexible cross-platform shopping options through services such as "Click&collect" and "Click&mag". These services offer the possibility of taking full advantage of the complementarity between its store network and Internet presence.

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

In 2017, the Group developed the "shop-in-shop" concept, i.e. Darty corners in Fnac stores and vice-versa, a central aspect of the integration. By the end of 2018, over 30 shop-in-shops were opened on a trial basis. A combined Fnac Darty store also opened in 2017.

Furthermore, the partnership with Carrefour was reinforced in 2018 with the trial of two Darty shop-in-shops. Based on the Darty franchise format, these shop-in-shops sell appliances and gray and brown products (IT equipment, TVs, etc.) in hypermarkets in Limoges and La Ville-du-Bois in the Essonne region.

The roll-out of the Kitchen offering at Darty is also still accelerating, with 130 points of sale at the end of 2018. The Group intends to double the number of Kitchen points of sale, offering a wide-ranging and varied offering through different formats, such as corners or dedicated stores.

The in-store experience is also being enhanced with new services, thanks to innovative digitized solutions. The Group hopes to optimize the in-store buying experience by making it simpler and more streamlined. In the medium term, all of the Group's stores will be digitized, compared with almost 250 of its stores currently. The customer will then benefit from a fully digitized purchasing experience. All labels will be scanned prior to purchase to make all product information available and, for some products, there will also be a demonstration. The development of self-service check-outs also contributes to a streamlined experience.

1.4.3.3 / First-rate operational efficiency

The omnichannel transformation in which the Group has been engaged for several years has enabled it to support a profound change in consumer behavior. Logistics is one of the Group's key strengths, central to the omnichannel platform to enable consumers' new expectations to be met. In pursuing this objective, Fnac Darty has considerable advantages due to the complementarity between its two perfectly integrated banners, which offer customers a comprehensive and efficient range of services across its regions. This platform is a major advantage over e-commerce pure players.

In Europe, the Group has 11 main warehouses totaling over 350,000 m^2 of floor space, processing more than 200 million orders a year. This network serves both banners' stores, as well as customers, through the optimized processing of every product order. The logistical transformation undertaken by the Group over several years has enabled it to build a fully omnichannel multifunctional network as part of its platform. At the center of key consumer zones, the Group also has 80 delivery platforms, ensuring a home-delivery service that is one-of-a-kind in the market. The complementarity of the two banners' expertise in this field ensures more than 2 million home deliveries each year. This network serves both banners' stores, as well as customers, by the optimized processing of every product order.

In 2018, same-day and next-day deliveries of consumer electronics represented approximately 70% of total deliveries, compared to only 30% in 2014. Similarly, 50% of consumer electronics purchased online are now collected in-store, double the percentage in 2014.

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

- 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 not just in Fnac stores, but also in Darty stores thanks to the first business synergies initiated in 2016. At the end of 2018, 320 Darty stores allowed in-store collection of purchases made on fnac.com, and 30 Fnac stores allowed in-store collection of purchases made on darty.com. Furthermore, all Darty orders are available in Darty or Fnac stores that use the Relais Colis collection service (this service is for products that are not in stock in-store);
- Click&mag: an order placed by a seller on fnac.com for a product not available in-store with delivery to the customer's chosen location. This allows every store in the Group's network, regardless of size or format, access to the full Fnac offering;
- Click&collect 1H: where the customer orders a product on fnac.com or darty.com that is in stock in a nearby 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. The Group continued to strengthen its range of omnichannel delivery services with the roll-out of trials to reserve gaming products based on store inventory. This new service gives the Group's customers the option of one-hour collection for their purchases, and plans are in place to extend this to books in 2019;
- D+1 Delivery: next-day home delivery service to anywhere in France for orders placed before 6.00 pm on fnac.com and 3.00 pm on darty.com. Fnac customers in the greater Paris metropolitan area can place orders up to midnight and also benefit from this delivery offering. The Group has rolled out next-day delivery for its entire offering, including large goods (across 80% of France), with services also included (installation and removal of old appliance);
- 2H Chrono Delivery: the fastest delivery offering on the market. It gives customers the ability to order their consumer electronics online and to have them delivered to their home within the next two hours. This service is available for darty.com in the Paris metropolitan area as well as in 20 other major metropolitan areas, and in 15 metropolitan areas for fnac.com;
- Retrait Colis gratuit (free parcel collection service) supplements Fnac's Free In-Store Delivery service: customers living over 30 km from a Fnac store can have their purchase delivered free to a Relais Colis pick-up point near their home;
- Same-day delivery: Darty same-day delivery in the Paris region and Lyon for household appliances and televisions for any order placed before 3 pm;
- Evening deliveries: Fnac same-day delivery between 7 pm and 9 pm for any order placed before 3 pm; and
- Delivery by appointment: delivery of bulky items is offered by Darty within a 2-hour or 5-hour time slot, seven days a week, depending on the geographical region, and by Fnac for consumer electronics (excluding TVs) and cultural products.

The Group also benefits from a strong after-sales service network with more than 100 repair and technical centers enabling it to offer an efficient product repair and maintenance service. Last year, over 1.5 million repair and maintenance operations were carried out.

The year 2018 was marked by the continued expansion of the Group's omnichannel platform, with cross-banner operational initiatives enabling it to now offer every customer an enhanced, personalized experience. The Group's cross-banner Click&collect service has been strengthened. Next-day delivery has been extended to cover all large products – for 80% of France – and includes Darty's services offering (installation and collection of old equipment). Darty's expertise and know-how in delivery and installation have also served Fnac customers buying TVs since 2017.

Integration has also opened up new possibilities for optimizing the Group's logistics chain. To achieve greater operational efficiency, warehouses have been adapted to be specialized by product family and now offer a single inventory for both banners.

After-sales services also reap the full benefits of integration, with the roll-out of in-store repair services for customers. Darty now also operates an after-sales service for small household appliances purchased at Fnac. The 2018 acquisition of WeFix, a French leader in express smartphone repair, also helps strengthen the Group's after-sales service with the roll-out of dedicated corners in stores.

1.4.3.4 / Undisputed leader in e-commerce

Key assets

With a cumulative average of 24 million unique visitors per month, Fnac Darty is France's second-largest e-commerce retailer, with e-commerce being central to the Group's omnichannel platform. Some 49% of online sales on the Banner's websites are omnichannel, a proportion that has quadrupled in recent years.

The Group provides its customers with a website per banner and per country of operation, making for nine websites in total. The strong development of the Group's Internet presence enables it to offer customers a strong, extensive offering with more than 30 million products online. Across its regions, the Group is also forming partnerships with e-commerce specialists such as Bol.com and Wehkamp in the Netherlands.

The Group has progressively strengthened its online offering through the launch of the following websites:

- 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 entry-level products and low-budget services; and
- fnac.ch in 2016 in Switzerland.

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

It allows more than 3,500 professional sellers and several hundred thousand private sellers to use the website as a sales interface, making the most of the Group's reputation in all the countries in which it operates.

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

The Group is committed to selecting responsible resellers on its Marketplaces. This is to ensure the security of transactions and help fight money laundering and financing of terrorism, in accordance with the ACPR (French Prudential Supervision and Resolution Authority). All the actions put in place are outlined in section 2.4.1.2, risk no. 4 of Chapter 2 "Mitigation of risks associated with the Marketplace" of this Registration Document.

Innovative initiatives and an optimized user experience

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

The increasing personalization of products and content, which Fnac and Darty have been involved in for several years, constitutes an indispensable asset in offering users a buying experience tailored to their needs. The relevance of the proposal, optimized by analyzing a set of data using innovative marketing tools, serves to steer traffic onto the Group's websites. Therefore, in 2018 Fnac Darty started to build its own personalization algorithms using Google Cloud. Ultimately, this will mean it can offer customers targeted recommendations based on their buying behavior.

In 2017, the Group also formed an advertising team to derive the most possible benefit from the customer data generated by the Group's websites through its partners. This business activity saw strong growth in 2018.

The omnichannel approach is also central to customers' buying experiences. Enhanced with new services that are real competitive advantages for the Group, the buying experience has thus been simplified. The continued roll-out in 2018 of cross-banner Click&collect, with the expansion of the number of eligible stores and reduced time frames, allows customers to benefit from a streamlined online buying experience. The Group is also continuing to digitize its after-sales service, for example by launching the "Darty Button" application in 2017. This offers customers fully digitized technical support, and in 2018 it was integrated in the Google Home ecosystem.

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

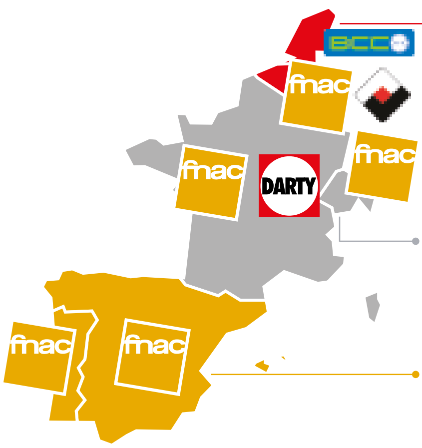
Customers will thus see their buying experience enhanced with the availability of the entire digital offering in-store, through the use of optimized seller equipment. This will make a very wide range of products available to customers, who can also take advantage of various home or in-store delivery services.

Mobile

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

In 2018, cell phones therefore account for 56.1% of traffic on our websites (+5.5 points vs. 2017). The conversion rate also improved in 2018 following work carried out on the Group's apps.

1.4.4 / A STRATEGY ALSO IMPLEMENTED OUTSIDE FRANCE



	A DENSE NETWORK OF DIRECTLY OWNED STORES	A GROWING FRANCHISE NETWORK	STRONG DIGITAL PLATFORMS	OMNICHANNEL & SERVICES
BENELUX **13%** of 2018 revenues	**147 stores:** • 11 Fnac • 72 VdB • 64 BCC	Kitchen stores, as franchises and JVs	Fnac.be + Marketplace Vandenborre.be Bcc.nl	Logistics platforms Click&collect After-sales service
FRANCE AND SWITZERLAND **78%** of 2018 revenues	**316 stores** [(a)]**:** • 96 Fnac [(b)] • 220 Darty	**255 stores:** • 93 Fnac [(b)] • 162 Darty	Fnac.com + Marketplace Darty.com + Marketplace Fnac.ch	Logistics platforms After-sales service Click&collect Click&mag
IBERIAN PENINSULA **9%** of 2018 revenues	**57 Fnac stores**	**5 Fnac stores**	Fnac.es + Marketplace Fnac.pt + Marketplace	Logistics platforms Click&collect Click&mag

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

(a) Including franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon, and Ivory Coast.
(b) Including a Fnac Darty store.
Store network as of 12/31/2018.

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

The France/Switzerland region covers the Group's French and Swiss activities and represented close to 78% of sales in 2018.

Benelux covers the activities of Fnac and Vanden Borre in Belgium, and BCC in the Netherlands, and represented 13% of sales in 2018.

Lastly, the Iberian Peninsula region covers Fnac activities in Spain and Portugal, and represented 9% of sales in 2018.

The Group is also developing its franchise business internationally and now has 11 stores in Africa and the Middle East. In 2018, Fnac Darty opened two stores in Tunisia, making it the Group's 12th country of operation. As such, between now and 2023, Fnac Darty plans to open 10 points of sale as franchises in Tunisia, five per banner.

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

Internationally, the Group is developing this strategy by adapting to local markets. In Belgium, the network of Vanden Borre Kitchen stores is growing as franchises, with four new openings in 2018. On the Iberian Peninsula, the Group has five franchises after opening a fourth franchise in Spain in 2018.

Fnac Darty has solid e-commerce platforms in all its countries, with nine international websites and partnerships with specialist sites. The Marketplace is also a key factor in digital development, and its international roll-out is an integral part of Fnac Darty's targets for its Marketplace business volumes.

The Group's network remains a priority, with dynamic expansion expected to continue in Spain and with the ongoing development of the network in Belgium. Digital technology also remains a key strategic element, with the Marketplaces expected to grow strongly in all geographic regions. Diversification also remains a major factor, in Belgium, as well as in Spain where the deployment of corners dedicated to small household appliances continued in 2018. Lastly, services and omnichannel are also central to its international strategy, where best practices are rolled out locally.

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

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

1.4.5 / FINANCIAL TRAJECTORY

The Group expects neutral growth in the consumer electronics market in the medium term, which represents 51% of revenues in 2018, stimulated by the continuing development of telephony and connected devices, while offset by a deceleration in electronics product categories.

The household appliances market, representing 22% of revenues in 2018, is a solid and resilient market. The acceleration of innovation and the development of new trends in consumer behavior are transforming this market. The shift to a connected universe is driving the emergence of new solutions, such as all products relating to the smart home. Small household appliances have also seen considerable innovation, particularly evident in recent years. The Group expects this market will grow slightly in the medium term.

The editorial products market, with a 17% share of revenues in 2018, is undergoing structural changes. This is due in part to digitization. The CD and DVD market has been in decline in recent years and is driving retailers to envisage new modes of consumption for this segment. The books market is showing improved resilience and remains stable or slightly down depending on releases. The Group expects the editorial products market to decline over the next few years.

Fnac Darty has key strategic tools to continue its market share gains. The Group's omnichannel platform will continue to improve in order to offer the highest standard of services for its partners and customers. With this objective in mind, the opening of more than 200 franchised stores and 100 additional points of sale dedicated to kitchens, as well as the roll-out of the shop-in-shop concept, will contribute to extending geographical coverage and attracting new customers. The development of innovative subscription-based loyalty programs will attract and retain more customers and expand the Group's customer base.

The Group intends to maintain a dynamic and reactive, yet controlled, commercial policy with regard to its competitors.

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

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

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

1.5 / Property portfolio and equipment

The following table summarizes the areas occupied by the Group (including franchises) as of December 31, 2018 in the various countries where the Group maintains operations (excluding discontinued operations). The Group's geographical locations are described more fully in section 1.3.4 "Geographical breakdown".

Stores (including franchises)	Number of sites	Customer retail area (in m²)
France [(a)] and Switzerland	571	697,000
Iberian Peninsula	62	95,000
Benelux	147	162,000
TOTAL	**780**	**954,000**

(a) *Including 11 stores outside France: 3 in Morocco, 2 in Tunisia, 2 in Ivory Coast, 2 in Qatar, 1 in Congo and 1 in Cameroon; and 15 in French Overseas Departments and Territories.*

Warehouses/offices (excluding franchises)		Number of sites	Total occupied surface area (in m²)
France and Switzerland	Warehouses	10	322,000
	Offices and others	70	180,000
Iberian Peninsula	Warehouses	3	26,000
	Offices and others	2	5,000
Benelux	Warehouses	10	65,000
	Offices and others	3	12,000
TOTAL		**98**	**610,000**

Most real estate assets are leased; however, the Group has proprietary real estate including 55 stores, 2 warehouses and 15 other business premises.

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

Fnac Darty is committed to reducing the energy consumption of its stores and is making the necessary investments in this regard. All these actions are outlined in section 1, risk no. 3 of Chapter 2 "Reducing the carbon footprint linked to transport and energy" of this Registration Document.

The Group's main current and planned investments, as at the filing date of this Registration Document, are detailed in section 4.2.3.1 "Net cash flows related to operating activities and investments" of this Registration Document.

1.6 / Research and Development, patents and licenses

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

The Group owns a portfolio of 705 brands registered across the world primarily under the names "Fnac" and "Darty" and their derivatives used in commercial offerings.

The Group also owns a portfolio of over 1,252 domain names.

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

The portfolios of brands and domain names of the two "Fnac" and "Darty" banners are managed in a uniform and centralized way.

2

Corporate Social Responsibility

Introduction

With nearly 25,000 employees worldwide, 780 stores and millions of customers loyal to the Fnac and Darty brands, the Group is keenly aware of its responsibilities. Fnac Darty is committed to transforming itself to meet the challenges of a changing market, while at the same time developing its people and making a positive impact on society.

To achieve these aims, Fnac Darty has incorporated the societal challenges related to its activities into its business model, described in Chapter 1

These challenges are identified through regular dialogue with its stakeholders, as illustrated in the table below.

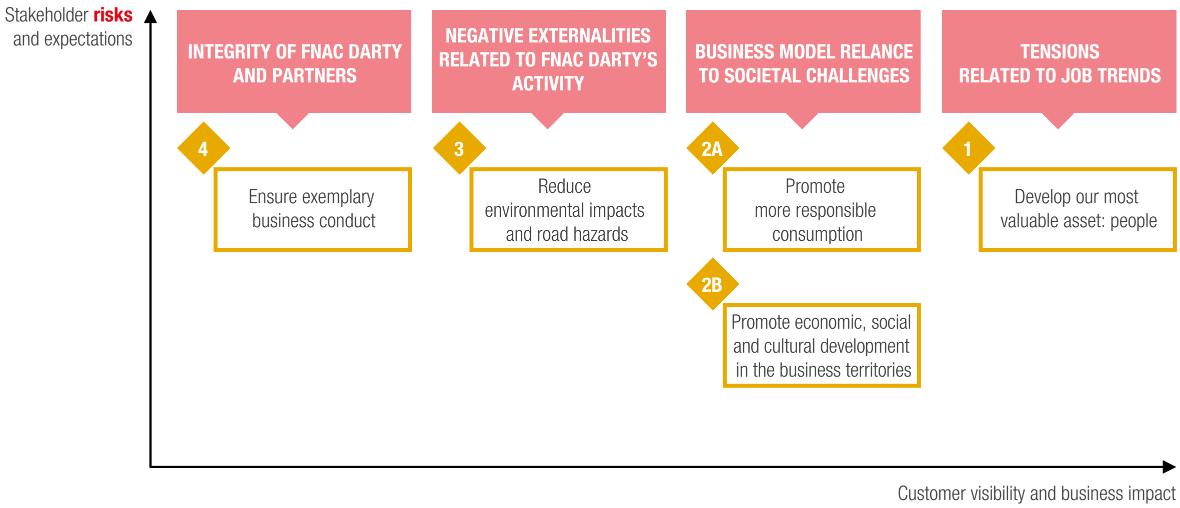
Stakeholders	Means/methods of promoting dialogue
Customers	Direct contact with employees: sales personnel/delivery personnel/home technicians/call center agents Customer surveys (NPS) Commercial websites with customer reviews Social networks In-store cultural events
Employees	Monthly commitment measurement Social partners Corporate social network Internal communication Chats with Chief Executive Officer Enrique Martinez
Suppliers/plants	Trade fairs (participation and organization) Annual negotiations Supplier audits for our purchases of own-brand or licensed brand products Annual convention
Associations	Partnerships and collaborations Membership in professional organizations (AFEP, FEVAD, etc.)
Public authorities	Collaborations with the French Ministry for Ecological and Inclusive Transition
Investors/shareholders	Registration Document/corporate website/press releases Investor road show/investor day General Meeting SRI/credit ratings

In 2018, in an effort to identify the risks and opportunities associated with the societal challenges affecting it, the Group carried out a mapping of risks and a materiality analysis. The results are being used to strengthen the management of these risks and to demonstrate the Group's performance in the most significant areas.

Consultations with internal stakeholders were used to map the health and safety, human rights and environmental risks associated with the Group's activities and those of its partners and subcontractors. The methodology used is described in the section about the oversight plan, in paragraph 2.4.1.2.

The materiality analysis is based on consultation with the company's external stakeholders: an SRI investor, a non-financial rating agency, a non-profit association, a manufacturers' federation, a non-competing company and the French Environment and Energy Management Agency (Ademe). This consultation supplements the materiality analysis carried out by Fnac in 2013 and the customer survey on responsible consumption conducted by the Group every year since 2013. The results of this survey are detailed in the section on our commitment to more responsible consumption, in paragraph 2.2.1.

The CSR risk-challenge matrix resulting from this work highlights four main categories of associated risks and challenges:



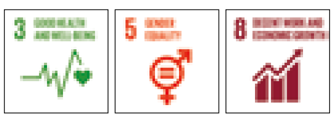
In September 2018, the Executive Committee reviewed and validated the summary report of the stakeholder consultations and the resulting risk-challenge matrix, thus addressing the integration of CSR issues at the company's highest level. The CSR objectives relating to the variable compensation of Executive Committee members are also linked to these key risks and challenges. The Group's CSR policy is examined twice a year by the CSR Committee. The composition, functioning and activities of this Committee is described in paragraphs 3.2.1.3 (page 106) and 3.2.2.3 (page 113).

Reporting of social data is on a Group-wide basis. Environmental and societal data are reported for the Group, excluding BCC.

The methodology note describing the reporting scope as well as the indicators required by Article 225 of the Grenelle Law for 2017 and 2018 are presented at the end of the chapter.

The table below links the key risks from the risk-challenge matrix to the relevant SDGs (Sustainable Development Goals set by the UN), the overall context and the Group's CSR policy aimed at addressing them.

Risk No. 1: Tensions related to job trends



Context	Feedback from stakeholders consulted	Fnac Darty's commitments
■ E-commerce: up +24.8% in 2017 vs. 2016 (eMarketer) ■ Automation: 54% of employees will need to retrain or to upgrade their skills (World Economic Forum) ■ Millennials: 62% want to work for a company that has a positive environmental and social impact (Global Tolerance)	■ Sales personnel embody the customer promise (81% of revenues are made in-store) ■ Supporting the employees concerned is its responsibility ■ Keeping pace with job trends is strategically important for a group like Fnac Darty	**Develop our most valuable asset: people** ■ Improve operational agility and promote employee commitment ■ Improve employee performance and employability ■ Build diverse teams

Risk No. 2: Business model relevance to societal challenges

Context	Feedback from stakeholders consulted	Fnac Darty's commitments
■ 65% of French people say that making a purchase must be in line with their values (Elderman) ■ 75% of French people buy second-hand at least once a year (Credoc) ■ 54% of French people have their household appliances repaired rather than buying new ones (Credoc)	■ The frequent replacement of products is the main source of Fnac Darty's environmental impact ■ Fnac Darty must commit to promoting a more circular economy ■ Fnac Darty must offer "greener" products ■ Fnac Darty must inform its customers of the environmental impacts of its products	**Promote more responsible consumption** ■ Help customers make an informed choice ■ Encourage repairs ■ Develop the "second-life" business ■ Promote the recycling of WEEE **Promote economic, social and cultural development in the business territories** ■ Continue to develop activity in the business territories (stores, deliveries, after-sales service, etc.) and create jobs ■ Facilitate access to culture for the greatest number of people ■ Support associations that reflect its values

Risk No. 3: Negative externalities related to Fnac Darty's activity

Context	Feedback from stakeholders consulted	Fnac Darty's commitments
■ In 2016, the world produced the equivalent of 4,500 Eiffel Towers' worth of electronic waste (UN) ■ 70% of WEEE are incinerated or landfilled (CNIID) ■ Freight transport accounts for up to 25% of CO_2 emissions in cities (Committee for the Strategic Analysis of the Automotive Industry)	■ E-commerce has led to a surge in packaging waste, and Fnac Darty must work to reduce it ■ Although Fnac Darty is not a major direct emitter of CO_2, taking action for the climate is essential, and Fnac Darty must reduce its direct emissions (transport, energy)	**Reduce environmental impacts and road hazards** ■ Reduce the carbon footprint linked to transport and energy ■ Reduce the impact of packaging waste ■ Reduce the risk of road accidents

Risk No. 4: Integrity of Fnac Darty and partners

Context	Feedback from stakeholders consulted	Fnac Darty's commitments
■ 80% of consumers fear their data will be stolen or misused (GfK) ■ 55% of consumers have already decided against making an online purchase because of concerns over personal data protection (KPMG) ■ 60% of European consumers do not trust companies in terms of their ethical commitments (Ipsos) ■ €600 billion are artificially transferred offshore each year by multinationals around the world (Gabriel Zucman, UC Berkeley)	■ Fnac Darty continued to grow thanks to its partners (franchises, suppliers) and is responsible for ensuring the integrity of these partners	**Ensure exemplary business conduct** ■ Fight corruption ■ Reduce health and safety risks, human rights risks and environmental risks related to Fnac Darty's activities and those of our partners and subcontractors ■ Protect personal data **Ensure responsible tax behavior**

This chapter is structured according to the four risk categories deemed the most important in terms of Fnac Darty's business activities.

2.1 / Risk No. 1: Tensions related to job trends

2.1.1 / KEY CHALLENGE 1: DEVELOP OUR MOST VALUABLE ASSET: PEOPLE

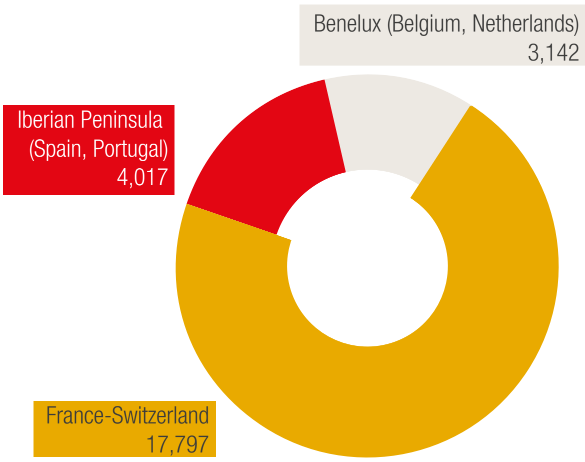
Key figures *

	2017	2018
Employees [(a)]	25,813	24,956

* *Scope: Fnac Darty, excluding franchises.*

(a) *Excludes employees who are: shift workers, temporary workers, student interns and workers on short-term assignment abroad under "VIE" contracts.*

Distribution of employees 2018



	2017	2018
Proportion of open-ended contracts	87.51%	88.31%
Proportion of temporary workers [(a)] *(from fixed-term contract + open-ended contract + temporary employees)*	13.44%	15.16%
Proportion of full-time workers	80.48%	80.59%
Proportion of executives and managers	18.80%	19.45%

(a) Any employee with a fixed-term contract which links him or her to a company specializing in the placement of temporary workers. In countries where temporary employment agencies do not exist, any person hired to temporarily fill a gap in staffing requirements.

Over the last decade, the Group has witnessed the most important changes in its history. The digitization of cultural content and emergence of e-commerce have completely transformed the company's markets.

As a direct result, employers are faced with a rapidly changing jobs environment, and anticipating and keeping pace with these changes is both a strategic challenge and a responsibility.

The Group has identified this changing environment as its main non-financial risk. This is due to its close relationship with the business and its impact on employees, especially regarding employability.

In this respect, the Human Resources Department has drawn up a roadmap with three objectives: strengthen the Group's agility (a key element of the Confiance+ strategy), develop the required skills to meet current and future needs, and promote employee commitment.

To meet these objectives, the main levers put in place and developed in this chapter are:

- improve agility and develop a shared culture; and
- develop employee skills, performance and employability.

Furthermore, the Group is developing a proactive policy on diversity and equal opportunities. Due to its historical importance in the Group's social policy and its contribution to the company's performance, this diversity policy is also presented in this chapter.

2.1.1.1 / Improve agility and help build employee commitment by developing a shared culture

In 2018, the merger of head office teams was finalized by bringing them together in two sites in Ivry-sur-Seine and a site in Bondy. The implementation of mixed Fnac/Darty organizations enabled the pooling of skills and greater support for both banners, both in stores and online.

The Group faces two challenges as a result of its merger: improving agility despite doubling the size of the company and building employee commitment in a context of transformation.

By way of response, since 2018 the Group has undertaken many initiatives to:

- work with trade union organizations to simplify corporate structure;
- develop a shared culture; and
- drive employee commitment.

Work with trade union organizations to simplify corporate structure and improve agility

In 2018, the Group worked on simplifying corporate structure by changing the form of employee representation. It achieved this through the creation of an Economic and Social Committee (ESC). Four agreements have been signed regarding the ESC, meaning that employee representation is now handled at legal-entity level and no longer at store or site level. Local representatives have also been put in place so that representatives still exist at the lowest organizational level.

This new corporate structure ensures the effectiveness of discussions with employee representatives while guaranteeing an appropriate level of proximity between operating entities and employees, thereby improving the Group's agility in the rollout of its projects.

Develop a shared culture to assist the long-term strategy while helping to build commitment

Although the Fnac and Darty banners each have their own identities, they both share values. They believe that their employees are their main asset, and that the customer must be central to everything they do.

Based on these values and Confiance+ strategies, the Group is committed to developing a shared culture that is increasingly customer-focused at all levels of the company.

Fnac Darty believes that developing a sense of belonging to a Group with strong, shared values is an effective way to develop employee commitment.

Since 2018, several schemes and tools have been rolled out to achieve this.

Involve employees in rolling out the corporate strategy and build team unity

To build cohesion between teams and roll out the Confiance+ strategic plan unveiled at the end of 2017, seminars were held for members of the Executive Committee, directors and managers: 24 team-building seminars were held between May and October, with almost 600 participants.

The Group also drew up an induction plan for new managers, which involves a one-day seminar including a presentation on the Confiance+ strategy by a member of the Executive Committee to lay the foundations for a shared culture.

Encourage cross-banner mobility and experiences with both banners

To encourage cross-banner mobility of employees, a shared job vacancies platform has been created. All employees in France can use the platform to check Fnac Darty vacancies and apply online. On average, 400 vacancies are available on the HR portal each week. For example, in terms of the key role of store manager, three positions in Fnac stores were filled by Darty store managers in 2018.

Furthermore, the Group encourages head office/store and cross-banner solidarity during the Christmas and Black Friday periods, when around 500 head-office employees (including members of the Executive Committee) lend a helping hand to their colleagues in Fnac and Darty stores and logistics centers. For the past two years, this voluntary undertaking has been a high point in terms of solidarity and sharing between teams. It allows employees in back-office roles to see what life is like for their colleagues on the ground, and also introduces Fnac employees to the world of Darty and vice versa.

Give employees a stake in the company's results through employee stock ownership

Fnac Darty has implemented an employee stock ownership plan in order to strengthen its employees' sense of belonging in the Group and to involve them more closely in its future success. A vehicle for sharing and commitment, this plan has given employees the opportunity to indirectly become a shareholder of the Group through a corporate mutual fund. Launched in 2018 in six countries, this plan included a matching contribution of 100% up to €700, and a 20% discount. With subscriptions from some 4,500 employees (average subscription of €1,500), representing an overall subscription rate of 18.13%, the employee stock ownership plan increased the share capital by over 90,000 shares and represented a net matching contribution of €2,442,000.

Establish a European Works Council composed of employee representatives from both banners

Negotiated in 2016 with the social partners from the European countries where Fnac Darty operates, the European Works Council is a forum for discussion based on a business performance and outlook report. The EWC is comprised of 18 employee representatives, chosen in a balanced way from both banners and five countries. It met for the first time in 2018.

Drive employee commitment and enable managers to provide rapid and targeted responses

For a company where 72% of its employees work in contact with customers, employee commitment is essential.

Driving this commitment is crucial to allow each subsidiary and each management team to understand situations and better respond to them.

One common indicator that can give some idea of changes in employee commitment is absenteeism due to sickness. This shows a slight increase in 2018 compared to 2017, but is still average in terms of absenteeism in France in the private sector (4.59% in 2016 and 4.72% in 2017) and lower than average for absenteeism in France for the retail sector (4.86%)[1].

This indicator is reported to the social partners once a year for each subsidiary.

Priority indicator*	2017	2018
Absenteeism due to sickness[a]	4.20%	4.63%

* Scope: Fnac Darty, excluding franchises.

(a) Absenteeism due to sickness: illness, prolonged illness, hospitalization. Occupational illnesses and maternity, paternity and parental leave are not included.

In an effort to drive commitment where it most matters to employees and best respond to employee expectations and any difficulties, in 2018 the Group launched an innovative listening system.

The idea is to send employees four short questions each month in order to monitor their "mood" in real time and enable managers to provide appropriate, targeted and rapid responses.

Of these four monthly questions, two deal with various topics (the quality of life in the workplace, management, training, etc.), one is an open-ended question on these same topics, and the last one – the only one which is the same each month – concerns the overall level of employee commitment.

After a pilot phase in the first half of 2018, the approach was gradually rolled out starting in July to 14,000 employees in France. In a short order, this spurred numerous initiatives to improve the quality of life in the workplace.

In December 2018, 68% of employees surveyed (5,837 respondents) stated they would recommend Fnac Darty as a good place to work.

This initiative will be rolled out internationally in the first half of 2019.

2.1.1.2 / Develop performance and employability in the context of business transformation

The Group is investing and innovating in training to support its employees as their jobs evolve and to enable the company to remain efficient and agile.

For Fnac Darty, this means adapting to changes in the sector and the latest customer expectations, as well as adopting a responsible policy that allows all employees to develop their skills and employability.

This second objective is reflected in the internal promotion policy, which is especially visible in the position of Store Manager. Indeed, under this policy, 74.6% of store managers appointed in 2018 were internal to the Group.

Development reviews are an important mechanism for supporting employees where they most need it. They are implemented throughout the Group to provide an overview of the results obtained by employees and their opportunities for development.

These reviews lead to the formulation of development and mobility action plans.

(1) Source: The tenth Ayming Absenteeism® and Commitment Barometer, published by Ayming in September 2018, in partnership with AG2R La Mondiale based on the survey results of 46,540 companies with a total of 1,836,802 employees in the French private sector.

In terms of training, with the dual objective of anchoring the customer experience in the company's culture and maintaining the employability of its employees, Fnac Darty has built its strategy around three points of action:

- develop a multi-modal offer for greater agility;
- develop the performance and quality of customer relations; and
- develop business, product and sales expertise.

Priority indicator *	2017	2018
Proportion of employees trained over the year [(a)]	50.71%	52.33%

* Scope: Fnac Darty, excluding franchises.

(a) Employee (open-ended contract, fixed-term contract, apprenticeship) present during the period and having completed at least one training activity over the year. Excludes: e-learning training.

A multi-modal offer for improved agility

In 2018, Fnac Darty set up an academy which, during the year, carried out major work to pool, standardize and internalize the training programs of the two banners. The Fnac Darty Academy is enabling the Group to improve its expertise, agility and unity.

Training is now overseen by this Academy and is based on classroom programs as well as e-learning. Through this blended learning program, Fnac Darty seeks to offer its employees the opportunity of continuous training, at their own pace, based on the organization of their work week, but also their diverse skills and objectives.

Classroom training fosters understanding of a product's overall use as well as its technical specifications, thus developing employees' product expertise.

E-learning training programs provide employees and franchises with access to over 400 modules, which can be accessed remotely via computer, smartphone or tablet. In 2018, 108,877 modules were validated (compared with 82,774 in 2017), predominantly by salespeople.

The Group's training teams increasingly rely on this flexible format to extend their offering to topics that have less to do with products and more to do with major societal challenges: the fight against corruption and influence peddling, consumer rights, protection of personal data, and detection of gender-based discrimination.

Furthermore, the Group continues to rely on an innovative application, NAPS, to anchor learning in usage and reinforce knowledge of the Group's products and services. NAPS, winner of the Innovation prize at Cegos and AEF's 2016 Digital Learning Excellence Awards, is designed to encourage training through gamification and rewarding progress. This application lets salespeople validate product and sales training, consult product news, take quizzes and chat with the sales community. In this way, other salespeople become a key part of their training. Since 2016, there are more than 5,000 Fnac Darty NAPS users, and this figure continues to climb.

Develop the performance and quality of customer relations

Recognizing that continuous improvement of the customer experience is vital for the company, in 2018 Fnac Darty launched "*Client+*" a customer program that reinforces the Group's commitments through several areas: knowledge of customers, the uniqueness of the two brands, innovations launched and the correction of customer irritants.

This strategy to strengthen the quality of customer relations also relies on ambitious training programs aimed at in-store employees:

- the **Manager 2020** program, rolled out by Fnac from 2016 to 2018 for in-store managers, was designed to help each manager achieve a manager/coach position to bring them closer to their teams and provide coaching on customer relation actions. The aim is to improve the customer experience in Fnac stores by combining performance and overall enjoyment on a daily basis for all store employees.

  The attendance rate has reached 95% for classroom training, and a record high of over 100 hours of e-learning. In November 2018, 378 executives and managers were awarded a Level II certification from the Grenoble School of Management.

  Manager 2020 has received two awards: the Silver Award for Educational Innovation *(Printemps des Universités d'Entreprise)* and the Gold Medal in the "Strategic Transformation" category at the fifth annual *Victoires des Leaders du Capital Humain* awards in November 2018; and

- the ***Excellence Client*** (Customer Excellence) program; to go even further, in 2018 the Group launched this program designed for employees who deal with customers, Fnac and Darty salespeople, and also delivery personnel and home technicians.

  Faced with increasingly demanding customers, the customer experience with our banners is both a major asset and a challenge. In order to support our employees and help them achieve excellence in customer relations and sales, the *Excellence Client* program provides a multi-modal training course over a total of 84 hours.

The program, which aims to train 800 employees, was designed to take into account the realities on the ground, both in terms of duration and content of the training. It thus offers a partially differentiated path by banner and by job to suit the particularities and the DNA of the two banners.

In November 2018, volunteers began this training course, which will lead to a certification recognized by the *Commission Nationale de la Certification Professionnelle* (French national commission for professional certification) and the trade sector.

Develop business, product and sales technique expertise

As expertise is a key component of the Fnac and Darty identity, each year the Group works on building its employees' skills, whether they are salespeople, delivery personnel, technicians or call center advisors.

Salespeople receive regular training on products and related services, as well as sales techniques, using all the methods and approaches available from the Academy and by participating in training days run jointly by the brands and the Academy.

As for home-service technicians, these employees can access a number of multi-brand modules designed by around 10 internal trainers. These training sessions combine theory and practice, and occasionally build on e-learning prerequisites. Each year, 80% of home-service technicians complete at least one of these training sessions. Since September 2018, all new modules have included a component on raising awareness of product sustainability, a strategic aspect of the Group's commercial and environmental policy.

The Fnac Darty Academy has also extended its kitchen training to Fnac employees, as this is a strategic product for the Group's diversification policy. Under this policy, since the start of 2018, Fnac employees have been able to apply for a "40-day Kitchen Academy" training course to prepare them for jobs in kitchen design.

Furthermore, in order to foster employee skills acquisition, Fnac Darty actively encourages recognition of their experience. In 2018, 19 people obtained diplomas (vocational baccalaureate in sales, vocational baccalaureate in customer reception and relations, or vocational baccalaureate in logistics) thanks to the VAE (*Validation des Acquis de l'Expérience* – French validation of prior experience) procedure. Since 2004, 609 employees in France have validated the skills and know-how they have acquired on the job with a diploma.

Thus, the training offering, which is multi-modal and firmly designed to serve the Group's strategy and offer its employees the means to grow, meets a three-fold objective: to improve performance, to improve the quality of customer relations and to boost employability with recognized certifications and diplomas.

2.1.1.3 / Team diversity: a proactive policy

Convinced that diversity is a source of wealth and creativity, Fnac Darty has historically pursued a policy aimed at promoting gender equality and the employment and/or retention of people with disabilities, young people, older workers and the long-term unemployed.

This commitment is reflected from the outset in the hiring process, through the use of recruitment partners and channels dedicated to potentially disadvantaged groups.

It is also demonstrated through payment of the apprenticeship tax in France: each year between 10% and 15% of the non-quota tax is paid to specialist schools and centers in support of diversity and disability (*Sport dans la Ville* [sport in the city], *Fondation Agir contre l'Exclusion* [foundation for action against exclusion], *Ecole de la Deuxième Chance* [second chance school], *Maison Familiale Rurale Le Village* [rural home schooling initiative for students struggling in the school system], *Institut Télémaque* [Telemaque institute to support students from poorer backgrounds], etc.).

In Spain, this commitment to diversity was also further strengthened in 2018 through the signing of an agreement with the La Caixa foundation's *Incorpora* program. This program works toward the socio-economic integration of more vulnerable members of society (people with disabilities, the long-term unemployed, older workers, immigrants, etc.).

Promote gender equality

Key indicators*	December 31, 2017	December 31, 2018
Percentage of women in the total workforce	38.22%	38.59%
Percentage of women store managers	Unknown	10.37%
Other indicators		
Percentage of women on the Board of Directors	50%	60%
Percentage of women on the Executive Committee	16.67%	20%
Percentage of women in Group leadership roles	19.57%	20.74%

* *Except where specified, the scope relates to Fnac Darty, excluding franchises.*

In 2018, Fnac Darty's women employees accounted for 38.59% of the workforce. To put this in the context of the sector: retail, logistics and after-sales service are traditionally considered more masculine professions. That said, the Group will not allow itself to be satisfied with this result.

Beyond an equal staffing ratio between men and women, Fnac Darty's main focus is the equal treatment of men and women. More specifically, this includes equal opportunities for promotion. The Group chose to target a key position at Fnac Darty, one that is iconic and visible: the Store Manager role.

The percentage of women in Fnac store manager roles has stagnated at around 20%. However, women account for more than 40% of Department Managers, which is the level just below. After analyzing the reasons behind this, in 2017 the Group launched the "*DM au féminin* ("DM for Women") program. "With the aim of having women in 30% of Fnac store manager roles, this project is centered around three main axes: better publicize the role and demonstrate that women are successful at it, facilitate working conditions while respecting the work/life balance, and improve support for women who would like to advance to this position.

Key indicators	December 31, 2017	December 31, 2018
Percentage of women store managers – Fnac France	21%	23.26%

There are plans to extend the "DM au féminin" program to Darty in 2019. More generally, the program will also aim to extend reflection and awareness of women in leadership to areas other than operations.

Promote the inclusion of people with disabilities

Priority indicators *	2017	2018
Percentage of people with disabilities in the total workforce as of 12/31	4.43%	4.29%
Percentage of people with disabilities newly recruited under open-ended contracts [(a)]	–	1.61% [(a)]

* *Scope: Fnac Darty, excluding franchises.*

(a) *Methodology note: The 2017 figure published in the 2017 Registration Document has not been reproduced here as it is not comparable with the figure for 2018 due to a change in the calculation method used. The 2017 methodology actually counted transfers in the new recruit figures, while the 2018 methodology does not. This latest methodology will be reused for coming years.*

For many years, Fnac Darty has been committed to employing people with disabilities. It has also built awareness among teams, participated in dedicated job forums, implemented an adapted professional development process and promoted best practices. The Group's Disability mission drives this proactive policy.

For the last five years, the Group has partnered with GRETA AISP, a specialist in education and training for deaf people, to create a one-year professional development course to enable deaf people to achieve industry-recognized skills as customer service advisors. This program represents a permanent tool for integration of deaf people. Each year, between 40% and 67% of participants go on to receive fixed-term or open-ended contracts upon completion of the professional development contract. It is also a means of raising awareness among teams and customers. In 2018, its success was recognized with a special jury's choice prize at the fifth *Trophées LSA* awards celebrating diversity and CSR.

To further encourage the teams' commitment, the Group has also revived the competition known as the Handi'Trophée, originally launched in 2017. This internal competition recognizes the entity who has implemented the best approach in promoting the employment of people with disabilities.

Finally, Fnac Darty's commitment is also demonstrated through its employee training on meeting the needs of customers with disabilities. In 2018, more than 7,000 Fnac Darty employees completed two e-learning modules on the subject.

Promote the integration of young people, the retention of older workers, and equal opportunities

For several years, Fnac Darty has pursued an active policy for the professional integration of young people by promoting work-study programs. As of December 31, 2018, the Group had taken on 732 employees under professional development or apprenticeship contracts. These work-study participants are present across all job categories: sales, customer service, logistics, after-sales service and back-office functions such as accounting, marketing, communications and human resources.

In addition, Fnac Darty is committed to employing and retaining older workers. To this end, the Group has implemented mechanisms to support work schedule adjustments for people over 55: maintenance of post-employment benefits from the age of 56, as well as a progressive early retirement process beginning two years before the date of retirement with payment of the difference in pension contributions, and the possibility of a health assessment during working hours.

2.2 / Risk No. 2: Making the business model relevant to societal challenges

"The most important thing is to start from who you are, to ask what you can do better, differently, and more of[(1)]*."* These words by Enrique Martinez, Chief Executive Officer of Fnac Darty, reflect the Group's constant focus on adapting its business model to take greater account of the societal challenges related to its activities.

From the consultation with external stakeholders, two societal challenges affecting the Group's business model have emerged:

A/ promote more responsible consumption;

B/ promote economic, cultural and social development in the business territories.

These challenges are not viewed as a constraint, but as an opportunity to stand out from the crowd. To achieve this, the Group can rely on the complementarity of Fnac and Darty.

2.2.1 / KEY CHALLENGE 2A: FNAC DARTY, THE BEST-PLACED COMPANY IN ITS SECTOR TO HELP CUSTOMERS BECOME MORE RESPONSIBLE CONSUMERS

In a context of environmental and economic crisis, buying behavior is changing. Responsible consumption, which incorporates ethical, environmental and social considerations, has seen a significant increase. In search of ethical values, consumers have become consumer activists, and making a purchase has taken on a political dimension.

For example, the 2017 Greenflex study entitled *Les Français et la Consommation Responsable* ("the French and responsible consumption") shows that for 52.9% of French people (+2.4 pt), responsible consumption has led primarily to different buying habits (products that are certified, ethical, local, more environmentally friendly, etc.). This viewpoint has gained momentum since 2012 (+12.5 pt), and the gap has widened with the idea of reducing consumption (14%, -2.3 pt) or no longer purchasing unnecessary products or services (31.8%, -0.4 pt).

For its part, each year Fnac Darty also asks its customers about their level of responsible consumption and their expectations of Fnac and Darty in terms of actions to support the environment and society in general.

The 2018 survey confirms that customers have high expectations on the subject of responsible consumption. Specifically, they want to see information and action from Fnac Darty on prolonging the lifespan of products.

Fnac Darty has two strategies to respond to these expectations:

- a commitment to informed choices; and
- developing a more circular economy.

To do this, the Group can rely on the DNA of its two banners: the advisory expertise of Fnac and after-sales expertise of Darty.

2.2.1.1 / Fnac Darty is committed to informed choices

Helping people to make the best choice is the historic mission of the Labo Fnac

The Labo Fnac is a unique concept that has served the banner's customers since 1972. Every year, its experts, equipped with a range of sophisticated measuring systems, test the technical performance of hundreds of new electronic products. The Lab's objective scientific methods are recognized by well-known brands that regularly send their prototypes to it for evaluation.

(1) Excerpt from Enrique Martinez's interview with LSA, November 29, 2018.

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

In 2018, 1,038 tests were conducted on 492 products (compared with 868 tests on 382 products in 2017), to compare them on the basis of performance criteria that are not always easy to assess at the point of sale. Some products, such as multimedia products (PCs, tablets and smartphones) require three to five additional tests (screen, photo, radio, audio, battery life).

In 2018, the Darty Lab joined the Labo Fnac to expand the product scope and strengthen its expertise.

Environmental impact rating: a Fnac initiative extended to Darty in 2018

Since 2013, Fnac has displayed environmental information labels on televisions. In 2015, it extended this initiative to PCs, tablets and cell phones, both in-store and on fnac.com.

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 lifespan, from manufacture to waste, including transport and use.

Recognized as pioneers, in 2017 and 2018 Fnac Darty helped develop a benchmark environmental information label with the French Ministry for Ecological and Inclusive Transition, Ademe, and three other volunteer companies.

In 2018, the logo and methodology from this unprecedented collaboration were approved and rolled out on the fnac.com and darty.com websites, and across all Fnac stores.

During the past year, around 69% of televisions, PCs, tablets and cell phones (amounting to 3,002 products) for sale in Fnac stores or on fnac.com had an environmental impact rating.

The number of products with this rating on darty.com will be published in 2019.

After-sales service indicator: sharing comparative information available only to Darty

In June 2018, Fnac Darty launched its first after-sales service indicator to provide customers with information about the lifespan of 15 categories of household appliances and multimedia equipment, by brand. Data from this indicator is published on the LaboFnac website and will be updated each year.

The French market leader in after-sales services, the Group benefits from a unique database. It draws on the analysis of 591,271 repair operations and a survey of 27,543 Darty customers before issuing its conclusions. This work was carried out in partnership with Harris Interactive to ensure the reliability and objectivity of the results.

The information learned from the indicator – such as the causes of breakdowns, the availability of parts, or usage periods – provides customers with new key information to help them make better choices and better use of their equipment.

Reparability index: Fnac Darty as pioneer

At a time when brands are being held accountable for their role in the planned obsolescence of their products, Fnac Darty is taking the opposing view on these practices by providing information on product reparability.

Launched in 2018, this project draws on the technical expertise of the Labo Fnac, which used 10 criteria to investigate the reparability of laptops. These criteria include the availability of documents/notices containing disassembly or troubleshooting instructions, how easy a product is to disassemble, and even the availability and price of spare parts.

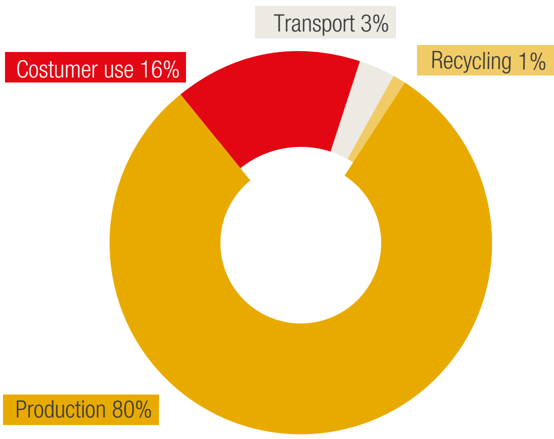
By the end of 2018, 38 laptops had been submitted for this evaluation, and their reparability index can be found on fnac.com. The Group hopes to expand this evaluation each year, in terms of both product numbers and categories.

2.2.1.2 / Fnac Darty is committed to a more circular economy

Consumer electronics have a significant impact on the environment: extraction of natural resources, pollution, greenhouse gas emissions, production of waste, etc.

Greenpeace's 2017 study on the environmental impact of electronic products shows that the manufacturing step has the greatest impact on the environment, as seen in the smartphone example.

Greenhouse Gas Emissions of a Smartphone



Source: https://www.greenpeace.org/usa/reports/greener-electronics-2017.

Recognizing the need to make its business model more environmentally friendly, the Group is strongly committed to a more circular economy. This commitment relies on the deployment of four key strategies: provide customers with information to help them make better choices, promote repairs, give products a second life, and develop waste collection for recycling.

Give customers the information they need to help them make better choices and encourage suppliers to think more sustainably: innovations welcomed by the French Ministry for Ecological and Inclusive Transition

Section 2.2.1.1, which focuses on the Group's duty to inform and advise, describes two innovative projects launched in 2018 that will contribute to the Group's circular economy policy: the after-sales service indicator and the reparability index.

With regard to the second project, the Group is already ahead of schedule on the French Ministry for Ecological and Inclusive Transition's obligation to post a reparability index by 2020, as laid out in the Ministry's Circular Economy Roadmap (FREC).

To recognize the innovative and proactive nature of the Group's actions to provide information on the reparability and lifespan of its products, the Ministry awarded Fnac Darty the *Entreprises et Environnement* (business and environment) prize in the "Circular Economy" category at the Pollutec trade show in November 2018.

These innovations help customers make better choices and promote changes in manufacturing practices, incentivizing manufacturers to embrace eco-design to achieve better ratings.

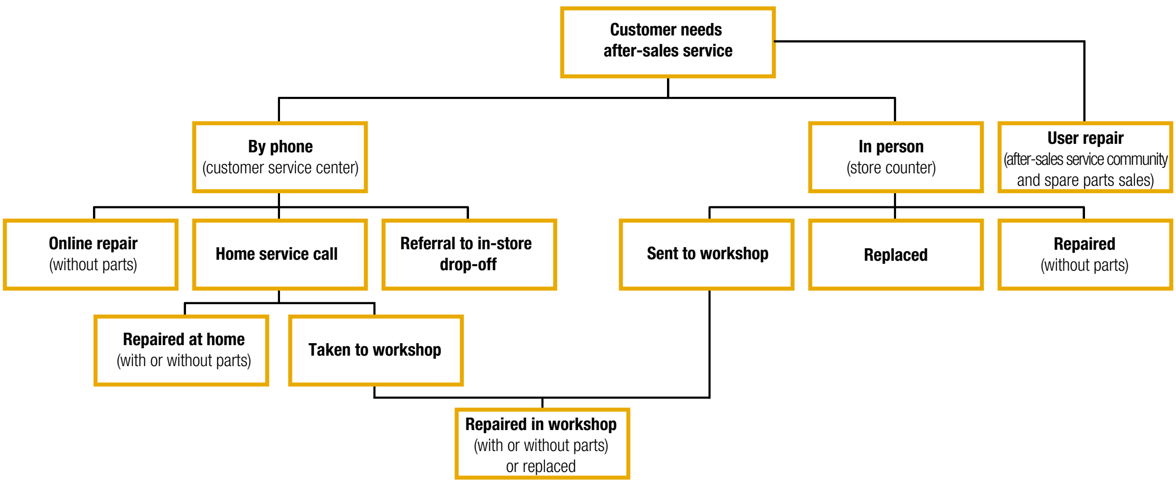
Encourage repair over replacement and favor local jobs

Repairing a product means avoiding its waste and the manufacture of its replacement, but it also means local jobs and an economic equation that is increasingly favorable to the customer.

Key figures:

- dedicated after-sales service technicians: 2,019, of which:
  - home or workshop technicians: 1,621,
  - remote customer service: 398;
- 2,615,119 calls for after-sales services;
- number of products returned to stores: 1,117,271 products;
- number of products repaired at home or in the workshop: 1,397,348;
- number of after-sales service cases closed in-store: 620,483.

Flow-chart of after-sales service



The Group is a major player in the repair of household appliances in France. It offers its customers repair services that are included under warranties, or invoiced when the appliance is no longer covered by warranty. These services help increase product lifespans by encouraging repair over replacement.

The launch of "Darty+" in 2017, which promises to make repairs simpler and more accessible, demonstrates the Group's commitment to strengthening this activity.

Darty+ is a €59 annual subscription for premium assistance service. Subscribers benefit from 24-hour home service calls, excluding parts, for their appliances and electronic equipment purchased in the Group's stores or elsewhere, as well as unlimited priority access to telephone assistance, even after expiration of the warranty period.

The aim of Darty+ is to provide a fast solution to all questions about installation, connection, use, maintenance or troubleshooting 24 hours a day, 7 days a week.

Developing the repair business also supports employment integration and local jobs.

The Group's 1,621 technicians undertake a dedicated training program that enables them to stay up-to-date with product technical developments, continue to perform well and improve their employability. In addition, in the absence of a specialist repair curriculum, each year the Fnac Darty teams train new technicians "in the field", specifically through apprenticeships.

In order to be able to offer optimum service quality over the entire product line, repair agreements are signed with each brand to allow the Group to obtain any necessary spare parts more quickly than the times indicated by suppliers.

The Group encourages user repair of out-of-warranty products through the after-sales service platform launched in 2018.

This platform allows customers to help each other and order any spare parts needed to repair products on their own. This is where the Group will gradually publish the technical knowledge base that the Darty after-sales service has been building for over 20 years.

In addition, this collaborative workspace allows Internet users and Fnac Darty technicians to share their experience and knowledge to extend product lifespans. It bills itself as a "Wikipedia for Repairs". Its content is checked by a dedicated team of after-sales service experts, who certify the best solutions so they are always visible and accessible to the greatest number of people, who can then use them with complete confidence.

The Group has further strengthened its repair activity with the acquisition of WeFix in 2018.

Founded in 2012, WeFix has a network of 59 points of sale in France and Belgium, with a team of experts offering a quick repair service (20 minutes on average) for the main models of smartphones. All repairs come with a one-year guarantee, thanks in particular to the use of original or compatible components. WeFix performs more than 12,000 repairs a month.

At the time of the acquisition, Enrique Martinez, Chief Executive Officer of Fnac Darty, declared: *"This acquisition is a new concrete illustration of the Confiance+ strategic plan, and is intended to position Fnac Darty as a benchmark player in smartphone repair and associated services, while offering an enriched ecosystem to customers. It also strengthens Fnac Darty's commitment to the development of the circular economy, and to extending the lifespan of electronic products."*

The "second-life" business to find responsible solutions for all customer returns and unsold items

To promote a second life for products returned by customers, those damaged during transport or removed from the shelves for various reasons, the Group is implementing three key actions:

- resale of products through Fnac Occasion or Darty Occasion pre-owned product sites, or to discounters;
- donations to agents in the social and solidarity economy;
- technical inspection of products to encourage their resale between private parties.

Resale of goods to customers or discounters

Pre-owned products resold on the fnac.com and darty.com websites are in good condition.

These are products that have left the warehouse with damaged packaging, products tested by the Labo Fnac, products returned by customers within the 14-day cancellation period after making a purchase online, or even returns replaced with a new product under warranty.

Products retained for resale to our customers are wiped of personal data and reconditioned. These items are Fnac Occasion or Darty Occasion certified, meaning they are guaranteed for six months and customers have 14 days to change their minds and return them.

The other products are resold to discounters, who have all signed a responsibility agreement committing them to wiping all personal data.

In 2018, more than 44,000 products were resold in this way by Fnac and Darty Occasion This figure is up 34% compared to 2017.

Donations to agents in the social and solidarity economy

Since 1984, Darty has been a partner of the solidarity network ENVIE (new enterprise for employment through economic activity). Almost a third of major appliances collected from Darty customers are entrusted to them. ENVIE sorts, cleans, repairs and reconditions them, and resells them used in its network of stores. Every day, around 190 appliances are given a second life in this way.

For its part, Fnac has partnered with Secours Populaire for the past 10 years, and every year organizes the Dijon “Braderie Solidaire” sidewalk sale for unsold items. All proceeds go back into the association, meaning each year it can fund vacations for hundreds of disadvantaged children.

At the 2018 Braderie Solidaire, Fnac donated €164,670 to the Secours Populaire.

In addition, Fnac partners with its customers to encourage reuse by inviting them each year to donate their books to the association Bibliothèques sans Frontières (libraries without borders). This huge collection drive, which takes place in Fnac stores across France, has enabled the collection of almost one million books in six years. These books support programs to assist access to education and culture implemented by the NGO in areas that have suffered conflict or natural disasters.

Finally, the Group made one-time product donations worth €1.9 million.

Encourage the resale of smartphones between individuals with technical inspections

Another way to encourage reuse is to facilitate resale between individuals.

Thus, in 2017 Darty launched the “Smartphone technical inspection” service, which allows individuals who want to sell their smartphone in C2C (for example, on fnac.com via the “sell yours” process) to have their device checked by the Darty service prior to sale.

If the outcome of the technical inspection is positive (technical condition, appearance, check of the stolen cell phone database), people wishing to sell their smartphones are given a certificate attesting to the good condition of the device. This is a guarantee for the buyer, who can make a safe purchase, knowing they have been informed about the condition of the smartphone and certain it has not been reported stolen.

In November 2018, Fnac Darty demonstrated this innovation at the Pollutec trade show in Lyon.

Collection and recycling of waste to limit its environmental impact

Priority indicators	2017	2018
Volumes of WEEE collected for the Éco-Systèmes organization (France + franchises)	42,674 metric tons	45,188 metric tons
Volumes of WEEE recycled (Group [(a)])	46,370 metric tons	57,352 metric tons

(a) Group volumes are not comparable because the 2017 reporting scope excluded BCC. The 2018 reporting scope covers the entire Group.

Aware that the products it sells account for its main impact in terms of waste, the Group is extremely committed, and has been for many years, to the recovery of its customers’ old electrical and electronic equipment.

For more than ten years, customers have been able to return up to two appliances to delivery personnel during home delivery of bulky equipment. The delivery personnel then take these items to the non-profit eco-organization Éco-Systèmes. This organization is an approved WEEE recycler and undertakes to extract any dangerous substances and recycle up to 89% of an appliance on average: 81% turned into secondary raw materials and 8% used in other forms (energy, ballast, etc.).

For small equipment, whether or not it was purchased from one of the two banners, the customer is able to deposit items in the collection terminals in all stores so that they are also recycled by Éco-Systèmes.

In France, the volume of equipment collected and handed over to this eco-organization by Fnac Darty amounted to 45,188 metric tons in 2018. This volume of recycled equipment makes the Group the principal retail contributor to Éco-Systèmes.

Elsewhere in Europe, Fnac Darty collects WEEE for suppliers who handle the recycling of this equipment. The other five countries where the Group has stores have also collected 12,164 metric tons of electrical and electronic waste.

The Group also collects other waste for approved recycling organizations (for example batteries, bulbs and fluorescent lights, and ink cartridges). This waste comes from the company's consumption and from customers, who can place their waste in the collection bins available in all France stores.

As a result, in France more than 150,000 ink cartridges were handed to Ateliers du Bocage, part of the Emmaüs network, which uses recycling as a means of employment integration.

2.2.2 / KEY CHALLENGE 2B: CONTRIBUTE TO ECONOMIC, SOCIAL AND CULTURAL DEVELOPMENT IN THE BUSINESS TERRITORIES

Fnac Darty relies on both its stores and its commercial websites to strengthen its community development initiatives.

Opening more stores, thereby increasing geographical coverage, allows Fnac Darty to be closer to its customers but also to contribute to the economic activity of medium-sized cities, support the projects of local associations and improve access to culture for the greatest number of people.

Our commercial websites are also a great means of sharing with our customers our policy of solidarity. A micro-donation scheme for partner associations implemented in 2017 has been very successful.

2.2.2.1 / Contribute to local economic activity

Key figures:

- revenue from stores accounts for 81% of total revenue;
- 780 stores; and
- 66 stores opened in 2018.

Fnac Darty opens new stores every year, thanks to its franchise development strategy, to increase coverage of medium-sized cities.

The Group firmly believes it is this closeness that allows it to maintain the special relationship of trust with its customers, built up over the history of both banners.

This strategy is also extremely beneficial to society: it contributes to the creation of local jobs and develops economic and social activity in the medium-sized cities where the stores open.

2.2.2.2 / Making culture accessible to the greatest number is one of Fnac's historic missions

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

- the organization of free events in stores: concerts, book signings, conversations, conferences, particularly to allow local artists to meet their public;
- support for the literary field with the organization of landmark cultural prizes: Fnac Prix du Roman (17th edition), Prix de la BD (6th edition) and Prix Goncourt des Lycéens (30th edition). These three key moments of the year provide a massive boost to the authors and their works through a variety of different public profiles. The year 2018 also saw the continuation of the Fnac book fair created in 2016, which brought together almost 15,000 visitors and more than 100 authors from September 14 through September 16, 2018;
- the development of the Fnac Live festival (8th edition): 30 free concerts over three days for nearly 100,000 spectators in the heart of Paris, with the biggest names in music and many new artists supported by the Banner; and

- the establishment of partnerships with local cultural institutions (at theaters and concert halls, festivals, museums, operas, etc.) with the aim of spreading their influence and inviting Fnac customers to hear them and find out more about them.

Key figures for cultural action in 2018 in France:

- a dedicated team in France: 15 employees, including 6 in the regions; and
- 1,650 cultural events organized in the Fnac stores in France:
  - representing 37 events/week on average over 44 weeks,
  - 408 events in Paris/Paris Region, and
  - 1,242 events in the regions outside of Paris.

Abroad, Fnac pursues this same ambition of supporting the creation and access to culture through awards, exhibitions, meet-and-greets, book signings and free concerts in stores.

It is also worth noting that 2018 marked the banner's 20th year in Portugal. To celebrate, almost 6,300 free cultural events relating to music, photography, movies and books drew in almost a million people.

2.2.2.3 / Internet: a powerful facilitator of donations to associations

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

On fnac.com, working in partnership with the association Un Rien C'est Tout, these small donations totaled €103,351 in 2018 (78,245 donors). This enabled around 10 beneficiary associations to work with 6,000 children to raise awareness of the protection of oceans, purchase medical equipment for doctors working with exiled women in the Calais "jungle", furnish three houses for children in care, finance coaching to return to work for women suffering from cancer, and even provide 15,000 books for children from working-class areas.

On the Fnac Spectacles site, since the launch of a partnership with the social enterprise Common Cents in November 2016, small donations have helped raise almost €250,000 benefitting 19 associations. These donations supported the creation of two jobs for one year for long-term unemployed persons, allowed the wishes of nine hospitalized children suffering from serious illnesses to be granted, funded almost 6,000 organic and locally sourced meals in school canteens, created a nursery in a Cambodian village, provided access to drinking water for a village, financed more than 3,000 overnight stays for parents to stay with their hospitalized children, funded 652 music courses for underprivileged children in difficult circumstances, offered 671 vacation days to people who can't normally take vacation days, and more.

2.3 / Risk No. 3: Negative externalities related to Fnac Darty's activities

2.3.1 / KEY CHALLENGE 3: REDUCE ENVIRONMENTAL IMPACTS AND ROAD HAZARDS

If supporting employees and adapting the business model to societal challenges are strategic responsibilities for Fnac Darty, reducing the impacts associated with its business activities is an undeniably exemplary objective.

This responsibility should be placed in the specific context of the company's activities, particularly with regard to the rapid development of its omnichannel model. To become Europe's benchmark omnichannel platform, the Group intends to continue expanding its range of services to seize new market opportunities and to adapt to the expectations of customers, who are interested in increased speed, simplicity and personalization.

Transporting goods from warehouses to stores, delivering parcels by post or a major appliance to the home, repairing or even collecting old equipment: logistics are at the heart of the Group's activities.

Fnac Darty is fully aware of the negative externalities its activities create. This chapter describes the challenges associated with some of the Group's key activities, then examines the mitigation policies put in place to limit these impacts.

2.3.1.1 / Challenges associated with transport activities

E-commerce B2C and B2B logistics

To offer customers a comprehensive and efficient range of services across its regions, Fnac Darty has considerable advantages due to the complementarity between its two banners. In Europe, the Group has a network of more than 10 warehouses totaling over 350,000 m^2 of floor space, processing more than 200 million orders a year. This network serves both banners' 780 stores and their millions of customers.

Home delivery and collection of major appliances

The delivery operation is made up of 73 integrated Fnac Darty logistics centers and 12 franchise logistics centers. It is the biggest network of local logistics centers in France. Its mission is to deliver and install new products, and collect old appliances for all Darty, Fnac and MisterGoodDeal (Darty's discount website) customers. Each day, approximately 1,000 delivery personnel and installers visit customers' homes thanks to a fleet of 460 vehicles that are owned outright. In 2018, Fnac Darty made more than 1.6 million deliveries.

The omnichannel transformation in which the Group has been engaged for several years has enabled it to support a profound change in consumer behavior. In 2018, same-day and next-day deliveries of consumer electronics represented approximately 70% of total deliveries, compared to only 30% in 2014.

After-sales home service calls

Darty's experience is an irreplaceable asset at the heart of the "Contrat de Confiance" launched in 1973 and the model of "best pricing, best choice, best service". After-sales services are a high value creation factor which truly differentiates the offer from others proposed by pure players. The organization associated with this service can rely on a large regional network: 28 home service centers, which employ 800 technicians.

All these activities, intended to serve customers and company development, lead to negative externalities that Fnac Darty hopes to limit.

2.3.1.2 / Mitigation policies

Fnac Darty's responsibility is to:

- reduce the carbon footprint linked to transport and energy;
- reduce the impact of packaging waste; and
- reduce the risk of road accidents for delivery personnel and surrounding drivers.

Reduce the carbon footprint linked to transport and energy

Summary of operating carbon emissions

(tCO_2eq)	**2018**
Scope 1 (mainly related to B2B and B2C transport)	31,726
Scope 2 (mainly related to electricity consumption)	11,924
Scope 3 (mainly related to e-commerce)	180,257

The reporting scope and methodology are described in the reporting methodology note on page 67.

Description of mitigation policies

B2B transport

(tCO_2eq)	**Scope 1**	**Scope 3**
B2B carbon footprint [(a)]	12,119	2,565

(a) The B2B transport data covers back-and-forth deliveries from the logistics site to our stores, and concessions at train stations and airports.

Fnac Darty is aware that it must work on transport to limit its impact on air and water quality and noise pollution, particularly in urban areas.

The Group is focused on three key points of action: limit the distances products travel with a dedicated network of warehouses, maximize and streamline truck loading, and promote multi-modal transport when possible. The general strategy is designed to develop alternative transport systems that comply with cost/time/availability requirements, with the ultimate goal of satisfying customers.

B2C transport

E-commerce delivery relates to parcels delivered by couriers. The type of transport determines the CO_2 weight.

	Number of packages delivered in 2018	**Percentage of carbon neutral packages**	**Scope 3** *(tCO_2eq)*
E-commerce B2C carbon footprint [(a)]	12,240,645	70%	168,610

(a) If the package is placed in one of the Group's trucks for delivery to a store, the data is already present in the B2B section.

In order to reduce the carbon footprint linked to the flow of e-commerce (B2C) merchandise, the Group has chosen to use carbon-neutral service providers such as the Colissimo and Chronopost couriers.

Colissimo is constantly working toward reducing its environmental footprint by regularly increasing its fleet of electric vehicles, optimizing deliveries thanks to bulk loading, and ensuring 100% of its electricity comes from renewable sources. To offset all its residual CO_2 emissions, La Poste is investing in carbon offset projects certified in accordance with the strictest standards. As a result, 100% of the packages shipped via Colissimo are carbon neutral, and 50% of Fnac Darty shipments are made via Colissimo.

In 2018, this process was extended to Chronopost, meaning 80% of Fnac Darty e-commerce deliveries in France are now carbon neutral.

Delivery and collection of major household appliances

(tCO_2eq)	**Scope 1**	**Scope 3**
Carbon footprint from delivery and collection of major household appliances [(a)]	9,924	2,591

(a) For France, the methodology used is the fuel consumption of the truck fleet, multiplied by the level of subcontracting.

For last-mile delivery, new regulations are calling for a rethinking of how goods are transported.

By 2020 in France, 20 Darty delivery trucks will run on compressed natural gas (CNG). Only trucks making rounds within a city will be affected at first, and the Group will also support its subcontractors.

Other delivery solutions are also under review: transport by river, "green" logistics partners very close to Paris, etc.

Home service calls

(tCO_2eq)	Scope 1	Scope 3
Carbon footprint from after-sales home service calls	2,741.4	715.1

The Group is launching major innovations in terms of remote after-sales services. For example, Darty's "Connected Button" was developed by adding video technology, allowing customers to use the video function on their smartphones to have a visual link with a customer service agent and interact with them over the phone, making it easier for Darty employees to perform a diagnostic before coming out to the house. Speaking to the customer directly on the phone can also help avoid a home visit altogether.

Electricity consumption

2018	Electricity *(MWh)*	Area *(m^2)*	Consumption *(kWh/m^2)*	Scope 2 *(tCO_2eq)*	Scope 3 *(tCO_2eq)*
Carbon footprint related to electricity consumption	204,681	1,549,442	132.1	11,873	2,528

The Group has focused increasingly on renewable energy in its energy mix. Fnac France and Darty France are not yet supplied with green energy, but 100% of the electricity purchased by Fnac Belgium, Fnac Switzerland and Fnac Spain comes from renewable production, and 53% for Fnac Portugal. For Darty, Vanden Borre's (Belgium) supply is 10% green energy.

Reduce the impact of packaging waste

Fnac Darty's logistics operations mainly produce packaging waste: pallets of products in protective plastic wrap and cardboard boxes from packages delivered to customers' homes or stores as part of the Click&collect framework.

In 2018, the volumes of packaging were as follows:

Priority indicators *	2018
Annual cardboard purchases	3,700 metric tons
Annual plastic purchases	555 metric tons

Group scope (excluding BCC).

To limit this waste, Fnac Darty is implementing two key strategies: optimization of packaging and collection/recycling of packaging.

Optimization of packaging

In addition to improving the customer experience, packaging optimization aims to reduce the amount of cardboard and surface area used in warehouses and stores, as well as transport costs. In 2018, Fnac Darty logistics sites tested a fully automated solution that allowed them to reduce to a minimum the amount of cardboard used through the custom sizing of packages. This automated system means the amount of cardboard used can be reduced by 26% to 30%, with savings of 15% to 20% in terms of floor space and the same amount of volume in trucks.

This solution will be extended to other sites in 2019.

Collection and recycling of packaging

An exclusive Fnac Darty waste sorting/recycling center that covers the whole Paris Region

Founded in 1994 by Darty, the Mitry-Mory waste sorting/recycling center is a key component of the Group's waste-management policy.

Located close to a warehouse and logistics center handling deliveries to customers in and around Paris, the Mitry-Mory processing center consolidates the waste for the Paris Region.

This means the Group uses delivery vehicles to take the waste produced by the region's 51 Darty stores to the site. In this way, Fnac Darty optimizes the cost and impact of its transport operations by avoiding empty runs.

Fnac Darty employees then sort through this waste and recycle any materials that they can, particularly shipping cartons, plastic, polystyrene and electrical and electronic waste from returns, in-store collections or scrap (see section 2.2.1.2, paragraph "Collection and recycling of waste to limit its environmental impact").

In order to maximize resale value in recycling loops, the processing center has equipment designed to store, consolidate non-compressible volumes, and compact some waste (card, non-hazardous waste, polystyrene, etc.) or produce expanded polystyrene (EPS).

In 2018, the Mitry-Mory processing center was able to recycle more than 1,600 metric tons of cardboard and 505 metric tons of expanded polystyrene.

Six logistics sites serving Fnac Darty

France currently has six logistics sites to ensure the delivery of products to stores or customers. Every day, thousands of products leave the hubs in Massy, Wissous, Mitry-Mory, Satolas, Moussy-le-Neuf and Plessis-Belleville for delivery to stores or customers.

These sites amass a large quantity of packaging waste from pallets of products sent by suppliers, as well as from returns – delivery personnel bring packaging here from major appliances delivered to customers' homes and packaging from pallets delivered to stores.

In 2018, these logistics sites were able to recycle an estimated 5,000 metric tons of cardboard and 130 metric tons of plastic by selling this waste on to recyclers.

(metric tons)	**Mitry-Mory**	**Massy**	**Wissous**	**Satolas**	**Moussy-le-Neuf**	**Le Plessis-Belleville**
Volume of cardboard recycled	1,600	1,652	422	132	609	501
Volume of plastic recycled	0 [(a)]	65	0 [(a)]	2.5	3	60.5

(a) As the value of plastic has fallen sharply, some service providers collect and recycle this plastic waste but no longer pay for it. The volumes reported here are based on invoices, so a volume of zero signifies the lack of an invoice and not a lack of material. Therefore, the volumes recycled are actually greater.

Stores and logistics centers outside the Paris Region

For the rest of France, the collection and sorting of packaging waste varies from one banner to the other, and often from one store to another depending on the regional requirements for waste management and the areas where sites are located. For instance, waste from stores located in shopping malls is mixed with waste from other chains, making traceability and calculation of volumes difficult.

For Darty, most stores send their waste to the banner's logistics centers, who then take responsibility for sorting it and selling it on to recyclers. For Fnac, packaging waste is collected and recycled by state or private-sector service providers.

In 2018, the two main private-sector providers – Suez and Veolia – recycled over 1,300 metric tons of cardboard and almost 280 metric tons of plastic from Fnac Darty stores and logistics centers.

Fnac Darty intends to improve the traceability, management and reporting of its packaging waste. In 2019, an action plan will be drawn up based on the findings of a 2018 internal audit.

In the rest of Europe

Fnac Darty also hopes to reduce the environmental impact of its packaging waste in the other countries where it operates. Recycling flows vary from one country to the next, but in 2018 an estimated 1,200 metric tons of cardboard and 130 metric tons of plastic were recycled in these five countries.

(metric tons)	**Belgium**	**Netherlands**	**Switzerland**	**Spain**	**Portugal**
Volumes of cardboard recycled in 2018	565	395	1.47	157	154
Volumes of plastic recycled in 2018	70	30	0.09	11	19

Collection and recycling of WEEE

In France in 2018, the total volume of electrical and electronic devices collected by Fnac Darty and recycled by the Eco-Systèmes organization amounted to 45,188 metric tons.

For the Group as a whole, the volume collected and handed over to companies for recycling is 57,352 metric tons.

This is discussed further in section 2.2.1.2 "Fnac Darty is committed to a more circular economy".

Reduce the risk of road accidents

With deliveries to customers, home visits and transporting goods from warehouses to stores, each day the Fnac Darty fleet (and its subcontractors' fleets) travel the equivalent of eight times around the world. In addition to the environmental impact of these trips, the risk of road accidents represents a major challenge for the Group.

In recognition of this challenge, in July 2018 the Group signed the French national appeal by businesses for road safety. To support it in its ongoing progress, Fnac Darty turned to INSERR (the French national institute for road safety and research).

Specifically, this support will involve an audit, which will enable the group to implement an action plan and define specific training needs. The findings of this audit are expected during the second quarter of 2019. Upon completion of this task, INSERR will provide training for four trainers at Fnac Darty on two subjects: preventing road hazards and eco-driving. In turn, these four trainers will then be tasked with training the Group's employees.

In the meantime, INSERR will train service center managers on preventing road hazards so that they can raise awareness among their teams before their training from 2020 onwards.

A summary of the findings and the resulting action plan will be published the following year.

2.4 / Risk No. 4: Integrity of Fnac Darty and its partners

2.4.1 / KEY CHALLENGE 4: CONDUCTING BUSINESS IN AN EXEMPLARY MANNER

With a growth strategy based primarily on the development of partnerships – franchises, resellers on the Marketplace, partnerships with other brands, sourcing that feeds the diversification strategy – Fnac Darty has strengthened its compliance policy.

This policy is based on processes and procedures overseen by the Internal Audit Department. Its quality and relevance for the changing business environment are also assessed by an ethics committee.

This committee ensures the company's ethical conduct, specifically in compliance with the French Sapin II anti-corruption law, the French act establishing a duty of care or so-called extended liability law, and the new European General Data Protection Regulation (GDPR). The Ethics Committee approves, evaluates and improves the ethical approach in place.

Respect, fairness and transparency are at the heart of the Group's day-to-day activity. The Group places particular importance on sustaining these values in its relationships with employees, suppliers, customers, partners and shareholders. The aim of Fnac Darty's Business Code of Conduct is to reaffirm the basic principles that should govern each person's behavior in their professional life, both individually and collectively. These principles are reaffirmed through respecting people, respecting company property, respecting trade regulations, and through the Group's commitments to social and environmental responsibility.

Beyond the regulatory aspects, the company affirms its willingness to manage its tax compliance responsibly by vowing not to implement artificial tax arrangements or fraudulent schemes.

2.4.1.1 / Fight corruption

Keen to respect the ethical commitments it has made under all circumstances, in 2017 Fnac Darty updated its Business Code of Conduct and its Gifts and Benefits Charter. These documents have been translated into the languages of all countries where the Group is established, appended to each legal entity's internal regulations and uploaded to the company's various social networks so that employees, management committees, the Executive Committee and corporate officers can share these commitments. These documents also form an integral part of the introductory handbook for new employees joining the Group. Finally, the Business Code of Conduct is appended to the contracts and agreements formalizing commercial relations with our partners.

Key principles from the Business Code of Conduct related to preventing corruption

- Fnac Darty is committed to a zero-tolerance approach to corruption and influence peddling within the group and in its relationships with third parties.
- Fnac Darty forbids political, trade union, cultural or charitable funding for the purposes of obtaining any direct or indirect benefits.
- Fnac Darty ensures that charitable contributions, patronages or other sponsorship initiatives are governed by principles of integrity and made without any expectations of receiving anything in return whatsoever.
- Fnac Darty is committed to ensuring that independence and integrity concerning various gifts or enticements from third parties are inviolable principles accepted by everyone. To this end, the Group's Gifts and Benefits Charter outlines the applicable rules.
- Fnac Darty prohibits the remittance of any facilitating payments, regardless of whether or not these are permitted under local law.
- Fnac Darty asks its employees to pay special attention to any transactions they feel are suspicious and may pertain to money laundering.
- Fnac Darty is vigilant to conflicts of interest that may arise from situations where personal interests and the interests of the company are at odds.
- The acquisition of interests may be necessary for Fnac Darty as part of its strategic development. In such situations, Fnac Darty is committed to analyzing the integrity of the target entities with regard to the legal environment, in addition to the economic and financial assessments carried out.

Involvement of the entire Group in preventing corruption

- The Chief Executive Officer of Fnac Darty, who reports to his Executive Committee on oversight actions and obligations.
- The Group Human Resources Director through the Ethics Committee leadership, the dissemination of internal communications relating to our commitments in the fight against corruption, and the development of dedicated training.
- The Director of Internal Audit through managing the implementation of anti-corruption measures in France and abroad.
- The Country Management Committees who ensure the successful rollout of the corruption-prevention plan.
- The Group Leadership members who ensure they themselves and their employees uphold these principles, and who have all completed a mandatory e-learning training course.
- The employees who are encouraged to inform their managers or the ethics officers named in the Business Code of Conduct of any sensitive situations in line with the principles set out above.

A continuously improving roadmap for a robust corruption prevention plan

Risk assessment	■ The risk of corruption is included in the overall regulatory risk assessed at Group level. ■ Specific mapping for the risk of corruption has been put in place. ■ The results of contributions and actions to carry out have been shared with the Group's Executive Committee and country management teams.
Raising employees' awareness of the risk of corruption	■ In 2018, members of the Executive Committee and Group leadership members for France, Switzerland and Belgium completed a mandatory e-learning module on the risk of corruption. ■ In 2017 and 2018, specific meetings to raise awareness of the issue were held for buyers with the participation of the legal department. ■ The e-learning module has been translated for the other countries, and training is expected to begin in the first half of 2019.
Warning procedure	■ A warning procedure has been drafted in addition to the procedure set out in the Group's Business Code of Conduct. ■ It is available on the Group's intranet.
Checks carried out	■ The internal audit teams have enhanced their tools for assessing compliance with Group rules on corruption risks. Any recommendations made as a result of internal audits are highlighted specifically when they relate to the risk of corruption. ■ Specific auditing duties both in France and abroad were added to the 2017 and 2018 audit plan. ■ For the first time, the 2018 self-assessment included a specific questionnaire on the risk of corruption. ■ All audits to be carried out in 2019 will include specific accounting checks. ■ Each year, the Internal Audit Department oversees a review of the segregation of duties in the SAP accounting tool. ■ A specific procedure for accounting checks has been drawn up.

2.4.1.2 / Oversight plan

Working with the Internal Audit Department, in 2018 the CSR Department organized a consultation with internal stakeholders in order to develop its first oversight plan.

This plan covers the five points required by French law:

1/ Mapping of risks	2/ Assessment procedures	3/ Warning mechanism	4/ Prevention and mitigation actions	5/ Evaluation mechanisms
See § "Mapping of risks" below	Review of the mapping by the Ethics Committee and with each manager concerned	Mechanism stipulated and included in the Business Code of Conduct distributed to all employees and appended to partners' contracts	See § "Prevention and mitigation actions" below	These risks and action plans will be added to the Group risk management tool

Methodology used for risk mapping and key risks

Mapping of risks was developed following consultation with key departments (Sourcing, Purchasing, Human Resources, Operations, Franchises, Marketplace, Sales).

These consultations made it possible to identify all risks relating to human rights, health/safety and the environment associated with each of the Group's activities and those of its suppliers and subcontractors. An independent external company also reviewed the risks identified to check that no major risks had been omitted in terms of the risks identified by other comparable players in the retail industry.

These risks were then addressed in accordance with the methodology used by the Internal Audit Department in its Group risk management, weighting them according to their level of occurrence and impact, then with regard to mitigation or prevention policies in place.

Mapping of risks

As a result of this exercise, 58 risks were identified and analyzed, but only 17 were found to be lacking in adequate coverage and required the implementation of an action plan. These 17 risks correspond to three groups of risks:

- risks associated with the sourcing (production and assembly) of own-brand products in Asia and Eastern Europe (12 risks);
- risks associated with the creation of trade relationships via the Marketplace (3 risks); and
- risks associated with our franchise partners (2 risks).

Prevention and mitigation actions

Mitigation of risks associated with sourcing from Asia and Eastern Europe

Key figures relating to own-brand product sourcing in 2018:

- €155m of purchases sourced from Asia and Europe, representing 3% of total purchases;
- 100 people including 64 in China;
- 11 own brands, 5 brands under license, approximately 1,500 products;
- 166 suppliers, 222 plants; and
- 99 plants audited in 2018.

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

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

In this regard, the Sourcing Department has integrated a CSR dimension into its processes, and into the documents that frame the supplier relationship. Thus, the Group Vendor Manual, a document that defines the standards and procedures, includes a code of business conduct ethics that is updated every year.

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

In 2018, 99 of the 222 plants manufacturing own-brand products for the Group were audited using an improved inspection procedure with 93 points to check (compared with 45 in 2017), including 12 specifically related to health and safety, human rights and the environment.

Of the 99 plants audited, 18 were found to be unsatisfactory and required the implementation of a corrective action plan.

All mechanisms put in place to ensure the quality of a product, and the health and safety of its user, result in particularly high-quality own-brand products, as the following indicators show:

	2018
Level of demand [(a)] for branded products	3.15%
Level of demand for own-brand products and products under license	3.09%

(a) Demand: all post-sale exchanges.

Mitigation of risks associated with the Marketplace

2018 key figures:

- more than 2,500 sellers on the Fnac Darty Marketplace;
- 14 million active items; and
- an average of 24 million unique visitors per month on all Fnac and Darty websites.

The Marketplace was created to expand the range and ensure greater availability of products. Therefore, new product categories have been added to the Group's classic catalog: toys and games since 2009, then sport, gardening, DIY, and most recently home furnishings, which includes furniture and bedding.

As trusted third parties, choosing the right sellers is vital: sales potential, pricing policy, but above all quality of service. In 2019, emphasis will also be placed on sellers' reliability and ability to fully support customers throughout the life cycle of an order.

Fnac Darty ensures that each seller complies with European requirements in terms of their payment system and monitors each transaction. The score awarded by customers after each transaction and the rate of complaints for each seller are closely monitored. One wrong move, and corrective action must be taken or the seller risks removal from the list of approved vendors.

Furthermore, to ensure its sellers adhere to its Business Code of Conduct, Fnac Darty has included this in the General Terms and Conditions of Sale.

Mitigation of risks associated with franchises

	2017	2018
Number of Fnac franchises	73	95
Number of Darty franchises	132	165

Franchise development is of strategic importance to Fnac Darty.

Its concept – a smaller store (between 300 m^2 and 1000 m^2) with a reduced selection of products and access to the entire product range thanks to a web channel with next-day delivery to the store – allows Fnac Darty to increase its geographical coverage by establishing itself in smaller cities.

In 2018, the Group opened 33 Darty franchises and 22 Fnac franchises. This development comes with a responsibility: ensure the franchises – which are independent contractors – respect human rights, guarantee the safety of their customers and employees, and limit the impact they have on the environment.

To this end, the Group grants the franchises access to all e-learning modules and includes the Business Code of Conduct in their contracts, which necessitates compliance with the rules and ethical principles upheld by the Group.

2.4.1.3 / Protection of personal data

Personal data protection is at the heart of the challenges faced by Fnac Darty. The merger of the Fnac and Darty banners should give us better knowledge of customers, but it also requires that we ensure greater transparency in the use of the data collected by the banners and a legitimate and proportionate use of that data.

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

Since 2017, Fnac Darty has sought to improve its own organizational means of ensuring its regulatory compliance by appointing a DPO (Data Protection Officer) with the CNIL (*Commission Nationale de l'Informatique et des Libertés* – French data protection authority).

In 2018, the Group continued to actively work toward compliance with the applicable laws and regulations on personal data protection, particularly the provisions of the regulation dated April 27, 2016 (GDPR). In this regard, Fnac Darty has implemented a GDPR program, which involves an action plan coordinated by the DPO and representatives from each department. The actions in the GDPR program relate to all areas of the company and involve all of the stakeholders.

The action plan has enabled the implementation of measures designed to ensure the respect of its obligations, specifically:

- governance systems for the protection of personal data:

  Fnac Darty continued to develop a governance system for the protection of personal data (management committees and dedicated workshops). Appointment of Data Protection Officers (DPOs) in country subsidiaries also continued;

- keeping a register of personal data processing operations:

  Fnac Darty has established processing registers for all affected companies in the Group;

- raising awareness and training Fnac Darty employees:

  Fnac Darty used an e-learning module, workshops and even memos on best practices to raise its employees' awareness of personal data protection;

- internal processes and procedures documentation:

  Fnac Darty worked on improving documentation for its data processing and formalizing internal procedures. For example, the Group improved the existing personal rights management procedure for the different banners in order to better handle complaints and requests from the people concerned. A procedure for managing data breaches has been formalized to help anticipate and plan reporting of any personal data breaches as quickly as possible;

- data subject information:

  The information on data processing has been updated on the Group's websites and in-store. The privacy policies have also been revised to make them clearer and more transparent;
- retention of personal data for limited periods of time:

  Fnac Darty has established retention periods that are appropriate and proportionate to its activity;
- security of information systems for data processing:

  Fnac Darty carried out mapping of its information and workflow systems that handle personal data, then took actions to improve the security of personal data;
- updating of agreements with subcontractors and joint data processors:

  Fnac Darty launched a project to update all contracts involving personal data processing to ensure they contain the necessary clauses on the security of personal data that partners or subcontractors can access.

2.4.1.4 / Responsible tax behavior

The Group is committed to paying taxes and contributions in each country where it operates and does not participate in any tax avoidance schemes.

Through its subsidiaries, the Group is present in nine countries.

In France, Belgium, Switzerland, Spain, Portugal and the Netherlands, the Group has operating companies that run the stores and whose tax expense is consistent with and proportional to their contribution to the Group's earnings, which illustrates a principle of tax compliance rather than value creation. As the weight of the business activities conducted in France is particularly significant for the Group, its main support services are based in France.

In Asia, the Group has two service entities, which are design and quality-control offices for own-brand goods manufactured for the Group by third-party enterprises.

In the United Kingdom, the Group does not have an operational structure but it does maintain a holding-company presence due to local regulatory obligations.

The Group's tax department ensures compliance with each country's tax regulations, and the declaration and payment of taxes by the deadlines and in accordance with the conditions of each law, to ensure its fiscal security and limit the risk of upward adjustment of profits in the event of a tax audit.

The Group works in a transparent way with the tax authorities in the various countries in which it operates. For example, in 2018 in France, the Group responded to over 80 right-to-information requests from the French tax authority.

2.5 / Reporting methodology note

The CSR Department is responsible for coordinating and drafting this chapter. The data comes from the departments concerned (Human Resources, Logistics, Maintenance, Purchasing, Marketing, Sales, etc.) in France and the other countries. The data is entered in a reporting tool, making collection, consistency checks, monitoring and management easier.

This data entry happens at different levels depending on the reporting scope.

	Reporting scope	Source of data	Entry of data in the reporting tool
Social	Country	Country HR department	Country HR department
	Fnac France	Payroll extract	Compensation and Benefits Department
	Darty France	HR department for the three Darty France subsidiaries	HR department for the three Darty France subsidiaries
CO_2	Group	Various departments	Operations Department
Environment excluding CO_2 and societal	Country	Various departments within countries	Various departments within countries
	France	Various departments in France	CSR Department

All methodological points are described in a reporting protocol sent to contributors when data collection begins.

Comparison of reporting scope in last three years:

	2016	2017	2018
Reporting scope	■ Fnac ■ All countries ■ Franchises excluded	■ Fnac Darty ■ Social: all countries ■ Environmental and societal: France ■ Franchises excluded	■ Fnac Darty ■ Social: all countries ■ Environmental (excluding CO_2) and societal: all countries (except the Netherlands where mentioned) ■ CO_2: see the table below ■ Franchises excluded (except where mentioned)
Publication regulatory framework	Article 225 Grenelle II Law	Article 225 Grenelle II Law	DPEF (non-financial performance declaration)

CO_2 information scope

		Fnac				
		France	Belgium	Spain	Portugal	Switzerland
Energy	Electricity	Included	Included	Included	Included	Not included
	Natural gas	Included	n. a.	n. a.	n. a.	Not included
Transport	B2C transport e-commerce	Included	Included	Included	Included	Not included
	B2B transport	Included	Not included	Included	Included	Not included
	B2C transport last-mile delivery	n. a.	n. a.	n. a.	Included	Not included
	B2C transport after-sales service trips	n. a.	n. a.	n. a.	Not included	Not included
	B2C transport after-sales goods flows	Included	n. a.	Included	n. a.	Not included
Travel	Business travel – company cars	Included	n. a.	n. a.	Included	Not included
	Business travel (airplane, train, leasing)	Not included	n. a.	Included	n. a.	Not included

		Darty		
		France	VDB	BCC
Energy	Electricity	Included	Included	Not included
	Natural gas	Included	Included	Not included
Transport	B2C transport e-commerce	Included	Included	Not included
	B2B transport	Included	Included	Not included
	B2C transport last-mile delivery	Included	Included	Not included
	B2C transport after-sales service trips	Included	Included	Not included
	B2C transport after-sales goods flows	Included	Included	Not included
Travel	Business travel – company cars	Included	n. a.	Not included
	Business travel (airplane, train, leasing)	Not included	n. a.	Not included

Definition of CO_2 scopes

The scope is used to identify the source of greenhouse gas emissions.

Type	Description	Indicators included
Scope 1	Scope 1 relates to direct emissions. For example, if the emission resulted from the use of petroleum, fuel combustion, etc.	All indicators associated with transport: B2B transport, transport of people, delivery and collection, home service calls All indicators associated with fossil fuel consumption (natural gas, fuel oil)
Scope 2	Scope 2 covers indirect emissions related to energy consumption	Electricity and district heating and cooling networks only
Scope 3	Scope 3 covers indirect emissions related to travel and energy consumption	All indicators

Indicators	Scope 1	Scope 2	Scope 3
B2B transport Delivery and collection of major household appliances Home service calls	Included – related to the fuel consumption (combustion) and type of truck used (e.g. 20-ton) per mile traveled	Not included	Included – related to the upstream production of the fuel used
B2C transport	Included – related to fuel consumption (combustion)	Not included	Included – related to the upstream production of the fuel used and the road freight or air freight of packages not handled directly by the Group
Electricity	Not included	Included – emissions generated during energy consumption except where green energy is used	Included – emissions generated indirectly during upstream production of electricity. Also valid for green energy

For the 2017 section on transport and energy, the reporting scope only covered Fnac France and Darty France. For 2018, the scope was extended to the other countries. This is why the comparison of these two years is not yet relevant.

In view of their independence, franchises are excluded from the scope of publication.

Because France represents 76% of the Group's revenues and 75% of the employees, this scope is significant and representative. It should be noted that the stores that closed in 2018 or opened after June 30, 2018 are excluded from the reporting scope. Any other exclusion from the reporting scope will be indicated and explained in the relevant section(s).

Methodological specifications for the social portion

Data is collected for the previous calendar year, from January 1 to December 31. Unless specified, temporary workers are not recognized as part of the workforce.

The consolidation scope corresponds to all legal companies whose employees are included in the dedicated Human Resources information system. Therefore, Fnac Appro Groupe, Fnac Jukebox, franchise stores and stores in train stations or airports are excluded. WeFix, which joined the Group in October 2018, is also excluded.

Methodological specifications for the CO_2 environmental portion

The data collected reflects a calendar year from January to December. If, for a given scope of "sites", a non-significant percentage of sites is missing, it can be estimated using an average per square meter, provided that the sites do not represent more than 20% of the total. If for annual reporting, the data for December is missing, it can be estimated using the data from the previous December. In all cases, the estimate used is indicated.

There are three methods of calculation available to help contributors assess the carbon footprint of B2B transport, B2C transport, collection and delivery, and home service calls. Contributors then choose the ones they feel are most appropriate:

- calculation with fuel consumption (L) of trucks;
- calculation with distance traveled by type of truck; and
- calculation with metric tons transported by kilometer traveled.

Methodological specifications for the environmental portion excluding CO_2 and societal issues

Unless specified, the data collected reflects the calendar year, from January to December.

Methodology concerning the DPEF

The new regulations governing this non-financial publication, the DPEF, require that this publication address the key non-financial risks for the company and that the business model include the CSR risks and challenges deemed to be priorities.

To this end, in 2018 the CSR Department engaged in extensive consultation with internal and external stakeholders to identify the key non-financial risks and related challenges.

These key risks and challenges were presented to and validated by the Executive Committee, before being used as a basis for discussion with all departments concerned in order to identify the most relevant indicators. This work is part of a continuous improvement process.

The CSR Department worked closely with the Internal Audit Department for the risk analysis, and with the Finance Department for the definition of the business model (Chapter 1).

Each year, the Group seeks to extend the reporting scope (see comparison table). Consequently, for indicators that are part of an extended scope, comparison with 2017 is not possible. In addition, the work to identify the Group's main non-financial risks has resulted in the publication of new indicators: these also cannot be compared with 2017.

Conversely, certain indicators published in 2017 were not considered sufficiently relevant to describe the Group's performance and therefore to include in this DPEF. However, to enable analysts to compare the 2018 and 2017 data despite the change in regulatory framework, we have chosen to add as an appendix to this chapter all the indicators published in 2017 under Article 225 of the Grenelle II Law. These indicators are outlined in paragraph 2.6.

Priority indicators will be defined in the relevant section(s).

Following the consultations conducted by Fnac Darty for its materiality analysis, some information required under the DPEF was deemed to be insignificant. Thus, the following information will not be published: "Means of combating food insecurity and waste, and promoting respect for animal welfare and responsible, equitable and sustainable food".

This document has been audited by an independent third party (ITP) whose conclusions are presented at the end of the chapter.

2.6 / Non-financial indicators

Indicators		2017	2018
SOCIAL INFORMATION			
A) EMPLOYEES			
Distribution of employees by geographical region (fixed-term and open-ended contracts)	France-Switzerland	18,555	17,797
	Iberian Peninsula (Spain, Portugal)	4,022	4,017
	Benelux (Belgium, Netherlands)	3,236	3,142
	TOTAL	25,813	24,956
Distribution of employees by gender (fixed-term and open-ended contracts)	Men	61.8%	61.4%
	Women	38.2%	38.6%
Distribution of employees by age (open-ended contracts)	Under 26	9.1%	9.2%
	26-30	12.5%	12.0%
	31-40	31.8%	30.5%
	41-50	28.6%	28.9%
	51-54	8.5%	8.8%
	55-60	8.0%	9.0%
	Over 60	1.6%	1.6%
B) ORGANIZATION OF WORK			
Type of contract	Proportion of open-ended contracts	87.5%	88.30%
	Proportion of fixed-term contracts	12.5%	11.70%
	Percentage of interim employees	15.5%	17.90%
Breakdown of working hours (employees on open-ended contracts)	Full-time employees	18,178	17,762
	Part-time employees	4,410	4,277
	Proportion of part-time employees on open-ended contracts	19.5%	19.40%
Socio-professional categories (employees on open-ended contracts)	Executives and supervisors (managers)	4,733	4,758
	Manual workers, office workers, technicians (non-managers)	17,855	17,281
Absenteeism	Absenteeism due to sickness	4.2%	4.6%
C) EMPLOYEE RELATIONS			
Organization of social dialogue, including procedure for informing, consulting, and negotiating with employees		See 2017 RD (2.3.3.1) page 38	See 2018 RD (2.1.1.1) page 44
Assessment of collective agreements and their impact on the economic performance of the company and on employee working conditions		See 2017 RD (2.3.3.1, 2.3.3.2) page 38	See 2018 RD (2.1.1.1) page 44

Indicators		2017	2018
D) HEALTH AND SAFETY			
Occupational health and safety conditions		See 2017 RD (2.3.4, 2.3.5) page 39	See 2018 RD (2.3.1.2) page 57
Report on agreements signed with union organizations or employee representatives dealing with health and safety in the workplace		See 2017 RD (2.3.3.2) page 39	See 2018 RD (2.1.1.1) page 44
Accidents in the workplace, including their frequency and severity, and occupational illnesses	Frequency of accidents at work (open-ended and fixed-term contracts)	27.52%	25.39%
	Severity of accidents at work (open-ended and fixed-term contracts)	1.45%	1.41%
E) TRAINING			
Training policies implemented		See 2017 RD (2.3.5) page 40	See 2018 RD (2.2.1.2) page 46
Total number of training hours	**France training data**		
	Total expenditure on training *(€)*	8,579,640	5,313,547
	Employees who have received training	7,858	7,169
	Managers	2,049	1,786
	Non-managers	5,809	5,383
	Total number of training hours (excluding safety)	183,489	127,373
	Employees trained in safety	3,701	3,844
	Total number of safety training hours	27,038	24,278
	Average number of training hours per employee trained	23	18
	Group training data		
	Total expenditure on training including security staff *(€)*	9,778,609	6,639,225
	Employees who have received training	13,091	13,060
	Managers	2,688	2,384
	Non-managers	10,403	10,676
	Total number of training hours (excluding safety)	283,554	224,766
	Employees trained in safety	5,567	5,639
	Total number of safety training hours	33,165	30,163
	Average number of training hours per employee trained	22	17
F) EQUAL TREATMENT			
Measures taken to promote gender equality		See 2017 RD (2.3.6.2) page 43	See 2018 RD (2.1.1.3) page 48
	Proportion of women in the workforce	38.2%	38.6%
	Proportion of female managers	34.0%	34.7%
Measures taken to promote the employment and integration of people with disabilities		See 2017 RD (2.3.6.4) page 44	See 2018 RD (2.1.1.3) page 49
Policy to combat discrimination		See 2017 RD (2.3.6.1) page 43	See 2018 RD (2.1.1.3) page 48

Indicators	2017	2018
G) PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANIZATION:		
■ respect for freedom of association and the right to collective bargaining	See 2017 RD (2.3.6) page 43	See 2018 RD (2.4.1) page 61
■ elimination of discrimination in employment and occupation	See 2017 RD (2.3.6) page 43	See 2018 RD (2.4.1) page 61
■ elimination of forced or compulsory labor	See 2017 RD (2.3.6) page 43	See 2018 RD (2.4.1) page 61
■ effective abolition of child labor	See 2017 RD (2.3.6) page 43	See 2018 RD (2.4.1) page 61
ENVIRONMENTAL INFORMATION		
A) GENERAL ENVIRONMENTAL POLICY		
Organization of the company to take environmental issues into consideration and, as applicable, the procedures for environmental evaluation or certification	See 2017 RD (2.4.5) page 51	See 2018 RD (2.3.1.2) page 57
Employee training and information programs conducted on protecting the environment	n. a.	See 2018 RD (2.1.1.2) page 46
Resources devoted to preventing environmental risks and pollution	n. a.	See 2018 RD (2.2.1, 2.3.1.2) pages 50 and 57
Amount of provisions and guarantees for environmental risks, provided that this information is not liable to seriously prejudice the company in ongoing litigation	n. a.	n. a.
B) POLLUTION		
Measures to prevent, reduce, or remediate discharges into the air, water and soil that seriously impact the environment	n. a.	See 2018 RD (2.3.1.2) page 57
Consideration of noise and other forms of pollution related to a specific activity	n. a.	See 2018 RD (2.3.1.2) page 57

Indicators		2017	2018
C) CIRCULAR ECONOMY			
C1) Waste prevention and management			
Waste prevention, recycling, reuse and other forms of waste recovery and elimination		See 2017 RD (2.4.2) page 45	
	Waste electrical and electronic equipment recycled *(metric tons)*	42,674	45,188
	■ Darty	42,494	45,050
	■ Fnac	180	138
	Batteries and storage cells recycled *(metric tons)*	24	Immaterial according to DPEF
	Ink cartridges *(metric tons)*	13	Immaterial according to DPEF
Initiatives to combat food waste		n. a.	Immaterial according to DPEF
C2) Sustainable use of resources			
Water consumption and supply on the basis of local constraints		n. a.	Immaterial according to DPEF
Consumption of raw materials and measures taken to improve efficient use		See 2017 RD (2.4.3) page 47	See 2018 RD (2.3.1.2) page 57
Energy consumption and measures taken to improve energy efficiency and use of renewable energy		See 2017 RD (2.4.4) page 48	See 2018 RD (2.3.1.2) page 57
	Consumption of electricity (kWh/m²)		
	■ Fnac France	145	121
	■ Darty France	132	133
	Consumption of electricity (tCO_2eq – Scope 2)		
	■ Fnac France	3,338	3,031
	■ Darty France	4,585	4,800
	Consumption of electricity (tCO_2eq – Scope 3)		
	■ Fnac France	945	606
	■ Darty France	1,297	960
	Consumption of gas (MWh)		
	■ Fnac France	8,000	5,183
	■ Darty France	18,000	18,640
	Consumption of gas (tCO_2eq – Scope 1)		
	■ Fnac France	1,640	1,088
	■ Darty France	3,690	3,877
	Consumption of gas (tCO_2eq – Scope 3)		
	■ Fnac France	311	207
	■ Darty France	700	738
Land use		See 2017 RD (2.2.3) page 33	Immaterial according to DPEF

Indicators		2017	2018
D) CLIMATE CHANGE			
Significant sources of greenhouse gas emissions generated as a result of the Company's operations, particularly through the use of the goods and services it produces		See 2017 RD (2.4.4) page 48	See 2018 RD (2.3.1.2) page 57
	B2C transport (tCO_2eq – Scope 1)		
	■ Fnac France	0	3.8
	■ Darty France	9,705	12,337
	B2C transport (tCO_2eq – Scope 3)		
	■ Fnac France	186,057	116,594
	■ Darty France	21,131	9,617
	B2B transport (tCO_2eq – Scope 1)		
	■ Fnac France	Not comparable	3,831
	■ Darty France	Not comparable	6,224
	B2B transport (tCO_2eq – Scope 3)		
	■ Fnac France	Not comparable	404
	■ Darty France	Not comparable	1,624
	Transport of people – Scope 1		
	■ Fnac France	1,757	Not available
	■ Darty France	1,591	Not available
	Transport of people – Scope 3		
	■ Fnac France	1,112	Not available
	■ Darty France	726	Not available
Adaptation to the consequences of climate change		See 2017 RD (2.4.4) page 48	See 2018 RD (2.2.1, 2.3) pages 50 and 57
E) PROTECTING BIODIVERSITY			
Measures taken to preserve or develop biodiversity		n. a.	Immaterial according to DPEF

Indicators	2017	2018
SOCIETAL INFORMATION		
A) TERRITORIAL, ECNOOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY		
On employment and regional development	See 2017 RD (2.3.6.5, 2.5.4) pages 44 and 54	See 2018 RD (2.2.2) page 55
On local or nearby populations	See 2017 RD (2.5.2) page 51	See 2018 RD (2.2.2) page 55
B) RELATIONS MAINTAINED WITH PERSONS OR ORGANIZATIONS AFFECTED BY THE COMPANY'S ACTIVITY, INCLUDING INSERTION ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, ENVIRONMENTAL DEFENSE ASSOCIATIONS, CONSUMER GROUPS, AND LOCAL POPULATIONS		
The conditions of dialogue with these persons or organizations	See 2017 RD (2.5.1) page 51	See 2018 RD (Intro, 2.1.1.1) pages 40 and 44
Partnership and sponsorship initiatives	See 2017 RD (2.5.3) page 52	See 2018 RD (2.2) page 50
C) SUBCONTRACTING AND SUPPLIERS		
Consideration of social and environmental challenges in the purchasing policy	See 2017 RD (2.5.6) page 55	See 2018 RD (2.4) page 61
The importance of subcontracting and consideration of their social and environmental responsibility in relations with suppliers and subcontractors	See 2017 RD (2.5.6) page 55	See 2018 RD (2.4) page 61
D) FAIR TRADING PRACTICES		
Measures taken to prevent corruption	See 2017 RD (2.5.6.2, 2.5.6.3) page 55	See 2018 RD (2.4) page 61
Measures taken to promote the health nd safety of consumers	See 2017 RD (2.5.6.2, 2.5.6.3) page 55	See 2018 RD (2.4) page 61
E) OTHER INITIATIVES TAKEN TO PROMOTE HUMAN RIGHTS		
Other initiatives taken to promote human rights	See 2017 RD (2.5.6) page 55	See 2018 RD (2.4) page 61

2.7 / Independent Third-Party Report by one of the Statutory Auditors on the Consolidated Non-financial Performance Declaration appearing in the Management Report

Year ended December 31, 2018

To the shareholders,

In our professional capacity as an independent third party appointed as Statutory Auditor of the company FNAC DARTY SA, accredited by COFRAC under number 3-1049 [(1)], we hereby present you with our report on the consolidated non-financial performance declaration for the year ended December 31, 2018 (hereinafter the "Declaration"), presented in the Group's Management Report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

The Company's responsibility

It is the role of the Board of Directors to draft a Declaration in accordance with the legal and regulatory provisions, including an overview of the business model, a description of the main non-financial risks, an overview of the policies in place with regard to these risks and the results of these policies, including key performance indicators.

The Declaration was drafted following company procedure (hereinafter the "Guidelines"), the key elements of which are included in the Declaration and are available from the company's registered office on request.

Independence and quality control

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

The Statutory Auditor's responsibility

Our role, on the basis of our work, is to deliver a justified opinion expressing a conclusion of moderate assurance on:

- the conformity of the Declaration with the provisions of Article R. 225-105 of the French Commercial Code;
- the accuracy of the information provided pursuant to paragraph 3 of parts I and II of Article R. 225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions relating to the main risks, hereinafter the "Information".

However, it is not our role to express an opinion on:

- the company's compliance with other applicable legal and regulatory provisions on the subject, particularly the oversight and anti-corruption and tax evasion plan;
- the conformity of products and services with applicable regulations.

Nature and extent of the work

Our work outlined below was carried out in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code, which determine the methods whereby the independent third party performs its duties, and in accordance with the professional standards of the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* for this assignment, as well as international standard ISAE 3000.

The work we carried out allowed us to assess the conformity of the Declaration with the legal and regulatory provisions and the accuracy of the Information:

- we noted the activity of all companies included in the scope of consolidation, the report on the main social and environmental risks linked to this activity, and its impact with regard to human rights and anti-corruption and tax evasion initiatives as well as the resulting policies and their outcomes;

(1) The scope of this accreditation can be viewed on www.cofrac.fr.

- we assessed the appropriate nature of the Guidelines in terms of their relevance, comprehensiveness, reliability, impartiality and understandability, taking into consideration best practices within the sector;
- we verified that the Declaration covers each category of information pursuant to part III of Article L. 225-102-1 in terms of social and environmental factors as well as respect for human rights and the anti-corruption and tax evasion issues;
- we verified that the Declaration includes the business model and the main risks linked to the activity of all companies included in the scope of consolidation, including, if relevant and proportionate, the risks created by its business relations, its products or its services, on the basis of information provided for in part I of Article R. 225-105, as well as the policies, due diligence procedures and the results, including key performance indicators;
- we verified, where relevant with regard to the main risks or policies presented, that the Declaration includes the information provided for in part II of Article R. 225-105;
- we assessed the process for identifying, prioritizing and validating the main risks;
- we inquired about the existence of internal control procedures and risk management procedures implemented by the company;
- we verified that the Declaration includes a clear and reasoned explanation justifying the lack of a policy concerning one or more of these risks;
- we verified that the Declaration covers the consolidated scope, i.e. all companies included in the scope of consolidation in accordance with Article L. 233-16, within the limits specified in the Declaration;
- we assessed the collection process put in place by the entity to ensure the completeness and accuracy of the results of policies and key performance indicators to be included in the Declaration;
- for the key performance indicators and other quantitative results [1] we deemed most important, we implemented:
  - analytical procedures to verify the correct consolidation of data collected, as well as the consistency of developments,
  - detailed tests, based on surveys, consisting of verifying the correct application of definitions and procedures and reconciling the data in the supporting documentation. This work was carried out with selected contributing entities [2] and covers between 46% and 100% of consolidated data for the key performance indicators and results chosen for these tests;
- we consulted the documentary sources and conducted interviews to corroborate the due diligence procedures (organization, policies, actions, qualitative results) we deemed the most important [3];
- we assessed the overall consistency of the Declaration in relation to our knowledge of the company.

We consider that the sampling methods and sample sizes that we used in applying our professional judgment enable us to arrive at a conclusion of moderate assurance; a higher level of assurance would have required more verifications.

Due to the fact that survey-based techniques were used, and also due to the limitations inherent to the operation of any information and internal control system, the risk that a material anomaly in the Declaration might not be detected cannot be completely ruled out.

Means and resources

Our work was conducted by six people. To aid us in the execution of our tasks, we called upon our sustainable development and corporate social responsibility specialists. We conducted some 10 interviews with the persons responsible for the preparation of the Declaration.

(1) ***Social indicators:*** *Total workforce as of 12/31, Percentage of women in the total workforce; Percentage of women in store manager roles; Percentage of people with disabilities; Absenteeism due to sickness; Percentage of employees trained over the year.*
Environmental indicators: *Volumes of WEEE (Waste Electrical and Electronic Equipment) collected and recycled; Total* CO_2 *emissions (scope 1, scope 2 and scope 3);* CO_2 *emissions from B2B (business-to-business) transport;* CO_2 *emissions from B2C (business-to-consumer) transport.*
Societal indicators: *Number of audits on suppliers' plants conducted during the year; Number of products covered by the environmental rating; Number of dedicated after-sales service technicians; Number of products covered by the reparability index.*

(2) *Fnac France and Darty France.*

(3) *Social dialog and collective agreements; Rate of employee engagement; Training policies; Measures taken to promote gender equality and associated outcomes; Measures to reduce greenhouse gas emissions; Measures to reduce the production of waste; Good business practice and anti-corruption procedures implemented; Audit procedures to check the quality of products sold.*

Conclusion

On the basis of our work, and given the scope of our responsibility, we have not identified any material anomalies likely to call into question the Declaration's conformity with the applicable regulatory provisions or the fact that the Information, taken as a whole, is presented accurately and in accordance with the Guidelines.

Comment

Without prejudice to the above conclusion and in accordance with the provisions of Article A. 225-3 of the French Commercial Code, we make the following comment:

- there is room for improvement in terms of the organization and provision of information regarding energy consumption with a lower impact on the CO_2 emissions indicator.

Paris-La Défense, March 8, 2019

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Eric Ropert
Partner

3

Corporate governance report

Pursuant to Articles L. 225-37 and seq. of the French Commercial Code, we present you the following report on corporate governance.

This entire report was approved by your Board of Directors at its meeting on February 20, 2019 as required by the provisions of the French Commercial Code.

The report was prepared by the Board Secretary in collaboration with the Human Resources Department, the Finance Department and the Internal Audit Department, and submitted to the Appointments and Compensation Committee. Various internal documents, including the bylaws, internal regulations and minutes of the meetings of the Board and its specialized committees were used to prepare this report. Current regulations, the recommendations issued by the AMF on corporate governance, the recommendations of the AFEP-MEDEF Code and the report of the AFEP High Committee for Corporate Governance were all taken into account.

3.1 / Organization of governance

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

3.1.1 / COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is composed of directors with broad and diversified experience, especially in corporate strategy, finance, economics, retail, industry, accounting and management and control of commercial or financial companies.

Under the bylaws, the term of office for a director is set at three (3) years and is renewable. It will be proposed to the General Meeting of May 23, 2019 to amend Article 12 of the bylaws in order to set the term of office of directors at four (4) years. In order to avoid mass renewal of members of the Board and encourage a smooth process for replacing directors, a staggered renewal of the Board of Directors was implemented via the Board of Directors' internal regulations adopted at its meeting of April 17, 2013. It is specified that the General Meeting of May 23, 2019 will be asked to amend Article 12 of the bylaws to provide for the option of appointing directors for a term that is shorter than the standard director's term of office in order to implement or maintain the staggering of the Board members' terms of office.

Pursuant to the provisions of Article L. 225-18-1 of the French Commercial Code, the principle of a balanced representation of men and women has been taken into account on the Board in accordance with the law. It should be noted that since May 18, 2018, women make up 58% and men 42% of the members of the Board of Directors, in accordance with the statutory rules on gender balance.

The Board has created three committees to assist it in performing its duties: the Audit Committee, the Appointments and Compensation Committee and the Corporate, Environmental and Social Responsibility Committee.

As of December 31, 2018, the Board was composed of 12 directors, all of whom were independent.

Name	Gender	Age (a)	Office	Main position held	Start of 1st term	Expiration of current term	Years on the Board	Board Committees
Jacques Veyrat *French*	M	56	Chairman Independent Director	Chairman of Impala	2013	2019	5	
Antoine Gosset-Grainville *French*	M	52	Vice-Chairman Independent Director	Founder, law firm of BDGS Associés	2013	2019	55	Appointments and Compensation Committee Chairman
Daniela Weber-Rey *German*	F	61	Independent Director	Attorney	2017 (b)	2019	1	Audit Committee Member
Patricia Barbizet *French*	F	63	Independent Director	Chair Temaris & Associés	2013	2019	5	Appointments and Compensation Committee Member
Sandra Lagumina *French*	F	51	Independent Director	Managing Director, Meridiam Asset Management	2017 (b)	2021	1	Audit Committee Member
Carole Ferrand *French*	F	48	Independent Director	Chief Financial Officer, Capgemini	2013	2020	5	Audit Committee Chairman
Compagnie Financière du 42 Avenue de Friedland, represented by Simon Gillham *British*	M	62	Independent Director	Member of the Vivendi Management Board	2016	2019	2	Corporate, Environmental and Social Responsibility Committee Member
Delphine Mousseau *French*	F	47	Independent Director	Independent Consultant	2017 (b)	2020	1	Corporate, Environmental and Social Responsibility Committee Member
Nonce Paolini *French*	M	69	Independent Director	Corporate director	2013	2021	5	Appointments and Compensation Committee Member
Vivendi, represented by Stéphane Roussel *French*	M	57	Independent Director	Chief Executive Officer, Vivendi	2016	2019	2	
Brigitte Taittinger-Jouyet *French*	F	59	Independent Director	Director of Strategy and Development, Institut d'Études Politiques de Paris	2013	2020	5	Corporate, Environmental and Social Responsibility Committee Chairman
Caroline Grégoire Sainte Marie *French*	F	61	Independent Director	Corporate director	2018	2021	1	Corporate, Environmental and Social Responsibility Committee Member

(a) As of December 31, 2018.

(b) Provisional appointments by the Board of Directors on December 15, 2017 to replace resigning members, ratified by the General Meeting of May 18, 2018.

Fnac Darty SA applies the legal exemption from the obligation to have employees elect a member of the Board of Directors, as provided for in Article L. 225-27-1-I para. 2 of the French Commercial Code. This obligation is fulfilled within the Board of Directors of Fnac Darty Participations et Services SA, wholly-owned by Fnac Darty SA.

At the General Meeting of May 23, 2019, the shareholders will be asked to vote for an amendment to the bylaws to allow, under the conditions provided for by law, the appointment of one or more directors representing employees to the Board of Directors of Fnac Darty SA. This amendment to the bylaws will bring the Company into compliance with the provisions of Article 7.1 of the AFEP-MEDEF Code as revised in June 2018, which now recommends that *"directors representing employees elected or appointed in accordance with legal requirements have a seat on the board of the company which states that it refers to the provisions of this Code in its corporate governance report."*

Compliance with obligations and recommendations regarding the composition of the Board of Directors and executive corporate officers

Subject	Legal and regulatory provisions and bylaws	Status of Fnac Darty as of December 31, 2018
Gender balance	**Article L. 225-18-1 of the French Commercial Code:** *"The proportion of directors of each gender may not be less than 40% in companies whose shares are admitted to trading on a regulated market."*	Women make up 58% and men 42% of the members of the Board of Directors.
Independence	**Section 8.3 of the AFEP-MEDEF code:** *"The proportion of independent directors must be half the number of Board members in companies with dispersed capital and no controlling shareholders."*	100% of the members of the Board of Directors are independent.
Age	**Article L. 225-19 para. 2 of the French Commercial Code and Article 12 of the bylaws:** *"The number of directors over seventy (70) years of age may not exceed one-third of the directors in office."*	All the members of the Board of Directors are under 70 years of age [(a)]. Average age of directors: 57 years [(a)].
	Article L. 225-48 para. 1 of the French Commercial Code and Article 14 of the bylaws: *"No one who is over sixty-five (65) years of age may be appointed Chairman of the Board of Directors."*	The Chairman of the Board of Directors is 56 years old [(a)].
	Article L. 225-54 para. 1 of the French Commercial Code and Article 17 of the bylaws: *"No one who is over sixty-five (65) years of age may be appointed Chief Executive Officer."*	The Chief Executive Officer is 48 years old [(a)].

(a) as of December 31, 2018.

In order to meet the company's strategic challenges and to promote quality discussions, the Board seeks to maintain balance and complementarity between the various directors' profiles. To do so, when appointing new directors or reappointing existing directors, it strives to ensure a diversity of backgrounds and expertise. These appointments and reappointments take into account the results of the work done by the Appointments and Compensation Committee on the annual assessment of the Board and the Committees.

In addition to seeking a balanced representation of women and men and a high proportion of independent directors, the Board has focused on increasing the number of directors with international experience.

Changes in the membership of the Board of Directors and Committees in 2018

		Nature of change	Date of decision
Appointments and Compensation Committee	Nonce Paolini	Renewal of the Chairman's term of office	Board meeting of February 21, 2018
Audit Committee	Sandra Lagumina	Renewal of the member's term of office	Board meeting of February 21, 2018
Corporate, Environmental and Social Responsibility Committee	Caroline Grégoire Sainte Marie	Appointment as a member	Board meeting of March 28, 2018
Board of Directors	Caroline Grégoire Sainte Marie	Appointment as director to replace Arthur Sadoun	AGM of May 18, 2018
Board of Directors	Nonce Paolini	Renewal of the director's term of office	AGM of May 18, 2018
Board of Directors	Delphine Mousseau	Ratification of the cooption to replace Héloïse Temple-Boyer	AGM of May 18, 2018
Board of Directors	Sandra Lagumina	Ratification of the cooption to replace Marie Cheval and renewal of term of office	AGM of May 18, 2018
Board of Directors	Daniela Weber-Rey	Ratification of the cooption to replace Alexandre Bompard	AGM of May 18, 2018

Diversity of expertise within the Board at the date of the General Meeting of May 23, 2019 subject to the approval of appointment and renewals

Name	Retail	International	Finance	Governance	Management/ Strategy	CSR	HR
Jacques Veyrat			X	X	X	X	
Antoine Gosset-Grainville			X	X	X		
Daniela Weber-Rey		X	X	X			
Patricia Barbizet		X	X	X	X		
Compagnie Financière du 42 Avenue de Friedland, represented by Simon Gillham		X				X	
Vivendi, represented by Stéphane Roussel	X				X		X
Sandra Lagumina			X	X	X		
Carole Ferrand	X		X		X		
Delphine Mousseau	X	X			X		
Nonce Paolini	X			X	X		X
Brigitte Taittinger-Jouyet		X			X	X	
Caroline Grégoire Sainte Marie		X	X		X		

3.1.2 / COMPOSITION OF THE BOARD OF DIRECTORS: PROPOSALS SUBMITTED TO THE GENERAL MEETING OF MAY 23, 2019

The composition of the Board of Directors is updated on an ongoing basis on the company's website (www.fnacdarty.com/notre-groupe/gouvernance/).

The Board of Directors ensures the improvement and effectiveness of Fnac Darty's governance by regularly assessing its composition and the diversity, expertise and experience of its directors. It also evaluates their availability, their full commitment to their duties, the Board's compliance with the percentage of independent directors, the balanced representation of women and men, as well as the choices best adapted to the company and the organizational and administrative processes of the Board.

In accordance with the internal regulations of the Board of Directors adopted at its meeting of April 17, 2013 and last updated at its meeting of January 24, 2019, the reappointment of directors on a periodic-rotation basis has been established.

At its meeting of February 20, 2019, the Board of Directors:

- first obtained an opinion from the Appointments and Compensation Committee in preparation for the General Meeting of the shareholders;
- reviewed the terms of office of directors set to expire at the next General Meeting, taking into consideration the expertise of the current directors and the need to maintain the independence rate and comply with the rules on gender balance. It paid particular attention to the experience and knowledge of the Group's businesses that each director must have in order to participate effectively in the work of the Board and its three committees, in accordance with the diversity policy adopted by the Board; and
- noted that the General Meeting of May 24, 2016 appointed two new directors for a three-year term, bringing to six (out of a total of 12) the number of directors whose terms of office will expire at the end of the General Meeting to be held in 2019 to approve the financial statements for the year ended December 31, 2018. This situation does not ensure the smooth renewal of directorships in 2019 as recommended by the AFEP-MEDEF Code.

On the recommendation of the Appointments and Compensation Committee:

- the Board of Directors proposes that the shareholders approve the amendment of Article 12 of the bylaws to set the term of office of directors at four (4) years and provide for the option of appointing directors for a term shorter than the standard director's term of office in order to implement or maintain a staggering of the terms of office of Board members. Accordingly, three of the six directors to be reappointed at the General Meeting would be appointed or re-appointed for a four-year term and three directors for a three-year term of office;
- the Board of Directors proposes that the shareholders approve the renewal of Jacques Veyrat's term of office as a director, which is set to expire, for three years, i.e. until the General Meeting to be held in 2022 to approve the financial statements for the previous year;
- the Board of Directors proposes that the shareholders approve the renewal of Patricia Barbizet's term of office as a director, which is set to expire, for four years, subject to the General Meeting's approval of the amendment to the bylaws relating to the duration of directors' term of office, i.e., until the General Meeting to be held in 2023 to approve the financial statements for the previous year;
- the Board of Directors proposes that the shareholders approve the renewal of Antoine Gosset-Grainville's term of office as a director, which is set to expire, for four years, subject to the General Meeting's approval of the amendment to the bylaws relating to the duration of directors' term of office, i.e., until the General Meeting to be held in 2023 to approve the financial statements for the previous year;
- the Board of Directors proposes that the shareholders approve the renewal of Daniela Weber-Rey's term of office as a director, which is set to expire, for three years until the General Meeting to be held in 2022 to approve the financial statements for the previous year;
- the Board of Directors proposes that the shareholders approve the appointment of Enrique Martinez to replace Vivendi SA, for four years, subject to the General Meeting's approval of the amendment to the bylaws relating to the duration of directors' term of office, i.e., until the General Meeting to be held in 2023 to approve the financial statements for the previous year; and
- the Board of Directors proposes that the shareholders approve the appointment of Jean-Marc Janaillac to replace Compagnie Financière du 42 Avenue de Friedland, for three years, until the General Meeting to be held in 2022 to approve the financial statements for the previous year.

If these proposals for renewals and appointments are approved by the General Meeting, then the rate of independence of the Board will stand at 92%, while the gender balance of the Board of Directors will remain unchanged.

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

Listed below are the offices and positions held by the directors in 2018 and for the last five years. It is specified that the directors comply with the rules governing the accumulation of directorships.

Jacques Veyrat

56 years

Independent Director and Chairman

4, rue Euler
75008 Paris, France

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

A graduate of the École polytechnique (class of 1983) and the Collège des ingénieurs (class of 1989), engineering degree from Ponts et Chaussés (class of 1988). Jacques Veyrat was appointed to the French Treasury Department, where he served as Secretary for the Inter-ministerial Committee on Industrial Reconstruction *(Comité interministériel de restructuration industrielle)* for the period 1989-1991, then as Deputy General Secretary to the Paris Club from 1991-1993. From 1993 to 1995, he was technical advisor to the Minister of Equipment for Transport, Tourism and the Sea. In 1995, he joined the Louis Dreyfus Group as Chief Executive Officer of Louis Dreyfus Armateurs (1995-1998), then served as Chairman and Chief Executive Officer of Louis Dreyfus Communications, which became Neuf Cegetel (1998-2008) and then Chairman and Chief Executive Officer of the Louis Dreyfus Group (2008-2011). Since 2011, he has been Chairman of Impala.

Positions and offices held as of December 31, 2018

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

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

- Non-voting Director, Direct Énergie [(a)]
- Member of the Supervisory Board, Eurazeo [(a)]
- Director, Direct Énergie
- Director, ID Logistics Group
- Director, Imerys

(a) Listed French companies.

Patricia Barbizet | 63 years

Independent Director

40, rue François-Ier
75008 Paris, France

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

A graduate of the École supérieure de commerce de Paris, Patricia Barbizet began her career in the Renault Group as Treasurer of Renault Véhicules Industriels before becoming Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. In 1992, she helped found Artémis, becoming its Chief Executive Officer in that same year. In 2018, she left her position with the Artemis group after 29 years of working together. Since 2018, she has been Chair of Temaris & Associés, a member of the Board of Total, Axa, Pernod Ricard and Fnac Darty.

Positions and offices held as of December 31, 2018

- Chair, Temaris & Associés
- Director, Pernod Ricard [(a)]
- Chairwoman of the Corporate Governance and Ethics Committee, Total [(a)]
- Member of the Compensation and Strategy Committee, Total [(a)]
- Director, Total [(a)]
- Director, Axa [(a)]
- Chair, Supervisory Committee on Future Investments / Large-Scale Investment Plan (SGPI)
- Chair, Cité de la Musique – Philharmonie de Paris
- Chair, High Committee on Corporate Governance (HCGE)

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

- Director, PSA Peugeot Citroën [(a)]
- Chief Operating Officer and Director, Société Nouvelle du Théâtre Marigny
- CEO, Christie's Int'l Plc
- Board member, Gucci Group NV
- Non-executive Director, Kering Holland NV
- Member of the Management Board, Société Civile du Vignoble du Château Latour
- Member of the Supervisory Board, Compagnie du Ponant
- Representative of Artémis on the Board of Directors, Collection Pinault-Paris
- Member of the Audit Committee, Kering [(a)]
- Member of the Remuneration Committee, Kering [(a)]
- Deputy-Chairwoman, Christie's International Plc
- Member of the Remuneration Committee, Christie's International Plc
- Director and Deputy Director, Palazzo Grassi
- 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
- Director, Opéra de Paris

(a) Listed French companies.

Daniela Weber-Rey

61 years

Independent Director

Kronberger Strasse 49
60323 Frankfurt Am Main, Germany

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

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

Positions and offices held as of December 31, 2018

- Director and member of the Risk Committee and the Audit Committee, HSBC Trinkhaus & Burckhardt AG, Düsseldore
- Board Member, European Corporate Governance Institute, Brussels
- Trustee, European Corporate Governance Research Foundation, Brussels

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

- Member of the Board of Directors, BNP Paribas

Carole Ferrand

48 years

Independent Director

11, rue de Tilsitt
75017 Paris, France

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

A graduate of the École des hautes études commerciales (1992), Carole Ferrand started her career at PricewaterhouseCoopers, where she was an Auditor and later a financial advisor in the Transaction Services Division. In 2000, she joined Sony France, the French subsidiary of the consumer and business electronics branch of the Sony Corporation Group, serving as Chief Finance Officer before becoming General Secretary in 2002. In 2011, she held the position of Chief Financial Officer of the Europacorp Group. Since January 2013 she has been Financing Director at Artémis Group, where she is in charge of managing strategic and financial support for certain investments. She became Chief Financial Officer of the Capgemini Group in June 2018.

Positions and offices held as of December 31, 2018

- Honorary Chairwoman and Director, Terra Nova (non-profit association under French Law of 1901)

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

- Director, June 21 SAS
- Deputy member to Alain de Marcellus, Capgemini Brasil SA, Brazil
- Director, Cap Gemini [(a)]
- Director, Sebdo, Le Point
- Director, Archer Obligations (formerly Artémis 21)
- Director, Éditions Tallandier
- Member of Audit Committee, Cap Gemini [(a)]
- Director, Palazzo Grassi
- Director, Collection Pinault – Paris

(a) Listed French companies.

Simon Gillham — 62 years

Permanent representative of Compagnie Financière du 42 Avenue de Friedland, Independent Director

42, avenue de Friedland
75008 Paris, France

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

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

Positions and offices held as of December 31, 2018

- Member of the Management Board, Vivendi [(a)]
- Chairman, Vivendi Village
- Chairman of the Board of Directors, Digitick
- Chairman, Olympia
- Chairman of the Board of Directors, See Group Ltd (United Kingdom)
- Director, Dailymotion
- President of the Board of Directors, Brive Rugby Club

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

- Member of the Supervisory Board, Canal+ France
- Chairman of the Board of Directors, Watchever
- Chairman of the Board of Directors, MybestPro
- Member of the Supervisory Board, StudioCanal
- Chairman of the Board of Directors, The Way Ahead Group (United Kingdom)
- Member of the Supervisor Board, Universal Music France

(a) Listed French company.

Antoine Gosset-Grainville — 52 years

Independent Director and Vice-Chairman of the Board

51, rue François 1er
75008 Paris, France

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

Antoine Gosset-Grainville is a graduate of the Institut d'études politiques de Paris, holds a Master's in Banking and Finance from the Université Paris-IX Dauphine and is a graduate of the École nationale d'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. Antoine Gosset-Grainville is an attorney licensed in Paris and Brussels. In 2002, he became a partner at the law firm of Gide Loyrette Nouel. In 2007, he was appointed Deputy Director of the Office of Prime Minister François Fillon, where he was in charge of economic and financial matters. In March 2010, he became Chief Operating Officer of Caisse des Dépôts in charge of finance, strategy, investments and oversight of European and international activities, then interim Chief Executive Officer of the Caisse des Dépôts Group from February to July 2012. In April 2013, he founded the law firm BDGS Associés.

Positions and offices held as of December 31, 2018

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

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

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

(a) Listed French companies.

Delphine Mousseau — 47 years

Independent Director

Rückert Strasse 17
D-10627 Berlin, Germany

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

A graduate of the École des hautes études commerciales with a Master's degree in Business Administration, Delphine Mousseau began her career in 1995 as Project Head with Boston Consulting Group. In 1999, she joined Plantes-et-Jardins.com as Director of Operations. From 2007 to 2011, she served as Director of E-Commerce Europe at Tommy Hilfiger. She then worked as an independent consultant, primarily for the former Primondo Group. From 2014 to 2018, Delphine Mousseau was VP Markets at Zalando. She is currently an independent consultant.

Positions and offices held as of December 31, 2018

- None

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

- VP Markets, Zalando SE

Nonce Paolini

69 years

Independent Director

34, rue Copernic
75116 Paris, France

Term expiration date: Ordinary General Meeting called in 2021 to approve the financial statements for the previous year
Number of shares held: 250

Nonce Paolini holds a Master's degree in Literature and is a graduate of the Institut d'études politiques de Paris (class of 1972). He began his career with EDF-GDF, where he held operational and management positions. In 1998, he joined the Bouygues Group, where he successively held the positions of Director of Development and Director of Human Resources, before becoming Director of Communications in 1990. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Chief Operating Officer. In 2002 he was appointed Chief Operating Officer of Bouygues Telecom and then Managing Director and Board member in April 2004. In 2007, he was appointed CEO of TF1 Group, then Chairman & CEO of the group in 2008 until 2016.

Positions and offices held as of December 31, 2018

- None

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

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

(a) Listed French company.

Stéphane Roussel

57 years

Permanent representative of Vivendi, Independent Director

42, avenue de Friedland
75008 Paris, France

Term expiration date: Ordinary General Meeting called in 2019 to approve the financial statements for the previous year
Number of shares held by Vivendi, of which Stéphane Roussel is the permanent representative: 250

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

Positions and offices held as of December 31, 2018

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

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

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

(a) Listed French company.

Arthur Sadoun

47 years

Independent Director

133, avenue des Champs-Élysées
75008 Paris, France

Since the General Meeting of May 18, 2018, Arthur Sadoun is no longer a director
Number of shares held: 250

A graduate of the European Business School with an MBA from the Institut européen d'administration des affaires, Arthur Sadoun created his own public relations firm in Chile before joining the TBWA network in Paris as Director of International Strategic Planning and then became Director of Development. In 2000 he was named Chief Executive Officer of TBWA/Paris and then went on to become Chairman of the Board in 2003. In 2006, he joined Publicis Conseil as Chairman and Chief Executive Officer. He has served as Chairman of the Management Board of Publicis Group since June 2017.

Positions and offices held as of December 31, 2018

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

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

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

(a) Listed French company.

Brigitte Taittinger-Jouyet

59 years

Independent Director

27, rue Saint-Guillaume
75007 Paris, France

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

Brigitte Taittinger-Jouyet is a graduate of the Institut d'études politiques de Paris and holds a Master's in History from the Faculty of Human Sciences at Reims University. In 1984, she was appointed Advertising Manager at Publicis, before joining the Marketing department within the Louvre Group in 1988, where she was in charge of industrial and hotel companies. From 1991 to 2012, she was Chairwoman of the perfume company Annick Goutal. In 2013, she was named Director of Strategy and Development at Sciences Po Paris.

Positions and offices held as of December 31, 2018

- Director, HSBC France
- Director, Centre Georges Pompidou

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

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

Sandra Lagumina

51 years

Independent Director

4, place de l'Opéra
75002 Paris, France

Term expiration date: Ordinary General Meeting called in 2021 to approve the financial statements for the previous year
Number of shares held: 250

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

Positions and offices held as of December 31, 2018

- Director and member of the Strategy Committee, Naval Group
- Director and member of the Appointments and Compensations Committee, FNSP
- Member of the Supervisory Board, FMSH
- President of the Conservatoire national de musique et de danse de Paris
- Member of the college of the French Competition Authority
- Chair, Agence France-Muséums

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

- Chief Operating Officer in charge of gas infrastructure and China, Engie
- Director, GRDF
- Director, GRT GAZ
- Director, Storengy
- Director, Elengy
- Director, GTT
- Director, Engie IT
- Chief Executive Officer, GRDF
- Director and member of the CSR Committee, Abertis

Caroline Grégoire Sainte Marie

61 years

Independent Director

36, Avenue Duquesne,
75007 Paris, France

Term expiration date: Ordinary General Meeting called in 2021 to approve the financial statements for the previous year
Number of shares held: 250

A graduate of the Institut d'études politiques de Paris, Caroline Grégoire Sainte Marie also holds a degree in Commercial Law from Paris I University. She began her professional career in 1981 at Xerox France as Financial Controller. In 1984, she joined Hoechst pharmaceutical group, where she successively held several positions in the financial field at Roussel Uclaf SA before being appointed in 1994 as Chief Financial Officer of Albert Roussel Pharma GmbH, member of the Executive Board. In 1996, she joined Volkswagen France before moving to Lafarge Group in 1997 as Chief Financial Officer of Lafarge Speciality Products (LMS). In 2000, she was appointed Senior Vice President Mergers & Acquisitions at the Group's Cement Division. In that position, Caroline Grégoire Sainte Marie led the financial strategy for the takeover of Blue Circle. In 2004, she became Chief Executive Officer for Germany and the Czech Republic. In 2007, she was appointed Chair and Chief Executive Officer of Tarmac France and Belgium, before becoming the Chair and Chief Executive Officer of Frans Bonhomme in 2009. Caroline Grégoire Sainte Marie was a member of the Boards of Directors of Eramet (from 2012 to 2016) and Safran (from 2011 to 2015). Since 2011, Caroline Grégoire Sainte Marie has been a member of the Boards of Directors of Groupama, FLSMIDTH, Wienerberger, and Elkem. She is also a Director as an investor in Calyos, the founding partner of DefInnov (a collaborative innovation platform in the defense and security field), and Senior Advisor at HIG European Capital Partners. She is a Knight of the French Legion of Honor.

Positions and offices held as of December 31, 2018

- Independent Director, Chair of the Appointments and Compensation Committee and member of the Audit Committee, Groupama
- Independent Director, member of the Audit Committee and member of the Technology Committee, FLSMIDTH (Denmark)
- Independent Director, member of the Audit Committee and member of the Strategy Committee, Wienerberger (Austria)
- Director, Member of the Remuneration Committee, ELKEM (Norway)

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

- Independent Director and member of the Strategy Committee, Eramet [(a)]
- Non-voting Director and member of the Audit Committee, Safran [(a)]

(a) Listed French companies.

Enrique Martinez	48 years

Chief Executive Officer since July 17, 2017

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

Expiry date of office of CEO: open-ended
Number of shares held: 76,050

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

Positions and offices held as of December 31, 2018

- Chairman-Chief Executive Officer, Fnac Darty Participations et Services SA
- Director, BCC Holding BV
- Director, Grandes Almacenes Fnac España
- Director, Fnac Luxembourg
- Director, Kesa International

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

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

3.1.4 / INDEPENDENCE OF DIRECTORS

To assess whether a director qualifies as independent and to prevent potential risks of conflicts of interest between the director and the management, the company or the group, the Board has adopted the criteria defined in the AFEP-MEDEF Code (section 8.5), which are as follows:

Criterion 1: Employee corporate officer during the previous five years	■ Is not or has not been over the previous five years: an employee or executive corporate officer of the Company; an employee, executive corporate officer or a director of a company consolidated by the Company; or an employee, executive corporate officer or director of the Company's parent company or a company consolidated by the parent company.
Criterion 2: Cross-directorships or offices	■ Is not an executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having held such office during previous last five years) is a director.
Criteria 3: Significant business relationships	■ Is not a customer, supplier, commercial banker, investment banker, or adviser that is material to the Company or its Group, or for which the Company or its Group represents a significant share of its business. An assessment of the significant or non-significant relationship with the Company or its group is discussed by the Board, and the quantitative and qualitative criteria that result in this assessment (continuity, economic dependence, exclusivity, etc.) are explicitly stated in the annual report.
Criterion 4: Family ties	■ Is not related by close family ties to a corporate officer.
Criterion 5: Statutory Auditor	■ Has not been the Company's Statutory Auditor within the previous five years.
Criterion 6: Term of office exceeding 12 years	■ Has not been director of the Company for more than 12 years. Loss of the status of independent director occurs on the date at which this period of 12 years is reached.
Criterion 7: Status as non-executive corporate officer	■ A non-executive corporate officer may not be considered independent if he or she receives variable compensation in cash or securities or any compensation linked to the performance of the company or group.
Criterion 8: Status as major shareholder	■ Directors representing the major shareholders of the Company or its parent company may be considered independent provided that these shareholders do not participate in the control of the company. However, beyond a threshold of 10% for holding shares or voting rights, the Board, based on the report of the Appointments Committee, systematically examines the qualification of a director as independent in light of the composition of the company's capital and the existence of a potential conflict of interest.

AFEP-MEDEF Criteria for corporate governance independence

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8
Jacques Veyrat	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Brigitte Taittinger-Jouyet	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Delphine Mousseau	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Daniela Weber-Rey	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Sandra Lagumina	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Antoine Gosset-Grainville	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Nonce Paolini	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Caroline Grégoire Sainte Marie	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Patricia Barbizet [(a)]	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Compagnie Financière du 42 Avenue de Friedland, represented by Simon Gillham [(b)]	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Vivendi SA, represented by Stéphane Roussel [(b)]	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Carole Ferrand	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

(a) *The Appointments and Compensation Committee noted that (i) Patricia Barbizet had left her position on the Board of Directors of Kering SA; (ii) Fnac Darty SA and its French subsidiaries had exited the Kering SA tax consolidation group effective January 1, 2013. As a result, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, found that she now meets the criteria for independence.*

(b) *The Appointments and Compensation Committee noted that (i) Vivendi entered into a hedging transaction with Société Générale on January 16, 2018 which was terminated on July 2, 2018, (ii) Vivendi and its subsidiary Compagnie Financière du 42 Avenue de Friedland now only directly or indirectly hold 250 Fnac Darty shares. Consequently, the Board of Directors, acting on the recommendation of the Appointments and Compensation Committee, found that they both meet the criteria for independence.*

As such, all the directors qualify as independent directors. They have no business ties to the Company. None of them receives variable compensation in cash or securities or any compensation tied to the performance of the Company or the Group.

3.1.5 / TERMS FOR EXERCISING SENIOR MANAGEMENT

Under the terms of Article 16 of the Company bylaws, following the departure of Alexandre Bompard from his role as Chairman and Chief Executive Officer, and on the opinion of the Appointments and Compensation Committee, the Board of Directors on July 17, 2017 decided to separate the offices of Chairman of the Board and Chief Executive Officer. In effect, the Appointments and Compensation Committee believed that such a separation of duties would enable senior management, in the period following the Darty Group acquisition, to focus on the Group's operational priorities and, in particular, to pursue the integration of Fnac and Darty, ensure the achievement of the announced synergies and contend with increased competition.

On July 17, 2017, the Board decided to appoint Enrique Martinez as Chief Executive Officer, reflecting its determination to pursue the Group's transformation initiated in recent years with the support of the management team in place, and to effectively complete the integration process launched for Fnac and Darty in 2016.

The powers of the Chief Executive Officer are those conferred upon him by law. He is vested with the broadest powers to act in the company's name in all circumstances. He exercises those powers within the limits of the corporate purpose and the powers expressly assigned by law to the General Meeting and to the Board of Directors. The CEO represents the Company in its dealings with third parties. Refer to section 3.2.2.2 on the limitations placed on the powers of the Chief Executive Officer by the Board of Directors.

3.1.6 / CHAIRMAN OF THE BOARD OF DIRECTORS

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

With this choice, the Board expressed its conviction that managerial continuity is the best way for the Group to consolidate its market position and operational performance.

The Chairman of the Board chairs the meetings of the Board of Directors, organizes and directs its work and meetings, which he reports on to the General Meeting. He also ensures the smooth running of the Company's governing bodies, ensuring in particular that the directors are able to perform their duties. The Chairman of the Board also chairs the General Meetings of the shareholders.

The internal regulations updated by the Board of Directors at their meeting of January 24, 2019 set out the following specific duties of the Chairman:

- the Chairman is responsible for the relations between the Company's shareholders and the Board regarding corporate governance matters. He is also responsible for maintaining the quality of relations with the Company's strategic shareholders, in close collaboration with the Chief Executive Officer;
- the Chairman may, without prejudice to the prerogatives of the Board of Directors and its committees, be consulted by the Chief Executive Officer for all significant events relating to the Company's strategy and major growth projects.

The Chairman has access to any document or information that he deems necessary or useful for the performance of his duties as set out above. He may consult the Board Secretary and the Company's Chief Financial Officer, and receive assistance from the Company's General Secretary for the administrative tasks resulting from these duties.

3.1.7 / EXECUTIVE COMMITTEE

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

The Group's Executive Committee consists of the following:

- Enrique Martinez, Chief Executive Officer;
- Annabel Chaussat, Director of Marketing and E-commerce;
- Frédérique Giavarini, Director of Human Resources;
- Vincent Gufflet, Commercial Director, Products and Services France;
- Benoît Jaubert, Director of Operations;
- Jean-Brieuc Le Tinier, Chief Financial Officer and Corporate Secretary;
- Charles-Henri de Maleissye, Chief Executive Officer, Fnac Vanden Borre in Belgium;
- Benjamin Perret, Director of Communications and Public Affairs;
- Marcos Ruao, Chief Executive Officer, Fnac Spain, in charge of coordination of the Iberian Region;
- Olivier Theulle, Director of Operations and Information Systems; and
- Anne-Laure Feldkircher, Strategy and M&A Director.

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

3.1.8 / ETHICAL STANDARDS FOR DIRECTORS AND OTHER INFORMATION

Conflicts of Interest – Regulated agreements – Convictions

- To the Company's knowledge, as of the date of this Registration Document, there were no family ties between the members of the Board of Directors and the Company's senior management.
- To the Company's knowledge, as of the date of this Registration Document, in the last five years none of the Board members or senior executives: (i) has been convicted of fraud; (ii) has been a party to a bankruptcy, receivership or liquidation; (iii) has been incriminated and/or the subject of an official public sanction by a statutory or regulatory authority; or (iv) has been disqualified by a court from serving as a member of an issuer's administration, management or supervisory body, or from being involved in the management or conduct of an issuer's business.
- To the Company's knowledge, as of the date of this Registration Document, there is no potential conflict of interest on the part of any of the members of the Board of Directors and the senior management of the Company, between their duties to the Company in their capacity as corporate officers and their private interests or other duties.
- To the Company's knowledge, as of the date of this Registration Document, there is no arrangement or agreement with the main shareholders, customers, suppliers or other related parties under which any member of the Company's Board of Directors or senior management has been selected in this capacity, other than commercial contracts concluded with companies in which some directors are legal representatives or corporate officers in the ordinary course of business and under current market conditions.
- To the Company's knowledge, as of the date of this Registration Document, there is no service agreement between any member of the Company's Board of Directors or senior management and any of its subsidiaries which provides for the granting of benefits, other than subject to the commercial contracts mentioned in the above paragraph, which are concluded in the ordinary course of business and under current market conditions.
- To the Company's knowledge, as of the date of this Registration Document, the members of the Company's Board of Directors and senior management 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.

The internal regulations updated by the Board of Directors on January 24, 2019 stipulate the following with respect to managing conflicts of interest:

Each member of the Board "has an obligation to inform the Board of any conflict of interest situation, and must state the reason or reasons why he or she has decided, where applicable, not to abstain from taking part in discussions and voting on any deliberation of the Board which would put that member in that situation."

"The Chairman or, as the case may be, the Vice-Chairman may withhold information or documents relating to a conflict of interest from the director(s) for whom he or she has reasonable grounds to believe that they are in a situation of conflict of interest, and shall inform the Board member of this fact.

In the event of disagreement between the Chairman or, as the case may be, the Vice-Chairman and the Board member, the Board shall consult relevant legal counsel on the matter concerned, independent of the Group and any group in which the Board member holds an office and/or position. This counsel shall ensure that the said Board member has timely access to all information required by his/her office as a director, except information which, if exchanged or shared, would constitute a proven conflict of interest."

3.2 / Operation of administrative and management bodies

3.2.1 / COMMITTEES OF THE BOARD OF DIRECTORS

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

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

3.2.1.1 / Audit Committee

The Board of Directors of the Company decided to establish an Audit Committee and set the terms of its internal regulations as follows.

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, independence as well as financial and accounting expertise is taken into account.

Therefore, in accordance with the criteria of the AFEP-MEDEF Code, the committee's internal regulations stipulate that independent directors comprise two-thirds of the Audit Committee. The directors comprising the audit committee in 2018 were all independent.

The composition of this committee was modified by the Company's Board of Directors at its meetings of October 22, 2015, May 23, 2016 and December 15, 2017: it is chaired by Carole Ferrand (Independent Director), and its two other members are Daniela Weber-Rey (Independent Director) and Sandra Lagumina (Independent Director).

All the members of the Audit Committee have recognized expertise in financial, accounting or statutory audit matters, combining their expertise in the field of general, operational or financial management of banking institutions and companies, as confirmed by their professional backgrounds (see section 3.1.3 "Offices and positions held by the Directors and the Chief Executive Officer" of the Registration Document).

Duties

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

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

- *monitoring the preparation of financial information* – The Audit Committee is responsible for examining the annual or half-year parent company and consolidated financial statements prior to their presentation to the Board, and in particular for assessing the methods chosen to account for material transactions, 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, half-yearly or annual performance, or any reports prepared for a specific transaction (such as a capital contribution, merger or market transaction). The committee ensures the relevance, consistency, reliability and proper application of the accounting policies in force in the Company and its main subsidiaries to prepare the parent company and consolidated financial statements. It examines the scope of the companies consolidated and the reasons why companies may not be included, as well as major or complex transactions (significant acquisitions or disposals, restructuring, hedging transactions, existence of special-purpose entities, material provisions, etc.) that have impacted the company's financial statements. The committee must specifically review material transactions where a conflict of interest could have arisen. The Committee also reviews the procedures used to prepare any other financial and accounting information published or reported to shareholders or the market. The review of the financial statements must be accompanied by a presentation by senior management which describes the exposure to risks, including social and environmental;
- *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 corrective actions are taken when significant weaknesses or material misstatements are identified. 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. The Committee gives its opinion on the duties and organization of the Group's internal audit and its work plan, hears from the head of Internal Audit and reviews the internal audit reports or a periodic summary of these reports;
- *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 tests they performed to the committee, the revisions they consider necessary to the financial statements or accounting documentation, and their comments on the valuation methods used, the irregularities and inaccuracies they have identified, the conclusions drawn from the comments and corrections on the results for the period compared to those of the previous period, and, no later than the submission date of the audit report, an additional audit report prepared in accordance with the European Regulations setting out the results of the statutory audit. The Audit Committee monitors the performance by the statutory auditors of their assignment, taking into account, where applicable, the findings and conclusions of the audits carried out by the supervisory authority for the audit industry (*Haut Conseil du commissariat aux comptes,* H3C). To this end, it must hear from the auditors at meetings dealing with the review of the financial reporting process and the review of the financial statements, in order to report on the performance of their duties and the conclusions of their work. This allows the committee to be informed of the main areas of risk or uncertainty regarding the financial statements, as identified by the Statutory Auditors, their audit approach and any difficulties encountered in their work. The Statutory Auditors must also inform the Audit Committee of any material weaknesses in internal control identified during their work with regard to the procedures used to prepare and process the accounting and financial information;

- *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. When the Statutory Auditors are appointed, the Audit Committee must manage the procedure for selecting the Statutory Auditors and submit a recommendation to the Board of Directors on the Statutory Auditors proposed for appointment by the General Meeting. Except in cases where the Statutory Auditors are up for reappointment, this recommendation must be made following an invitation to tender, must be substantiated and include at least two choices, and must give reasons for the preferred choice. In cases where the Statutory Auditors are up for reappointment, the committee shall recommend the selection procedure to the Board, including in particular if there are grounds for using an invitation to tender. It oversees the invitation to tender and approves the specifications and selection of firms consulted, ensuring the "best bidder" is selected rather than the "lowest bidder". The Audit Committee must in particular be provided each year by the Statutory Auditors with the declaration of independence referred to in Article 6 of the European Regulations, the global amount of fees paid to the network of Statutory Auditors by the companies controlled by the Company or the entity controlling it for services other than certification of the financial statements, as well as the nature of these services. The Audit Committee must also approve in advance the provision of services other than audit services, after analyzing the risks affecting the independence of the Statutory Auditor and the safeguards applied by that Auditor. In this regard, the firm responsible for the statutory audit may perform services other than audit services which are not prohibited by the European Regulations and by the code of ethics of Statutory Auditors. In that case, the fees must not exceed a cap of 70% of the average fees invoiced in the last three years for the statutory audit of the financial statements. The Audit Committee decides, in this context, pursuant to the audit committee charter. 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. For example, when the total fees paid by the company to one of its Statutory Auditors during each of the previous three consecutive years represent more than 15% of the total fees received by that Statutory Auditor in that period, the Committee must examine whether the auditing assignment should be subject to quality control by another auditor. If the fees received by that Statutory Auditor continue to exceed 15% of the total fees received, the Audit Committee decides, based on objective criteria, whether the Statutory Auditor may continue to carry out its assignment for an additional period, which may not in any case exceed two years; and
- *financing review* – As part of its duties, the Audit Committee conducts a detailed review of the financing strategy, liquidity, hedging, maturity, counterparties and more generally any questions relating to the Group's financial risks. The Audit Committee then drafts its recommendations and passes them on to the Board of Directors.

Practices

A meeting of the Audit Committee 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 meets 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 of Directors and, where the agenda of the Audit Committee concerns the examination of the half-year and annual financial statements prior to their examination by the Board, generally at least two days before the Board meeting.

In the exercise of its duties, it hears from and may question the Statutory Auditors, the Group's Chief Financial Officer and those in charge of internal audit, internal control and financing. The committee is informed of the main issues identified by the Internal Audit Department.

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

The Committee may call on experts from outside the Company and interview anyone it chooses.

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

3.2.1.2 / Appointments and Compensation Committee

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

Composition

The Appointments and Compensation Committee is composed of three members, none of whom holds a management position within the Company, and at least two of whom are independent as regards the criteria adopted by the Company, in accordance with the AFEP-MEDEF Code.

The 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 committee, particular consideration is given to their independence and to their expertise in the selection and compensation of corporate officers of listed companies.

The Chairman of the Appointments and Compensation Committee is appointed by the Board of Directors from among the independent directors.

The composition of this committee remained unchanged in 2018: it is chaired by Antoine Gosset-Grainville (Independent Director) and its two other members are Patricia Barbizet (Independent Director) and Nonce Paolini (Independent Director), whose directorship was renewed by the Ordinary General Meeting of May 18, 2018.

Duties

The Appointments and Compensation Committee is a specialized committee of the Board of Directors whose main duties are as follows:

- assist the Board in appointing members of the governing bodies of the Company and its Group; and
- assist it in determining and regularly assessing the overall compensation and benefits awarded to the executive corporate officers and senior executives of the Group, including any deferred benefits and/or post-employment benefits, whether due to voluntary or forced departure from the Group.

Accordingly, it performs the following duties:

- *proposing the appointment of members of the Board of Directors, senior management and Board committees* – The Appointments and Compensation Committee is responsible for making recommendations to the Board of Directors for the appointment of its members (by the General Meeting or by co-option), and of the Chairman of the Board, the Chief Executive Officer and, where appropriate, the Chief Operating Officers, as well as the members and chairs of each of the other Board committees.

  For this purpose, it sends reasoned proposals to the Board of Directors, which are guided by the interests of shareholders and the Company. In general, the Committee should strive to reflect a diversity of experience and points of view, while ensuring a high level of expertise, internal and external credibility and stability of the Company's corporate bodies. In addition, it draws up and updates a succession plan for executive corporate officers so that it is in a position to quickly propose succession solutions to the Board of Directors in the event of an unforeseen vacancy.

  With particular regard to the appointment of the members of the Board of Directors, the Committee specifically takes the following criteria into account: (i) the desirable balance of composition of the Board of Directors specifically in terms of diversity (nationalities, ages, etc.) 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. In this context, the Committee proposes a diversity policy which is applied to the members of the Board of Directors.

  The Appointments and Compensation Committee must also establish a procedure for selecting future independent members and conduct its own research concerning potential candidates before they are approached.

  When it makes its recommendations, the Appointments and Compensation Committee must ensure that the independent members of the Board and its specialized committees, including the Audit Committee and the Appointments and Compensation Committee, have at least the minimum number of independent members required by the corporate governance principles to which the Company adheres;
- *conducting an annual assessment of the independence of the Board members* – Each year, before the publication of the Company's Corporate Governance Report, the Appointments and Compensation Committee assesses whether each Board member meets the Company's independence criteria and submits an opinion to the Board for its consideration on the situation of each individual in relation to these criteria;
- *evaluating the functioning of the Board of Directors* – The Appointments and Compensation Committee prepares an annual report for the Board of Directors to enable the Board to discuss its practices, to ensure that important issues are properly prepared and discussed within the Board, and to measure the effective contribution of each member to the Board's work. It also prepares a report to enable the Board of Directors to evaluate the practices of its permanent Committees under the same conditions and with the same frequency;
- *examining and making proposals to the Board of Directors concerning all aspects and terms and conditions of the compensation of the Group's main executives and senior management as well as the Chairman and, where applicable, the Vice-Chairman of the Board of Directors* – The Appointments and Compensation Committee draws up proposals that include fixed and variable compensation, as well as, where applicable, stock options, performance share allotments, post-employment benefits, health care, life and disability benefits, hiring bonuses, termination packages and non-compete allowances, benefits in kind or other specific benefits, and any other direct or indirect compensation (including long-term benefits) that may constitute compensation for members of the senior management, under the conditions provided by the regulations. It is informed of these aspects of the compensation of the Group's senior executives and the relevant compensation policies that have been implemented within the Group. The Committee also drafts proposals about the compensation of the Chairman of the Board of Directors, in the conditions required by regulations and, where applicable, that of the Vice-Chairman. When preparing its proposals and work, the Appointments and Compensation Committee takes into account the corporate governance standards to which the Company adheres;

- *examining and making proposals to the Board of Directors concerning the budget and distribution method for directors' fees* – The Appointments and Compensation Committee makes proposals to the Board regarding the budget and distribution of directors' 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;
- *exceptional duties* - The Committee is consulted to make recommendations to the Board of Directors on all exceptional compensation relating to exceptional duties that may be assigned, where applicable, by the Board of Directors to some of its members; and
- *review and opinion to the Board on a negative vote on the compensation of executive corporate officers* – When the Annual Ordinary General Meeting issues a negative vote on the compensation paid or allotted for the year ended to the executive corporate officers, the Committee gives its opinion to the Board in order to enable it to discuss this subject at a later meeting.

Practices

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

The Appointments and Compensation Committee may meet as many times as it deems necessary, but must meet at least once a year, prior to the meeting in which the Board assesses whether its members meet the Company's independence criteria (for more information on the concept of "independence" see section 3.1.4 "Independence of Directors" in this Registration Document), and, in any event, prior to any Board meeting deciding on the compensation of Senior Management or the distribution of directors' fees.

3.2.1.3 / Corporate, Environmental and Social Responsibility Committee

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

Composition

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

The composition of this committee was amended by the Company's Board of Directors at its meeting of March 28, 2018: it is chaired by Brigitte Taittinger-Jouyet (independent Director), and its other three members are Delphine Mousseau, Compagnie Financière du 42 Avenue de Friedland, represented by Simon Gillham, and Caroline Grégoire Sainte Marie.

Duties

The duties of the Corporate, Environmental and Social Responsibility Committee focus on the three components of sustainable development identified by the Company: corporate responsibility, environmental responsibility and social responsibility.

This committee reviews the actions and results of the previous year and presents Fnac Darty's strategic priorities for the current year.

It covers such topics as social dialogue, equal treatment, gender equality, employment of young people and older workers, diversity, environmental impact management, cultural initiatives and social inclusion, and sourcing in Asia, particularly for Darty-branded products or products licensed under the Darty banner.

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

Accordingly, the Corporate, Environmental and Social Responsibility Committee's internal regulations define its main duties as follows:

- *examining the corporate, environmental and social policies enacted by the Company* – The Committee conducts the annual examination of the corporate, environmental and social policies enacted by the Company, the targets set and results obtained in these areas. The 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. To this end, it also reviews Group's Business Code of Conduct distributed to employees, suppliers, partners and subcontractors of the Group and the Fnac Darty CSR Charter and, where applicable, suggests improvements to the Charter.

  Once a year, the Committee also examines a summary of ratings awarded to the Company and its subsidiaries by the non-financial rating agencies.

  In addition, the Committee examines the quality of social dialogue within the company and reviews any opinion surveys that may have been conducted.

  Lastly, the Committee annually identifies the priority areas for corporate, environmental and social policies, proposes objectives and defines actions to achieve them;
- *examining the main corporate, environmental and social risks and opportunities for the Company* – Each year, the Committee prepares a presentation mapping any risks related to the corporate, environmental and social responsibilities of the Company in light of specific challenges in the Company's business activities. It examines the risks identified, reviews the procedures for protecting against those risks and monitors their development;
- *examining the Company's publications in the areas of corporate, environmental and social responsibility* – Each year, the Committee reviews all information published by the Company that relates to issues of corporate, environmental and social responsibility. In this respect, the 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 Committee examines all issues relating to the promotion of diversity, equity and equality in the company. 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 of Directors;
- *examining of the impact of the Banner's business on the environment* – Each year, the Committee examines the impact of the company's business on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the company's activities, and initiatives promoting the collection and recycling of end-of-life products. Where necessary, it summarizes its observations as recommendations and submits them to the Board of Directors. It also monitors and distributes the recommendations adopted by the Board of Directors;
- *involving the Banners in a sustainable societal approach* – The Committee pays particular attention to changes in societal trends strongly linked to the activities of Group, such as the fight against cultural exclusion and freedom of expression, the rise of digital technology and automation, and the development of a more responsible approach to consumption.

  It supports initiatives to promote these values among the general 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 program, collecting cultural products for redistribution to those most in need of them, etc.);
- *including employees in the Banners' corporate, environmental and social policies* – Each year, the Committee draws up proposals to strengthen employees' involvement in the Company's corporate, environmental and social policies. In this respect, it chooses how to communicate the key messages to the highest number of people and further employees' awareness of them, and provides training on its key corporate, environmental and social policies. It also reviews changes to proposals that have previously been adopted and implemented and, where necessary, proposes additional changes and/or further actions to be taken; and
- *examining fair practices in light of the Group's ethical principles set out the Fnac Darty Business Code of Conduct* - In this context, the Committee examines and makes proposals to the Board specifically on issues relating to the prevention and detection of corruption and influence peddling.

Practices

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

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

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

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

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

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

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

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

The internal regulations define the frequency and conditions for Board meetings and provide for the possibility of participating by videoconference and/or teleconference.

They also establish the principle of regular evaluation of the Board's functioning and define the procedures for distributing directors' 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. Directors are not allowed to take part in the vote on any item that concerns them directly or indirectly.

A Market Ethics Charter, updated at the meeting of January 24, 2019, has been adopted by the Board of Directors reiterating the regulatory obligations of corporate officers, persons exercising responsibilities, executives and insiders, in particular those relating to the prevention of insider trading. It also defines rules on restrictions on trading in the Company's shares or, more generally, the Group's shares, by stipulating "blackout periods" and designating an ethics officer responsible for answering potential questions and concerns of insiders with regard to the charter.

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

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

As regards the Board of Directors' statutory duty to set the strategic guidelines for the Company's business and ensure their implementation, and without prejudice to the legal provisions concerning authorizations that must 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 material nature.

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

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

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

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

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

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

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

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

In this context and at this same meeting, the Board decided to submit for prior authorizations any transactions which exceed the following thresholds:

- any investment or divestment, including an acquisition or sale or exchange of interests in any companies currently existing or to be created, that exceeds €30 million; and
- any borrowing (or series of borrowings) or lending of money of any kind or prepayment of a loan that exceeds €50 million.

At its meeting of February 20, 2019, the Board decided that these authorizations and thresholds were set for a period of two years expiring after the Board meeting called to approve the financial statements.

At the same meeting, the Board also renewed the authorization granted to the Chief Executive Officer to issue guarantees, pledges and endorsements up to the total annual amount of €50 million for a period of one year expiring after the Board meeting to approve the financial statements.

Furthermore, the Board is regularly notified of the financial position, the cash position and the commitments of the Company and the Group. In fact, the Group's Chief Financial Officer attends all Board meetings, with the exception of those held in the absence of the Chief Executive Officer, during which he can highlight, where appropriate, any facts or significant events relating to these matters.

3.2.2.3 / Work of the Board and its specialized committees

Assessment of the Board of Directors and the specialized committees

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

At its meeting of February 20, 2019, the Board read the conclusions from the detailed questionnaires previously sent to Board members and conducted the annual assessment of its functioning and its committees for 2018. The Board noted that all directors had returned their questionnaire and that the responses showed a generally high level of satisfaction, with no difficulties or inadequacies highlighted. In general, the Board members believe that the functioning of the Board and its Committees is effective, and that the important issues for the Board are well discussed.

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

Board of Directors

Work of the Board of Directors in 2018

The Board met nine times in 2018, with an average attendance rate of 83%, all chaired by the Chairman of the Board of Directors. Individual attendance figures for directors at meetings of the Board of Directors are given at the end of this Title (3.2.2.3).

At its meeting of January 25, 2018, the Board of Directors: **Attendance rate: 92%**

- reviewed the business performance in the fourth quarter of 2017 as well as budget priorities for 2018;
- decided on the implementation of an employee stock ownership plan; and
- conducted the annual review of regulated agreements.

At its meeting of February 21, 2018, the Board of Directors: **Attendance rate: 75%**

- after recognizing the work of the Audit Committee in 2017, the 2018 audit plan and the 2017 mapping of risks, approved the annual financial statements and reports for 2017;
- reviewed and approved the 2018 budget;
- granted an annual budget to the Chief Executive Officer for issuing sureties, endorsements and guarantees;
- reviewed the work of the Appointments and Compensation Committee, which met February 19, 2018, and approved the variable compensation for 2017 of the Chairman and then the Chief Executive Officer, as well as the amount and terms of fixed and variable compensation for 2018 for the Chairman and Chief Executive Officer and then the Chief Executive Officer: this decision was made by the directors without the Chief Executive Officer and the Chairman of the Board being in attendance;
- established the distribution of directors' fees for 2017;
- reviewed the work of the Corporate, Environmental and Social Responsibility Committee, which met February 20, 2018, and approved the corporate and environmental information to be published in the Management Report;
- approved the report on Corporate Governance; and
- approved the Board's Management Report.

At its meeting of March 28, 2018, the Board of Directors: **Attendance rate: 83%**

- approved the Board's Report on the draft resolutions as well as the draft resolutions for the Combined Ordinary and Extraordinary General Meeting; and

- approved the proposal to appoint Caroline Grégoire Sainte Marie as a director.

At its meeting of April 25, 2018, the Board of Directors: Attendance rate: 75%

- voted on the submission of resolutions by a shareholder to appoint two individual directors.

At its meeting of May 18, 2018, the Board of Directors: Attendance rate: 83%

- approved the implementation of the stock buyback program, subject to approval of this program by the Combined Ordinary and Extraordinary General Meeting of May 18, 2018;
- approved the long-term incentive plan for certain senior executives of the Group; and
- prepared for the Combined Ordinary and Extraordinary General Meeting of May 18, 2018.

At its meeting of July 25, 2018, the Board of Directors: Attendance rate: 100%

- approved the financial statements for the first half of 2018.

At its meeting of September 26, 2018, the Board of Directors: Attendance rate: 67%

- examined files of current interest.

At its meeting of October 18, 2018, the Board of Directors: Attendance rate: 83%

- reviewed the business performance in the third quarter of 2018; and
- approved the Company's management planning documents.

At the end of this meeting, the Board of Directors met without the presence of Enrique Martinez.

At its meeting of December 5, 2018, the Board of Directors: Attendance rate: 92%

- examined files of current interest.

Work of the Board of Directors from January 1 to February 21, 2019

At its meeting of January 24, 2019, the Board of Directors:

- reviewed the business performance in the fourth quarter of 2018 as well as budget priorities for 2019;
- reviewed the work of the Audit Committee meeting of December 7, 2018;
- conducted the annual review of regulated agreements; and
- approved the update of the internal regulations of the Board of Directors and Committees, and the Market Ethics Charter.

At its meeting of February 20, 2019, the Board of Directors: Attendance rate: 83%

- reviewed the work of the Audit Committee meeting of February 18, 2019, for 2018, the 2019 audit plan approved by the Audit Committee, and the 2018 risk mapping examined by the Audit Committee, approved the financial statements and reports for 2019;
- reviewed and approved the 2019 budget;
- renewed the thresholds for transactions requiring prior authorization of the Board of Directors and granted an annual budget to the Chief Executive Officer to issue sureties, endorsements and guarantees;
- reviewed the work of the Appointments and Compensation Committees, which met February 4 and 15, 2019, and approved the variable compensation for 2018 of the Chief Executive Officer and the amount and terms of the Chief Executive Officer's fixed and variable compensation for 2019; this decision was made without the Chief Executive Officer being in attendance;
- established the distribution of directors' fees for 2018;
- reviewed the work of the Corporate, Environmental and Social Responsibility Committee, which met February 19, 2019, and approved the corporate and environmental information to be published in the Management Report; and
- approved the report on Corporate Governance, the Board's Management Report, and the Board's Draft Resolutions Report, as well as the draft resolutions of the Combined Ordinary and Extraordinary General Meeting.

Audit Committee

Work of the Audit Committee in 2018 up to February 18, 2019

Work of the Audit Committee in 2018

In 2018, the Audit Committee met five times, with an average attendance rate of 93%.

The first meeting was held on February 19, 2018 and mainly focused on: Attendance rate: 100%

- the presentation of Fnac Darty financial results as of December 31, 2017;
- the review of the work to close the parent company and consolidated financial statements and their notes for Fnac Darty as of December 31, 2017;

- a review of the independence and objectivity of the Statutory Auditors, the amount of fees paid to them and the report on the tests, examinations and procedures they performed that were directly related to their duties as Statutory Auditors;
- the review of the Statutory Auditor's supplementary report;
- the review of the summary statement of services other than the certifications of the financial statements for the year 2017 and on February 19, 2018;
- the review of the draft 2017 Registration Document, specifically those chapters relating to the financial statements, the management report, corporate governance and risk factors and internal control; and
- the review of the draft press release on the 2017 annual results.

The Committee meeting of April 19, 2018 mainly focused on: **Attendance rate: 100%**

- the review of the draft press release on the Group's revenues for the first quarter of 2018, as well as a review of the Group's financing.

The Committee meeting of July 23, 2018 mainly focused on: **Attendance rate: 100%**

- the presentation of the Fnac Darty financial statements as of June 30, 2018 and a review of the half-year financial report;
- a review of the work to close the half-year financial statements for the period ended June 30, 2018;
- the hearing of the Statutory Auditors on their limited review of the half-year financial statements;
- the review of the internal audit work for the first half of 2018;
- the review of the draft press release on the half-year results; and
- the review of internal control issues.

The Committee meeting of October 17, 2018, mainly focused on: **Attendance rate: 100%**

- the review of follow-up work on the 2018 audit plan;
- the review of the main legal, tax and social security disputes and audits underway within the Group's scope of consolidation;
- the review of follow-up work on services other than the certification of the financial statements, as of October 17, 2018; and
- the presentation of the expansion strategy for the store network.

The Committee meeting of December 7, 2018 mainly focused on: **Attendance rate: 67%**

- the review of the 2018 Fnac Darty risk mapping;
- the review of the follow-up work on services other than the certification of the financial statements, as of December 7, 2018;
- a review of the results of the self-assessment of the Fnac Darty golden rules;
- the proposed 2019 audit plan;
- the detailed review of the Group's financing strategy; and
- the approval of the 2019-2021 business plan by cash generating unit (CGU) used as the basis for impairment tests on goodwill and the brands as of December 31, 2018.

Lastly, the Committee meeting of February 18, 2019 mainly focused on: **Attendance rate: 100%**

- the presentation of Fnac Darty financial results as of December 31, 2018;
- the review of the work to close the parent company and consolidated financial statements and their notes for Fnac Darty as of December 31, 2018;
- 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 on the tests, examinations and procedures they performed that were directly related to their duties as Statutory Auditors; and
- the review of the Statutory Auditor's supplementary report.

Appointments and Compensation Committee

Work of the Appointments and Compensation Committee in 2018 and through February 15, 2019

Work of the Appointments and Compensation Committee in 2018

In 2018, the Appointments and Compensation Committee met five times, with an average attendance rate of 100%.

The first meeting was held on February 19, 2018 and mainly focused on: **Attendance rate: 100%**

- the review of the components of the 2017 variable compensation for the Chairman and Chief Executive Officer;
- the review of the components of the 2017 variable compensation for the Chief Executive Officer;

- the proposal for a fixed and variable compensation structure in 2018 for the Chief Executive Officer;
- the proposal of a fixed compensation structure in 2018 for the Chairman of the Board;
- the proposal concerning the conditions and components of compensation for the Group's main executives;
- the review of the distribution of directors' fees for 2017 and the definition of the method for distributing the directors' fees for 2018;
- the composition of the Board of Directors and the specialized committees:
  - a proposal for renewing directorships,
  - the review of the independence criteria for directors and opinion on the independence of each director. No director who is a member of the Appointments and Compensation Committee took part in the decision concerning him or her,
  - the Audit Committee: review of the specific financial, accounting or statutory audit expertise of the members of the Audit Committee, and
  - an update on the proportion of men and women on the Board of Directors;
- a review of succession plans for the executive corporate officers;
- an assessment of the work of the Board and the specialized committees; and
- the review of the draft Chairman's report on corporate governance.

The Committee meeting of March 27, 2018 mainly focused on: Attendance rate: 100%

- the composition of the Board of Directors and the specialized committees:
  - proposed appointments to the Board of Directors and to the Corporate, Environmental and Social Responsibility Committee, and
  - review of the independence criteria for directors and opinion on the independence of the directors.

The Committee meeting of April 25, 2018 mainly focused on: Attendance rate: 100%

- submission of resolutions by a shareholder to appoint two individual directors.

The Committee meeting of May 14, 2018 mainly focused on: Attendance rate: 100%

- the review and proposal of a long-term incentive system; and
- the obligation to hold shares received from bonus share allotments and the exercise of stock options.

The Committee meeting of September 26, 2018, mainly focused on: Attendance rate: 100%

- the review and proposal of the amendment to the rules governing the stock subscription option plan of February 26, 2015.

The Committee meeting of February 4, 2019 mainly focused on: Attendance rate: 100%

- the review of succession plans for the executive corporate officers and main executives;
- the composition of the Board of Directors and the specialized committees:
  - a proposal for renewing and appointing new directors,
  - the review of the independence criteria for directors and opinion on the independence of each director. No director who is a member of the Appointments and Compensation Committee took part in the decision concerning him or her,
  - Audit Committee: review of the specific financial, accounting or statutory audit expertise of the members of the Audit Committee, and
  - update on the proportion of men and women and diversity of the Board of Directors;
- an assessment of the work of the Board and the specialized committees;
- the review of the components of the 2018 variable compensation for the Chief Executive Officer, quantified amounts being not definitive;
- the assessment of a fixed and variable compensation structure in 2019 for the Chief Executive Officer;
- the proposal of a fixed compensation structure in 2019 for the Chairman of the Board;
- the proposal concerning the conditions and components of compensation for the Group's main executives;
- the ex-ante and ex-post Say On Pay proposal to be submitted to the vote of the 2019 General Meeting;
- the proposal on resolutions authorizing the Board to allocate bonus shares and stock options to be submitted to the vote of the 2019 General Meeting;
- the proposal to implement an employee stock ownership plan in 2019; and
- the review of the distribution of directors' fees for 2018 and the definition of the method for distributing the directors' fees for 2019.

Lastly, the Committee meeting of February 15, 2019 mainly focused on: Attendance rate: 100%

- the assessment of the components of 2018 variable compensation for the Chief Executive Officer, quantified amounts being definitive;
- the assessment and proposal of the 2019 fixed and variable compensation structure for the Chief Executive Officer; and
- the review of the draft Chairman's report on corporate governance.

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

Corporate, Environmental and Social Responsibility Committee

Work of the Corporate, Environmental and Social Responsibility Committee in 2018 and through February 19, 2019

The Corporate, Environmental and Social Responsibility Committee met twice in 2018, with all members of the committee in attendance.

On February 20, 2018, the Committee reviewed: Attendance rate: 100%

- the Group's general CSR policy and assessed the actions conducted in 2017 and the projects planned for 2018. It also verified that the Group had met its data publication obligations under Article L. 225-102-1 para. 5 and 6.

On September 14, 2018, the Committee reviewed: Attendance rate: 100%

- the progress of implementation of the Group's general CSR strategy.

On February 19, 2019, the Committee reviewed: Attendance rate: 75%

- the balance sheet of actions carried out during 2018 and the Group's compliance with the obligations of the extra-financial declaration of performance. It also reviewed how Fnac Darty performed in terms of ethical business behavior and its compliance with due diligence, the Sapin II Law and the GDPR.

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

Attendance of directors at meetings of the Board of Directors and specialized committees

Director	Board of Directors	Audit Committee	Appointments and Compensation Committee	Corporate, Environmental and Social Responsibility Committee
Jacques Veyrat	9/9	X	X	X
Brigitte Taittinger-Jouyet	8/9	X	X	2/2
Delphine Mousseau	9/9	X	X	2/2
Daniela Weber-Rey	6/9	5/5	X	X
Sandra Lagumina	6/9	4/5	X	X
Antoine Gosset-Grainville	9/9	X	5/5	X
Nonce Paolini	9/9	X	5/5	X
Caroline Grégoire Sainte Marie	3/4	X	X	1/1 (a)
Patricia Barbizet	9/9	X	5/5	X
Simon Gillham	7/9	X	X	2/2
Stéphane Roussel	5/9	X	X	X
Carole Ferrand	9/9	5/5	X	X
Arthur Sadoun	1/5	X	X	0/1 (b)

(a) Member since the annual Shareholders' Meeting held on May 18, 2018.
(b) Member up to the annual Shareholders' Meeting held on May 18, 2018.

3.2.3 / STATEMENT ON CORPORATE GOVERNANCE

The Company refers to the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"), updated in June 2018.

The AFEP-MEDEF Code to which the Company refers may be consulted online [1]. The Company makes copies of this code available to members of its corporate bodies.

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

AFEP-MEDEF Code recommendation	Explanation of exceptions
Presentation of the Compensation of Directors in table form (Article 25.2 "Annual Information")	The Company considers that the information provided in sections 3.3.2, 3.3.3 and 3.3.4 accurately and fully reflects the components of compensation paid to Alexandre Bompard, Jacques Veyrat and Enrique Martinez. Consequently, the presentation of executive compensation in the form of standardized tables does not seem necessary for understanding this information.

3.2.4 / SHARE TRANSACTIONS BY DIRECTORS

The transactions mentioned in Article L. 621-18-2 of the French Monetary and Financial Code carried out during the last year and notified to the company were as follows:

Vivendi SA
Limited company *(société anonyme)*, a legal entity linked to Stéphane Roussel, Director

Sale of shares (decision to unwind the hedging transaction entered into on January 16, 2018)	
Total amount	€266,810,999.063
Number of shares	2,944,651
Unit price	€90.6087

Enrique MARTINEZ, Chief Executive Officer

Acquisition of performance shares (June 17, 2018)	
Total amount	€345,763.60
Number of shares	4,186
Unit price	€82.60

(1) http://www.afep.com/wp-content/uploads/2018/06/Code-Afep_Medef-r%C3%A9vision-du-20-juin_VF.pdf.

Sandra LAGUMINA, Director

Acquisition of shares (February 28, 2018)	
Total amount	€22,680
Number of shares	250
Unit price	€90.72

Delphine MOUSSEAU, Director

Acquisition of shares (February 22, 2018)	
Total amount	€24,102.4632
Number of shares	258
Unit price	€93.4204

Daniela WEBER-REY, Director

Acquisition of shares (February 28, 2018)	
Total amount	€20,537
Number of shares	220
Unit price	€93.35
Acquisition of shares (February 28, 2018)	
Total amount	€2,802
Number of shares	30
Unit price	€93.40

3.3 / Compensation and benefits for administrative and executive bodies

3.3.1 / PRINCIPLES AND CRITERIA IN 2019 FOR THE DETERMINATION, DISTRIBUTION AND ALLOCATION OF THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF THE TOTAL COMPENSATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN OF THE BOARD, THE CHIEF EXECUTIVE OFFICER AND ANY EXECUTIVE CORPORATE OFFICER FOR THEIR POSITIONS

Pursuant to Article L. 225-37-2 of the French Commercial Code, the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable, in their roles as such, to the Chairman of the Board, the Chief Executive Officer and any executive corporate officer (Chairman and Chief Executive Officer, Chief Executive Officer, and/or executive corporate officer of the company) are submitted for the shareholders' approval.

Description of the components of total compensation and benefits of any kind for the Chairman of the Board of Directors

Fixed compensation

The fixed annual compensation for the Chairman must be determined in accordance with market practices.

This analysis takes into account the key aspects of the Company and the scope of the executive's field of action, such as:

- revenues, budget, staff;
- the context in which the duties are performed, with the assessment of strategic challenges, and short- and long-term growth prospects; and
- the level and the complexity of responsibilities.

The Board of Directors reviews the fixed compensation of the Chairman of the Board annually with the objective of revising it only at relatively long intervals, in accordance with the recommendations of the AFEP-MEDEF Code.

It is specified that the gross annual fixed compensation for Jacques Veyrat is €200,000, which is the same as 2017.

Annual variable and long-term compensation, stock options and performance shares

Pursuant to the AMF recommendations, the Board of Directors is not planning to grant variable compensation, long-term compensation, stock options or allot bonus performance shares to the Chairman of the Board.

Directors' fees

The Chairman may receive directors' fees, the amount of which is set, distributed and allocated according to rules applicable to all members of the Board.

Directors' fees are allocated on the following basis:

- 60% of the total annual amount of the directors' fees is allocated to the members of the Board of Directors, 30% of which is fixed and 70% variable (the variable portion reflecting their attendance at Board meetings);
- the balance, amounting to 40% of the total annual amount of the directors' fees, is allocated to the members of specialized committees and distributed as follows: 20% to the Audit Committee, 12% to the Appointments and Compensation Committee and 8% to the Corporate, Environmental and Social Responsibility Committee. These portions are allocated based on attendance at committee meetings; and
- the Chairman of the Board of Directors and the committee chairs receive a 50% higher fee for their attendance at each meeting.

For information purposes, it is specified that, in accordance with the decision of the Board of Directors on July 17, 2017, Jacques Veyrat no longer receives any directors' fees since he was appointed Chairman of the Board of Directors on that date.

Other benefits

The Chairman of the Board may have a company car consistent with the Company's current vehicle policy and market practices; for information purposes, it is specified that Jacques Veyrat has never had one.

Description of the components of the total compensation and benefits of any kind for the executive corporate officers of the Company

Fixed compensation

The fixed annual compensation for the executive corporate officers must be determined in accordance with market practices.

This analysis takes into account the key aspects of the company and the scope of the executive's field of action, such as:

- revenues, budget, staff;
- the context in which the duties are performed, with the assessment of strategic challenges, and short- and long-term growth prospects; and
- the level and the complexity of responsibilities.

The Board of Directors reviews the fixed compensation of the executive corporate officer(s) annually with the objective of revising it only at relatively long intervals, in accordance with the recommendations of the AFEP-MEDEF Code.

During the session that took place on February 20, 2019, the Board of Directors duly noted the excellent results of Enrique Martinez and the significant difference between his compensation and that of Chief Executive Officers of other companies of the same size, complexity and governance as Fnac Darty. The Board therefore highlighted the compensation study that was carried out by Korn Ferry, a specialist consultancy firm, and decided to increase the gross annual fixed compensation of the Chief Executive Officer to €750,000. These components are clarified on page 126 of the Registration Document.

Annual variable compensation

The annual variable compensation of the executive corporate officers is determined by the Board of Directors which, every year, sets the quantitative targets and objectives and qualitative goals and their relative weighting for the variable portion of the compensation. Variable compensation is proportional and may currently represent between 0% (no objective achieved) and 100% of fixed annual compensation if objectives are achieved. It may reach a maximum of 150% of fixed annual compensation if the objectives are exceeded. The maximum percentage has been determined by the Board in accordance with market practices during its session that took place on February 20, 2019, based on the work done by Korn Ferry, using a panel of companies whose characteristics in terms of size, complexity and governance are comparable with those of Fnac Darty.

Business and financial criteria are the predominant considerations when structuring annual variable compensation. It is broken down as follows: 70% on business and financial targets, 10% on objectives relating to corporate, social and environmental responsibility (incorporated in accordance with the recommendations of the AFEP-MEDEF Code) and 20% on qualitative goals.

The criteria are determined in accordance with the Company's strategic priorities and are regularly reviewed.

Currently, the business and financial targets set by the Board of Directors for the variable portion are as follows:

- Group current operating income (COI) corresponding to 35% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance;
- Group free cash flow (FCF) corresponding to 15% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance;
- Group revenues corresponding to 15% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance;
- growth of the Group's market share corresponding to 5% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance.

Currently, the objectives related to the company's corporate, social and environmental responsibility set by the Board of Directors for the variable portion relate to:

- the Group's non-financial rating corresponding to 5% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance;
- employee commitment corresponding to 5% of the total bonus for an achievement level of 100% of the target, with a maximum of 150% in the case of overperformance.

The expected achievement level of each of the business and financial targets, as well as for the objectives relating to corporate, social and environmental responsibility set for the executive corporate officers, are pre-determined by the Board of Directors using a specific methodology, but are not published for confidentiality reasons.

Each business and financial target and every corporate, social and environmental responsibility objective is subject to:

- a trigger threshold below which no compensation is due for the target or objective concerned; and
- an achievement level above which the compensation is capped at 150% for the target or objective concerned.

For each business or financial target, and every corporate, social and environmental responsibility objective where the result reported is between the trigger threshold and the target or objective set, the percentage of the compensation variable for the target concerned is determined on a straight-line basis between the two (0% and 100%). The same applies when the result reported falls between the target or objective set and the cap (100% and 150%).

In terms of qualitative goals, the Board of Directors has decided to maintain the goals related to quality of management, social climate, quality of financial communication, quality of shareholder reporting, and relations with directors. The nature of these qualitative goals is pre-determined in a precise way by the Board of Directors, but the latter do not wish to provide any further information because of confidentiality reasons.

Long-term compensation, stock options and performance shares

The executive corporate officers are eligible for the long-term incentive plans that the Board of Directors awards to the other members of the Executive Committee. The plans granted to the executive corporate officers may take the form of stock option plans, bonus shares subject to performance conditions, or plans paid in cash, also subject to performance conditions. The purpose of these plans is to align the interests of the executive corporate officers more closely with the interests of shareholders.

In accordance with AFEP-MEDEF Code recommendations, the grant value of such plans within the IFRS 2 framework is proportionate to the annual fixed and variable components. The Board of Directors also ensures that they are consistent with market practices.

Thus, the attribution of long-term compensation may represent a maximum of 50% of the total compensation (this total is equal to the sum of the annual fixed compensation, the maximum variable compensation and the long-term compensation).

These plans do not have vesting periods shorter than three years.

The vesting of these plans is subject to the fulfillment of a condition of continuous employment at the end of the vesting period, except in exceptional circumstances such as death, disability, or a change in control of the Company, and of several performance conditions set by the Board of Directors, including at least one tied to the Company's stock market performance.

The performance criteria, identical to those for Executive Committee members, are stringent. They do not permit vesting if a trigger threshold is not reached, are measured either annually during the plan's vesting period or over a period covering the years referenced by the plans.

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board decided that:

- the executive corporate officers must hold, in registered form, until the end of their term of office, a minimum number of shares corresponding to 25% of their fully vested shares (net of fees and taxes and the disposals necessary to exercise options) on each of the bonus share and option plans allotted to them by the Board on or after the date of their appointment; it is specified that the plans from which they may have benefited earlier as employees are not included in this requirement; and
- however, this percentage would be lowered to 5% once the number of shares held by the executive corporate officers from bonus share allotments and options exercised in all plans represents an amount equal to twice their gross annual fixed compensation, which is the minimum number of shares that the executive corporate officers must hold in registered form until the end of their term of office, as recommended in paragraph 22 of the AFEP-MEDEF Code.

In accordance with the recommendations of the AFEP-MEDEF Code, the executive corporate officers who received share options and/or performance shares formally commit to not hedging their risk on the options, the shares resulting from the exercise of options, or the performance shares, until the end of the share lock-up period set by the Board of Directors.

Exceptional compensation

In accordance with AFEP-MEDEF Code recommendations, the Board of Directors does not intend to award exceptional compensation to the executive corporate officers except in very special circumstances. The payment of such compensation must be able to be justified by an event such as the achievement of a major operation for the Company or substantial outperformance. The grant value of exceptional compensation may represent up to 100% of the annual fixed compensation and the maximum annual variable compensation.

Directors' fees

If they are directors of the Company, the executive corporate officers may receive directors' fees, which are set, distributed and allocated to the executive corporate officers according to the rules applicable to all members of the Board.

Directors' fees are allocated on the following basis:

- 60% of the total annual amount of the directors' fees is allocated to the members of the Board of Directors, 30% of which is fixed and 70% variable (the variable portion reflecting their attendance at Board meetings);

- the balance, amounting to 40% of the total annual amount of the directors' fees, is allocated to the members of specialized committees and distributed as follows: 20% to the Audit Committee, 12% to the Appointments and Compensation Committee and 8% to the Corporate, Environmental and Social Responsibility Committee. These portions are allocated based on attendance at committee meetings; and
- the Chairman of the Board of Directors and the committee chairs receive a 50% higher fee for their attendance at each meeting.

In accordance with the decision of the Board of Directors on February 20, 2019 that approves the resolutions of the present Shareholders' Meeting and that proposes the nomination of Enrique Martinez as Director of the Company, it is stated that in this case, Enrique Martinez will not receive attendance fees in his role of Director.

Other benefits

In the absence of an employment contract with the Company, or in the event of a suspension of their employment contract, the executive corporate officers benefit from an unemployment insurance plan specific to non-salaried corporate officers, to compensate in part for the lack of unemployment insurance similar to that provided for employees.

Executive corporate officers have company cars consistent with the Company's current vehicle policy and market practices.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of any components of variable and, where applicable, exceptional compensation awarded to executive corporate officers for the previous year by virtue of their office is subject to the approval by an Ordinary General Meeting of the components of that person's compensation under the conditions set out in Article L. 225-100.

Regulated agreements that may benefit executive corporate officers under Article L. 225-42-1 of the French Commercial Code

Severance package

Executive corporate officers may receive a performance-based severance package upon termination of their appointment. If such a commitment were to be implemented by the Board of Directors, it would be subject to the procedure set out in Article L. 225-42-1 of the French Commercial Code, and would comply with the recommendations of the AFEP-MEDEF Code concerning the cap of two years' compensation (annual fixed + variable) on the package.

It is specified that Enrique Martinez does not benefit from such a commitment, whether as Chief Executive Officer or under the terms of his employment contract, which was suspended when he took office in July 2017.

Non-compete agreement

Executive corporate officers may be subject to a non-compete agreement limited to a period of two years from the end of their term of office, in return for which they may receive, in installments over the duration of the agreement, a gross allowance of up to 80% of their fixed monthly compensation, with the Board of Directors having the option to waive implementation of this clause.

The non-compete agreement is in line with the recommendations of the AFEP-MEDEF Code, which provides for a cap of two years' compensation (annual fixed + variable), shared with any severance package.

In addition, the payment of compensation under the non-compete agreement is precluded as soon as the executive exercises his or her pension rights. In any event, no such compensation may be paid when the recipient is older than 65 years of age.

In this context, Enrique Martinez is subject to a non-compete agreement in the specialty retail market for cultural and electronic products and household appliances for the general public in the countries where the Group operates. This non-compete agreement is limited to two years starting at the end of his term of office. In consideration for this agreement, Enrique Martinez will receive, in installments for its duration, a gross allowance representing 70% of his fixed monthly compensation, for a period of two years from the effective end of his term of office. The Board of Directors is entitled to waive implementation of this clause.

This commitment was approved by the Shareholders' Meeting held on May 18, 2018 as part of the fifth resolution. On February 20, 2019, the Board of Directors changed this commitment so as to make it comply with the new June 2018 recommendations of the AFEP MEDEF Code. This amendment is submitted for approval of the Shareholders' Meeting as part of the fifth resolution.

Supplementary pension plan

The executive corporate officers may benefit from a supplementary pension plan with defined contributions.

Accordingly, Enrique Martinez is a member of the supplementary defined-contribution pension plan recognized under Article 83 of the French General Tax Code, which also includes all executives of Fnac Darty companies in France, all on the same terms.

This commitment was approved by the Shareholders' Meeting held on May 18, 2018 as part of Resolution Five. At its annual review of regulated agreements at its meeting of January 24, 2019, the Board approved the continuation of this commitment.

Provident insurance plan

Executive corporate officers may benefit from participation in a provident insurance plan.

Accordingly, Enrique Martinez is a member of the provident insurance plan (medical expenses, incapacity and disability, death benefits) covering all employees of Fnac Darty companies in France included in this policy, all on the same terms.

This agreement was approved by the Shareholders' Meeting held on May 18, 2018 as part of Resolution Five. At its annual review of regulated agreements at its meeting of January 24, 2019, the Board approved the continuation of this commitment.

Finally, it is specified that, in the event of the appointment of Chief Operating Officers, they would be able to benefit from an employment contract under the conditions provided for by the regulations.

3.3.2 / COMPENSATION AND BENEFITS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER UNTIL THE END OF HIS TERM OF OFFICE

The Company is a French limited company in which the positions of Chairman of the Board of Directors and Chief Executive Officer were combined and exercised by Alexandre Bompard as from April 17, 2013 and were separated as of July 17, 2017, the date of termination of his office as Chairman and Chief Executive Officer.

Alexandre Bompard held no employment contract.

During 2018, Alexandre Bompard did not receive any compensation.

The amounts presented below correspond to all compensation due and allocated to Alexandre Bompard in 2017, presented in the 2017 Registration Document, submitted to the shareholders' vote at the General Meeting of May 18, 2018, and paid in 2018.

Annual variable compensation

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable compensation for 2017 was subject to approval by the General Meeting of May 18, 2018 of the compensation components and benefits of any kind paid or allotted to Alexandre Bompard for 2017.

For reference, the total achievement rate of the 2017 variable was 117.40% of the fixed annual compensation, and the amount due for 2017 stood at €578,195 gross. This amount was paid in May 2018, after the General Meeting of May 18, 2018.

Directors' fees

Given that Alexandre Bompard stepped down as a director as of November 28, 2017, no amount is due for 2018.

For reference, the directors' fees payable to Alexandre Bompard for his service on the Board of Directors of Fnac Darty in 2017 from January 1 to November 28 totaled €26,920. This amount was paid to him in March 2018.

Total compensation

The amounts paid in 2018 and 2017 in total compensation and its components, as detailed above, totaled €605,115 and €14,399,693, respectively, and break down as follows, respectively: fixed compensation of €0 and €492,500; annual variable compensation of €578,195 and €931,500; multi-year variable compensation of €0 and €12,932,009; payment of directors' fees of €26,920 and €27,558; in-kind benefits of €0 and €10,216; and, finally, supplementary pension plan contributions of €0 and €5,910. In addition, no amount is due for 2018.

3.3.3 / COMPENSATION AND BENEFITS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AS OF THE DATE HE TOOK OFFICE

The Company is a French limited company with a Board of Directors. The duties of the Chairman of the Board of Directors and the Chief Executive Officer are separated and have been exercised by Jacques Veyrat and Enrique Martinez, respectively, since July 17, 2017.

Jacques Veyrat does not have an employment contract.

At its meeting of February 21, 2018, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided on the elements of the compensation package for its Chairman, Jacques Veyrat.

The stated amounts payable correspond to all compensation awarded to Jacques Veyrat during each of the years mentioned, irrespective of the date of payment. The amounts paid correspond to all compensation received by Jacques Veyrat during each of the years mentioned.

These components were determined in accordance with the compensation principles and criteria approved by the General Meeting of May 18, 2018 in its fifteenth resolution.

Fixed compensation

For 2018, the Chairman's gross annual fixed compensation was set at €200,000, identical to that of 2017. The gross amount due and paid for 2018 was €200,000.

As a reminder, the gross amount due and paid for 2017 was €91,667, corresponding to the fixed compensation over the effective duration of his term as Chairman in 2017.

Directors' fees

At its meeting of July 17, 2017, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, resolved that as Jacques Veyrat would now receive fixed annual compensation as Chairman, he would no longer be entitled to directors' fees after his appointment. Jacques Veyrat did not receive any directors' fees for 2018.

As a reminder, in March 2018, he was paid €25,622 in directors' fees for 2017. This amount was calculated on a prorated basis from January 1 to July 17, 2017.

Fixed compensation for 2019

At its meeting of February 20, 2019, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to maintain the fixed compensation of its Chairman for 2019 at €200,000.

3.3.4 / COMPENSATION AND BENEFITS OF THE CHIEF EXECUTIVE OFFICER AS OF THE DATE HE TOOK OFFICE

Given Enrique Martinez's length of service in the Group as of 2017 (19 years) and his status as an inpatriate, the Board of Directors at its July 17, 2017 meeting, on the recommendation of the Appointments and Compensation Committee, decided to suspend Enrique Martinez's employment contract for the duration of his term as Chief Executive Officer.

At its meeting of February 21, 2018, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided on the elements of the annual fixed and variable compensation of its Chief Executive Officer, Enrique Martinez.

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

These components were determined in accordance with the compensation principles and criteria approved by the General Meeting of May 18, 2018 in its sixteenth resolution.

This section presents the compensation and benefits paid or allocated to Enrique Martinez as Chief Executive Officer. Items paid or allocated during the year for his previous positions are not included.

Fixed compensation

At its meeting of February 21, 2018, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, decided to increase the fixed annual compensation of its Chief Executive Officer to €550,000 for 2018. This decision reflects several factors: Enrique Martinez's successful assumption of office following his appointment as CEO in July 2017; the strong performance achieved and evidenced, in particular by the exceeding of the 2017 objectives; the demanding and highly competitive environment in which Fnac Darty operates; and the benchmarking of similar positions at SBF120 companies.

The gross amount due and paid for 2018 was €550,000.

As a reminder, the gross amount due and paid for 2017 was €238,682, corresponding to the fixed compensation over the effective duration of his term as Chief Executive Officer in 2017.

Annual variable compensation

At its meeting of February 21, 2018, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to increase the maximum annual variable compensation for objectives exceeded to 120% of fixed compensation for 2018, in order to take better account of outperformance and thus bring the company into line with market practices.

For 2018, the Chief Executive Officer's annual variable compensation may range from 0% if no objective is reached to 100% of the annual fixed compensation if the objectives are achieved. This variable compensation may reach a maximum of 120% of fixed annual compensation if the objectives are exceeded.

Business and financial criteria are the predominant considerations when structuring annual variable compensation. Financial and business targets account for 80% and qualitative goals account for 20%.

The 2018 financial targets set for the variable portion were as follows:

- Group current operating income (COI) corresponding to 35% of the total bonus for an achievement level of 100% of the target, with a maximum of 120% in the case of overperformance;
- Group free cash flow (FCF) corresponding to 15% of the total bonus for an achievement level of 100% of the target, with a maximum of 120% in the case of overperformance;
- Group revenues corresponding to 15% of the total bonus for an achievement level of 100% of the target, with a maximum of 120% in the case of overperformance;
- the achievement of synergies related to the merger with the Darty Group corresponding to 10% of the total bonus for an achievement level of 100% of the target, with a maximum of 120% in the case of overperformance; and
- growth of the Group's market share corresponding to 5% of the total bonus for an achievement level of 100% of the target, with a maximum of 120% in the case of overperformance.

The level of attainment of the above criteria has been precisely established for each one. Each financial or business target is subject to:

- a trigger threshold below which no compensation for the target concerned is due; and
- an achievement level above which the compensation is capped at 120% for the target concerned.

For each business or financial target, where the result reported is between the trigger threshold and the target set, the percentage of the variable for the target concerned is determined on a straight-line basis between the two (0% and 100%). The same applies when the result reported falls between the target set and the cap (100% and 120%).

During its meeting to approve the annual financial statements, the Board of Directors measured each of the business and financial criteria based on the performance for the whole of 2018. The qualitative criteria were assessed at the same meeting on the basis of the Appointments and Compensation Committee's evaluation.

The current operating income objective in 2018 was partially achieved. Very close to the target, the result falls between the trigger threshold and the target set. Thus the variable compensation on this criterion is 95.46%, or a variable rate of 33.41% for a target potential of 35% and a maximum of 42%.

The free cash flow target in 2018 was exceeded. The result falls between the target set and the cap. Thus the variable compensation on this criterion is 119.41%, or a variable rate of 17.91% for a target potential of 15% and a maximum of 18%.

The revenues target in 2018 was partially achieved. Close to the target, the result falls between the trigger threshold and the target set. Thus the variable compensation on this criterion is 66.24%, or a variable rate of 9.94% for a target potential of 15% and a maximum of 18%.

The synergies target in 2018 was exceeded. The result falls between the target set and the cap. Thus the variable compensation on this criterion is 101.54%, or a variable rate of 10.15% for a target potential of 10% and a maximum of 12%.

The target for market share growth was significantly exceeded in France, which represents Fnac Darty's most important business area, but was not achieved in the other geographical areas. The result falls between the trigger point target and the set target. Thus the variable compensation on this criterion is 96%, or a variable rate of 4.80% for a target potential of 5% and a maximum of 6%.

The qualitative goals were assessed by the Board. The 2018 qualitative goals set for the variable portion were as follows:

- Quality of management, Social climate, Quality of financial communication, Quality of shareholder reporting, Relations with directors;
- Speed and quality of deployment of Confiance+; and
- Speed of execution and quality of the integration.

The Board recognizes the very strong results delivered by the Chief Executive Officer. Thus the variable compensation rate on these criteria is 110%, or a variable rate of 22% for a target potential of 20% and a maximum of 24%.

The Board particularly appreciated: the quality of the management, especially the stability of the management team in place, a balanced team drawn from Fnac, Darty and outside companies; the quality of the social climate, which resulted in a smooth integration and the signing of numerous agreements both at Group level and within its various companies (including an agreement to harmonize the bylaws); and the quality of relations with the directors, highlighted in the annual assessment of the Board's work.

The Board noted the very good start to the deployment of the Confiance+ strategic plan, particularly with a current operating income rate that is up compared to last year, in line with expectations, and the progress of major partnerships for the Company such as those being implemented with Carrefour and Google.

Lastly, the Board highlighted the successful integration of the groups, and in particular the achievement from 2018 of the ambitious level of expected synergies one year ahead of schedule.

The total achievement rate of the 2018 variable portion is 98.21% of the fixed annual compensation, and the gross amount due for 2018 is €540,177.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable compensation is subject to the approval by the General Meeting of May 23, 2019 of the elements of the compensation and benefits of any kind paid or awarded to Enrique Martinez for 2018.

As a reminder, the total achievement rate of the 2017 variable portion was 109.45% of the fixed annual compensation, and the gross amount due for the service of the Chief Executive Officer in 2017 was €248,617. This amount was paid in May 2018, after the General Meeting of May 18, 2018, in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

Long-term compensation, stock options and performance shares

The Chief Executive Officer is eligible for the long-term incentive plans granted by the Board of Directors, which may take the form of stock option plans, bonus shares subject to performance conditions, or plans paid in cash.

In accordance with the recommendations of the AFEP-MEDEF Code, the grant value of these plans as adopted under IFRS 2 is proportionate to the annual fixed and variable portions and is capped in accordance with the compensation principles and criteria approved by the General Meeting of May 18, 2018 in its sixteenth resolution. It is determined by the Board of Directors in light of market practices.

At its meeting of May 18, 2018, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to implement a long-term variable compensation plan comprised of bonus shares settled with equity instruments.

These shares will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies and subject to a performance condition tied to a target level of current operating income. The TSR will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. The current operating income to be achieved will be assessed: for the first vesting period in 2019, after the publication of the Group's 2018 annual results, and in 2020, after publication of the Group's 2019 annual results; and for the second vesting period in 2021, after the publication of the Group's 2020 annual results.

As of the May 18, 2020 maturity date, a total of 6,655 shares may thus be vested, and an additional 3,328 shares may be vested as of the May 18, 2021 maturity date.

Bonus shares allotted in 2018 were valued at the allotment date in accordance with IFRS 2, before apportionment of expenses over the vesting period, at a gross amount of €399,966 for the May 18, 2020 maturity date and a gross amount of €200,013 for the May 18, 2021 maturity date. This valuation, for market items, was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to €93.30 (price on the first day of vesting, May 18, 2018) per share, volatility of 25% and a Euribor Swap risk-free interest rate. For non-market items, the valuation was calculated based on the best estimate of the achievement of future performance conditions.

Each performance condition is measured annually. For each year, each performance criterion has a trigger threshold below which no shares linked to this criterion may be vested. Shares lost in one year do not come back into play the following year.

As a reminder, in 2017, 15,391 bonus shares were allotted to Enrique Martinez.

The vesting of bonus shares is conditioned on the Fnac Darty stock market performance based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies, on performance in achieving a level of synergies in the merger of the Fnac and Darty Groups, and on the level of current operating income to be achieved. The TSR will be measured annually in 2019 and 2020. The level of synergies and the current operating income will be assessed in 2019 after the publication of the Group's 2018 annual results, and in 2020 after the publication of the Group's 2019 annual results.

Vesting of these bonus shares is also subject to a condition of continuous service for two years (December 15, 2017 to December 14, 2019).

Bonus shares allotted in 2017 were valued at the allotment date in accordance with IFRS 2, before apportionment of expenses over the vesting period, at a gross amount of €984,821. This valuation was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to the exercise price of €96.80 (price on the first day of vesting, December 15, 2017) per share, volatility of 25% and a Euribor Swap risk-free interest rate.

Each performance condition is measured annually. For each year, each performance criterion has a trigger threshold below which no shares linked to this criterion may be vested. Shares lost in one year do not come back into play the following year.

At its meeting on May 18, 2018, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to implement a long-term variable compensation plan comprised of performance options settled with equity instruments.

These options will only be fully vested in tranches over two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021) subject to the beneficiary's continued service within the Group at the end of each vesting period. They will also be subject to a stock market performance condition for the Fnac Darty share based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies, and to a performance condition related to a level of current operating income to be achieved. The TSR will be measured annually, in 2019 for 2018 and in 2020 for the 2018-2019 period for the first vesting period, and in 2021 for the 2018-2020 period for the second vesting period. The current operating income to be achieved will be assessed in 2019 after the publication of the Group's 2018 annual results, and in 2020 after the publication of the Group's 2019 annual results for the first vesting period, and in 2021 after the publication of the Group's 2020 annual results for the second vesting period.

As of the May 18, 2020 maturity date, a total of 20,883 options may thus be vested, and an additional 20,883 options may be vested as of the May 18, 2021 maturity date.

Performance options allotted in 2018 were valued at the allotment date in accordance with IFRS 2, before apportionment of expenses over the vesting period, at a gross amount of €300,089 for the May 18, 2020 maturity date and a gross amount of €300,089 for the May 18, 2021 maturity date. This valuation, for market items, was calculated using the Black & Scholes method based on the following parameters: a reference share price equal to €93.30 (price on the first day of vesting, May 18, 2018) per share, volatility of 25% and a Euribor Swap risk-free interest rate. For non-market items, the valuation was calculated based on the best estimate of the achievement of future performance conditions.

Each performance condition is measured annually. For each year, each performance criterion has a trigger threshold below which no options linked to this criterion may be vested. Options lost in one year do not come back into play the following year.

Furthermore, stock options, by their nature, require an absolute increase in the share price to be exercised, and more specifically for this plan a price higher than the exercise price set at €89.43.

In addition, pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board decided at its meeting of April 28, 2017 that:

- the executive corporate officers must hold, in registered form, until the end of their term of office, a minimum number of shares corresponding to 25% of their fully vested shares (net of fees and taxes and the disposals necessary to exercise options) on each of the bonus share and option plans allotted to them by the Board on or after the date of their appointment; it is specified that the plans from which they may have benefited earlier as employees are not included in this requirement; and

- however, this percentage would be lowered to 5% once the number of shares held by the executive corporate officers from bonus share allotments and options exercised in all plans represents an amount equal to twice their gross annual fixed compensation, which is the minimum number of shares that the executive corporate officers must hold in registered form until the end of their term of office, as recommended in paragraph 22 of the AFEP-MEDEF Code.

Lastly, in accordance with the recommendations of the AFEP-MEDEF Code, Enrique Martinez has formally committed to not hedging his risk on the options, shares resulting from the exercise of options, or performance shares, until the end of the share lock-up period set by the Board of Directors.

It should also be noted that, to the Company's knowledge, no hedging instruments have been put in place by Enrique Martinez for the options, shares resulting from the exercise of options, or performance shares, and that this shall be the case until the end of the share lock-up period set by the Board of Directors.

In-kind benefits and other benefits

Enrique Martinez is provided with a company car in accordance with the Company's current vehicle policy and market practices, which in 2018 represented an in-kind benefit of €3,158. This benefit amounted to €1,306 in 2017.

Enrique Martinez also benefits from an unemployment insurance plan for non-employee corporate officers, for which contributions were paid in the amount of €12,891 for 2018. These contributions are subject to social security and employer taxes and are therefore treated as benefits in kind. In 2017, the contributions paid for unemployment insurance amounted to €5,335.

Furthermore, Enrique Martinez benefited from a gross employer matching contribution of €700 as part of his subscription to the employee stock ownership plan implemented in 2018, which was made available to all Group employees under the same conditions.

Supplementary pension plan

The Board of Directors authorized Enrique Martinez's participation in the supplementary defined-contribution pension plan (Article 83 of the French General Tax Code) which benefits all executives of Fnac Darty's French companies included in this policy.

Contributions in 2018 and 2017 amounted to €10,938 and €4,890 respectively. During its annual review of regulated agreements at its meeting of January 24, 2019, the Board approved the continuation of this commitment.

Provident insurance plan

On July 17, 2017, the Board of Directors authorized Enrique Martinez's participation in the provident insurance plan that benefits all employees of Fnac Darty's French companies included in this policy.

Contributions paid by the company in 2018 and 2017 amounted to €9,357 and €2,737 respectively. During its annual review of regulated agreements at its meeting of January 24, 2019, the Board approved the continuation of this commitment.

Total compensation

The amounts paid in 2018 and 2017 in total compensation and its components, as detailed above, totaled €835,662 and €241,419, respectively, and break down as follows, respectively: fixed compensation of €550,000 and €227,151; annual variable compensation of €248,617 and €0; in-kind benefits and other benefits of €16,750 and €6,641; supplementary pension plan contributions of €10,938 and €4,890; and, finally, company provident insurance plan contributions of €9,357 and €2,737. In addition, the amount due for 2018 and paid in 2019 as annual variable compensation was €540,177.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of this annual variable compensation is subject to approval, by the General Meeting of May 23, 2019, of the compensation components and benefits of any kind paid or allotted to Enrique Martinez for 2018.

Non-compete agreement

The Board of Directors has approved a non-compete agreement with Enrique Martinez in the specialty retail market for cultural and electronic products and household appliances for the general public in the countries where the Group operates. This non-compete agreement is limited to two years starting at the end of his term of office. In consideration for this commitment, Enrique Martinez will receive a gross allowance representing 70% of his fixed monthly compensation for a period of two years from the effective end of his term of office. The Board of Directors is entitled to waive implementation of this clause.

No amount was due for either 2018 or 2017. This commitment, stipulated by Article L. 225-42-1 of the French Commercial Code, was approved by the Board on July 17, 2017 and was maintained by the General Meeting of May 18, 2018. It was changed by the Board of Directors on February 20, 2019, so that it complied with the new June 2018 recommendations of the AFEP MEDEF Code.

Fixed and variable compensation for 2019

Enrique Martinez was appointed as Chief Executive Officer in July 2017, after 19 years spent in various management positions within the Group.

Six months later, the Board of Directors, in order to take account of Enrique Martinez's successful assumption of his office, which resulted in the strong performance achieved and evidenced, in particular, by the exceeding of the objectives set for 2017, as well as the launch of a new strategic plan, decided, on the recommendation of the Appointments and Compensation Committee, to reassess both his fixed compensation and maximum potential variable compensation. In doing so, the Board kept his compensation at a level lower than that of senior executives of comparable companies, in order to give itself the time and hindsight necessary to fully evaluate Enrique Martinez's performance as CEO.

This year, the Board recognizes and confirms Enrique Martinez's success in his position as Chief Executive Officer, which has been marked by: the consolidation and successful integration of Darty and the achievement of the expected level of synergies one year ahead of schedule; the excellent operating execution of the strategic plan in its first year; and the achievement of a level of current operating income that is growing in terms of value and rate compared with the previous year, and this in a highly competitive market and challenging economic environment.

The Board also highlights the change in stature of Enrique Martinez, whose appointment it is proposing for approval to the General Meeting called to approve the 2018 financial statements.

Lastly, after conferring the completion of a compensation study to a specialist consultancy firm which created a panel of SBF 120 and specialized retail companies whose size, complexity and governance characteristics are comparable to those of Fnac Darty, the Board of Directors noted the significant discrepancy both in the fixed compensation and in the maximum potential variable compensation of Enrique Martinez to reward the outperformance of his objectives.

As a result, on the proposal of the Appointments and Compensation Committee, the Board of Directors set the annual fixed compensation of Enrique Martinez at €750,000, thus placing it at the median point of the panel's fixed compensation, and the maximum potential variable compensation that rewards the outperformance at 150%, thus placing it at the median point of the panel's maximum variable compensation. The potential variable compensation on achieving objectives remains unchanged at 100% of annual fixed compensation. This new compensation is set for the duration of the term of office as director that will be proposed at the General Meeting for Enrique Martinez, and will therefore not be modified except in exceptional circumstances.

In structuring the variable compensation for 2019, the Group's business and financial criteria remain paramount. Variable compensation breaks down as follows: 70% on business and financial targets, 10% on objectives relating to corporate, social and environmental responsibility (included in accordance with the recommendations of the AFEP-MEDEF Code) and 20% on qualitative goals.

All these targets, objectives and goals are pre-determined according to a specific methodology.

3.3.5 / COMPENSATION OF CORPORATE OFFICERS – DIRECTORS' FEES

Compensation policy for corporate officers

Directors' fees paid to members of the Board of Directors

Directors' fees paid in 2018 for 2017

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

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

The General Meeting of May 24, 2017 set this amount at €360,000, applicable to 2017, to be maintained until decided otherwise. Given the scale of the strategic challenges facing the Group and the importance of the Board's role in the competitive environment in which the Group operates, in February 2018 the Company undertook a benchmarking exercise to compare the total annual and average overall annual directors' fees of listed French companies of equivalent size. The benchmarking exercise revealed that the average of directors' fees paid by the Company to its non-executive Directors was below the average paid by the most closely comparable companies. The Board therefore considered that it was appropriate, on the recommendation of the Appointments and Compensation Committee, to propose an increase in the overall annual amount of directors' fees from the current year onwards to €450,000. The General Meeting of May 18, 2018 approved the increase of this amount to €450,000, applicable to the current year, to be maintained until decided otherwise.

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors, on February 21, 2018, decided on the distribution of the directors' fees to members of the Board and specialized committees who attended meetings held in 2017.

Of this amount, 60% 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 allocated 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 overall budget allocated to the committees) for the Appointments and Compensation Committee and 8% (i.e. 20% of the overall budget allocated to the committees) for the Corporate, Environmental and Social Responsibility Committee. This amount is allocated based on members' attendance at committee meetings.

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

Of the total annual allocation of €360,000 for directors' fees in 2017, a total amount of €307,646 was paid in 2018, broken down as follows:

Name	Amount paid in 2017 for 2016 (€)	Amounts paid in 2018 for 2017 (€)
Patricia Barbizet	26,602	29,839
Alexandre Bompard	27,558	26,920
Carole Ferrand	33,459	38,067
Antoine Gosset-Grainville	26,602	25,544
Alban Gréget	21,650	17,848
Héloïse Temple Boyer	0	11,448
Nonce Paolini	30,828	31,382
Arthur Sadoun	18,611	10,238
Brigitte Taittinger-Jouyet	23,400	24,677
Jacques Veyrat	38,703	25,622
Marie Cheval	21,939	37,118
Stéphane Roussel (Permanent representative of Vivendi)	9,082	12,658
Simon Gillham (permanent representative of Compagnie financière du 42 avenue de Friedland)	8,165	16,286
TOTAL	**286,599**	**307,646**

The total amount of directors' fees allotted for 2018 was €387,937. The directors do not receive any other compensation, with the exception of Jacques Veyrat, Chairman of the Board of Directors, who no longer receives directors' fees since he was appointed as Chairman, as stated in section 3.3.3 of the Registration Document.

Directors' fees paid in 2019 for 2018

Of the total amount of €450,000 in directors' fees for 2018 allocated in 2019, 60% was allocated by the Board of Directors on February 20, 2019 to the Board members and 40% to the members of the specialized committees.

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

The 40% allocated to the specialized committees was distributed as follows: 20% to the Audit Committee, 12% to the Appointments and Compensation Committee and 8% to the Corporate, Environmental and Social Responsibility Committee. These portions are allocated strictly on the basis of members' attendance at committee meetings.

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

The Board of Directors meeting of February 20, 2019 allocated a total of €387,937 to members of the Board of Directors and its committees to be paid in 2019 for 2018.

3.4 / Profit-sharing, collective incentive plans and long-term incentive plans

3.4.1 / PROFIT-SHARING AGREEMENTS AND INCENTIVE PLANS

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.

Fnac Darty companies have profit-sharing agreements in place.

3.4.1.2 / Collective incentive plans in France

Collective incentives are an optional plan whose purpose is to enable the company to involve employees more closely, by means of a calculation formula, in the running of the company and, more particularly, in its results and performance by paying immediately available bonuses in accordance with Article L. 3312-1 of the French Labor Code. Incentive plan agreements have been concluded for a number of the Group's French entities. Each agreement includes its own formula for calculating the incentive bonus.

3.4.1.3 / Group savings plans

Companies that have implemented a profit-sharing agreement must implement a company savings plan in accordance with Article L. 3332-3 of the French Labor Code.

An amendment to the regulations governing the Fnac Darty Group savings plans concluded on March 15, 2018 instituted a Group employee savings plan for all Fnac Darty entities in France. All Group employees in France may now immediately and in full allocate the sums paid to them under the profit-sharing and incentive plan to the same corporate mutual funds and benefit from the services of the same administrative manager. One of the options offered to employees through this Group savings plan is to invest in units of the dedicated "Fnac Darty Employees" Company savings plan, invested in listed securities of the company.

3.4.1.4 / Employee stock ownership plan

In 2018, an employee stock ownership plan was implemented in six Group countries, which integrated seamlessly into the Confiance+ strategic plan. A vehicle for sharing and commitment, this plan has made it possible to involve employees more closely in the Group's new opportunities, by giving them the opportunity to indirectly become a Fnac Darty shareholder through a corporate mutual fund.

This plan included a matching contribution of 100% up to €700, and a 20% discount.

With subscriptions from some 4,500 employees (average subscription of €1,500), representing an overall subscription rate of 18.13%, the employee stock ownership plan increased the share capital by over 90,000 shares and represented a net matching contribution of €2,442,000.

3.4.2 / LONG-TERM INCENTIVES

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 until May 18, 2021.

In 2018, following the recommendation of the Appointments and Compensation Committee, on May 18, 2018, the Board of Directors decided to allot bonus shares to some employees of the Group (167 beneficiaries) in order to strengthen their loyalty while aligning their interests with those of the Company and its shareholders.

The duration of this plan is three years (May 18, 2018 to May 17, 2021). These shares will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies and subject to a performance condition tied to a target level of current operating income. The TSR will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. The current operating income to be achieved will be assessed: for the first vesting period in 2019, after the publication of the Group's 2018 annual results, and in 2020, after publication of the Group's 2019 annual results; and for the second vesting period in 2021, after the publication of the Group's 2020 annual results.

Each performance condition will be measured annually. For each year, each performance criterion has a trigger threshold below which no shares linked to this criterion may be vested. Shares lost in one year do not come back into play the following year.

This 2018 bonus share plan (detailed in section 7.2.4 of this Registration Document), as with the 2015, 2016 and 2017 bonus share plans, provides for the early vesting of shares in the following cases: a change of control of the Company; a public tender offer for the Company's shares; a public exchange offer for the Company's shares; a merger or demerger; or a public withdrawal offer.

In 2018, on the recommendation of the Appointments and Compensation Committee, on May 18, 2018, the Board of Directors decided to allot performance options to certain Group executives in order to strengthen their loyalty while aligning their interests with those of the Company and its shareholders. These options will only be fully vested in tranches over two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021) subject to the beneficiary's continued service within the Group at the end of each vesting period. They will also be subject to a stock market performance condition for the Fnac Darty share based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies, and to a performance condition related to a level of current operating income to be achieved. The TSR will be measured annually, in 2019 for 2018 and in 2020 for the 2018-2019 period for the first vesting period, and in 2021 for the 2018-2020 period for the second vesting period. The current operating income to be achieved will be assessed in 2019 after the publication of the Group's 2018 annual results and in 2020 after the publication of the Group's 2019 annual results for the first vesting period, and in 2021 after the publication of the Group's 2020 annual results for the second vesting period.

Each performance condition will be measured annually. For each year, each performance criterion has a trigger threshold below which no options linked to this criterion may be vested. Options lost in one year do not come back into play the following year.

Furthermore, stock options, by their nature, require an absolute increase in the share price to be exercised, and more specifically for this plan a price higher than the exercise price set at €89.43.

The 2017 and 2018 stock options plans (detailed in section 7.2.4 of this Registration Document) each provide for the early vesting of shares in the following cases: a change of control of the Company; a public tender offer for the Company's shares; a public exchange offer for the Company's shares; a merger or demerger; or a public withdrawal offer.

3.5 / Factors that could have an impact during a public offering period

Pursuant to Article L. 225-37-5 of the French Commercial Code, we are presenting the following factors that could have an impact on a public offering:

- the ownership structure as well as the direct and indirect holdings known to the Company and all relevant information are described in sections 7.1.2.8 and 7.3.1;
- there are no restrictions in the bylaws on the exercise of voting rights, with the exception of the deprivation of voting rights that may be requested by one or more shareholders holding at least 3% of the Company's share capital or voting rights, if the 3% threshold or any multiple of 1% above 3% is not declared (Article 9 of the bylaws) – see section 7.1.2.8;
- there is no restriction in the bylaws on the transfer of shares;
- to the Company's knowledge, there are no shareholders' agreements or other commitments signed by shareholders;
- there is no security carrying special control rights;
- the voting rights attached to the Fnac Darty shares held by employees through the FCPE Actions fund are exercised by a representative appointed by the FCPE Supervisory Board to represent it at the General Meeting;
- the rules for appointing and dismissing members of the Board of Directors are the legal rules and bylaws provided for in Articles 12, 14 and 16 to 18 of the bylaws described in section 7.1.2.3;
- with respect to the powers of the Board of Directors, the current delegations are described in this report in section 7.2.3.1 (stock buyback program) and in the table of capital increase delegations set forth in section 7.2.1; it is specified that the authorization for stock buybacks and delegations to conduct capital increases are suspended during a public tender offer (with the exception of a delegation to employees participating in a company savings plan (PEE) and the exception to increase capital by capitalizing reserves, profits or premiums;
- the bylaws of our Company are amended in accordance with the laws and regulations;
- the agreements signed by the company which are amended or ended if control of the company changes are as follows: the Loan Agreement and the High Yield bond described in section 6.4 include a clause under which the creditors of Fnac Darty could request full or partial early repayment of the loans in the event of a change of control; and
- there are no specific agreements providing for compensation in the event of termination of the duties of members of the Board of Directors or employees, if they resign or are dismissed without real and serious cause or if their employment is terminated as a result of a public tender or exchange offer.

3.6 / Other information

The procedures for shareholders to participate in General Meetings are provided in section 7.1.2.6.

The table of financial delegations for capital increases is given in section 7.2.1.

3.7 / Special Auditors' Report on Related-Party Agreements and Commitments

General Meeting called to approve the financial statements for the year ended December 31, 2018

To the General Meeting of Shareholders of Fnac Darty SA,

As the Statutory Auditors of your company (the "Company"), we are presenting our report on regulated agreements and commitments.

On the basis of the information provided to us, it is our responsibility to inform you of the characteristics, principal terms and conditions and reasons justifying the interest for the company of the agreements and commitments of which we have been informed or which we may have discovered during our assignment. We are not required to express an opinion as to their utility or suitability, nor to investigate whether other agreements and commitments exist.

Under Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the appropriateness of entering into these agreements and commitments for the purpose of approving them.

In addition, it is our responsibility, as applicable, to communicate to you the information stipulated in Article R. 225-31 of the French Commercial Code regarding the previous year's performance of the agreements and commitments already approved by the General Meeting.

We have applied the procedures we considered necessary pursuant to the professional standards of the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* for this assignment. These procedures consisted of checking the consistency of the data we were given against the documents from which the data were taken.

Agreements and commitments subject to approval by the General Meeting

Agreements and commitments authorized and concluded during the last year

We hereby notify you that we have not been given notice of any agreement or commitment authorized and concluded during the last year to be submitted for approval of the General Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments authorized since the close of the year

We have been notified of the following agreements and commitments, authorized and concluded since the end of the past year, which were subject to the prior authorization of your Board of Directors.

Proposal to amend the non-compete agreement for Enrique Martinez, Chief Executive Officer

Person concerned

Mr. Enrique Martinez, Chief Executive Officer of Fnac Darty SA

Nature, purpose and reasons justifying the interest to the Company

In its decision of February 20, 2019 and in order to take account of the clarifications set out in the AFEP-MEDEF code of corporate governance for listed companies, revised in June 2018, your Board of Directors previously authorized the amendment of the non-compete agreement concluded between your company and its Chief Executive Officer, Enrique Martinez. This agreement was previously authorized by your Board of Directors as of July 17, 2017 and approved by your General Meeting of May 18, 2018.

Terms

This agreement covers the specialty retail market for cultural and electronic products and household appliances for the general public in the countries where the Group operates. It is limited to a period of two years from the end of the Chief Executive Officer's term of office.

In consideration for this agreement, Enrique Martinez will receive a gross allowance representing 70% of his fixed monthly compensation for a period of two years from the effective end of his term of office, with the understanding that the Board of Directors may waive implementation of this clause. In order to bring it into line with the new provisions of the AFEP-MEDEF code, the compensation received in return for this agreement would be paid from now on in installments during its term, and the payment would be excluded once the Chief Executive Officer asserts his rights to retirement; in any event, no compensation could be paid after 65 years of age.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in prior years

a) which continued to be performed in the past year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments already approved by the General Meeting in prior years continued during the past year.

Participation of Enrique Martinez, Chief Executive Officer, in a supplementary defined-contribution pension plan

Person concerned

Mr. Enrique Martinez, Chief Executive Officer of Fnac Darty SA

Nature and purpose

In its decision of July 17, 2017, your Company's Board of Directors previously authorized the continued participation of Enrique Martinez in the supplementary defined-contribution pension plan for all executives of the French companies of the Group included in the policy.

Terms

The amount of contributions in respect of this participation stands at €10,938.24 for 2018.

Participation of Enrique Martinez, Chief Executive Officer, in a provident insurance policy

Person concerned

Mr. Enrique Martinez, Chief Executive Officer of Fnac Darty SA

Nature and purpose

In its decision of July 17, 2017, your Board of Directors previously authorized the continued participation of Enrique Martinez in the provident insurance plan that benefits all employees of French Fnac Darty companies for the reimbursement of health costs and in the event of death or the total and irreversible loss of autonomy of the insured party.

Terms

The amount of contributions in respect of this participation stands at €9,357 for 2018.

b) which were not performed in the past year

We have also been informed of the continuation of the following agreement, already approved by the General Meeting in previous years, which was not performed during the past year.

Agreement on exit from the tax consolidation by and between Kering SA and Fnac Darty SA and its French subsidiaries

Person concerned

Ms. Patricia Barbizet, Director of Kering SA until December 2018, and of Fnac Darty SA.

Nature and purpose

On January 1, 2013, Kering SA assigned slightly more than 5% of the capital of Fnac Darty SA to the Dutch company KERNIC MET BV. This disposal resulted in the exit of Fnac Darty SA 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 previously authorized the agreement on removal from the tax consolidation group between Kering SA and the Fnac Darty SA company and its French subsidiaries.

Terms

The exit of these companies from the Kering SA tax consolidation group resulted in the signing of an agreement concluded between Kering SA, Fnac Darty SA and its French subsidiaries in which it holds at least 95%. The agreement stipulates in particular that the tax losses, net long-term capital losses and tax credits that were realized during the period they were part of the Kering consolidated group will remain posted to the Kering tax consolidation group.

In the event that Fnac Darty SA or one of its subsidiaries is subject to a tax adjustment, Fnac Darty SA shall be liable to Kering SA for the amount thus adjusted, in accordance with the agreement's principles, as it can no longer benefit from the tax losses, net long-term capital losses or tax credits that were realized while it was part of the Kering consolidated group.

This agreement must continue until the completion of the tax audits started prior to the expiry of the tax limitation period occurring in 2015 (ongoing tax audit of Fnac Darty Participations et Services SA).

No amounts were paid during 2018.

Paris-La Défense, March 15, 2019

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Éric ROPERT	Stéphane RIMBEUF
Partner	*Partner*

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Comments on the period

4.1 / Analysis of business activities and consolidated results

Definitions and alternative performance indicators

Definition of revenues

The Group's "real" revenues (or income from ordinary activities) correspond to its reported revenues.

The Group uses the following notions of change in revenues:

1. Change in revenues at constant exchange rates:

Change in revenues at constant exchange rates means that the impact of changes in exchange rates has been excluded. The exchange rate impact is eliminated by recalculating sales from period N-1 using the exchange rates used for period N.

2. Change in revenues at comparable scope of consolidation:

The change in revenues at comparable scope of consolidation means that the impact of changes in scope of consolidation is corrected to not take account of modifications (acquisition, sale of subsidiary). Revenues of subsidiaries acquired or sold since January 1 of period N-1 are excluded from calculations of the change.

3. Change in revenues on a same-store basis:

The change in revenues on a same-store basis means that the impact of directly owned store openings and closures is excluded. Revenues of stores opened or closed since January 1 of period N-1 are excluded from calculations of the change.

Definition of current operating income

The total operating income of Fnac Darty includes all the income and costs directly related to Group operations, whether the income and expense are recurrent or whether they result from one-off operations or decisions.

"Other non-current operating income and expense" reflects the unusual and material items for the consolidated entity that could disrupt tracking of the Group's economic performance.

As a result, and in order to monitor the Group's operating performances, Fnac Darty uses current operating income as the main management balance. This is defined as the difference between the total operating income and the "Other non-current operating income and expense".

Current operating income is an intermediate line item intended to facilitate the understanding of the entity's operating performance that 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 depreciation, amortization 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 applicable financial covenants under the Loan 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 = Current operating income before depreciation, amortization and provisions on fixed operational assets.

EBITDAR = EBITDA before rental payments.

Definition of free cash flow from operations

The Group also uses an intermediate line item 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 acquisitions and disposal of property, plant and equipment and intangible assets, and the change in trade payables for non-current assets).

Free cash flow from operations = net cash flows related to operating activities less net operating investments.

Definition of net cash

Net cash consists of the gross financial debt, including accrued interest not due as defined by the French National Accounting Council Recommendation no. 2013-03 of November 7, 2013, minus gross cash and cash equivalents.

Rounding

The following tables contain data rounded off individually. The arithmetic calculations performed on the basis of rounded-off items may differ from the line items or sub-totals shown.

4.1.1 / KEY FINANCIAL INFORMATION

The reported financial information presented below is derived from the consolidated financial statements for the periods ended December 31, 2017 and 2018, prepared in accordance with IFRS as adopted by the European Union, set forth in section 5.1 "Group consolidated financial statements as of December 31, 2018 and 2017" in this Registration Document.

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the periods ended December 31, 2017 and 2018 presented in section 5.1 "Group consolidated financial statements as of December 31, 2018 and 2017" in this Registration Document; (ii) the analysis of the Group's cash and equity provided in section 4.2 "Group cash and equity" in this Registration Document; and (iii) the information on trends and targets presented in section 4.3 "Recent events and outlook" in this Registration Document.

Key figures from the Group income statement

(€ million)	2018	2017	Change
Revenues	7,474.7	7,448.2	0.4%
Gross margin	2,265.1	2,260.9	0.2%
Current operating income	296.0	270.1	9.6%
Operating income	257.2	216.8	18.6%
Net income from continuing operations	149.6	124.5	20.2%
Net income from continuing operations, Group share	149.2	124.2	20.1%
(as % of revenues)			
Gross margin rate	30.3%	30.4%	(0.1)pt
Current operating margin	4.0%	3.6%	0.4pt
Data not derived from the financial statements			
EBITDA [a]	399.0	370.2	7.8%
EBITDAR [b]	609.1	581.8	4.7%

(a) EBITDA is defined as current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income.

(b) EBITDAR is defined as EBITDA restated for rental payments, excluding rental charges on operating leases.

Selected segment information

	Period ended December 31			
	2018		2017	
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*
Revenues				
France-Switzerland	5,835.2	78.1%	5,855.9	78.6%
Iberian Peninsula	703.1	9.4%	675.5	9.1%
Benelux	936.4	12.5%	916.8	12.3%
TOTAL	**7,474.7**	**100.0%**	**7,448.2**	**100.0%**
Current operating income				
France-Switzerland	265.4	89.7%	234.4	86.8%
Iberian Peninsula	25.4	8.6%	23.6	8.7%
Benelux	5.2	1.7%	12.1	4.5%
TOTAL	**296.0**	**100.0%**	**270.1**	**100.0%**

Key balance sheet data for the Group

	Period ended December 31		
(€ million)	2018	2017	Change
Non-current assets	2,766.8	2,723.4	43.4
Current assets	2,743.8	2,543.3	200.5
Shareholders' equity	1,261.0	1,103.0	158.0
Non-current liabilities	1,397.8	1,420.9	(23.1)
Current liabilities	2,850.5	2,739.7	110.8
Financial debt	*911.2*	*861.0*	*50.2*
Cash and cash equivalents	*918.6*	*774.9*	*143.7*
Net cash	7.4	(86.1)	93.5

Key data from the Group cash flow statement

(€ million)	Period ended December 31 2018	2017	Change
Cash flow from operations before tax, dividends and interest	341.0	353.1	(12.1)
Change in working capital requirement	1.1	56.3	(55.2)
Net cash flows from operating activities	270.3	311.1	(40.8)
Net cash flows from operating investment activities	(117.6)	(111.9)	(5.7)
Net cash flows from investing activities	(126.5)	(113.7)	(12.8)
Net cash flows from financing activities	(44.6)	(19.9)	(24.7)
Net cash	7.4	(86.1)	93.5

4.1.2 / GENERAL PRESENTATION

4.1.2.1 / Introduction

The following table provides a breakdown of the Group's 2018 revenues by geographical region and by category of products and services.

	Year ended December 31, 2018									
	Consumer electronics		Editorial 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	2,881.4	49.4%	973.7	16.7%	1,326.4	22.7%	653.7	11.2%	5,835.2	78.1%
Iberian Peninsula	406.8	57.9%	220.1	31.3%	0.0	0.0%	76.2	10.8%	703.1	9.4%
Benelux	491.3	52.5%	55.9	6.0%	344.2	36.8%	45.0	4.8%	936.4	12.5%
TOTAL	**3,779.5**	**50.6%**	**1,249.7**	**16.7%**	**1,670.6**	**22.4%**	**774.9**	**10.4%**	**7,474.7**	**100.0%**

The Group manages its operations on the basis of the following geographical segments:

- **France-Switzerland** *(78.1% of Group revenues in 2018, 89.7% of Group current operating income in 2018).* The "France-Switzerland" region makes the largest contribution to Group revenues with €5,835.2 million in revenues in 2018. The Group's activity in France and Switzerland at the end of 2018 was driven by directly operated stores (308 in France and eight in Switzerland), 255 stores operated under franchise in France (including the stores in Morocco, Tunisia, Qatar, Ivory Coast, Congo and Cameroon) and its websites, primarily fnac.com, darty.com and fnac.ch;
- **Iberian Peninsula** *(9.4% of Group revenues in 2018, 8.6% of Group current operating income in 2018).* The Iberian Peninsula region covers the Group's operations in Spain and Portugal and posted revenues of €703.1 million in 2018. The Group conducts its business in the Iberian Peninsula through directly operated store networks (30 in Spain and 27 in Portugal at the end of 2018), franchise stores (four in Spain and one in Portugal) and through the fnac.es and fnac.pt websites;

- **Benelux** *(12.5% of Group revenues in 2018, 1.7% of Group current operating income in 2018).* The Benelux region covers the Group's activities in Belgium and the Netherlands and recorded revenues of €936.4 million in 2018. At year-end 2018, Fnac Darty operated 83 directly owned stores in Belgium and 64 in the Netherlands.

Product and services categories

In each geographical 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** *(50.6% of Group revenues in 2018).* The consumer electronics category generated revenues of €3,779.5 million in 2018. It 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,
  - *"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);
- **editorial products** *(16.7% of Group revenues in 2018).* The editorial products category generated revenues of €1,249.7 million in 2018. It includes two sub-categories of products:
  - *"Books"* covers hard copy and digital books,
  - *"Discs and Gaming"* includes discs comprising music (CDs) and video (DVDs and Blu-Ray discs); gaming, comprising video games (new and used) and games consoles; and tie-in products (gadgets, t-shirts, musical instruments and others);
- **household appliances** *(22.4% of Group revenues in 2018).* The household appliances category generated €1,670.6 million in revenues in 2018. It includes two sub-categories of products:
  - *"Large household appliances"* are refrigerators/freezers, cooking equipment, dishwashers and washing machines/dryers,
  - *"Small household appliances"* include vacuum cleaners, body care and water/air treatment appliances;
- **other products and services** *(10.4% of Group revenues in 2018).* This category represents two sub-categories: first, products in the development phase for generated revenues of €203.9 million, including kitchen units, Home & Design products, Games & Toys and Stationery; and second, the "services" and "other income" items, which generated €571.0 million in revenues in 2018 and include the following items:
  - services related to goods sold, such as the sale of warranty extensions, product insurance sales, 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,
  - invoicing of shipping costs to Internet customers,
  - commissions received through Marketplace, and partnerships with suppliers, and
  - royalties from stores operated under franchise.

Number of stores as of December 31, 2018

The following table shows the growth in the number of stores over the period:

	2018			2017		
Number of stores	**Owned**	**Franchise**	**Total**	**Owned**	**Franchise**	**Total**
France-Switzerland	316	255	571	312	204	516
Iberian Peninsula	57	5	62	55	4	59
Benelux	147	0	147	153	0	153
TOTAL	**520**	**260**	**780**	**520**	**208**	**728**

The Group opened 11 directly owned stores and 55 stores under franchise in 2018. At the same time, the Group closed 11 directly owned stores and 3 franchise stores.

The financial results of directly owned stores are fully consolidated in the Group's financial statements. The Group analyzes the change in its revenues over a given period on a basis which includes all stores, as well as on a same-store basis, i.e. the revenues generated by stores that, as of January 1 of year N, were in operation for the full 12 months of year N-1.

In regards to stores operated under franchise, the goods sold to franchised stores are recognized under Group product revenues, and franchise fees on revenues generated by the franchises through business with their clients are recognized under Group services revenues.

Unless otherwise indicated, all financial data in this chapter 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 by 3.9% to total 7.9 million at the end of 2018.

Seasonality

The Group's business is highly seasonal and is characterized by a substantial increase in store traffic and website traffic towards the end of the year, from Black Friday in late November to the Christmas and New Year holidays (see section 6.2 "Operational risks" of this Registration Document). In 2018, the Group generated 33.8% of its consolidated revenues for the year during the fourth quarter, a slight increase compared to 2017.

Fluctuations in foreign exchange rates

The impact of fluctuations in foreign exchange rates is limited and primarily consists of the impact of exchange rate fluctuations on the income statements resulting from the translation of the local-currency results of the Group's subsidiaries in Switzerland into euros (see section 6.4 "Market risks" in this Registration Document).

In 2018, the Group recorded growth of +0.4% in reported revenue. At a constant exchange rate, the change in revenues is also +0.4%.

The foreign exchange risk incurred on purchases made by the Group is relatively low as the Group's subsidiaries make the vast bulk of their sales and generate the vast bulk of their costs in the local currency, i.e. primarily in euros.

4.1.2.2 / Significant events during the fiscal year

4.1.2.2.1 Very solid results in 2018 in a complex market environment

Fnac Darty revenues totaled €7,475 million, an increase of +0.3% [1] on a like-for-like basis. This strong performance occurred in a market environment marked by multiple exceptional events that impacted commercial activity, particularly in France: weather conditions in the first quarter of 2018, social movements in the second quarter and "yellow vests" protests at the end of the year.

The gross margin rate reached 30.3%, up +20 basis points, excluding the dilutive effect of the franchise business (-30 basis points in 2018).

Current operating income was up +10%, reaching €296 million under the combined effect of the synergies and the quality of the operational execution.

The Group continued its strong generation of free cash flow from operations at €173 million [2], incorporating €38 million in non-recurring cash costs related to integration.

This solid performance reflects the agility of the Group and its ability to simultaneously drive the successful integration of the two banners, the roll-out of its new strategic plan, and a perfectly controlled commercial execution in a lackluster consumption environment.

4.1.2.2.2 Success of the Fnac Darty merger

An ambitious project completed one year ahead of schedule

The year 2018 marked the success of the Fnac Darty integration, which had started in 2016 when the two banners merged. At that time, the Group had announced an objective of €130 million in synergies to be deployed before the end of 2019, an ambitious goal in regards to the pro forma current operating income of €194 million recorded by Fnac Darty in 2016, excluding synergies.

The multiple actions conducted by Fnac Darty since 2016 allowed the roll-out of the announced plan one year ahead of schedule, and demonstrate the agility of the Group, which even exceeded its target by delivering €131 million in synergies at the end of 2018.

(1) Like-for-like: excludes effect of changes in foreign exchange rates, changes in scope, store openings and closings.
(2) Excluding the €20 million fine paid to the French Competition Authority.

A successful commercial integration

Fnac Darty has implemented a number of commercial initiatives between its two banners.

The complementary features of the Group's e-commerce platforms were leveraged, with the opening of a Darty section on the Marketplace of fnac.com, and a ticketing section on darty.com.

The Group's customers can pick up their fnac.com purchases in 320 stores in the Darty network, and their darty.com purchases in 30 stores in the Fnac network, thus expanding the strength of the Group's stores' geographical coverage. Darty's logistical expertise in delivering bulky products has also been leveraged by Fnac, as Darty now delivers televisions for the entire Group.

Fnac Darty also continued to expand its offering of cross-banner products and services. At the end of 2018 in France, 31 Fnac stores hosted a Darty shop-in-shop, while 2 Darty stores hosted Fnac shop-in-shops. A first point of sale combining both a Fnac and a Darty store was also opened in 2017. As regards services, the many exchanges of expertise between banners drove the development of the services offering, particularly around insurance and IT security. Around forty corners dedicated to Photo Works were also opened within the Darty network, capitalizing on Fnac's experience in this area.

Internationally, the small household appliances offering is rolled out under the Fnac Home banner, with more than 30 stores equipped in the Iberian Peninsula.

Finally, the Group's loyalty programs continued to grow, with a total of nearly 8 million members at the end of 2018. Fnac+ and Darty+ together have 1.5 million subscribers and offer a joint approach to loyalty; customers holding only one of these cards can benefit from premium, free delivery within the two banners.

An operational integration creating value

The Group also took advantage of its new size in order to strengthen its relationship with suppliers, in order to benefit from better purchasing terms and improve its gross margin rate. The latter stood at 30.3% of revenues at year-end 2018, up from 29.9% at the end of 2016, despite the dilutive effect of the franchise expansion (-0.3 percentage points in 2017 and 2018). Leading its markets, Fnac Darty is now established as a key platform, which allows it to benefit from a number of exclusive offers and to support its partners in the promotion of innovation and product launches.

The Group has also taken advantage of the merger of the two banners to optimize its indirect purchasing, particularly by pooling or renegotiating its service contracts. This solid management of its costs base has generated substantial savings.

The specialization of inventories and logistics centers is now in place in France, which allowed the transfer of the Wissous 2 warehouse. The implementation of a new logistics structure generates significant savings through the redefinition of the transport plan across the whole of the French territory. In France, the optimization of the after-sales service network in 2018 reduced the number of repair shops by half, and created a central parts warehouse that supplies all the after-sales platforms. These platforms have been pooled in order to handle product flows from both banners, with the Bezons platform, for example, handling the TV and small household appliance after-sales services for both Fnac and Darty. In Belgium, the new logistics structure is finalized and fnac.be can now deliver its orders using the Vanden Borre inventory.

As regards information systems, in 2018 the Group continued to optimize the systems of the two banners, with the launch in 2018 of a shared inventory management system that allows each banner to offer the inventory of the entire Group.

Finally, the new organizational structure for headquarters is in place, and the relocation of teams was finalized in 2018. Darty's London headquarters was closed in 2016, and the Belgian Fnac and Vanden Borre teams were combined on the same site in 2017.

This new structure has made a significant contribution to the development of a common culture among the teams, based on the initial vision: "One Group, two banners". The Group's employees are now mobilized around the roll-out of the Fnac Darty strategic plan: Confiance+.

4.1.2.2.3 Fast rollout of the Confiance+ plan

In 2018, the Confiance+ strategic plan was rolled out rapidly, in parallel to the successful Fnac Darty integration.

A reinforced omnichannel platform

First-class digital and logistics capabilities

The Group continued to roll out its initiatives intended to expand its omnichannel footprint, particularly by developing its digital and logistical capabilities.

E-commerce activities now represent nearly 19% of Group revenues, up from around 17% last year. The performance of the Group's e-commerce platforms was strong in the fourth quarter, with double-digit growth across all geographical regions. In 2018, the expansion of online sales was marked by strong international growth and the continued rapid growth of Marketplaces.

The Group strengthened its delivery offering with the implementation of next-day delivery for large products, which includes services (installation and removal of old appliance) and covers 80% of France. Last year, the Group also rolled out test stores for the reservation of Gaming products and Books from in-store inventory, giving the Group's customers an option to pick up their purchases in one hour.

Finally, in-store omnichannel initiatives continued, with over 250 stores digitalized at the end of 2018. At the end of the year, the Group also began initial trials of "Pay & Go". This innovative solution allows customers to pay directly in-store using their cell phones, without going to the counter.

The share of omnichannel sales is now 49% of online orders, up from 47% in 2017.

Continuing expansion of the store network

The pace of store network expansion has remained very strong in 2018, with a total of 66 openings, including two in a new country – Tunisia. Fnac opened 26 stores in 2018 (19 in France, 1 in Tunisia, 1 in Morocco, 2 in Switzerland and 3 in Spain), 22 of which were franchises. Darty opened 40 stores in 2018 (38 in France, 1 in Tunisia and 1 in Belgium), 33 of which are franchises.

In 2018, the Group also launched shop-in-shop trials, using a franchise format, in hypermarkets or supermarkets. Fnac Darty thus opened the first Fnac shop-in-shop within the retail space of an Intermarché store, in addition to the 13 Fnac shop-in-shops already present in Intermarché shopping malls, as well as two Darty shop-in-shops in the Carrefour hypermarkets in Limoges and La Ville-du-Bois in Essonne.

An enhanced customer experience

A reinforced diversification of the product offering

Diversification of the product offering continued in 2018, with the opening of corners dedicated to small household appliances in Fnac stores in Spain, Portugal, Switzerland and France. At the end of 2018, more than sixty small household appliance spaces were opened within the network under the Darty or Fnac Home banners.

Kitchen continued to expand with the opening of 25 new points of sale during the year, including the first three stores dedicated exclusively to this offering. As a result, the Group had more than 130 Kitchen points of sale at the end of 2018.

Finally, the diversification categories continued their strong expansion, with double-digit growth over the year, and a very strong performance from the Games & Toys and Home & Design categories.

Services as an important means of differentiation

Fnac Darty has also continued to develop its service offering, a major driver of value creation and differentiation. This service offering capitalizes specifically on Fnac's advisory expertise and Darty's after-sales service expertise. Services recorded double-digit growth in sales in 2018.

Service initiatives in 2018 were marked by the desire to firmly establish the Group as a key player in the circular economy and as an advocate of extended product lifespans. As a result, the Group launched the after-sales service indicator, which allows consumers to monitor developments in the reparability and lifespan of products. This indicator is supplemented by a reparability index for products sold, as well as the launch of the sav.darty.com after-sales service website at the end of 2018. This website is a community platform that pools Darty's years of experience and advice. A unified service that combines electronic product rental with after-sales services for the entire duration of the agreement has also been established. The acquisition of WeFix, the French leader in express smartphone repair, in October 2018, is intended to position Fnac Darty as a benchmark player in smartphone repairs and related services and to offer an enriched ecosystem to customers.

Enhanced content for members

Development of the Group's loyalty programs continued in 2018. Together, Fnac+ and Darty+ have around 1.5 million subscribers and, since the launch of Darty+, have offered the first cross-brand loyalty scheme. Customers with just one of these two cards can take advantage of free, premium delivery from either banner.

In 2018, the Group strengthened its strategic alliance with Deezer, a major international player in music streaming and the French leader. Thanks to an exclusive commercial partnership, Fnac now offers its customers the best in music streaming, in addition to the Group's physical offering. Fnac and Darty customers will now, as loyalty program members or simply when buying audio and music products, benefit from preferential terms for access to Deezer services. This means anyone who purchases a high-tech product from either banner will receive a free three-month subscription to Deezer Premium.

Finally, the Group expanded its loyalty program with the launch of Pass Partenaires. This scheme allows customers with a Fnac, Fnac One, Fnac+ or Darty+ card and holders of a Darty Visa or Fnac Mastercard credit card to take advantage of attractive discounts, free of charge, from over 50 partner banners, which can also be used in conjunction with other current promotional offers.

Expansion of Fnac Darty's ecosystem of partnerships

The Group's omnichannel platform has also been enhanced through new partnerships in order to reinforce the value proposition both for customers and for partners.

The Group implemented a manufacturing agreement with Carrefour for pooled procurement of consumer electronics and household appliances in France, illustrating the Group's abilities in building product ranges and negotiating. This partnership was further strengthened in 2018 with the trial of two Darty shop-in-shops. Based on the franchise format, these shop-in-shops sell household appliances and gray and brown goods (IT equipment, TV, etc.) in two Carrefour hypermarkets located in Limoges and La Ville-du-Bois in Essonne.

The Group also signed a partnership with Google. The Google offering is now available in dedicated spaces for all Group stores, including around 50 corners. At the same time, the "Darty Button" has been integrated into the Google Home ecosystem, allowing customers direct access to voice-activated product support. The Group accelerated the integration of Google Assistant in its services strategy with the launch of the transactions functionality on Google Assistant, which gives Fnac Darty customers the benefit of making voice purchases on their compatible phones.

In 2018, Fnac Darty signed a partnership with Bouygues Telecom to market the operator's landline and mobile offerings in Fnac Connect stores. Bolstered by this partnership, Fnac Darty aims to create around 50 new Fnac Connect stores, where Bouygues Telecom offerings will be sold.

The Group has also strengthened its partnership with Orange to promote the distribution of the latest digital book formats, with a new range of audio books. Fnac Darty has therefore consolidated its position as a leader in editorial product retailing.

Finally, the agreement with Wehkamp in the Netherlands was implemented late in 2018 and is making rapid progress. It allows the Dutch subsidiary BCC to provide Wehkamp with its entire line of products and manage the purchases (electronic products and household appliances) of both banners. In return, the Group benefits from its partner's digital expertise and logistics capabilities on small parcels.

4.1.3 / COMPARISON OF THE GROUP'S ANNUAL RESULTS FOR 2017 AND 2018

The table below shows the Group's consolidated income statement for the periods ended December 31, 2017 and December 31, 2018, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Period ended December 31				
	2018		2017		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	Change
Revenues	**7,474.7**	**100.0%**	**7,448.2**	**100.0%**	**0.4%**
Gross margin	**2,265.1**	**30.3%**	**2,260.9**	**30.4%**	**0.2%**
Personnel expenses	(1,105.1)	(14.8%)	(1,093.1)	(14.7%)	(1.1%)
Other current operating income and expense	(865.7)	(11.6%)	(899.6)	(12.1%)	3.8%
Share of profit from equity associates	1.7	0.0%	1.9	0.0%	(10.5%)
Current operating income	**296.0**	**4.0%**	**270.1**	**3.6%**	**9.6%**
Other non-current operating income and expense	(38.8)	(0.5%)	(53.3)	(0.7%)	27.2%
Operating income	**257.2**	**3.4%**	**216.8**	**2.9%**	**18.6%**
(Net) financial expense	(42.6)	(0.6%)	(44.0)	(0.6%)	3.2%
Income tax	(65.0)	(0.9%)	(48.3)	(0.6%)	(34.6%)
Net income from continuing operations for the period	**149.6**	**2.0%**	**124.5**	**1.7%**	**20.2%**
Net income from discontinued operations	0.3	0.0%	(87.0)	(1.2%)	100.3%
Consolidated net income	**149.9**	**2.0%**	**37.5**	**0.5%**	**299.7%**
Group share	*149.5*	*2.0%*	*37.2*	*0.5%*	*301.9%*
share attributable to non-controlling interests	*0.4*	*0.0%*	*0.3*	*0.0%*	*33.3%*

4.1.3.1 / Revenues

The Group recorded a slight increase in its revenues in 2018: +0.4% in the reported data.

The impact of foreign exchange rates on revenues was negligible. On a same-store basis, the Group's revenues were up by +0.3%.

An analysis of the distribution of revenues among the Group's principal countries shows a mature market in France-Switzerland. Growth is more dynamic in the Iberian Peninsula and the Benelux region.

The table below provides a breakdown of revenues for the periods ended December 31, 2017 and December 31, 2018 by geographical region.

	Period ended December 31							
	2018		2017					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current exchange rate	Change at comparable scope of consolidation	Change at constant foreign exchange rates and comparable scope of consolidation	Change at constant foreign exchange rates, comparable scope of consolidation and on a same-store basis
France-Switzerland	5,835.2	78.1%	5,855.9	78.6%	(0.4%)	(0.4%)	(0.3%)	(0.1%)
Iberian Peninsula	703.1	9.4%	675.5	9.1%	4.1%	4.1%	4.1%	1.4%
Benelux	936.4	12.5%	916.8	12.3%	2.1%	2.1%	2.1%	2.1%
TOTAL	**7,474.7**	**100.0%**	**7,448.2**	**100.0%**	**0.4%**	**0.3%**	**0.4%**	**0.3%**

	Period ended December 31							
	2018		2017					
	(€ million)	*(as % of the total)*	*(€ million)*	*(as % of the total)*	Change at current exchange rate	Change at comparable scope of consolidation	Change at constant foreign exchange rates and comparable scope of consolidation	Change at constant foreign exchange rates, comparable scope of consolidation and on a same-store basis
Consumer electronics	3,779.5	50.6%	3,844.7	51.6%	(1.7%)	(1.7%)	(1.6%)	(1.6%)
Editorial products	1,249.7	16.7%	1,249.8	16.8%	0.0%	0.0%	0.1%	(0.5%)
Household appliances	1,670.6	22.4%	1,659.5	22.3%	0.7%	0.7%	0.7%	1.3%
Other Products and Services	774.9	10.4%	694.2	9.3%	11.6%	11.1%	11.1%	9.2%
TOTAL	**7,474.7**	**100.0%**	**7,448.2**	**100.0%**	**0.4%**	**0.3%**	**0.4%**	**0.3%**

The decline in revenue from consumer electronics is primarily a result of the decreased vitality of the IT and Imaging markets, which have been impacted by a low point in the innovation cycle. This trend was partially offset by the dynamic performance of the Sound sector, driven by the very strong performance of headsets and connected speakers, and the continued growth of the Telephony segment.

Revenue from editorial products remained fairly stable compared to the previous year. The strong performance of the Gaming segment offset the natural decline in video and audio (a consequence of the digitalization phenomenon), as well as the slight decline in Books, which were impacted by a sluggish editorial environment in 2018 and the disruption in December in a market that is usually favorable for that particular product family.

The slight increase in revenues from household appliances was driven equally by the growth in the “Small household appliances” sub-category, which benefited from innovation in the vacuum cleaners segment, but also by “Large household appliances”, which was driven by the sale of more premium products.

Growth in revenues from other products and services benefited from the development in the Home & Design and Games & Toys sectors on the one hand, and the development in services, which posted strong growth during the year, on the other.

Internet operations now account for 18.7% of Group sales, an increase of +1.4 percentage points, driven by the development of the omnichannel strategy, Marketplaces and mobile traffic.

4.1.3.2 / Gross margin and gross margin rate

The Group’s gross margin came to €2,265.1 million for 2018, an increase from the total of €2,260.9 million in 2017.

This resulted in a profit margin of 30.3% in 2018, compared to 30.4% in 2017.

The gross margin rate decreased slightly compared to 2017 under the impact of the product mix effect and the dilutive effect of the growth in franchises. These negative effects were partially offset by synergies in purchasing and the vitality of service sales.

4.1.3.3 / Personnel expenses

Personnel expenses amounted to €1,105.1 million (14.8% of revenues) for 2018, compared with €1,093.1 million (14.7% of revenues) for 2017, i.e. the personnel expenses/revenues ratio was maintained.

4.1.3.4 / Other current operating income and expense

Other current operating income and expense were €864.0 million (11.6% of revenues) for 2018, compared to €897.7 million (12.1% of revenues) for 2017, a +0.5% improvement in the Other current operating income and expense/revenues ratio, primarily due to a sound management of the general expenses.

4.1.3.5 / Current operating income

Current operating income amounted to €296.0 million for 2018, compared with €270.1 million in 2017, an increase of +9.6%.

“Current operating profitability” was 4.0% in 2018 compared to 3.6% in 2017.

	Period ended December 31			
	2018		2017	
	(€ millions)	*(as % of the total)*	*(€ millions)*	*(as % of the total)*
France-Switzerland	265.4	89.7%	234.4	86.8%
Iberian Peninsula	25.4	8.6%	23.6	8.7%
Benelux	5.2	1.7%	12.1	4.5%
CURRENT OPERATING INCOME	**296.0**	**100.0%**	**270.1**	**100.0%**

4.1.3.6 / EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Period ended December 31			
	2018		2017	
	(€ millions)	*(as % of revenues)*	*(€ millions)*	*(as % of revenues)*
Current operating income	**296.0**	**4.0%**	**270.1**	**3.6%**
Net depreciation, amortization and provisions [(a)]	103.0	1.4%	100.1	1.3%
EBITDA	**399.0**	**5.3%**	**370.2**	**5.0%**
Rents [(b)]	210.1	2.8%	211.6	2.8%
EBITDAR	**609.1**	**8.1%**	**581.8**	**7.8%**

(a) Net depreciation, amortization and provisions correspond to net allocations for depreciation and amortization and provisions on non-current operational assets recognized as current operating income.
(b) Rents correspond to property rents excluding rental charges on operating leases.

4.1.3.7 / Other non-current operating income and expense

In 2018, other non-current income and expense represented a net expense of €38.8 million. In 2017, other non-current income and expense represented a net expense of €53.3 million.

The following table shows the breakdown of this item in 2018 and 2017.

	Period ended December 31	
(€ millions)	2018	2017
Fine from the French Competition Authority	(20.0)	0.0
Fnac Darty restructuring costs	(9.7)	(46.7)
Costs related to the acquisition and consolidation of Darty	(1.4)	(1.4)
Costs connected with WeFix acquisition	(1.0)	0.0
Other restructuring costs	(6.4)	(5.1)
Other risks	(0.3)	(0.1)
TOTAL	**(38.8)**	**(53.3)**

Other non-current operating income and expense for the Group reflects the unusual and material items that could affect the relevance of the tracking of the Group's economic performance.

As of December 31, 2018, they represented a net expense of €38.8 million, comprised of:

- €20.0 million in expenses related to the fine levied by the French Competition Authority in connection with the store disposal process;
- €1.4 million in expenses related to costs derived from the consolidation of Darty;
- €9.7 million in restructuring costs, related mainly to the implementation of the Group's new organizational structure. In 2018, these expenses were mainly attributable to the Remote Customer Service restructuring plan to streamline the industrial processes of this activity and refocus on technical expertise, the core business of Darty's sales staff;
- €1.0 million in costs related to the acquisition of WeFix; and
- €6.4 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty. These costs also include the termination of the Fnac Tourisme business.

As of December 31, 2017, they represented a net expense of €53.3 million composed of:

- €46.7 million in restructuring costs in France and internationally related to:
  - the implementation of the new Group organizational structure. The Group announced an independent voluntary departure plan for employees which was opened at the Group's registered office at the end of an employee consultation process. 111 positions are expected to be eliminated. Jobs were discontinued exclusively on a voluntary basis, without a forced departure phase, and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with union organizations,
  - the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of service in home servicing call-outs and to continue to adapt our repair workshops and supplier return management, and
  - the closing of the Wissous 2 Fnac logistics warehouse with the move of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;
- €1.4 million in costs derived from the consolidation of Darty; and
- €5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

4.1.3.8 / Operating income

As of December 31, 2018, the Group's operating income came to €257.2 million, compared with income of €216.8 million for 2017. This increase was due in part to the improvement in current operating income related to the implementation of the Darty integration strategy and, second, to the decrease in other non-current income and expense.

4.1.3.9 / Net financial expense

In 2018, net financial income comprised a financial expense of €42.6 million, compared with a financial expense of €44.0 million in 2017.

The breakdown of the Group's net financial expense in 2018 and 2017 is as follows:

	Period ended December 31		
	2018	**2017**	**Change**
	(€ millions)	*(€ millions)*	*(%)*
Costs related to Group debt	(36.0)	(34.2)	(5.3%)
Other financial income and expense	(6.6)	(9.8)	32.8%
Net financial expense	**(42.6)**	**(44.0)**	**3.2%**

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its business model as well as Fnac Darty's new scale.

The cost of net financial debt for the Group mainly comprised the financial interest for the €650 million bond and the €200 million medium-term credit facility. In 2018, it also included a non-recurring €5.9 million expense in connection with the renegotiation of the terms governing the credit facilities and factored in the remaining costs to be amortized from the previous agreement.

The other financial income and expense primarily reflect the cost of consumer credit, the financial costs for employee benefits, as well as the impairment of financial assets. The improvement of this item is primarily linked to the cost reduction of consumer credit, as well as to the fair value revaluation of the Daphni financial asset pursuant to the application of the new IFRS 9.

4.1.3.10 / Income tax

Income tax includes the tax expense paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2018, the Group recognized a total income tax expense of €65.0 million, compared to €48.3 million for 2017, an increase of €16.7 million. The current tax expense in 2017 included the temporary corporation tax surcharge in the amount of €9.0 million, but was offset by the favorable impact of deferred tax and specifically by the recognition for the first time of the tax effect of timing differences and the outlook for reduced tax rates in France. Overall, the increase in tax expense in 2018 is associated with the improvement in income (which, as was the case in 2017, is offset to a lesser extent by the favorable impact of deferred tax).

	Period ended December 31	
(€ millions)	**2018**	**2017**
Pre-tax income	214.6	172.8
Current tax expense	(55.0)	(40.3)
Tax expense payable related to the corporate value-added tax (CVAE)	(20.2)	(20.4)
Deferred tax income/(expense)	10.2	12.4
TOTAL TAX EXPENSE	**(65.0)**	**(48.3)**
Effective tax rate	**30.29%**	**27.95%**

4.1.3.11 / Net income from continuing operations

Net income from continuing operations was a profit of €149.6 million for 2018, versus a profit of €124.5 million for 2017. This rise reflects the improvement in current operating income.

4.1.3.12 / Net earnings per share

The weighted average number of ordinary shares of the Group used to calculate net earnings per share was 26,721,890 for 2018 versus 26,447,149 in 2017, an increase of +274,741 shares.

As of December 31, 2018, Group net earnings per share amounted to €5.60. This figure was €1.41 the previous year.

Group net earnings per share for continuing operations came to €5.59 per share as of December 31, 2018, up almost +20% from €4.70 as of December 31, 2017.

4.1.4 / ANALYSIS OF REVENUES AND CURRENT OPERATING INCOME BY GEOGRAPHICAL REGION FOR 2017 AND 2018

4.1.4.1 / Comparison of results for 2017 and 2018 for the France-Switzerland segment

The following table shows the key items in the income statement for the France-Switzerland segment for the periods ended December 31, 2017 and December 31, 2018.

	Period ended December 31		
(€ millions)	**2018**	**2017**	**Change**
Revenues	5,835.2	5,855.9	(0.4%)
Current operating income	265.4	234.4	13.2%
Operating profitability	4.5%	4.0%	0.5pt

Revenues of the France-Switzerland segment

For 2018, revenues decreased slightly to €5,835.2 million from €5,855.9 million in 2017. The France-Switzerland segment opened eight directly owned stores and closed four stores in 2018. In 2017, the France-Switzerland segment opened six directly owned stores. At constant exchange rates and on a same-store basis, the decrease in the Group's revenues was -0.1%.

Growth suffered external impacts that dampened customer traffic (difficult weather conditions in the first half of the year and the "yellow vests" movement in the final quarter).

The growth of franchise stores, led operationally by France, was stepped up significantly, with 54 new stores opened in 2018 (including 33 Darty stores in mainland France, the overseas departments and territories, and Tunisia, 11 Fnac Proximity format stores, five Fnac Travel retail stores, two Fnac Connect, two international stores (Morocco, Tunisia), and one store in New Caledonia). At constant exchange rates and on a same-store basis, the change in revenues was -0.1%.

The Group continued to gain market share in 2018, particularly with regard to the Darty banner.

The number of Fnac loyalty club members in France increased by +11.7% in 2018, from 5.3 million at the end of 2017 to 5.9 million at the end of 2018.

The distribution of revenues by product category is broken down in note 4.1 "Information by operating segment" of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

The decline in revenues from consumer electronics is primarily a result of the fall in sales in the IT and Imaging categories, which have been impacted by a low point in the innovation cycle. The Sound sector, driven by the very strong performance of headsets and connected speakers, continued to be dynamic, with growing sales. The Microcomputing sub-category was driven by growth in sales of cell phones.

Revenue from editorial products remained fairly stable compared to the previous year. The strong performance of the Gaming segment offset the natural decline in video and audio (a consequence of the digitalization phenomenon), as well as the slight decline in Books, which were impacted by a sluggish editorial environment in 2018.

The slight increase in revenues from household appliances was driven equally by the growth in the "Small household appliances" sub-category, which benefited from innovation in the vacuum cleaners segment, but also by "Large household appliances", which was driven by the sale of more premium products.

Growth in revenues from other products and services benefited from the development in the Home & Design and Games & Toys sectors on the one hand, and the development in services, which posted strong growth during the year, on the other.

Online activities continued to grow, representing 19.2% of Group sales in France and Switzerland in 2018, a +0.7 percentage point increase over 2017.

Current operating income in the France-Switzerland segment

Current operating income for the France-Switzerland segment amounted to €265.4 million in 2018, compared to €234.4 million in 2017. The synergies generated and the management of costs drove this net improvement in revenues from the region.

Current operating profitability was 4.5% in 2018, up +0.5 percentage points over 2017.

4.1.4.2 / Comparison of results for 2017 and 2018 in the Iberian Peninsula

The following table shows the key items in the income statement for the Iberian Peninsula for the periods ended December 31, 2017 and December 31, 2018.

	Period ended December 31		
(€ millions)	**2018**	**2017**	**Change**
Revenues	703.1	675.5	4.1%
Current operating income	25.4	23.6	7.6%
Operating profitability	3.6%	3.5%	0.1pt

Revenues for the Iberian Peninsula

Revenues recorded in the Iberian Peninsula amounted to €703.1 million in 2018 versus €675.5 million in 2017, an increase of +4.1%.

Both Portugal and Spain posted sustained growth in 2018.

The Group opened three new stores in Spain (two consolidated stores and one franchise). In 2017, the Group had opened five new stores in Portugal (four consolidated and one franchise) and closed one store in Spain. On a same-store basis, revenues rose +1.4% over 2018.

The distribution of revenues by product category is broken down in note 4.1 “Information by operating segment” of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics were up. The Retail Electronics sub-category increased thanks to the Television and Sound departments. Sales in the Microcomputing sub-category increased, driven by the strong growth in the Telephony segment.

Revenues from editorial products rose compared to the previous year. The strong performance of the Gaming and Books segments offset the natural decline in video and audio.

The growth in revenue from other products and services benefited both from the growth of diversification categories and from very strong developments in services.

Online activities represented 12.6% of sales in the Iberian Peninsula in 2018 and rose +1.8 percentage points from 2017.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula came to €25.4 million in 2018 compared to €23.6 million in 2017. Both Portugal and Spain contributed to this positive operating performance, driven by the growth in sales and the strong performance of services.

Current operating profitability reached 3.6%, up +0.1 percentage points from 2017.

4.1.4.3 / Comparison of results for 2017 and 2018 for the Benelux segment

The following table shows the key items in the income statement for the Benelux segment for the periods ended December 31, 2017 and December 31, 2018.

	Period ended December 31		
(€ millions)	2018	2017	Change
Revenues	936.4	916.8	2.1%
Current operating income	5.2	12.1	(57.0%)
Operating profitability	0.6%	1.3%	(0.8)pt

Revenues of the Benelux segment

The revenues generated in the Benelux segment amounted to €936.4 million for the 2018 period compared with €916.8 million for the 2017 period, an increase of +2.1%.

The Group opened one new directly owned store in Belgium and closed seven stores in the Netherlands. On a same-store basis, revenues increased by +2.1% in 2018.

Belgium benefited from the growth in the website and the progressive roll-out of omnichannel functionalities, while the Netherlands posted sustained growth thanks to the partnership with Wehkamp.

The distribution of revenues by product category is broken down in note 4.1 “Information by operating segment” of the notes to the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics experienced mild growth, mainly driven by the vitality of the TV sector and the growth in the Telephony segment.

Revenues from editorial products decreased compared to the previous year, affected by the natural decline in video and audio as well as by a sluggish Books segment, resulting from a less well-equipped editorial environment in Belgium in 2018.

The positive development in revenues from appliances was driven by the growth in the “Small household appliances” and “Large household appliances” sub-categories.

As in other geographical regions, the growth in revenues from other products and services benefited from the strong performance of diversification categories as well as the very strong development in services.

Online activities continued to grow, representing 19.8% of Group sales in the Benelux region in 2018, a strong increase of +5.1 percentage points over 2017 which can be explained by the partnership with Wehkamp.

Current operating income for the Benelux segment

Current operating income in the Benelux segment came to €5.2 million in 2018 (compared to €12.1 million for 2017), affected in part by technical elements (allocations of headquarters costs), growing competitive pressure and a rise in logistics costs in the Netherlands. Performance in Belgium remains strong.

4.1.5 / ACCOUNTING PRINCIPLES AFFECTED BY IFRS

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book values of certain assets and liabilities, income and expense, 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 income from ordinary activities; as well as the assumptions used to calculate the 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 5.2 "Notes to the consolidated financial statements for the period ended December 31, 2018" in this Registration Document.

4.2 / Group cash and equity

4.2.1 / GENERAL PRESENTATION

Fnac Darty's main cash requirements stem from its working capital requirements and operating investments. In 2016, the Group used a €650 million bond issue maturing in 2023 to finance the Darty acquisition. In 2018, the implementation of the Darty integration strategy and initiatives aimed at improving working capital requirements, along with sound investment management, allowed Fnac Darty to improve its level of net debt by €93.5 million.

4.2.2 / FINANCIAL RESOURCES

4.2.2.1 / Overview

In 2018, the Group had the following financing sources:

- *cash* – Cash and cash equivalents amounted to €918.6 million as of December 31, 2018 (€744.9 million as of December 31, 2017);
- *free cash flow* – Operating and investing activities generated positive net flows of €152.7 million as of December 31, 2018 (€199.2 million as of December 31, 2017); and
- *debt* – In 2016, the Group issued a bond for €650 million and drew down on a medium-term credit facility of €200 million. A revolving credit facility of €400 million for a term of five years, intended to finance working capital requirements for the combined entity, was also set up in 2016. This line was not used as of December 31, 2018 or as of December 31, 2017. The Group also has a short-term negotiable debt instrument program of €300 million, of which €50.0 million had been used as of December 31, 2018.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners in 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its business model as well as Fnac Darty's new scale.

Group net financial debt can be analyzed as follows:

	As of December 31	
(€ millions)	**2018**	**2017**
Gross financial debt	(911.2)	(861.0)
Cash and cash equivalents	918.6	774.9
Net cash	**7.4**	**(86.1)**

4.2.2.2 / Financial debt

Financial debt as of December 31, 2018

The Group's gross financial debt as of December 31, 2018 stood at €911.2 million.

	As of December 31	
(€ millions)	**2018**	**2017**
2023 Bond and capitalized interest	655.3	655.3
Medium-term credit facility	200.0	200.0
Finance lease agreement payables	3.3	5.7
Bank overdrafts	0.0	0.0
Other financial debt	52.6	0.0
TOTAL	**911.2**	**861.0**

The table below sets out the Group's gross debt by currency as of December 31, 2018.

	As of December 31	
(€ millions)	**2018**	**2017**
Euro	911.2	861.0
TOTAL	**911.2**	**861.0**

The table below sets out the maturities of the Group's financial debt as of December 31, 2018.

	As of December 31, 2018						
(€ millions)	Total	N+1	N+2	N+3	N+4	N+5	N+6 and beyond
Long-term borrowings and financial debt	**855.1**	**0.0**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**
2023 Bond	650.0					650.0	
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Other financial debt	2.6		0.1	0.4	0.9	0.2	1.0
Finance lease agreement payables	2.5		1.9	0.6			
Short-term borrowings and financial debt	**56.1**	**56.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capitalized interest on 2023 bond	5.3	5.3					
Negotiable debt instruments	50.0	50.0					
Finance lease agreement payables	0.8	0.8					
TOTAL	**911.2**	**56.1**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**

Group financing tied to the Darty acquisition transaction

The Group has solid sources of financing, originally put in place as part of the acquisition of Darty in 2016 to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

Senior Credit Facility

The Senior Credit Facility totaling €600.0 million matures five years from the date it was signed, April 20, 2016. This term has been extended by two years to April 2023 following the renegotiation in the first half of 2018. The Facility is comprised of two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200.0 million, amortizable as of the 54th month; and
- a revolving credit facility in the amount of €400.0 million to finance fluctuations in cash flows related to the seasonal nature of its business.

The drawdowns under the Senior Credit Facility are made in euros and bear interest at a rate equal to the sum of the Euribor reference rate for the period and a margin that can be revised based on the Group's rating.

As of December 31, 2018, the Senior Term Loan Facility was drawn down in full. The revolving credit facility was not used.

The Senior Credit Facility is guaranteed by certain subsidiaries of the Group; the guarantor companies are the same as those guaranteeing the High Yield bonds.

The Senior Credit Facility includes two financial covenants which are tested on a half-yearly basis:

- an adjusted leverage ratio:

  This ratio is defined as "Total adjusted debt" (i.e. net debt plus five times the amount of the rent as shown in the latest consolidated financial statements of the Group) divided by "Consolidated EBITDAR" (i.e. the Group's current operating income plus net changes to depreciation, amortization and provisions on non-current operating assets and rent as shown in the latest consolidated financial statements of the Group); and

- 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, 2018, the Senior Credit Facility covenants were complied with.

The Senior Credit Facility also includes general restrictive covenants that are customary for this kind of agreement, including certain restrictions related to the granting of pledges or guarantees, the disposal or acquisition of assets, the execution of merger or restructuring transactions, to debt or to dividend distribution (see section 7.5 "Dividend distribution policy").

Senior notes 2023

On September 22, 2016, the Group issued Senior bonds for a principal amount of €650 million, bearing annual interest at 3.25%, redeemable in September 2023 ("High Yield Bonds").

These bonds rank pari passu with the Senior Credit Facility. Interest is payable half-yearly.

The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

These bonds are redeemable in whole or in part at any time until September 30, 2019 at a price equal to the amount of the nominal value plus an early redemption premium and accrued interest not yet due. As of September 30, 2019, they will be redeemable in full or in part at the values shown in the table below:

Redemption period beginning on:	**Redemption price** *(as % of the principal)*
September 30, 2019	101.625
September 30, 2020	100.8125
September 30, 2021 and beyond	100.00

These bonds have the same guarantees as the Senior Credit Facility.

The agreement for the High Yield Bond issue contains customary clauses that specifically restrict the Group's ability to incur additional debt, pay dividends or make any other distribution, grant pledges and guarantees, dispose of assets, execute transactions with affiliated companies or merge or consolidate with other entities.

The offering memorandum is available on the Irish Stock Exchange website.

Fnac Darty also implemented a program of short-term negotiable debt instruments ("NEU CP") in 2018, designed to replace the drawdowns on the revolving credit facility for the Group's seasonal financing needs. This program, with a ceiling of €300 million, consists of issues made on the short-term debt market, with a maximum maturity of one year. As of December 31, 2018, €50 million of this program had been used.

The program documentation is available on the Banque de France website.

4.2.3 / ANALYSIS OF CASH FLOWS

	As of December 31	
(€ millions)	**2018**	**2017**
Net cash flows from operating activities	270.3	311.1
Net cash flows from operating investment activities	(117.6)	(111.9)
Free cash flow from operations	**152.7**	**199.2**
Net cash flows from financial investing activities	(13.5)	(1.8)
Net cash flows from financing activities	(44.6)	(22.7)
Net cash flows from discontinued operations	(0.6)	(56.6)
Impact of changes in foreign exchange rates	(0.5)	2.9
CHANGE IN NET CASH	**93.5**	**121.0**

4.2.3.1 / Net cash flows related to operating activities and investments

(€ millions)	As of December 31 2018	2017
Cash flow from operations before tax, dividends and interest	341.0	353.1
Change in working capital requirement	1.1	56.3
Income tax paid	(71.8)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**270.3**	**311.1**
Operating investments	(122.5)	(112.6)
Change in debt and receivables relating to non-current assets	4.6	(1.3)
Operating divestments	0.3	2.0
NET CASH FLOWS FROM OPERATING INVESTMENT ACTIVITIES	**(117.6)**	**(111.9)**
FREE CASH FLOW FROM OPERATIONS	**152.7**	**199.2**

Cash flows from operating activities and operating investments in 2018 were €152.7 million, compared to €199.2 million in 2017, affected by non-current expenses of €35 million in 2018 (€17 million in 2017) and a fine imposed by the French Competition Authority of €20.0 million in 2018.

Operating investments in 2018

In 2018, the Group's gross operating investments increased to €122.5 million, compared to €112.6 million in 2017. Investments were made specifically to open new stores (in France, Switzerland, Spain and Belgium), automate logistics warehouses, create Darty spaces in Fnac stores, install Kitchen spaces in the Darty network, develop the Group's websites, increase IT costs to support the generation of synergies within the Group, and digitize existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy ("Confiance+"), particularly the complementary features of the Fnac and Darty banners, the omnichannel and the digital segment.

The table below shows gross operating investments by geographical area for 2018 and 2017:

(€ millions)	France-Switzerland	Iberian Peninsula	Benelux	Total
December 31, 2018				
Sub-total for investments in stores and internet	93.1	8.5	7.5	109.0
Sub-total for operating investments excluding points of sale	9.6	1.6	2.4	13.5
TOTAL OPERATING INVESTMENTS	**102.6**	**10.0**	**9.9**	**122.5**
December 31, 2017				
Sub-total for investments in stores and internet	80.4	9.1	9.9	99.4
Sub-total for operating investments excluding points of sale	10.6	1.6	1.0	13.2
TOTAL OPERATING INVESTMENTS	**90.9**	**10.7**	**11.0**	**112.6**

Main investments planned in 2019

At the date of this Registration Document, no significant operating investments were required under firm commitments made to third parties. The Group's strategy in terms of setting up future Group stores is detailed in section 1.4.4.

In order to support its Confiance+ strategic plan presented in 2017, the Group plans to significantly increase the level of its gross operating investments in 2019. The priorities for 2019 are to:

- continue to introduce new product families and new commercial concepts in stores;
- open new points of sale;
- continue to roll out the omnichannel strategy and develop advanced IT solutions for our websites, our mobile applications and our stores.

These investments will be financed through the Group's operating cash flow and cash on hand.

In 2019, the Group plans to continue its investment policy for roll-out of the Confiance+ plan.

4.2.3.2 / Net cash flows from financial investment activities

	As of December 31	
(€ millions)	**2018**	**2017**
Purchases of subsidiaries net of cash acquired	(11.2)	(0.3)
Acquisitions of other financial assets	(2.3)	(1.5)
Cash flows from financial investing activities	**(13.5)**	**(1.8)**

The Group's net financial investments represented an outflow of €13.5 million in 2018 versus an outflow of €1.8 million in 2017.

In 2018, acquisitions of subsidiaries net of cash acquired represent the disbursement relating to the acquisition of a 51% stake in WeFix. Furthermore, the Group committed to purchasing minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

Acquisitions of other financial assets primarily include the two calls for funds from Daphni Purple in the amount of €1.4 million. The Group also agreed to underwrite the remaining 49% of Daphni shares for €3.4 million.

In 2017, purchases of subsidiaries net of cash acquired represented the adjustments to the Darty acquisition price.

Acquisitions of other financial assets included a €1.5 million investment in the Daphni Purple Fund.

4.2.3.3 / Net cash flows from financing activities

	As of December 31	
(€ millions)	**2018**	**2017**
Capital increase/(decrease)	6.8	11.9
Other transactions with shareholders	0.0	(3.9)
Purchases or sales of treasury stock	(14.4)	4.2
Dividends paid to shareholders, parent company	0.0	(0.2)
Interest and equivalent payments	(32.5)	(26.2)
Financing of the Comet pension fund	(4.5)	(8.5)
Net cash flows from financing activities	**(44.6)**	**(22.7)**

Net cash flows from financing activities amounted to an expenditure of €44.6 million in 2018 and an expenditure of €22.7 million in 2017.

In 2018:

- the capital increase of €6.8 million represents the creation of 90,558 shares to support the Group's Employee Stock Ownership Plan implemented for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland;
- disbursements for the purchase of treasury shares included €11.2 million in respect of the first tranche of the treasury share buyback program. This item also includes a net payment of €3.2 million related to the acquisition and sale of Fnac Darty shares made under the liquidity agreement. As of December 31, 2018, the Group held 61,000 treasury shares; and
- the interest and equivalent payments represent the financial interests of the instruments set up to finance the Group and a non-recurring expense of €5.9 million in 2018 following the renegotiation of the term loan. The financing of the British Comet pension fund, which was integrated in the Darty acquisition, represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was £4.0 million per year.

In 2017:

- the capital increase of €11.9 million represented the 535,364 shares created to compensate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the payables to the option plan beneficiaries who had paid cash of €3.9 million over 2016;

- inflows for the acquisition of treasury shares primarily represented the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also included the outflows and inflows related to the purchase of Fnac Darty shares made under the liquidity agreement; and
- the interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item included an amount of €10.0 million received by the Group as a cash advance made by Crédit Agricole Consumer Finance.

4.2.3.4 / Change in net cash

The change in net cash in 2018 and 2017 was as follows:

(€ millions)	As of December 31 2018	2017
Net cash as of January 1	**(86.1)**	**(207.1)**
Free cash flow from operations	152.7	199.2
Interest paid net of interest and dividends received	(32.5)	(26.2)
Acquisitions and disposals of subsidiaries net of cash acquired or transferred	(11.2)	(0.3)
Purchases and sales of other financial assets (net)	(2.3)	(1.5)
Dividends paid	0.0	(0.2)
Capital increase/(decrease)	6.8	11.9
Other transactions with shareholders	0.0	(3.9)
Purchases or sales of treasury shares	(14.4)	4.2
Net cash flows from discontinued operations	(0.6)	(56.6)
Financing of the Comet pension fund	(4.5)	(8.5)
Impact of changes in exchange rates	(0.5)	2.9
Change in net cash	**93.5**	**121.0**
Net cash as of December 31	**7.4**	**(86.1)**

Net cash flows related to discontinued operations primarily represented the financial flows generated by the Group's activity in Brazil.

4.3 / Recent events and outlook

4.3.1 / GROUP OBJECTIVES

In 2018, Fnac Darty recorded solid results, boasting strong growth. The Group was able to handle the turbulence in its markets throughout the year thanks to a controlled commercial policy and continuous operational agility. This strong performance was achieved against the background of the successful Fnac Darty integration and the launch of the Group's new strategic plan: Confiance+.

The Fnac Darty integration is a success, and the Group now intends to accelerate the roll-out of the Confiance+ plan in order to strengthen its omnichannel and multi-format specialist retailing model. In 2019, the Group will focus its efforts on improving the customer experience, accelerating digital development, strengthening its positioning in the circular economy and providing an educated, differentiating choice for its customers. These projects will be supported by continued best-in-class operational execution, carried by the commitment of the Group's teams.

The Group confirms its medium-term objectives for higher growth than its markets and a current operating margin of 4.5% to 5%.

4.3.2 / RECENT EVENTS

On January 17, 2019, Fnac Darty announced that it was in exclusive negotiations with the Lagardère Group, in view of the acquisition of Billetreduc.com by its subsidiary France Billet, a specialist in cultural and leisure ticketing.

The ticketing leader in France, with an offering of 60,000 shows per year, France Billet has a strong local presence that is expressed through a multi-channel and multi-banner distribution network. By way of this acquisition, France Billet would offer a wider, more diversified ticketing offering to strengthen its promotion of cultural diversity, the discovery of new talent and access to culture by all audiences.

As a key player in the distribution of "last-minute" tickets to events in France, Billetreduc.com can provide France Billet with an additional ticketing offering in the growing last-minute market, so it can attract a new audience and enhance its attractiveness to event organizers.

Fnac Darty aims to finalize the transaction during Q1 2019.

On February 18, 2019, Fnac Darty announced the signing of a loan agreement for €100 million with the European Investment Bank (EIB). Performed as part of the "Juncker Plan", this loan is intended to finance the digital transformation investments of Fnac Darty to support the roll-out of "Confiance+". This new financing will allow Fnac Darty to benefit from the support of a leading European financial institution, in a highly competitive environment of non-European pure players. The Group already has a very solid financing structure, balanced between bond and bank debt, as well as excellent liquidity thanks to a revolving credit facility of €400 million that is not drawn down. This financing will allow the Group to take the opportunity to set up long-term debt, with a maximum maturity of 9 years, on very attractive terms. The Group has 18 months to draw down this line.

Together with the implementation of this financing, the Group's financial strength was also confirmed by Standard & Poor's, which raised Fnac Darty's long-term credit rating to BB+ in March 2019, after having raised its rating outlook to positive in April 2018. Furthermore, to show its support for independent credit research in Europe, the Group announces in parallel that it has received a BBB- rating from Scope Ratings. This rating is in addition to the BB+ (stable outlook) and Ba2 (stable outlook) ratings received from Standard & Poor's and Moody's, respectively.

5

Financial statements

5.1 / Group consolidated financial statements as of December 31, 2018 and 2017

Consolidated income statement for the years ended December 31, 2018 and 2017

(€ million)	Notes	2018	2017
INCOME FROM ORDINARY ACTIVITIES	4-5	**7,474.7**	**7,448.2**
Cost of sales		(5,209.6)	(5,187.3)
GROSS MARGIN		**2,265.1**	**2,260.9**
Personnel expenses	6-7	(1,105.1)	(1,093.1)
Other current operating income and expense		(865.7)	(899.6)
Share of profit from equity associates	8	1.7	1.9
CURRENT OPERATING INCOME	9	**296.0**	**270.1**
Other non-current operating income and expense	10	(38.8)	(53.3)
OPERATING INCOME		**257.2**	**216.8**
(Net) financial expense	11	(42.6)	(44.0)
PRE-TAX INCOME		**214.6**	**172.8**
Income tax	12	(65.0)	(48.3)
NET INCOME FROM CONTINUING OPERATIONS		**149.6**	**124.5**
Group share		*149.2*	*124.2*
share attributable to non-controlling interests		*0.4*	*0.3*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**0.3**	**(87.0)**
Group share		*0.3*	*(87.0)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**149.9**	**37.5**
Group share		*149.5*	*37.2*
share attributable to non-controlling interests		*0.4*	*0.3*
NET INCOME, GROUP SHARE		**149.5**	**37.2**
Earnings per share *(€)*	13	5.60	1.41
Diluted earnings per share *(€)*	13	5.57	1.40
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**149.2**	**124.2**
Earnings per share *(€)*	13	5.59	4.70
Diluted earnings per share *(€)*	13	5.56	4.68

Consolidated comprehensive income statement

(€ million)	Notes	2018	2017
NET INCOME		**149.9**	**37.5**
Items that may be reclassified subsequently to profit or loss	14	2.2	(3.1)
Items that may not be reclassified subsequently to profit or loss	14	12.9	0.2
OTHER ITEMS OF COMPREHENSIVE INCOME, AFTER TAX	14	**15.1**	**(2.9)**
TOTAL COMPREHENSIVE INCOME		**165.0**	**34.6**
Group share		*164.6*	*34.3*
share attributable to non-controlling interests		*0.4*	*0.3*

Consolidated statement of financial position for the periods ended December 31, 2018 and 2017

Assets

(€ million)	Notes	As of December 31, 2018	As of December 31, 2017
Goodwill	15	1,559.5	1,541.4
Intangible assets	16	480.0	473.0
Property, plant & equipment	17	620.2	611.2
Investments in associates	8	19.7	22.0
Non-current financial assets	19	20.6	15.9
Deferred tax assets	12.2.2	66.8	59.9
Other non-current assets		0.0	0.0
NON-CURRENT ASSETS		**2,766.8**	**2,723.4**
Inventories	20	1,091.8	1,072.8
Trade receivables	21	271.8	265.1
Tax receivables due	12.2.1	41.8	50.2
Other current financial assets	22.1	14.2	22.3
Other current assets	22.1	405.6	358.0
Cash and cash equivalents	26	918.6	774.9
CURRENT ASSETS		**2,743.8**	**2,543.3**
ASSETS HELD FOR SALE	32	**0.0**	**3.1**
TOTAL ASSETS		**5,510.6**	**5,269.8**

Liabilities

(€ million)	Notes	As of December 31, 2018	As of December 31, 2017
Share capital	23	26.6	26.7
Equity-related reserves		984.4	988.8
Translation reserves		(4.5)	(5.2)
Other reserves and net income		247.0	85.7
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,253.5**	**1,096.0**
Shareholders' equity – Share attributable to non-controlling interests		7.5	7.0
SHAREHOLDERS' EQUITY		**1,261.0**	**1,103.0**
Long-term borrowings and financial debt	27	855.1	853.8
Provisions for pensions and other similar benefits	24	161.5	179.8
Other non-current liabilities	22.2	191.3	194.6
Deferred tax liabilities	12	189.9	192.7
NON-CURRENT LIABILITIES		**1,397.8**	**1,420.9**
Short-term borrowings and financial debt	27	56.1	7.2
Other current financial liabilities	22.1	15.9	18.5
Trade payables	22.1	1,876.7	1,765.6
Provisions	25	51.9	72.5
Tax liabilities payable	12	44.4	47.3
Other current liabilities	22	805.5	828.6
CURRENT LIABILITIES		**2,850.5**	**2,739.7**
PAYABLES RELATING TO ASSETS HELD FOR SALE	32	**1.3**	**6.2**
TOTAL LIABILITIES		**5,510.6**	**5,269.8**

Consolidated cash flow statement as of December 31, 2018 and 2017

(€ million)	Notes	2018	2017
NET INCOME FROM CONTINUING OPERATIONS		**149.6**	**124.5**
Income and expense with no impact on cash		79.6	133.6
CASH FLOW	31.1	**229.2**	**258.1**
Financial interest income and expense		36.5	34.4
Dividends received		0.0	(0.1)
Net tax expense payable	12.1	75.3	60.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST		**341.0**	**353.1**
Change in working capital requirement	22	1.1	56.3
Income tax paid		(71.8)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**270.3**	**311.1**
Acquisitions of intangible assets, property, plant & equipment		(117.9)	(113.9)
Disposals of intangible assets, property, plant & equipment		0.3	2.0
Acquisitions of subsidiaries net of cash acquired		(11.2)	(0.3)
Disposals of subsidiaries net of cash transferred		0.0	0.0
Acquisitions of other financial assets		(2.3)	(1.5)
Sales of other financial assets		0.0	0.0
Interest and dividends received		0.0	0.0
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(131.1)**	**(113.7)**
Capital increase/(decrease)		6.8	11.9
Other transactions with shareholders		0.0	(3.9)
Purchases or sales of treasury stock		(14.4)	4.2
Dividends paid to shareholders		0.0	(0.2)
Bonds issued		0.0	0.0
Bonds repaid		0.0	0.0
Increase/decrease in other financial debt		50.2	(2.5)
Interest and equivalent payments		(32.5)	(20.9)
Financing of the Comet pension fund	31.4	(4.5)	(8.5)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**5.6**	**(19.9)**
Net cash flows from discontinued operations	32	(0.6)	(56.2)
Impact of changes in exchange rates		(0.5)	(2.3)
NET CHANGE IN CASH		**143.7**	**119.0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30	**774.9**	**655.9**
CASH AND CASH EQUIVALENTS AT PERIOD-END	30	**918.6**	**774.9**

Change in consolidated shareholders' equity as of December 31, 2018 and 2017

(Before appropriation of 2018 earnings) *(€ million)*	**Number of shares outstanding**	**Share capital**	**Equity-related reserves**	**Translation reserves**	**Other reserves and net income**	**Shareholders' equity**		
						Group share	**Non-controlling interests**	**Total**
AS OF DECEMBER 31, 2016	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**43.4**	**1,042.6**	**6.8**	**1,049.4**
Total comprehensive income				**(0.8)**	**35.1**	**34.3**	**0.3**	**34.6**
Capital increase/(decrease)	535,364	0.6	11.3			11.9		11.9
Change in scope						0.0		0.0
Treasury stock					4.2	4.2		4.2
Valuation of share-based payments					3.5	3.5		3.5
Dividends paid					(0.2)	(0.2)		(0.2)
Share of Darty Ltd. acquisition expenses posted to shareholders' equity					(0.3)	(0.3)		(0.3)
Other movements						0.0	(0.1)	(0.1)
AS OF DECEMBER 31, 2017	**26,658,135**	**26.7**	**988.8**	**(5.2)**	**85.7**	**1,096.0**	**7.0**	**1,103.0**
Total comprehensive income				**0.7**	**163.9**	**164.6**	**0.4**	**165.0**
Capital increase/(decrease)	(52,696)	(0.1)	(4.4)			(4.5)		(4.5)
Change in scope						0.0		0.0
Treasury stock					(5.8)	(5.8)		(5.8)
Valuation of share-based payments					6.9	6.9		6.9
Dividends paid						0.0		0.0
Impact of first application of IFRS 9 *					(4.1)	(4.1)		(4.1)
Impact of first application of IFRS 15					0.4	0.4		0.4
Other movements						0.0	0.1	0.1
AS OF DECEMBER 31, 2018 (a) (b)	**26,605,439**	**26.6**	**984.4**	**(4.5)**	**247.0**	**1,253.5**	**7.5**	**1,261.0**

* *Impairment of financial assets of Ménafinance joint venture.*

(a) *€1 par value of shares.*

(b) *Number of shares in capital as of December 31, 2018: 26,605,439.*

5.2 / Notes to the consolidated financial statements for the year ended December 31, 2018

NOTE 1 GENERAL INFORMATION

1.1 / General information

Fnac Darty, the parent company of the Group, is a French limited company *(société anonyme)* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Fnac Darty is subject to all laws governing commercial companies in France, including the provisions of the French Commercial Code.

The consolidated financial statements as of December 31, 2018 reflect the financial position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On February 20, 2019, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2018. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Reporting context

Fnac Darty, comprised of the Fnac Darty company and its subsidiaries (collectively "Fnac Darty" hereinafter), is a leader in the leisure and entertainment, consumer electronics and household appliances retail market in France, and a major player in markets in other countries where it operates, including Spain, Portugal, Belgium, the Netherlands and Switzerland. Fnac Darty also has franchise operations in Morocco, Qatar, Ivory Coast, Cameroon, Congo and Tunisia.

The listing of Fnac Darty securities for trading on the Euronext Paris regulated market in Paris requires the establishment of consolidated financial statements according to IFRS standards.

The Group's consolidated financial statements are presented in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1 / General principles and statement of compliance

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the Group's consolidated financial statements for 2017 have been prepared in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) on the date these financial statements were established. These standards were mandatory at that date, and are presented with the comparative data for 2017, prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB (International Accounting Standards Board). Therefore, the Group's financial statements have been prepared in compliance with the standards and interpretations as published by the IASB.

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), IFRIC (International Financial Reporting Interpretations Committee) Interpretations and SIC (Standard Interpretation Committee) interpretations.

The consolidated financial statements presented do not take into account the standards and interpretations which at period-end were still in the exposure draft stage with the IASB and IFRIC, or standards whose application was not mandatory in 2018.

The reference year for the Group is January 1 to December 31.

The accounting principles used in preparing the annual consolidated financial statements are in line with those used for the previous annual consolidated statements with the exception, as applicable, of the standards and interpretations adopted in the European Union and applicable for the Group on or after January 1 of the previous year (see note 2.2 "IFRS guidelines applied").

The Group does not apply standards before the required date of application.

2.2 / IFRS guidelines applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning after January 1, 2018 and not adopted early by the Group

On January 13, 2016, the IASB published **IFRS 16 – Leases.** IFRS 16 will replace the current IAS 17 standard and its interpretations. This new standard, which will be mandatory for annual periods beginning on or after January 1, 2019, requires the recognition of an asset (the right of use) and a liability on the basis of discounted rents.

The Group will apply the standard from January 1, 2019 and plans to do so using the modified retrospective method, with the possibility of calculating the right of use retrospectively, on a case-by-case basis, from the start of the lease. In order to ensure the smooth transition between IAS 17 and IFRS 16, all lease and service agreements falling within the scope of IFRS 16 have been analyzed.

During 2018, the Group collected the necessary data on lease agreements falling within the scope of the standard in preparation for the transition to IFRS 16. The Group has adopted the exemptions provided under the standard for lease agreements shorter than 12 months or having an underlying asset replacement value of less than US$5,000. The Group has identified over 4,000 leases within the scope of IFRS 16, including nearly 630 property lease agreements, with the remainder almost exclusively consisting of equipment lease agreements.

To determine the lease term to be taken into account for each agreement, a twin approach that looks at both the contract (determination of the enforceable term of the agreements) and the economic and commercial criteria was used. The enforceable term identified for each agreement corresponds to the maximum period for which the lessee is entitled to benefit from the right to use the asset. It corresponds to the period during which the agreement cannot be terminated by the lessor, plus all renewal options available solely to the lessee. Within this enforceable term, the lease period used may be limited by considering, or not, early termination options for the lease agreements based on economic criteria for the leased assets, in order to determine the overall reasonably certain lease periods for each agreement. The economic criteria used to assess the exercise of renewal or early termination options of leases by type of asset take into account the quality of the locations (premium or standard), the strategic nature of the store and its profitability.

Given that the implicit rates of the leases are not readily determinable, the Group has calculated the discount rates by country on the basis of a marginal borrowing rate that reflects the specific characteristics of the entities that take out the lease agreements. The discount rates by currency are calculated using a Midswap index, by currency and by maturity, to which is added a spread (average spread of current Group borrowings + country risk premium + subsidiary rating). The maturity of the rate used depends on the duration of each lease agreement, which itself depends on its expiry.

The estimated impact of IFRS 16 application on the opening balance sheet as of January 1, 2019 will result in a lease debt of between €0.9-1.1 billion being recorded, as well as an increase in non-current assets due to recording of a right of use.

The difference noted between the estimated amount of the IFRS 16 debt and that of the off-balance sheet commitments relating to lease agreements (€0.5 billion at end-December 2018) can be mainly explained by the different methods used:

- period chosen for the calculation of lease agreement off-balance sheet commitments is limited to the first exit option of the lease; and
- no flow discounting for the calculation of lease agreement off-balance sheet commitments.

The main aggregates used by the Group will show the following impacts related to IFRS 16:

- increase in EBITDA;
- increase in financial expense;
- discontinuous change in net income, ultimately with no impact over the total period of the agreement;
- in the cash flow statement, impact on changes related to financing activities; and
- recognition of an asset (the right of use) and a liability on the basis of discounted rents.

Application of the standard will have no impact on the Group's financial covenants, as they are determined outside the scope of IFRS 16.

To enable the calculation of the impact and operational monitoring of leases, Fnac Darty acquired an IT solution designed to:

- centralize all lease agreements;
- update information in real time;
- generate accounting items;
- manage forecast data; and
- analyze financial impacts both at the Group level and for controlling areas.

Roll-out of this tool was completed in the second half of 2018.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2018

- **IFRS 9 – Financial instruments.** Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial instruments. These principles replaced, effective January 1, 2018, the principles in IAS 39 – Financial Instruments.

  Fnac Darty has decided to apply the third part of IFRS 9 related to hedging instruments.

  As permitted by IFRS 9, the Group chose not to restate its comparative figures.

The main impacts are as follows:

- investment: the Group has units in the Daphni Purple private equity fund, whose method of accounting is amended due to its change in classification between IAS 39 and IFRS 9. Under IAS 39, these fund units were classified as “available-for-sale securities” and their changes in fair value were recognized in shareholders’ equity. Under IFRS 9, they are classified as fair value instruments through the income statement and their changes are recognized as an adjustment to profit or loss. As of January 1, 2018, the Group reclassified -€0.3 million across other items of comprehensive income and retained earnings. The application of this standard had no impact on opening shareholders’ equity and an impact of +€1.2 million on the Group’s net financial income as of December 31, 2018, offsetting an equivalent increase in the value of non-current financial assets on the balance sheet. As such, the tax impact of the application of this standard was -€0.4 million on deferred taxes as of December 31, 2018;
- impairment of financial assets: the IAS 39 impairment model for financial assets, based on actual losses, has been replaced by a model based on expected credit losses. This new model applies to financial assets measured at amortized cost, to financial assets corresponding to debt instruments measured at fair value through other items of comprehensive income, and to loan commitments and financial guarantees.

  Within the Group, the IFRS 9 provisions on impairment of financial assets relate in particular to trade receivables. The Group examined its method for impairment of trade receivables. IFRS 9 requires the recognition of expected losses at maturity on trade receivables without a material financing component. In light of the consumer retail sales activity, which implies a low level of receivables and a very low risk of non-recovery, the implementation of IFRS 9 has no material impact on the Group. Furthermore, due to its consumer credit business, the Ménafinance joint venture is impacted by the implementation of IFRS 9. The application of this standard on the impairment of trade receivables had an impact of -€4.1 million on Group shareholders’ equity at January 1, 2018.

- **IFRS 15 – Revenue from Contracts with Customers.** IFRS 15 replaced, with effect from January 1, 2018, IAS 18 – Revenue and the IFRIC 13 Interpretation – Customer Loyalty Programmes.

  In the second half of 2017, the Group had conducted a qualitative and quantitative analysis of the main questions that could impact the financial statements for the transition to IFRS 15. The questions analyzed in depth were the following:

  - Agent/Principal classification;
  - warranties;
  - sales with right of return;
  - group gift vouchers and cards;
  - franchise agreements; and
  - loyalty programs.

  The IFRS 15 impact analysis was conducted in the second half of 2017 across the Group’s scope. Thematic interviews with the subsidiaries, along with the analysis of the various contracts, made it possible to assess the impact of the standard on current revenue recognition practices. In light of the analyses conducted, IFRS 15 does not have a material effect on the Group’s financial statements.

  With respect to the Agent/Principal classification, the Group undertakes a portion of its activities in association with partners, raising the question of its role in these transactions. Following an analysis of contracts, the application of IFRS 15 does not materially change revenue recognition and presentation. The activities analyzed were primarily Marketplace, Subscriptions, Ticketing, Gift Boxes and Kitchen.

  The main indicators for assessing the agent/principal classification were:

  - primary responsibility for performance of the agreement;
  - exposure to inventory risk; and
  - determination of the selling price.

  With regard to warranty contracts, the application of IFRS 15 entails the identification of two distinct performance obligations within contracts which include a take-back offer (a warranty obligation and a take-back obligation at the end of the warranty period). The impact in terms of revenue recognition rate and presentation is not material.

  For sales with rights of return: in accordance with IAS 18, the Group recognized a net provision for estimated rights of return up to December 31, 2017. The estimate of returns is based on observed return statistics. For sales with a right of return, IFRS 15 does not permit set-off and leads to presenting a refund liability with contra item of revenues, and a returns asset with contra item of cost of the purchases. The impact of IFRS 15 is essentially a presentation impact on revenues and on purchasing costs, without net impact on margin.

  For gift vouchers and cards, IFRS 15 impacts the recognition date for the income from the breakage which, as a variable element of the revenue linked to sale of the card, must be recognized in proportion to the customer’s use of the card. Up to December 31, 2017, when it could be reliably estimated on a multi-year statistical basis, the income from the breakage of cards and gift vouchers was recognized in income from ordinary activities upon activation of the card or voucher. When the card or voucher was not used, this income was recognized at the card or voucher expiration. The impact of IFRS 15 on revenues is not material.

With respect to Fnac franchise agreements and Darty franchise agreements, under IFRS 15, royalties generated on the basis of sales must be recognized on the date on which the underlying sale takes place.

The analysis covers:

- royalty income; and
- initial franchise fees.

Following an analysis of contracts, the application of IFRS 15 does not change revenue recognition and presentation.

In the case of loyalty programs, income from the sale of loyalty cards is spread over the validity period of the cards in order to reflect the consumption schedule of benefits offered. Consequently, the application of IFRS 15 does not change revenue recognition and presentation.

The Group applied IFRS 15 retrospectively at January 1, 2018 with a cumulative adjustment of the effects set against shareholders' equity on the date of application.

Other standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2018:

- amendments to IFRS 15 and its clarifications;
- annual improvements to IFRS Standards 2014-2016 Cycle – Sundry provisions;
- amendments to IAS 40 – Transfers of Investment Property;
- amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 Interpretation – Foreign currency transactions and advance consideration;
- IFRIC 23 Interpretation – Uncertainty over Income Tax Treatments, applicable as of January 1, 2019. The application of this interpretation should not have a significant impact on the Group's financial statements;
- amendment to IFRS 9 – Prepayment Features with Negative Compensation, applicable as of January 1, 2019; and
- amendments to IAS 28 – Long-Term interests In Associates and Joint Ventures, applicable as of January 1, 2019 according to the IASB.

The application of these amendments has no significant impact on the Group's consolidated financial statements.

2.2.3 Standards, amendments and interpretations not yet adopted by the European Union and mandatory for post-2018 reporting periods

The IASB has also published the following amendments and improvements, which the Group expects will have no material impact:

- amendments to IAS 19 – Plan Amendment, Curtailment or Settlement, applicable as of January 1, 2019 according to the IASB;
- annual improvements to IFRS Standards 2015-2017 Cycle – Sundry provisions, applicable as of January 1, 2019 according to the IASB;
- amendments to IAS 1 and IAS 8 – definition of "material";
- revision of references to Conceptual Framework for Financial Reporting, applicable as of January 1, 2020 according to the IASB; and
- amendments to IFRS 3 – Definition of a Business.

2.3 / Bases for preparation and presentation of the consolidated financial statements

2.3.1 Bases for evaluation

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;
- defined benefit plan assets, valued at fair value;
- the proportion of securities held by a subsidiary or associate, valued at fair value at the moment of loss of control or significant influence;
- non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgments

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.

In the absence of standards or interpretations applicable to a specific transaction, the Group's management uses its judgment to define and apply the accounting policies that will enable relevant, reliable information to be obtained when preparing the financial statements. When exercising its judgment, the Group looks at its past experience and all available information considered critical in light of its environment and circumstances. The estimates and assumptions used are continually reexamined. Given the uncertainties inherent in any valuation process, it is possible that the final amounts included in the Group's future financial statements may differ from current estimates.

The main estimates made by the Group's management in preparing the financial statements concern the valuation and useful lives of operating assets; property, plant and equipment; intangible assets and goodwill; the amount of the provisions for contingencies and other provisions relating to the business; as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred taxes and the fair values of 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 estimates and assumptions 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 and judgment
Notes 2.9 and 20	Inventories	Prospects for inventory run-down for calculating impairment
Notes 2.10 and 18	Impairment tests on non-financial assets	Level of cash generating unit combination for impairment test Main assumptions used for the construction of value-in-use (discount rates, growth rates in perpetuity, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Note 2.11.3	Fair value of hedging derivatives	Fnac Darty measures the fair value of derivatives by using the valuations provided by financial institutions
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carry-forwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Notes 2.16 and 24	Employee benefits and similar payments	Discount rate and wage growth rate. The wage growth rate is based on historical observation and is in line with the euro zone's long-term inflation targets.
Notes 2.18 and 5	Income from ordinary activities	Spread of revenues related to sales of loyalty cards and sales of warranty extensions over the term for which services are rendered reflecting the schedule of benefits offered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent The main indicators for assessing the agent/principal classification are: ▪ primary responsibility for performance of the agreement; ▪ exposure to inventory risk; and ▪ determination of the selling price.
Note 2.19	Cost of merchandise sales	At period-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is based on the amount of the annual purchases, the quantities of articles purchased or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperation
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 32.3	Assets held for sale	Assets held for sale are valued and recognized at the lower amount between their net book value and fair value minus cost of disposal

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7 and the amendment thereto, using the indirect method based on the net income of the consolidated entity, and can be broken down into three categories:

- cash flow from operating activities (including taxes);
- cash flow from investing activities (in particular, acquisitions and disposals of equity interests and non-current assets, excluding finance leases);
- cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buybacks, dividend payments).

The acquisition of an asset as part of a finance lease has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 / Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities over which the Group exercises control.

Entities are fully consolidated where the Group:

- has power over the entity in which it is invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it has invested; and
- has the ability to exercise its power over the entity in which it has invested so as to influence the returns the Group obtains.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has power:

- over more than half of the voting rights under an agreement with other investors;
- to direct the financial and operating policy of the company under a contract;
- to name or dismiss the majority of the members of the Board of Directors or the equivalent governing body; or
- to cast a majority of the voting rights at the meetings of the Board of Directors or the equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are fully eliminated.

The subsidiaries' accounting policies are adjusted as needed to ensure consistent treatment across the Group.

2.4.2 Equity associates

Fnac Darty exercises significant influence within certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recording an equity interest in equity associates in the consolidated statement of financial position on the date that the entity becomes an associate or partner in a joint venture. This equity interest is initially recognized at acquisition cost. After the acquisition date it is then adjusted by the Group's share in the undistributed comprehensive income of the entity concerned. These results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate's shares. Profit or loss due to revaluation at fair value of the equity interest previously held (at the takeover of an equity associate) is recorded in "Share of profit from equity associates".

The goodwill of equity associates is included in the book value of the shares and is not presented separately. Therefore, it was not subject to a separate impairment test.

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. They are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business division to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating income.

2.4.3 Business combinations

The Group applies IFRS 3 (Revised) – Business Combinations.

Business combinations are recognized using the purchase method:

- acquisition cost is measured at the fair value of the consideration transferred, including any price adjustment, on the date of takeover. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
- any difference between the consideration transferred (acquisition price) and the fair value of the identifiable assets acquired and liabilities assumed on the date of takeover 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 takeover at less than 100% of share capital, the remaining component (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognized for the percentage of the non-controlling equity interests (full goodwill method); or
- as a proportion of the identifiable net assets of the acquired entity: in this case, only the goodwill representing the acquired portion is recognized (partial goodwill method).

Costs directly attributable to the acquisition are expensed over 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 the moment of takeover and is recognized at fair value in the income statement. To calculate goodwill at the point of takeover, 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 an equity interest prior to takeover is reclassified to profit or loss.

2.5 / Translation of foreign currencies

2.5.1 Functional currency and reporting 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 reporting currency.

2.5.2 Recognition of transactions in foreign currencies

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.

Cash items in foreign currencies are converted at each period-end using the closing rate. The foreign exchange differences resulting or arising from the settlement of these cash items are recognized as an income or expense for the period.

Non-cash items in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-cash items 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-cash item is recognized directly in other items of comprehensive income, the "foreign exchange" component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of currency hedges in the form of derivative instruments is described in paragraph 2.11.3 "Derivative instruments" of note 2.11 "Financial assets and liabilities".

2.5.3 Translation of the financial statements of foreign entities

The Group's consolidated financial statements are presented in euros. The financial statements of each of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

- items on the statement of financial position are translated into euros on the basis of the applicable exchange rates at the period-end date;
- items on the income statement are translated into euros using the average exchange rate over the reporting period provided this is not called into question by significant fluctuations in the rates;

- any difference between the translation of the statement of financial position at the closing rate and the translation of the income statement at the average exchange rate over the period is recognized in other items of comprehensive income, which may be reclassified subsequently to profit or loss on the translation differences line.

2.5.4 Net investment in a foreign entity

Foreign exchange differences recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit or loss on the date of loss of control.

Translation differences relating to borrowings 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 or loss on disposal of the net investment.

2.6 / Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

As of the acquisition date, goodwill is allocated to cash generating units defined by the Group. After initial recognition, goodwill is not amortized. The cash generating units to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. The impairment test for 2018 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 assets

Intangible assets are primarily composed of brands. The entry value of the Darty and Vanden Borre brands was determined using the Relief From Royalties approach, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group’s brands constitute non-current assets with an indefinite lifespan, they are not amortized but are systematically tested for impairment each year and when there is evidence of impairment. The brands recorded on the Group’s balance sheet are the Darty and Vanden Borre brands, valued when Darty was purchased, and the WeFix brand, valued in October 2018 following the acquisition of the WeFix subsidiary.

Intangible assets include the relations with franchises which represent the contracts signed with the Darty franchise stores measured at the time of the Darty acquisition in July 2016. They are valued using the surplus profits approach, which consists of calculating the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets. The franchise relations constitute non-current assets with a defined lifespan and are amortized over a period of 16 years.

Intangible assets also consist of software measured at the acquisition or production cost and the licensing fees paid when a property lease is signed.

Software acquired for current operations or developed internally by the Group that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

The Group’s leasehold rights are recognized by the Group as non-current assets for an indefinite period. These non-current assets are not therefore amortized and are subject to an annual impairment test at CGU level.

2.8 / Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the asset.

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 8 to 20 years for fixtures and fittings on land and buildings, and 3 to 10 years for equipment.

Property, plant and equipment are subject to an impairment test whenever evidence of impairment is identified, such as a planned closure, reduction in the workforce or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. If the recoverable value of the isolated asset cannot be precisely determined, the Group determines the recoverable value of the cash generating unit to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease agreements 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 leases 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 depreciated 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 lease agreements 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 transaction 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 / Inventory

Inventory is valued at the lower end of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost per unit method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs and the provision for unknown markdowns between the last inventory date and period-end. The benefits obtained from suppliers and recognized 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; or
- if their sale price is less than their net realizable value.

2.10 / Impairment of non-financial assets

Goodwill, intangible assets with an indefinite useful life, and the cash generating units containing these elements are systematically tested annually for impairment in the second half of the year.

The cash generating units are operating entities that generate independent cash flows. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

In addition, when events or circumstances indicate that impairment is possible on goodwill; other intangible assets; property, plant and equipment; and cash generating units, an impairment test is performed. Such events or circumstances may be linked to material adverse changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a cash generating unit is less than the net book value.

The recoverable value of an asset or a cash generating unit is the higher of its fair value less selling costs and its value-in-use.

Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the asset or the cash generating unit. Expected future cash flow projections are based on medium-term plans and budgets. These plans are based on a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. It is determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

When the recoverable value of the asset or cash generating unit is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a cash generating unit, the impairment is first assigned to goodwill if applicable and is recorded on the line "Other non-current operating income and expense" in the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

In the event of a partial sale of a cash generating unit, the income from disposal is calculated by including within the elements sold the portion of goodwill corresponding to those elements. In order to assign the portion of goodwill to the elements sold, IFRS propose using the values related to the operations sold and retained unless the entity demonstrates that another method better reflects the portion of goodwill sold.

2.11 / Financial assets and liabilities

Financial assets and liabilities are recorded on initial recognition in the balance sheet at their fair value.

All these instruments are disclosed in section 5.2, note 29.

2.11.1 Financial assets

IFRS 9 presents a new model for classifying and measuring financial assets, based on the contractual characteristics of cash flows and the economic model for managing these assets. The four categories provided under IAS 39 for the classification of financial assets have been replaced by the following three categories:

Financial assets valued at fair value on the income statement

This category includes all debt instruments that are not eligible for classification in the category as financial assets measured at amortized cost or in the category as financial assets measured at fair value through other comprehensive income. It also includes investments in equity instruments for which the option of fair value recognition through other comprehensive income has not been selected.

These assets are valued at fair value; changes in their value are recorded in the net financial income.

Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group 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.

Financial assets recognized at fair value are:

- debt instruments that are not measured at amortized cost or at fair value through other items of comprehensive income;
- equity instruments that are held on a speculative basis; and
- equity instruments for which the option of fair value recognition through other items of comprehensive income has not been selected by the company.

Financial assets at amortized cost

Financial assets measured at amortized cost are debt instruments (in particular loans and receivables) whose contractual cash flows consist solely of payments representing principal and interest on the principal and whose management model consists in holding the instrument in order to collect the contractual cash flows.

These assets are recognized at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value is equivalent to the amount of the original invoice.

These assets are subject to impairment in the manner described in note 2.2.2.

The Group classifies its financial assets at amortized cost only if the following two criteria are met:

- financial assets are held as part of a management model designed to collect contractual cash flows; and
- the contractual cash flows consist only of interest and principal repayment flows (SPPI criterion).

Financial assets recognized at fair value through other items of comprehensive income

These assets are debt instruments whose contractual cash flows consist solely of payments representing principal and interest on the principal and whose management model consists in holding the instrument both to collect the contractual cash flows and to sell the assets. They are valued at fair value. Changes in fair value are recognized in other items of comprehensive income under "changes in fair value of debt instruments measured at fair value through other comprehensive income" until the disposal of the underlying assets, at which time they are transferred to the income statement.

This category also includes investments in equity instruments (mainly shares) using the irrevocable option. In this case, upon disposal of the securities, the unrealized gains or losses previously recognized in equity (other items of comprehensive income) will not be reclassified to income; only the dividends will be recognized in the income statement.

This category includes non-consolidated equity investments for which the option of fair value recognition through other comprehensive income has been selected.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined as a priority by reference to recent transactions or by valuation techniques using reliable and observable market data. However, where there are no observable market data on comparable companies, the fair value of unlisted securities is most often measured on the basis of discounted cash flow projections or the adjusted NAV, determined using internal inputs (level 3 in the fair value hierarchy).

The financial assets recognized at fair value through other items of comprehensive income are:

- equity instruments that are not held on a speculative basis and for which the company irrevocably opted at the outset to recognize in this category. These are strategic investments and the Group considers this classification to be more appropriate; and
- debt instruments whose contractual cash flows consist solely of interest and principal repayment flows and whose management objective is to collect the contractual flows and sell the assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IFRS 9. For the Group, borrowings and financial debts, trade payables and other payables 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 liability to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at the market interest rate. 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.

Debt renegotiation: on April 18, 2018, Fnac Darty renegotiated its Revolving Credit Facilities (€400 million) and term loan agreement (€200 million) with its banking partners. On the basis of qualitative analysis, the Group concluded that the debt renegotiation is analyzed according to IFRS 9 as settlement of the former debt. Consequently, the former debt was derecognized and the resulting loss was recognized in net financial income for €5.9 million.

Hedging relationships are detailed in section 2.11.3 “Derivative instruments”.

Financial liabilities designated at fair value on options, other than derivative liabilities, are valued at fair value. Changes in fair value are recognized in the income statement except for the change in fair value due to a change in Fnac Darty’s credit spread, which is recognized in other items of comprehensive income. Transaction costs connected with the establishment of these financial liabilities are recognized 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 currency 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 (hedged or unhedged), and they are valued at their fair value on the transaction date. Changes in the fair value of derivative instruments are recognized on the income statement except in the case of cash flow and net investment hedges for the effective portion.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risks: As of December 31, 2018, Fnac Darty only had cash flow hedging derivatives in its portfolio. These derivatives are used to hedge the risk of changes in cash flows associated with recognized assets or liabilities or a highly probable planned transaction that could affect the consolidated income statement.

Hedge accounting is applicable if, and only if, the following conditions are met:

- the hedging relationship consists solely of items eligible for hedge accounting;
- a hedging relationship is clearly identified, formalized and documented from the date it is set up; and
- the hedging relationship meets the criteria for effectiveness:
  - economic relationship between the hedged item and the hedge,
  - no preponderance of credit risk in the change in fair value of the hedging item and the hedged item, and
  - the hedging ratio of the hedging relationship is equal to the ratio between the quantity of the hedged item that is hedged by the entity and the quantity of the hedging instrument that the entity uses to hedge that quantity of the hedged item.

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.

As of December 31, 2018, Fnac Darty had in its portfolio only forward currency derivatives used to hedge commercial transactions and qualified as cash flow hedges:

- the effective portion of the change in fair value of the hedging instrument is recorded directly as a contra item to other items of comprehensive income. These amounts are reclassified to the income statement in line with the method of accounting for the hedged items, i.e., as gross margin for hedges of commercial transactions;
- the ineffective portion of the hedge is recognized in the income statement; and
- on the other hand, Fnac Darty considers the cost of hedging currency risk as a cost related to the hedged transaction. As a result, the change in the interest rate component of forward currency hedges is recognized in other comprehensive income and reclassified to the income statement in line with the method of accounting treatment for the hedged items, i.e., as gross margin for commercial transaction hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the consolidated 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.

As of December 31, 2018, under the item "Cash and cash equivalents", Fnac Darty had only cash and UCITS units recognized at fair value through the income statement.

Investments for a term of over three months and frozen or pledged bank accounts are not included in cash. Bank overdrafts appear under financial debt 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 Net financial debt

The Group's net financial debt includes:

- cash and cash equivalents (see 2.11.4);
- short-term and long-term credits, and bank overdrafts: this item essentially includes the bond maturing in 2023 and the medium-term credit facility (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-based compensation plans, with cash settlement, were allotted by the Group to employees. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, corresponding to the fair value of the instruments delivered, is valued on the allotment date, then revalued at each period-end. 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 payable to personnel. The change in the fair value of the amount payable is recorded in the income statement for each year.

Share-based transactions paid in equity instruments

Performance-based compensation plans, with settlement in equity instruments, were allotted by the Group to employees. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, corresponding to the fair value of the instruments delivered, is valued on the allotment date with no further revaluation. The mathematical models used for these valuations are described in note 7.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.13 / Income tax

The tax expense for the year consists of due and deferred tax.

Deferred tax is calculated according to the balance sheet liability method on all timing differences between the book value on the consolidated balance sheet and the taxable 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 substantively enacted tax rate at the period-end 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 carry-forward of tax losses and tax credits.

Deferred tax assets are recognized only if it appears probable that the Group will have future taxable profits against which these assets can be charged.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering deferred tax assets is reviewed periodically per tax entity and may, if applicable, lead to no longer recognizing deferred tax assets previously recorded. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income included at this stage is the income received over a two-year period. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and tax credit 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, associates and joint ventures, unless the Group is able 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 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 recognized 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 agreement and the share buyback program started in 2018 do not schedule any obligation to buy back treasury stock at the end of the period.

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 outflow 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 period-end. The discount rate used reflects the current assessments of the time value of money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before period-end. The restructuring costs recorded in provisions correspond mainly to employee-related costs (severance pay, early retirement, lack of notice periods etc.) and compensation for termination of 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 unit credit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services, and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately as other items of comprehensive income (and are never recorded as profit or loss) for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan is recognized immediately in the income statement even if the rights to the benefit have not been vested for the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in net financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Payments and costs of past services are recognized as current operating income. Reductions are recognized as current operating income in the case of departures of employees who are replaced and as non-current operating income for departing employees who are not replaced. The provision recognized on the balance sheet corresponds to the discounted value of the commitments 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 reporting of the assets (or group of assets) held for sale and discontinued operations that have 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 disposal. 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 periods.

A discontinued operation that was sold or is held for sale is defined as a component of the Group having separate cash flows from the rest of the Group and which represents a principal and distinct business line or 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 from ordinary activities consists of pre-tax revenue and other revenues.

Pre-tax revenue corresponds to revenues made in stores, on e-commerce sites (sales to end customers) and in warehouses (sales to franchises).

Other revenues consist of ticketing activities, the sale of gift boxes, certain warranty extensions and internet sales generated on behalf of suppliers (Marketplace).

Recognition of revenue and other revenues

Revenue from in-store sales, which represents the bulk of the Group's revenues, is recognized at the time of customers' checkout transactions in accordance with IFRS 15. Transfer of control occurs when the goods and services are transferred to the customers. Sales do not include any other performance obligations that have not been fulfilled at that date. When in-store sales are accompanied by a right of return, the conditions for exercising this right are limited to certain categories of products and are time-limited in accordance with the regulations of the countries concerned and/or in accordance with the Group's general terms and conditions of sale.

E-commerce sales consist both of revenue from sales made on the Group's e-commerce sites (direct sales) and of commissions received for e-commerce sales made by the Group on behalf of third parties (Marketplaces). The Group acts as the principal for sales it makes on its own behalf on the Group's e-commerce sites (direct sales). Revenue from direct sales is recognized when delivery has taken place (date of transfer of control of the goods sold). As with in-store sales of goods, direct e-commerce sales are subject to a right of return, for which conditions of exercise are time-limited. For sales in the Marketplaces, the Group acts as an agent; the revenues recognized correspond to fees invoiced to suppliers for the sales made.

Revenue from sales to the franchises is recognized when delivery has taken place (date of transfer of control of the goods sold).

The accounting treatment of franchise fees is governed by the specific provisions of IFRS 15 on licenses of intellectual property (right of access license).

Recognition of customer loyalty programs

The sale of a good or service accompanied by the awarding of loyalty points constitutes a contract comprising two distinct "performance obligations":

- a good or service delivered immediately; and
- a right to receive goods or services at a reduced price in the future.

The amount received for the sale is allocated between the two "performance obligations" in proportion to their respective specific selling prices and recognized as a deduction from the initial sale, after taking into account an expiration rate corresponding to the probability of use of the benefits by the members, estimated according to a statistical method.

Revenues consist primarily of the sale of merchandise and services provided by the Group's stores and e-commerce websites, the sale of merchandise to the franchises and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, income from breakage of gift vouchers and cards are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Customer loyalty programs and the benefits customers receive as part of the loyalty programs are counted separately from the original sale. These benefits are valued at their fair value and recognized as a deduction from the original sale, after applying a redemption rate corresponding to the probability that the member will use the benefit, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the schedule of benefits offered.

Sales of goods are recognized when a Group entity has transferred control of a good to the buyer. Control is generally transferred 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, liabilities may be recognized as a reduction from the proceeds of ordinary activities, in order to allow for any return of merchandise that could take place after period-end.

The provision of services, such as sales of warranty extensions or services related directly to the sale of the goods, is recognized in the period in which the services are rendered. If the Group entity 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 ticketing activities, the sale of gift boxes, certain warranty extensions and internet 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 expenses are recurrent or whether they result from one-off operations or decisions.

The cost of merchandise sales includes, among other items, purchases net of returned products, and commercial cooperations, which are measured on the basis of contracts signed with the suppliers and result in the invoicing of installment payments during the year. At period-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contract conditions, such as thresholds reached or growth in purchasing volumes for discounts and the performance of services rendered to suppliers for commercial cooperation.

For the reader's benefit, unusual and material items at Group level are identified under operating income as "Other non-current operating income and expense".

Other non-current operating income and expense, excluding current operating income, includes:

- restructuring costs and costs relating to staff adjustment measures;
- impairment on capitalized assets identified primarily in the context of impairment tests on cash generating units (CGU) and goodwill;
- gains or losses linked to changes in the scope of consolidation (acquisition or disposal);
- major disputes that do not arise from the Group's operating activities.

2.20 / Earnings per share

Net earnings per share are calculated by dividing net income, Group share by the weighted average number of shares outstanding during the period.

Diluted net earnings per share are calculated by dividing the net income, Group share for the period by the average number of shares outstanding together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net income excluding non-current items per share is calculated by correcting the net income, Group share for non-current items in the amount of those items net of tax and non-controlling interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expense" 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 and 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 income is 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 performance indicators common to all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographical regions composed of several countries in which the Group conducts its operations through stores:

- France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France and French territories, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast and Congo, which are managed from France;
- Iberian Peninsula: this segment consists of Group activities performed and grouped in Spain and Portugal;
- Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3 HIGHLIGHTS

3.1 / Changes in the scope of consolidation

In 2018, Fnac Darty and the Carrefour Group created the GIE *(Groupement d'intérêt économique*) called Fourty, tasked with pooling purchases of consumer electronic products and appliances in France for both groups. GIE Fourty is a joint venture within the meaning of IFRS 11. As from the first half of 2018, this company is consolidated using the equity method.

In 2018, the scope of consolidation was also impacted by the acquisition of a 51% stake in WeFix, a company specialized in the express repair of smartphones, with 59 points of sale in France and Belgium. Its team of experts offers a fast repair service for the main smartphone models. WeFix carries out over 12,000 repairs per month and offers a range of reconditioned smartphones and accessories. By joining forces with Fnac Darty, WeFix can accelerate the development of its network of points of sale and set up dedicated corners in Group stores, with the aim of doubling the size of the network over the next two years. WeFix can also complete its service offering through the Fnac Darty offering. Furthermore, the Group is committed to purchasing minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

3.2 / Other significant events

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023.

On the basis of qualitative analysis, the Group concluded that the debt renegotiation is analyzed according to IFRS 9 as settlement of the former debt. Consequently, the former debt was derecognized and the resulting loss was recognized in net financial income for €5.9 million.

In 2018, Fnac Darty's first Employee Stock Ownership Plan was rolled out for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland. Nearly 4,500 employees chose to buy Fnac Darty shares on preferential terms. The subscription price per share as part of this transaction was set at €73.72. This was equal to the average opening price of Fnac Darty shares on the Euronext Paris market for the 20 trading days prior to the allotment decision, less a 20% discount. All subscribers to the Offer benefited from a matching contribution made by the Company corresponding to 100% of their initial contribution, up to a limit of €700 gross. The Offer resulted in a capital increase in the total gross amount of €90,558 through the issuance of 90,558 new shares at a subscription price per unit of €1, on July 16, 2018. 4,464 employees in the six countries concerned, representing 18% of the Group's workforce as of June 30, 2018, chose to subscribe to the Offer. The shares were issued on July 16, 2018. The new shares issued as part of the Offer are ordinary shares of the Company. They were admitted to trading on the Euronext Paris market immediately after their issue, on the same listing line as existing shares. The shares issued will bear immediate rights and will be fully assimilated upon issue to existing shares. The total matching contribution was expensed as personnel expenses and amounted to €2.4 million net of social security charges. Charges relating to the implementation of the plan were recorded as a deduction on the issue premium. This transaction had no material dilutive impact.

Fnac Darty is continuing its partnership strategy in connection with the Confiance+ plan and announced on July 4 the signing of an exclusive agreement between BCC, its Dutch subsidiary specializing in electronics and household appliances, and Dutch online retailer Wehkamp. According to this agreement, which came into effect in October 2018, BCC made its entire product line available to Wehkamp and manages purchasing (electronics and household appliances) for both banners. In return, it benefits from the digital expertise of its partner, as well as its logistical capacity for small parcels. BCC delivers and installs large household appliances and televisions. In the long term, both companies wish to extend their partnership to other services, such as after-sales service, operated by BCC at home or in-store, or financing solutions.

On July 27, 2018, the French Competition Authority published a decision on the conditions for executing the commitments made under Decision 16-DCC-111 of July 27, 2016 for the exclusive takeover of Darty by Fnac. Before July 31, 2017 Fnac Darty was to dispose of six points of sale. Three points of sale were sold to buyers approved by the French Competition Authority. Regarding Darty's points of sale not sold in Belleville and Saint-Ouen, Fnac Darty proposed a buyer in accordance with its commitments, which the Authority did not authorize. Regarding the Fnac point of sale in Beaugrenelle, Fnac Darty requested an extension to the deadline for execution of its commitment, which the Authority also refused. The Board of the French Competition Authority decided to intervene as of April 18, 2017 to verify the conditions under which the Group executed the commitments it made. The intervention has been ongoing since that date. In its decision of July 27, 2018, the Authority requested the disposal of the Darty Passy and Darty Montmartre stores in lieu of the commitments to sell the Darty Saint-Ouen, Darty Belleville and Fnac Beaugrenelle points of sale, and issued a fine in the amount of €20 million. The fine was paid in November 2018. An appeal is currently pending before the French Council of State in respect of this fine. As of December 31, 2018, the Group sold the Darty Passy store and signed a promise of sale for the Darty Montmartre store.

On October 19, 2018, Fnac Darty announced the implementation of a treasury stock buyback program, in the amount of 535,000 shares, or approximately 2% of its capital. This program will have a maximum term of 24 months and the unit price of each share will be capped at €130. These shares are intended to be canceled so as to offset the dilutive effects of performance share plans or past stock option plans. As of December 31, 2018, the number of shares purchased and canceled stood at 198,250 shares for an amount of €11.2 million. Fnac Darty reserves the right to revoke the stock buyback mandate at any time. As a result, no debt was recognized in the financial statements as of December 31, 2018.

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.

Income and expense with no impact on cash mainly includes current and non-current additions and reversals of depreciation and amortization 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 payables on non-current assets. They do not include capital investments under a finance lease agreement.

Non-current segment assets consist of goodwill and other intangible assets, property, plant and equipment, and other non-current assets. Segment assets consist of non-current segment assets, inventory, trade receivables, customer loans and other current assets. Segment liabilities consist of the financing for customer loans, trade payables and other current liabilities.

The operating segments break down as follows:

- France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France and French territories, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast, Cameroon and Congo, which are managed from France;
- Iberian Peninsula: this segment consists of Group activities performed and grouped in Spain and Portugal;
- Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The new operating segments reflect the new structure of Fnac Darty. The principle of "one Group, two banners" requires the consolidation of activities by country. This means that the operating segments consolidate the different brands according to their geography.

4.1 / Information by operating segment

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
DECEMBER 31, 2018				
INCOME FROM ORDINARY ACTIVITIES	**5,835.2**	**703.1**	**936.4**	**7,474.7**
Consumer electronics	2,881.4	406.8	491.3	3,779.5
Editorial products	973.7	220.1	55.9	1,249.7
Household appliances	1,326.4	0.0	344.2	1,670.6
Other products and services	653.7	76.2	45.0	774.9
OPERATING INCOME	**228.2**	**24.7**	**4.3**	**257.2**
Income and expense with no impact on cash [(a)]	63.7	10.3	5.6	79.6
Acquisitions of intangible assets, property, plant & equipment [(b)]	97.4	10.6	9.9	117.9
SEGMENT ASSETS	**3,811.6**	**196.4**	**420.9**	**4,428.9**
SEGMENT LIABILITIES	**2,322.1**	**302.4**	**249.0**	**2,873.5**

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
DECEMBER 31, 2017				
INCOME FROM ORDINARY ACTIVITIES	**5,855.9**	**675.5**	**916.8**	**7,448.2**
Consumer electronics	2,955.9	404.1	484.7	3,844.7
Editorial products	975.9	215.4	58.5	1,249.8
Household appliances	1,325.2	0.0	334.2	1,659.5
Other products and services	598.9	56.0	39.3	694.2
OPERATING INCOME	**184.5**	**22.7**	**9.6**	**216.8**
Income and expense with no impact on cash [(a)]	116.0	9.8	7.8	133.6
Acquisitions of intangible assets, property, plant & equipment [(b)]	93.2	9.8	10.9	113.9
SEGMENT ASSETS	**3,732.7**	**186.5**	**402.3**	**4,321.5**
SEGMENT LIABILITIES	**2,284.8**	**288.2**	**216.6**	**2,789.6**

(a) Income and expense with no impact on cash include:
- *current and non-current depreciation and amortization and impairment of non-current assets;*
- *current & non-current additions and reversals and provisions for contingencies and expenses;*
- *allocations, reversals and discounting of provisions for pensions and other similar benefits;*
- *non-disbursable income and expenses related to stock options and similar items;*
- *income from disposal of operating and financial assets;*
- *allocations to and reversals of deferred taxes.*

(b) Purchases of intangible assets and property, plant & equipment, including change in receivables and payables on assets.

4.2 / Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2018	2017
Goodwill	1,559.5	1,541.4
Intangible assets	480.0	473.0
Property, plant & equipment	620.2	611.2
Other non-current assets	0.0	0.0
Non-current segment assets	**2,659.7**	**2,625.6**
Inventories	1,091.8	1,072.8
Trade receivables	271.8	265.1
Other current assets	405.6	358.0
SEGMENT ASSETS	**4,428.9**	**4,321.5**
Non-current financial assets	20.6	15.9
Equity interests	19.7	22.0
Deferred tax assets	66.8	59.9
Tax receivables due	41.8	50.2
Other current financial assets	14.2	22.3
Cash and cash equivalents	918.6	774.9
Assets held for sale	0.0	3.1
TOTAL ASSETS	**5,510.6**	**5,269.8**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	2018	2017
Trade payables	1,876.7	1,765.6
Other current liabilities	805.5	828.6
Other non-current liabilities	191.3	194.6
SEGMENT LIABILITIES	**2,873.5**	**2,788.8**
Shareholders' equity – Group share	1,253.5	1,096.0
Shareholders' equity – Share attributable to non-controlling interests	7.5	7.0
Long-term borrowings and financial debt	855.1	853.8
Deferred tax liabilities	189.9	192.7
Provisions for pensions and other similar benefits	161.5	179.8
Short-term borrowings and financial debt	56.1	7.2
Other current financial liabilities	15.9	18.5
Provisions	51.9	72.5
Tax liabilities payable	44.4	47.3
Payables relating to assets held for sale	1.3	6.2
TOTAL LIABILITIES	**5,510.6**	**5,269.8**

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2018**	**2017**
Net sales of goods	6,699.8	6,754.0
Net sales of other Products and Services	774.9	694.2
INCOME FROM ORDINARY ACTIVITIES	**7,474.7**	**7,448.2**

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 warranty extensions, which are recognized on a straight-line basis throughout the term of the warranty, reflecting the schedule of benefits offered. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, gift boxes, "NES" warranty extensions, commissions on sales of credit, insurance and subscriptions, and Marketplace commissions and franchise fees), as well as reinvoicing of shipping costs and commissions, and the proceeds from breakage of gift vouchers and cards.

The breakdown of income from ordinary activities is detailed in note 4.

NOTE 6 PERSONNEL EXPENSES

Personnel expenses mainly include fixed and variable compensation, social security contributions, expenses related to employee profit-sharing and other incentives, training costs and expenses related to employee benefits recognized in current operating income.

(€ million)	**2018**	**2017**
France-Switzerland	(900.5)	(893.0)
Iberian Peninsula	(70.0)	(67.5)
Benelux	(134.7)	(132.6)
TOTAL PERSONNEL EXPENSE	**(1,105.1)**	**(1,093.1)**

In 2018, personnel expenses included an expense of €9.1 million related to the application of IFRS 2 for all share-based transactions involving Group shares. In 2017, the expense related to the application of IFRS 2 was €9.0 million.

In 2018 the IFRS 2 expense of €9.1 million is allocated between an IFRS 2 expense of €0.2 million related to the Employee Stock Ownership Plan and €8.9 million related to performance-based compensation plans.

In 2018, the Group's first Employee Stock Ownership plan was rolled out for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland. Nearly 4,500 employees chose to buy Fnac Darty shares on preferential terms. The subscription price per share as part of this transaction was set at €73.72. This was equal to the average opening price of Fnac Darty shares on the Euronext Paris market for the 20 trading days prior to the allotment decision, less a 20% discount. All subscribers to the Offer benefited from a matching contribution made by the Company corresponding to 100% of their initial contribution, up to a limit of €700 gross. The Offer resulted in a capital increase in the total gross amount of €90,558 through the issuance of 90,558 new shares at a subscription price per unit of €1, on July 16, 2018. 4,464 employees in the six countries concerned, representing 18% of the Group's workforce as of June 30, 2018, chose to subscribe to the Offer. The shares were issued on July 16, 2018. The new shares issued as part of the Offer are ordinary shares of the Company. They were admitted to trading on the Euronext Paris market immediately after their issue, on the same listing line as existing shares. The shares issued will bear immediate rights and will be fully assimilated upon issue to existing shares. The total matching contribution was expensed as personnel expenses and amounted to €2.7 million including social security charges. As such, the total net impact of the Employee Stock Ownership plan (IFRS 2 expense included) in personnel expenses is €2.9 million.

Charges relating to the implementation of the plan were recorded as a deduction on the issue premium. This transaction had no material dilutive impact.

The average paid workforce for the Group's activities, in full-time equivalent, breaks down as follows:

	2018	2017
France-Switzerland	16,205	17,049
Iberian Peninsula	2,836	2,801
Benelux	2,963	3,078
TOTAL AVERAGE PAID WORKFORCE	**22,004**	**22,928**

The registered workforce as of December 31, for the Group's activities was as follows:

	2018	2017
France-Switzerland	17,985	18,561
Iberian Peninsula	4,017	4,022
Benelux	3,145	3,236
TOTAL REGISTERED WORKFORCE	**25,147**	**25,819**

NOTE 7 PERFORMANCE-BASED COMPENSATION PLANS

The fair value of all performance-based compensation plans was measured using the Black & Scholes method assuming 25% price volatility of Fnac Darty shares.

7.1 / Performance option plans

The total IFRS 2 expense recognized as of December 31, 2018 for the performance stock option plans awarded in 2015, 2017 and 2018 amounted to €1.1 million.

2018 plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018, the Board of Directors decided to award performance options to certain Group executives, in an effort to retain them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments.

The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.

The total IFRS 2 expense recognized as of December 31, 2018 for the 2018 performance stock option plan amounted to €0.7 million.

The main features are summarized below:

Main features	2018-2021 performance option plan
Date of Board of Directors' meeting	May 18, 2018
Vesting period	2 years/3 years
Exercise price	€89.43
Number of beneficiaries at inception	11
Number of beneficiaries as of December 31, 2018	11
Performance condition	Yes

Number of stock options	2018-2021 performance option plan
Allotted	97,438
Being vested as of January 1, 2018	**0**
Vested in 2018	0
Canceled in 2018	0
Being vested as of December 31, 2018	**97,438**

2017 plan

The total IFRS 2 expense recognized as of December 31, 2018 for the 2017 performance option plan amounted to €0.4 million.

The main features are summarized below:

Main features	2017-2020 performance option plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	2 years/3 years
Exercise price	€66.23
Number of beneficiaries at inception	15
Number of beneficiaries as of December 31, 2018	7
Performance condition	Yes

Number of stock options	2017-2020 performance option plan
Allotted	300,000
Being vested as of January 1, 2018	**112,786**
Vested in 2018	0
Canceled in 2018	25,482
Being vested as of December 31, 2018	**87,304**

2015 plan

The second tranche of the 2015 performance option plan was vested on September 30, 2018. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2018 (average of €70.25) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2018. These options may be exercised between October 1, 2018 and September 30, 2019. The total IFRS 2 expense recognized as of December 31, 2018 for the 2015 performance option plan amounted to €0.0 million.

The main features are summarized below:

Main features	2015-2018 performance option plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries as of December 31, 2018	0
Performance condition	Yes

Number of stock options	2015-2018 performance option plan
Allotted	164,954
Being vested as of January 1, 2018	**35,051**
Vested in 2018	32,300
Canceled in 2018	2,751
Being vested as of December 31, 2018	**0**

7.2 / Bonus share plan

The total IFRS 2 expense recognized as of December 31, 2018 for the bonus share plans granted in 2015, 2016, 2017 and 2018 amounted to €7.8 million.

2018 plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018 the Board of Directors noted the allotment of bonus shares to certain Group employees (167 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The duration of this plan is three years (May 18, 2018 – May 17, 2021). These shares will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.

The total IFRS 2 expense recognized as of December 31, 2018 for the 2018 bonus share plan amounted to €1.5 million.

The main features are summarized below:

Main features	2018-2021 bonus share plan
Date of Board of Directors' meeting	May 18, 2018
Vesting period	2 years/3 years (May 18, 2018 to May 17, 2020 for the first period and May 18, 2018 to May 17, 2021 for the second period)
Number of beneficiaries at inception	167
Number of beneficiaries as of December 31, 2018	164
Performance condition	Yes

Number of bonus shares	2018-2021 bonus share plan
Allotted	109,817
Vested in 2018	0
Canceled in 2018	873
Being vested as of December 31, 2018	**108,944**

2017 plans

The total IFRS 2 expense recognized as of December 31, 2018 for the December 2017 bonus share plan amounted to €3.0 million.

The main features are summarized below:

Main features	2017-2019 bonus share plan
Date of Board of Directors' meeting	December 15, 2017
Vesting period	Greater than 2 years (December 15, 2017 – third trading day following the publication of the annual results for 2019)
Number of beneficiaries at inception	39
Number of beneficiaries as of December 31, 2018	37
Performance condition	Yes

Number of bonus shares	2017-2019 bonus share plan
Allotted	92,500
Being vested as of January 1, 2018	**92,500**
Vested in 2018	0
Canceled in 2018	7,927
Being vested as of December 31, 2018	**84,573**

The total IFRS 2 expense recognized as of December 31, 2018 for the 2017 bonus share plan amounted to €2.7 million.

The main features are summarized below:

Main features	2017-2021 bonus share plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	
French residents	2 years (May 2, 2017 – May 1, 2019)
Non-French residents	4 years (May 2, 2017 – May 1, 2021)
Holding period	
French residents	2 years (May 2, 2019 – May 1, 2021)
Number of beneficiaries at inception	150
Number of beneficiaries as of December 31, 2018	129
Performance condition	Yes

Number of bonus shares	2017-2021 bonus share plan
Allotted	122,000
Being vested as of January 1, 2018	**92,124**
Vested in 2018	0
Canceled in 2018	6,594
Being vested as of December 31, 2018	**85,530**

2016 plan

The 2016 bonus share plan expired on June 16, 2018 for French residents. Based on the average closing price of the Fnac Darty share over the 20 trading days prior to June 17, 2018 (average of €89.80) and the performance conditions, 100% of the shares were vested for the beneficiaries employed on June 16, 2018. These shares may be sold at the end of a two-year holding period.

The total IFRS 2 expense recognized as of December 31, 2018 for the 2016 bonus share plan amounted to €0.5 million.

The main features are summarized below:

Main features	2016-2020 bonus share plan
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Non-French residents	4 years (June 17, 2016 – June 16, 2020)
Holding period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries as of December 31, 2018	29
Performance condition	Yes

Number of bonus shares	2016-2020 bonus share plan
Allotted	96,525
Being vested as of January 1, 2018	**54,067**
Vested in 2018	44,245
Canceled in 2018	330
Being vested as of December 31, 2018	**9,492**

2015 plan

The total IFRS 2 expense recognized as of December 31, 2018 for the 2015 bonus share plan amounted to €0.1 million.

The main features are summarized below:

Main features	2015-2019 bonus share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Non-French residents	4 years (March 2015 – February 2019)
Holding period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries as of December 31, 2018	26
Performance condition	Yes

Number of bonus shares	2015-2019 bonus share plan
Allotted	82,494
Being vested as of January 1, 2018	**10,721**
Vested in 2018	0
Canceled in 2018	374
Being vested as of December 31, 2018	**10,347**

7.3 / Sensitivity analysis to changes in market performance conditions and to changes in non-market performance conditions

As of December 31, 2018, changes in the fair value of plan commitments, with respect to market and non-market performance conditions (current operating income, synergies), are assessed according to actual performance using the criteria that can be measured at the time, and the best estimate of future performance conditions for the others.

At the end of each plan, the fair value of the commitment in respect of market and non-market performance conditions is adjusted if necessary depending on the effective execution of the performance conditions measured.

NOTE 8 ASSOCIATES

Fnac Darty exercises significant influence within certain companies, called associates. Associates are consolidated using the equity method. The activity of these companies is part of the extension of the Group's operating activity. These companies are consolidated in the Group's internal reporting in accordance with IFRS 8, and the operating performance is monitored at the level of each business division to which they belong.

The Fnac Darty consolidated financial statements include the transactions executed by the Group within the normal context of its activities with associates. These transactions are executed under normal market conditions.

8.1 / Share of profit from equity associates

(€ million)	**2018**	**2017**
France-Switzerland	1.9	2.2
Iberian Peninsula	0.0	0.0
Benelux	(0.2)	(0.3)
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**1.7**	**1.9**

Profit from equity associates primarily represents the income of Ménafinance and Izneo, in which the Group has a 50% stake.

(€ million)	**2018**	**2017**
Ménafinance	2.0	2.4
Izneo	(0.1)	(0.2)
Vanden Borre Kitchen	(0.2)	(0.3)
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**1.7**	**1.9**

Ménafinance is a financial company held by the Group jointly with Crédit Agricole Consumer Finance. It offers credit solutions for the Group's customers in France.

Izneo is a player in the French-speaking digital comics market and offers an online comics reading service in the form of a website and mobile applications. Izneo is held by Fnac Darty jointly with a group of publishers in the comic book industry.

Vanden Borre Kitchen is a company operating in the equipped kitchen market in Belgium. It is held jointly by the Group and FBD Group.

8.2 / Investments in associates

The change in the item "Investments in associates" can be analyzed as follows:

(€ million)	Associates	Ménafinance	Izneo	Vanden Borre Kitchen
INVESTMENTS IN ASSOCIATES AS OF DECEMBER 31, 2017	**22.0**	**21.1**	**1.2**	**(0.3)**
Profit from equity associates	**1.7**	2.0	(0.1)	(0.2)
Dividends paid	**0.0**			
Change to scope of consolidation	**0.0**			
Translation differences	**0.0**			
Impact of first application of IFRS 9	**(4.1)**	(4.1)		
INVESTMENTS IN ASSOCIATES AS OF DECEMBER 31, 2018	**19.7**	**19.1**	**1.1**	**(0.5)**

8.3 / Data on investments in associates

The data below is presented at 100% under IFRS:

	2018
(€ million)	Ménafinance
Assets:	
Interbank transactions and similar	6.7
Transactions with customers	309.2
Accruals and other assets	10.7
Liabilities:	
Interbank transactions and similar	269.8
Other liabilities excluding shareholders' equity	29.2
Net banking income	25.6
Operating income (loss)	6.9
Net income	4.1

	2018	
(€ million)	Izneo	Vanden Borre Kitchen
Non-current assets	1.9	0.0
Current assets	1.8	0.4
Non-current liabilities	0.8	0.0
Current liabilities	2.1	1.5
Revenues	2.4	0.9
Operating income	(0.3)	(0.3)
Net income	(0.2)	(0.4)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is broken down as follows:

(€ million)	**2018**	**2017**
France-Switzerland	265.4	234.4
Iberian Peninsula	25.4	23.6
Benelux	5.2	12.1
CURRENT OPERATING INCOME	**296.0**	**270.1**

Current operating income was €296.0 million in 2018 (compared to €270.1 million in 2017).

In addition to depreciation, amortization and provisions, other operating income and expense are mainly composed of rental charges, transport costs and external communication costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSE

(€ million)	**2018**	**2017**
Fine from French Competition Authority	(20.0)	0.0
Fnac Darty restructuring costs	(9.7)	(46.7)
Costs related to the acquisition and consolidation of Darty	(1.4)	(1.4)
Costs connected with WeFix acquisition	(1.0)	0.0
Other restructuring costs	(6.4)	(5.1)
Other risks	(0.3)	(0.1)
OTHER NON-CURRENT OPERATING INCOME AND EXPENSE	**(38.8)**	**(53.3)**

For the reader's benefit, unusual and material items at Group level are identified under operating income as "Other non-current operating income and expense".

As of December 31, 2018, they represented a net expense of €38.8 million, comprised of:

- €20.0 million in expenses related to the fine levied by the French Competition Authority in connection with the store disposal process;
- €1.4 million in expenses related to costs derived from the consolidation of Darty;
- €9.7 million in restructuring costs, related mainly to the implementation of the Group's new organizational structure. In 2018, these expenses were mainly attributable to the Remote Customer Service restructuring plan to streamline the industrial processes of this activity and refocus on technical expertise, the core business of Darty's sales staff;
- €1.0 million in costs related to the acquisition of WeFix;
- €6.4 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty. These costs also include the termination of the Fnac Tourisme business.

As of December 31, 2017, they represented a net expense of €53.3 million composed of:

- €46.7 million in restructuring costs in France and internationally related to:
  - the implementation of the new Group organizational structure. The Group announced an independent voluntary departure plan for employees which was opened at the Group's registered office at the end of an employee consultation process. 111 positions are expected to be eliminated. Jobs were discontinued exclusively on a voluntary basis, without a forced departure phase, and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with trade union organizations,
  - the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of service in home servicing call-outs and to continue to adapt our repair workshops and supplier return management, and
  - the closing of the Wissous 2 Fnac logistics warehouse with the move of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;
- €1.4 million in costs derived from the consolidation of Darty; and
- €5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

(€ million)	**2018**	**2017**
Costs related to Group debt	(36.0)	(34.2)
Cost of consumer credit	(4.9)	(6.1)
Other net financial expenses	(1.7)	(3.7)
TOTAL	**(42.6)**	**(44.0)**

In 2018, net financial income comprised a financial expense of €42.6 million, compared with a financial expense of €44.0 million in 2017.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023.

The cost of net financial debt for the Group mainly comprised the financial interest for the €650 million bond and the €200 million medium-term credit facility. In 2018, it also included a €5.9 million expense in connection with the renegotiation of the terms governing the credit facilities and factored in the remaining costs to be amortized from the previous agreement.

Other net financial expenses primarily include financial costs related to employee benefits, and impairments of financial assets. The improvement of this item is primarily linked to a reclassification at fair value through the income statement of the Daphni financial asset pursuant to the application of the new IFRS 9.

NOTE 12 TAX

12.1 / Analysis of the tax expense on continuing operations

12.1.1 Tax expense

(€ million)	2018	2017
PRE-TAX INCOME	**214.6**	**172.8**
Current tax expense excluding corporate value-added tax (CVAE)	(55.0)	(40.3)
Current tax expense related to corporate value-added tax (CVAE)	(20.2)	(20.4)
Deferred tax income/(expense)	10.2	12.4
TOTAL TAX EXPENSE	**(65.0)**	**(48.3)**
EFFECTIVE TAX RATE	**30.29%**	**27.95%**

Income tax includes the tax expense paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2018, the Group recognized a total income tax expense of €65.0 million, compared to €48.3 million for 2017, an increase of €16.7 million. The current tax expense in 2017 included the temporary corporation tax surcharge in the amount of €9.0 million, but was offset by the favorable impact of deferred tax, and specifically by the recognition for the first time of the tax effect of timing differences and the outlook for reduced tax rates in France. Overall, the increase in tax expense in 2018 is associated with the improvement in income (which, as was the case in 2017, is offset to a lesser extent by the favorable impact of deferred tax).

12.1.2 Streamlining of the income tax rate

(as % of pre-tax income)	2018	2017
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**34.43%**
Impact of the taxation of foreign subsidiaries	(1.65%)	(1.65%)
THEORETICAL TAX RATE	**32.78%**	**32.78%**
Impact of items taxed at a lower rate	0.00%	0.00%
Impact of permanent timing differences	1.15%	(0.98%)
Impact of unrecognized timing differences	(0.02%)	(9.01%)
Impact of unrecognized tax-loss carry-forwards	1.29%	(0.27%)
Impact of the corporate value-added tax (CVAE)	6.33%	7.90%
Impact of the reduction of the French income tax rate	(10.09%)	(3.17%)
Impact of tax reassessments	0.00%	0.00%
Other exceptional taxes	(1.15%)	0.70%
EFFECTIVE TAX RATE	**30.29%**	**27.95%**

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2018 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, 26.5% by 2021 and 25.0% by 2022. The Group net tax expense takes these reductions into consideration.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

12.2 / Change in balance sheet items

12.2.1 Tax due

(€ million)	2017	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2018
Tax receivables due	50.2				41.8
Tax liabilities payable	(47.3)				(44.4)
TAXES PAYABLE	**2.9**	**(75.2)**	**69.8**	**(0.1)**	**(2.6)**

(€ million)	2016	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2017
Tax receivables due	19.4				50.2
Tax liabilities payable	(62.2)				(47.3)
TAXES PAYABLE	**(42.8)**	**(60.7)**	**98.3**	**8.1**	**2.9**

12.2.2 Deferred tax

(€ million)	2017	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2018
Deferred tax assets	59.9	7.2	(0.5)	0.2	66.8
Deferred tax liabilities	(192.7)	2.9		(0.1)	(189.9)
NET DEFERRED TAXES	**(132.8)**	**10.2**	**(0.5)**	**0.1**	**(123.1)**

(€ million)	2017	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2018
Provisions for pensions and other similar benefits	39.9	(0.4)	(0.7)		38.8
Tax losses and tax credits recognized	10.7	(10.7)		0.2	0.2
Darty & Vanden Borre brands	(94.4)	2.2		(0.3)	(92.5)
Other assets & liabilities	(89.0)	19.1	0.2	0.2	(69.6)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**(132.8)**	**10.2**	**(0.5)**	**0.1**	**(123.1)**

(€ million)	2016	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Deferred tax assets	41.5	16.9	0.0	1.5	59.9
Deferred tax liabilities	(188.8)	(2.3)	(0.1)	(1.5)	(192.7)
NET DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

(€ million)	2016	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Provisions for pensions and other similar benefits	39.3	0.8	(0.1)	(0.1)	39.9
Tax losses and tax credits recognized	12.3	(1.6)	0.0	0.0	10.7
Darty & Vanden Borre brands	(104.1)	9.7	0.0	0.0	(94.4)
Other assets & liabilities	(94.8)	5.7	(0.0)	0.1	(89.0)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

12.3 / Deferred tax not recognized

The change in tax losses and unused tax credits is as follows:

(€ million)	2018	2017
Unrecognized tax losses	238.2	288.7
Unrecognized timing differences	0.0	0.0
TOTAL UNRECOGNIZED TAX BASES	**238.2**	**288.7**

The non-capitalized tax losses represent the tax losses of the Group's subsidiaries in the United Kingdom, the Netherlands and Belgium, where the fiscal outlook does not permit capitalization.

12.4 / TAX LOSS CHANGES AND SCHEDULE

(€ million)	Total	Unrecognized	Recognized
AS OF DECEMBER 31, 2017	**319.6**	**288.7**	**30.9**
Deficits generated during the period	28.1	28.1	
Losses charged and time-barred during the period	(108.8)	(77.9)	(30.9)
Changes in scope of consolidation and foreign exchange rates	(0.8)	(0.8)	
AS OF DECEMBER 31, 2018	**238.2**	**238.2**	**0.0**
Tax-loss carry-forwards with a maturity of	110.7	110.7	0.0
Less than 5 years	47.0	47.0	
More than 5 years	63.7	63.7	
Indefinite tax-loss carryforwards	127.5	127.5	0.0
TOTAL	**238.2**	**238.2**	**0.0**

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 2018, the Group held an average of 48,584 treasury stocks as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque and transferred to Natixis Oddo BHF as of September 26, 2018.

As of December 31, 2018, the Group held 61,000 treasury stocks.

Diluted net earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of potentially dilutive ordinary shares. Potentially dilutive shares are the shares granted to employees as part of share-based payment transactions settled with equity instruments.

The instruments issued by the Group had a diluting effect of 173,681 shares over 2018.

The number of shares that could potentially become diluting during a subsequent year is 309,947.

Earnings per share as of December 31, 2018

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**149.5**	**149.2**	**0.3**
Weighted average number of ordinary shares issued	26,721,890	26,721,890	26,721,890
Weighted average number of treasury stocks	(48,584)	(48,584)	(48,584)
Weighted average number of ordinary shares	**26,673,306**	**26,673,306**	**26,673,306**
BASIC EARNINGS PER SHARE *(€)*	**5.60**	**5.59**	**0.01**

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**149.5**	**149.2**	**0.3**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**149.5**	**149.2**	**0.3**
Weighted average number of ordinary shares	26,673,306	26,673,306	26,673,306
Potentially dilutive ordinary shares	173,681	173,681	173,681
Weighted average number of diluted ordinary shares	**26,846,987**	**26,846,987**	**26,846,987**
DILUTED EARNINGS PER SHARE *(€)*	**5.57**	**5.56**	**0.01**

Earnings per share as of December 31, 2017

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares issued	26,447,149	26,447,149	26,447,149
Weighted average number of treasury stocks	(18,289)	(18,289)	(18,289)
Weighted average number of ordinary shares	**26,428,860**	**26,428,860**	**26,428,860**
BASIC EARNINGS PER SHARE *(€)*	**1.41**	**4.70**	**(3.29)**

	Group share		
(€ million)	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares	26,428,860	26,428,860	26,428,860
Potentially dilutive ordinary shares	123,418	123,418	123,418
Weighted average number of diluted ordinary shares	**26,552,278**	**26,552,278**	**26,552,278**
DILUTED EARNINGS PER SHARE *(€)*	**1.40**	**4.68**	**(3.28)**

NOTE 14 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items mainly represent:

- profit and loss from the translation of the financial statements of operations outside France;
- items relating to the measurement of employee benefit bonds: revaluation of net liabilities for defined benefit plans;
- the effective portion of the change in fair value of the hedge instrument offset against other items of comprehensive income.

The amount of these items before and after related income tax effects and adjustments for reclassification of results are as follows:

(€ million)	Gross	Tax	Net
Translation differences	0.7		0.7
Effective portion of the change in fair value of instruments designated as cash flow hedges	1.3	0.2	1.5
Change in fair value as a result of the change in own credit risk on a liability financial instrument recognized at fair value through profit or loss	0.0	0.0	0.0
Change in fair value of asset debt instruments recognized at fair value through other comprehensive income	0.0	0.0	0.0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**2.0**	**0.2**	**2.2**
Revaluation of net liabilities for defined benefit plans	13.6	(0.7)	12.9
Change in fair value of equity instruments recognized by option in the fair value category through other comprehensive income	0.0	0.0	0.0
Items that may not be reclassified subsequently to profit or loss	**13.6**	**(0.7)**	**12.9**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2018	**15.6**	**(0.5)**	**15.1**

(€ million)	Gross	Tax	Net
Translation differences	(0.8)		(0.8)
Effective portion of the change in fair value of instruments designated as cash flow hedges	(2.6)	0.3	(2.3)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(3.4)**	**0.3**	**(3.1)**
Revaluation of net liabilities for defined benefit plans	0.3	(0.1)	0.2
Items that may not be reclassified subsequently to profit or loss	**0.3**	**(0.1)**	**0.2**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2017	**(3.1)**	**0.2**	**(2.9)**

NOTE 15 GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	Gross	Impairment	Net
GOODWILL AS OF JANUARY 1, 2017	**1,616.5**	**(75.4)**	**1,541.1**
From acquisitions	0.2		0.2
GOODWILL AS OF DECEMBER 31, 2017	**1,616.7**	**(75.4)**	**1,541.4**
From acquisitions	18.2		18.2
GOODWILL AS OF DECEMBER 31, 2018	**1,634.9**	**(75.4)**	**1,559.5**

In 2018, the increase of goodwill in the amount of €18.2 million was related to the acquisition of a 51% stake in WeFix, along with the Group commitment to acquire the minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

The goodwill related to the acquisition of WeFix is positive goodwill, born of the difference between the purchase price, plus the valuation of the commitment to acquire minority interests, and the fair value of identifiable assets and liabilities acquired from WeFix as of October 1, 2018. IFRS prohibit the amortization of goodwill and make it mandatory to conduct impairment tests each time the financial statements are closed and each time there is evidence of impairment.

The valuation of assets and liabilities acquired from WeFix began on their date of acquisition. For more details on the calculation of the allotted purchase price, refer to section 15.2.

As of December 31, 2018, there was no evidence of impairment. Pursuant to IFRS, annual impairment tests were conducted on the assets. These impairment tests show a value-in-use greater than the value of the net assets for each of the cash generating units tested. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated as follows:

(€ million)	2018	2017
France-Switzerland	1,420.4	1,402.2
Benelux	139.2	139.2
TOTAL	**1,559.5**	**1,541.4**

15.2 / Allocation of the acquisition price

WeFix was consolidated in the Group's financial statements as of October 1, 2018.

The following table shows:

- the consideration for WeFix of €17.2 million;
- the identifiable assets acquired less the liabilities assumed, recognized after remeasurement at fair value on the acquisition date in the amount of -€1.0 million; and
- definitive goodwill of €18.2 million corresponding to the difference between the consideration transferred and the fair value of net assets acquired.

(€ million)	Total consideration	Fair Value
TOTAL CONSIDERATION	**17.2**	
NET ASSETS ACQUIRED AT FAIR VALUE		**(1.0)**
Valuation of the WeFix brand		1.1
Property, plant and equipment and intangible assets		1.5
Financial assets		0.3
Working capital requirement		(1.7)
Net Financial Debt		(2.1)
Other net liabilities		(0.1)
GOODWILL		**18.2**

For the period from October 1, 2018 to December 31, 2018, the contribution of WeFix to the Group's consolidated revenues was €3.8 million. The contribution made by WeFix to consolidated net income over the same period was -€0.8 million.

NOTE 16 INTANGIBLE ASSETS

(€ million)	Brands	Software	Other intangible assets	Total
GROSS VALUE AS OF DECEMBER 31, 2017	**337.0**	**625.6**	**67.3**	**1,029.9**
Amortization, depreciation and impairment	0.0	(533.0)	(23.8)	(556.8)
NET VALUE AS OF DECEMBER 31, 2017	**337.0**	**92.6**	**43.5**	**473.1**
Acquisitions		22.3	20.7	43.0
Disposals		0.0		0.0
Amortization, depreciation and impairment		(34.7)	(1.3)	(36.0)
Change in scope	1.1		0.2	1.3
Assets held for sale				0.0
Changes in foreign exchange rates		0.0		0.0
Other changes	0.0	15.2	(16.6)	(1.4)
NET VALUE AS OF DECEMBER 31, 2018	**338.1**	**95.4**	**46.5**	**480.0**

(€ million)	Brands	Software	Other intangible assets	Total
GROSS VALUE AS OF DECEMBER 31, 2016	**337.0**	**579.3**	**71.8**	**988.1**
Amortization, depreciation and impairment	0.0	(502.1)	(23.7)	(525.8)
NET VALUE AS OF DECEMBER 31, 2016	**337.0**	**77.2**	**48.1**	**462.3**
Acquisitions		48.1	(4.5)	43.6
Disposals		(0.2)		(0.2)
Amortization, depreciation and impairment	0.0	(32.4)	(1.2)	(33.6)
Change in scope				0.0
Assets held for sale				0.0
Changes in foreign exchange rates		(0.1)		(0.1)
Other changes			1.1	1.1
NET VALUE AS OF DECEMBER 31, 2017	**337.0**	**92.6**	**43.5**	**473.1**

Group brands consist of the following:

(€ million)	2018	2017
Darty brand	301.7	301.7
Vanden Borre brand	35.3	35.3
WeFix brand	1.1	0.0
TOTAL BRANDS	**338.1**	**337.0**

NOTE 17 PROPERTY, PLANT & EQUIPMENT

(€ million)	Land & buildings	Fixtures, fittings and commercial facilities	Technical and telephony equipment	Other property, plant and equipment	Total
GROSS VALUE AS OF DECEMBER 31, 2017	**456.8**	**1,163.6**	**167.7**	**46.3**	**1,834.4**
Amortization, depreciation and impairment	(104.2)	(954.2)	(144.7)	(20.1)	(1,223.2)
NET VALUE AS OF DECEMBER 31, 2017	**352.6**	**209.4**	**23.0**	**26.2**	**611.2**
Acquisitions	3.4	51.1	11.4	13.6	79.5
Disposals					
Amortization, depreciation and impairment	(10.5)	(50.8)	(10.3)	(3.5)	(75.0)
Change in scope		0.9	0.1	0.2	1.3
Assets held for sale					0.0
Changes in foreign exchange rates		0.1	0.0	0.1	0.2
Other changes	(27.6)	16.0	9.5	5.1	3.0
NET VALUE AS OF DECEMBER 31, 2018	**318.0**	**226.8**	**33.8**	**41.7**	**620.2**

(€ million)	Land & buildings	Fixtures, fittings and commercial facilities	Technical and telephony equipment	Other property, plant and equipment	Total
GROSS VALUE AS OF DECEMBER 31, 2016	**458.9**	**1,144.3**	**163.8**	**45.6**	**1,812.6**
Amortization, depreciation and impairment	(100.1)	(937.6)	(139.7)	(21.7)	(1,199.1)
NET VALUE AS OF DECEMBER 31, 2016	**358.8**	**206.7**	**24.1**	**23.9**	**613.5**
Acquisitions	1.1	53.3	6.0	9.7	70.1
Disposals		(1.2)	(0.1)	(0.2)	(1.5)
Amortization, depreciation and impairment	(11.0)	(53.5)	(6.9)	(1.0)	(72.4)
Change in scope					0.0
Assets held for sale					0.0
Changes in foreign exchange rates		(0.3)		(0.1)	(0.4)
Other changes	3.7	4.4	(0.1)	(6.1)	1.9
NET VALUE AS OF DECEMBER 31, 2017	**352.6**	**209.4**	**23.0**	**26.2**	**611.2**

Depreciation and amortization additions are recognized in “Other current operating income and expense” in the income statement.

NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles of impairment of non-financial assets are detailed in note 2.10.

Goodwill, intangible assets with an indefinite useful life, and the cash generating units containing these elements are systematically tested annually for impairment in the second half of the year. The cash generating units are operating entities that generate independent cash flows. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

The entry value of the Darty and Vanden Borre brands was determined using the Relief From Royalties approach, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group’s brands constitute non-current assets with an indefinite lifespan, they are not amortized but are systematically tested for impairment each year and when there is evidence of impairment. The brands recorded on the Group’s balance sheet are Darty, Vanden Borre and WeFix.

Any impairment is recognized in operating income for the period. The goodwill recorded on the Group balance sheet comes primarily from the acquisition of Darty. The principal values of the goodwill and the brands are analyzed in Note 15.

18.1 / Assumptions used for impairment tests

The perpetual growth rates and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions used by the Group for the brands and for the cash generating units with goodwill as of December 31, 2018 are as follows:

	Discount (a)		Perpetual growth	
	2018	2017	2018	2017
Cash Generating Unit France	8.2%	7.6%	1.0%	1.0%
Cash Generating Unit Belgium	8.1%	7.6%	1.0%	1.0%
Darty brand	9.2%	8.6%	1.0%	1.0%
Vanden Borre brand	9.1%	8.6%	1.0%	1.0%

(a) Weighted average cost of capital.

In 2017, the Group launched a new strategic plan known as “Confiance+”. This is the first Fnac Darty plan. This plan is backed by the strength of the two banners and by the solid progress of their consolidation. In addition to the plan for synergies of €131 million completed in late 2018, the Group’s goal is to create the benchmark omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and will allow partners to rely on a powerful specialist retailing platform. The manufacturing agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France illustrates the Group’s strengths in knowledge of product lines and is part of the framework for the deployment of the Fnac Darty platform. In this way, Fnac Darty is targeting medium-term growth greater than its markets, and an operating margin of 4.5% to 5%.

During impairment tests on goodwill and the brands, the long-term growth assumptions used were determined by taking into account the growth rates recorded in recent years and the growth outlook resulting from the budget and strategic plan. Thus, the impacts expected from the “Confiance+” strategic plan have been integrated in the medium-term assumptions used for the impairment tests.

18.2 / Impairment tests of principal values

18.2.1 Determination of the recoverable value of the cash generating units and brands

For all cash generating units, the recoverable value of the cash generating unit was determined on the basis of its value-in-use. Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the cash generating unit. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans over a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows.

The recoverable value of a cash generating unit is the higher of its fair value less selling costs and its value-in-use.

The recoverable value of the brands was determined on the basis of the value-in-use of the brands defined by discounting the royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half of the year based on budgets and medium-term plans over a three-year period. To calculate value-in-use, a terminal value equal to capitalization in perpetuity of a normative savings is added to the value of the expected future savings.

The recoverable value of a brand is the higher of its fair value less selling costs and its value-in-use.

18.2.2 Assets and brands to be tested

- The book values for each of the cash generating units consist of the following:
  - goodwill;
  - net intangible assets;
  - net property, plant and equipment;
  - deposits and securities related to operating assets;
  - deferred taxes;
  - working capital requirement;
  - provisions for contingencies and expenses.
- The Darty and Vanden Borre brands are subject to a specific impairment test.

Pursuant to IAS 36, property, plant and equipment and intangible assets are tested for impairment when there is evidence of impairment, and at least once a year for assets with an indefinite lifespan (goodwill and brands). The assets subject to impairment tests are grouped within cash generating units, the use of which generates identifiable cash flows.

When the recoverable value of a cash generating unit is lower than its net book value, an impairment is recognized in operating income.

The book value of a cash generating unit includes the book value of only the assets that can be directly attributed or assigned, on a reasonable and consistent basis, to the cash generating unit, and which will generate future cash inflows used to determine the CGU's value-in-use.

The book value of a brand corresponds to the value of the brand recorded on the Group's balance sheet.

18.2.3 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2018, 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 in perpetuity, did not result in any additional impairment on the Group's cash generating units or brands.

18.3 / Impairment recognized during the period

Asset impairment tests did not lead the Group to recognize impairment on any of the Group's cash generating units.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	2018	2017
Equity investments	0.0	0.0
Debt instruments at fair value through profit or loss	4.6	0.0
Financial assets available for sale	0.0	2.0
Deposits and guarantees	15.8	13.8
Other	0.2	0.1
TOTAL	**20.6**	**15.9**

As of December 31, 2018, in accordance with IFRS 9, debt instruments at fair value represent the investment in the Daphni Purple fund. In 2017 pursuant to IAS 39, investment in the Daphni Purple fund was classified under assets available for sale. The evolution of the investment in the Daphni Purple fund is related to two calls for funds for a total amount of €1.4 million, and the valuation of this investment at net asset value for €1.2 million.

Deposits and securities represent the real estate lease guarantees.

NOTE 20 INVENTORIES

(€ million)	2017	Other changes	Changes in scope	Changes in foreign exchange rates	2018
Gross sales inventory	1,106.5	10.7	1.1		1,118.3
Inventory impairment	(33.7)	7.2	(0.1)		(26.6)
NET INVENTORY VALUE	**1,072.8**	**18.0**	**1.0**	**0.0**	**1,091.8**

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; or
- if their sale price is less than their net realizable value.

Change in impairment *(€ million)*	2018	2017
AS OF JANUARY 1	**(33.7)**	**(38.0)**
(Additions)/reversals	7.1	4.2
Foreign exchange differences		0.1
AS OF DECEMBER 31	**(26.6)**	**(33.7)**

NOTE 21 TRADE RECEIVABLES

(€ million)	2017	Other changes	Changes in scope	Changes in foreign exchange rates	2018
Gross trade receivables	270.4	10.3	0.2		280.9
Impairment of trade receivables	(5.2)	(3.9)			(9.1)
NET VALUE	**265.1**	**6.4**	**0.2**	**0.0**	**271.8**

An impairment on trade receivables is recognized according to the receivable's estimated recoverable value. The assessment of recoverable value varies by sales channel.

Change in impairment *(€ million)*	2018	2017
AS OF JANUARY 1	**(5.2)**	**(8.0)**
(Additions)/reversals	(3.9)	2.8
AS OF DECEMBER 31	**(9.1)**	**(5.2)**

NOTE 22 CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT LIABILITIES

22.1 / Current assets and liabilities

(€ million)	2017	Change in working capital requirements	Change in scope	Foreign exchange rate differences	2018
Inventories (1)	1,072.8	17.3	1.0	0.8	1,091.8
Trade receivables due (2)	265.1	6.5	0.2	(0.0)	271.8
Trade receivables payable (3)	(22.0)	(52.3)	0.0	(0.1)	(74.4)
NET TRADE RECEIVABLES (4)=(2)+(3)	**243.1**	**(45.7)**	**0.2**	**(0.2)**	**197.4**
Trade payables due (5)	(1,765.6)	(96.8)	(2.1)	(0.6)	(1,865.1)
Trade payables receivable and provisions (6)	172.1	68.8	0.0	0.0	240.9
NET TRADE PAYABLES (7)=(5)+(6)	**(1,593.5)**	**(28.0)**	**(2.1)**	**(0.6)**	**(1,624.2)**
Payroll liabilities (8)	(341.7)	87.3	(0.8)	(0.0)	(255.2)
Tax payables and receivables (excluding income tax) (9)	12.1	(88.7)	(0.2)	0.0	(76.7)
Other operating payables and receivables (10)	(272.3)	44.4	0.1	0.0	(227.7)
OTHER OPERATING WCR (Σ 8 TO 10)	**(601.9)**	**43.1**	**(0.9)**	**0.0**	**(559.7)**
OPERATING WCR (Σ 1 TO 10)	**(879.5)**	**(13.4)**	**(1.8)**	**0.0**	**(894.7)**
Other current financial assets and liabilities	3.8	(5.5)	0.0	0.0	(1.7)
Payables and receivables for operating assets	(18.8)	0.6	0.0	(0.0)	(18.3)
Tax receivables and payables due	2.9	(5.4)	(0.1)	0.0	(2.6)
CURRENT ASSETS AND LIABILITIES [(a)]	**(891.6)**	**(23.7)**	**(1.9)**	**(0.0)**	**(917.2)**

(a) Excluding current provisions, borrowings and short-term financial debt, and cash and cash equivalents.

Because of the nature of its business activities, the Group's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or net assets. The "Other operating payables and receivables" item includes loyalty program membership, warranty extensions, ticketing and customer gift boxes.

Trade payables due primarily reflect the debts contracted with Group suppliers. They also include the debts that Group suppliers have assigned to financial institutions in the context of reverse factoring programs. The substance and characteristics of the payables in question are not substantially different.

22.2 / Other non-current liabilities

As of December 31, 2018, other non-current liabilities stand at €191.3 million, €182.6 million of which represents the portion of income from Darty warranty extensions of one year or more. As of December 31, 2018, this item also includes the valuation of the commitment to purchase minority interests in WeFix for €8.7 million. As of December 31, 2017, non-current liabilities stood at €194.6 million, representing the portion of income from Darty warranty extensions in excess of one year.

NOTE 23 SHAREHOLDERS' EQUITY

23.1 / Share capital

As of December 31, 2018, share capital was €26,605,439, consisting of 26,605,439 fully paid-up shares with a par value of €1. Compared with 2017, share capital saw a net reduction of 52,696 shares, representing a value of €4.5 million, including issue premium. In 2018, the net decrease in the share capital is related firstly to capital increases arising from the employee stock ownership plan (90,558 shares) and the settlement of performance stock option plans (54,996 shares), and secondly, to a reduction following the cancellation of 198,250 shares as part of the treasury stock buyback program announced by the Group as of October 19, 2018.

23.2 / Appropriation of earnings

No dividend was paid in 2018 for 2017.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined contribution plans or defined benefit plans.

Under the defined contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a Company to an employee upon retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits, such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in the Group have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

The Group has no obligations with respect to medical costs.

UK pension fund

The British Comet pension fund reflects the pension commitment for former Comet employees in the United Kingdom.

Supplementary pension plans

A defined benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the period

Changes in the current value of the obligation for defined benefit plans are as follows:

(€ million)	2018	2017
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**798.0**	**816.3**
Cost of services provided during the period	10.5	10.5
Contributions paid by the members	0.5	0.5
Financial interest expense	2.7	2.9
Cost of past services	0.6	0.3
Revaluation of liabilities	(32.4)	21.3
Reductions	(8.4)	(7.1)
Benefits paid	(28.0)	(23.5)
Change in scope	0.0	0.0
Change in foreign currency exchange rates	(3.8)	(23.2)
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**739.7**	**798.0**

The reduction of the commitment in 2018 is primarily related to the revaluation of the liabilities (explained by the increase in discount rates producing a reduction in the commitment) as well as the services provided (€28.0 million in total for the Group, including €20.7 million for the British pension fund of the Comet company, acquired following the purchase of Darty in 2016).

The breakdown of the discounted value of the commitment by type of plan and by country as of December 31, 2018 is as follows:

(€ million)	2018	2017
Pension funds – United Kingdom	554.9	610.2
Retirement benefits – France	159.5	160.2
Supplementary pension plans (LPP) – Switzerland	12.3	12.1
Supplementary pension plans – France	4.9	7.7
Long-service awards – France	7.8	7.4
Other	0.3	0.4
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**739.7**	**798.0**

Changes in the fair value of the assets of defined benefit plans are as follows:

(€ million)	2018	2017
FAIR VALUE OF THE DEFINED BENEFIT PLAN ASSETS AS OF JANUARY 1	**618.2**	**630.0**
Employer contributions	5.7	9.6
Contributions paid by the members	0.5	0.5
Financial interest on assets	0.4	0.4
Benefits paid	(23.3)	(21.7)
Actual return on assets	(19.0)	21.3
Other	(0.1)	(0.1)
Change in scope	0.0	0.0
Change in foreign currency exchange rates	(4.2)	(21.8)
FAIR VALUE OF THE DEFINED BENEFIT PLAN ASSETS AS OF DECEMBER 31	**578.2**	**618.2**

For all plans, the payments of expected services in 2019 are estimated at €21.5 million.

As of December 31, 2018, 45.0% of funded defined benefit plans were invested in debt instruments.

The assets of the British Comet pension fund can be divided into two types of categories:

1. investment funds structured on the return; and
2. guarantee funds with limited risk.

A liability hedge was set up to cover the risks related to interest rates and inflation.

The reconciliation of the balance sheet data and the actuarial obligation of the defined benefit plans is as follows:

(€ million)	2018	2017	2016 restated *	2015	2014
Discounted value of the commitment	739.7	798.0	816.3	88.3	79.2
Fair value of the defined benefit plan assets	(578.2)	(618.2)	(630.0)	(10.9)	(10.1)
DEFICIT/(SURPLUS)	**161.5**	**179.8**	**186.3**	**77.4**	**69.1**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**161.5**	**179.8**	**186.3**	**77.4**	**69.1**
including provisions – continuing operations	*161.5*	*179.8*	*186.3*	*77.4*	*69.1*
including provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

* *Restated for the measurement of Darty's identifiable assets and liabilities.*

(€ million)	2018	2017
Pension funds – United Kingdom	3.4	18.6
Retirement benefits – France	140.5	141.1
Supplementary pension plans (LPP) – Switzerland	4.6	4.6
Supplementary pension plans – France	4.9	7.7
Long-service awards – France	7.8	7.4
Other	0.3	0.4
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**161.5**	**179.8**

24.2 / Expenses recognized

The total expense of €5.2 million in 2018 (versus €6.3 million in 2017) recognized for defined benefit plans breaks down as follows:

(€ million)		2018	2017
Cost of services provided		10.5	10.5
Other costs		0.1	0.1
Net financial cost		2.4	2.5
Cost of past services taken to income		0.6	0.3
Decreases and payments		(8.4)	(7.1)
TOTAL EXPENSE		**5.2**	**6.3**
Recognized	*as operating expenses*	*2.8*	*3.8*
	as net financial expense	*2.4*	*2.5*
	as discontinued operations	*0.0*	*0.0*

The decrease in the expense in 2018 (€5.2 million) compared to 2017 (€6.3 million) is due primarily to a high level of curtailment (effect of the voluntary departure plan during the period).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty's obligations are as follows:

	2018	2017
Discount rate	2.9% (United Kingdom) – 1% (Switzerland) – 1.65% (France)	2.4% (United Kingdom) – 0.75% (Switzerland) – 1.55% (France)
Expected rate of increase in salaries	1.50%	1.50%

Pursuant to amended IAS 19, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

The sensitivity analysis given the assumed discount rates plus or minus 50 basis points is provided in the following table:

(€ million)	Retirement benefits	Long-service awards – France	Supplementary pension plans (LPP) – Switzerland	Supplementary pension plans – France	Pension funds – UK	Other	Total
Discount rate -50 basis points	169.8	8.1	13.1	5.0	613.1	0.3	**809.4**
Discounted value of the 2018 commitment	159.5	7.8	12.3	4.9	554.9	0.3	**739.7**
Discount rate +50 basis points	150.0	7.5	11.5	4.9	502.2	0.3	**676.4**

NOTE 25 PROVISIONS

(€ million)	2017	Additions	Reversal used	Reversal not used	Change in scope	Foreign exchange rate differences	Reclassification	2018
Provisions for restructuring	41.0	8.5	(21.3)	(0.7)	0.0	0.0	0.0	27.5
Provisions for litigation and disputes	26.8	5.8	(5.4)	(6.6)	0.0	0.0	(0.7)	19.9
Other provisions	4.7	1.8	0.0	(2.0)	0.0	0.0	0.0	4.5
CURRENT PROVISIONS	**72.5**	**16.1**	**(26.7)**	**(9.3)**	**0.0**	**0.0**	**(0.7)**	**51.9**
TOTAL	**72.5**	**16.1**	**(26.7)**	**(9.3)**	**0.0**	**0.0**	**(0.7)**	**51.9**
IMPACT ON OPERATING INCOME		**(16.1)**		**9.3**				**(6.8)**
■ Current operating income		(5.9)		3.9				(2.0)
■ Other non-current operating income and expense		(10.2)		5.4				(4.8)

In 2018, the reduction in provisions for contingencies and expenses is primarily linked to the reversal of restructuring provisions for implementing the new Group organizational structure following the Darty acquisition, the after-sales service organizational structure and optimization plan, and closure of the Wissous 2 Fnac logistics warehouse. The additions mainly correspond to the remote customer service restructuring.

The provisions for litigation and disputes primarily cover commercial and labor disputes and litigation.

(€ million)	2016	Additions	Reversal used	Reversal not used	Change in scope	Foreign exchange rate differences	Reclassification	2017
Provisions for restructuring	0.5	41.0	(0.5)	0.0	0.0	0.0	0.0	41.0
Provisions for litigation and disputes	26.8	11.7	(6.6)	(5.1)	0.0	0.0	0.0	26.8
Other provisions	5.1	0.0	0.0	(0.4)	0.0	0.0	0.0	4.7
CURRENT PROVISIONS	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
TOTAL	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
IMPACT ON OPERATING INCOME		**(52.7)**		**5.5**				**(47.2)**
■ Current operating income		(6.1)		4.5				(1.6)
■ Other non-current operating income and expense		(46.6)		1.0				(45.6)

In 2017, the increase in provisions for contingencies and expenses was mainly linked to the implementation of the Group's new organizational structure following the acquisition of Darty.

NOTE 26 CASH AND CASH EQUIVALENTS

26.1 / Analysis by cash category

This item breaks down as follows:

(€ million)	2018	2017
Cash	916.0	766.4
Cash equivalents	2.6	8.5
TOTAL	**918.6**	**774.9**

As of December 31, 2018, cash equivalents consisted of €2.6 million allocated as part of the establishment of the liquidity agreement. That contract is designed to promote transaction liquidity and consistency of the Group's share listing.

In 2018, the net increase in Cash and cash equivalents of €143.7 million was primarily due to the change of net cash flows relating to operating activities and net operating investment flows representing a total of €152.7 million.

As of December 31, 2017, cash equivalents relating to this liquidity agreement stood at €8.5 million.

The items recognized by the Group as "Cash and cash equivalents" meet the criteria set out in the ANC's response of November 27, 2018 to the AMF concerning the accounting treatment of approved money market funds under the MMF Regulation. In particular, investments are regularly reviewed in compliance with Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and the ANC's response. As of December 31, 2018, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Analysis by currency

(€ million)	2018	%	2017	%
Euro	902.7	98.3%	756.8	97.7%
Swiss franc	7.3	0.8%	9.0	1.2%
US dollar	8.4	0.9%	8.8	1.1%
Pound sterling	0.0	0.0%	0.3	0.0%
Other currencies	0.2	0.0%	0.0	0.0%
TOTAL	**918.6**	**100.0%**	**774.9**	**100.0%**

NOTE 27 FINANCIAL DEBT

27.1 / Analysis of debt by maturity schedule

(€ million)	2018	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**855.1**	**0.0**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**
2023 Bond	650.0					650.0	
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Other financial debt	2.6		0.1	0.4	0.9	0.2	1.0
Finance lease agreement payables	2.5		1.9	0.6			
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**56.1**	**56.1**					
Capitalized interest on 2023 bond	5.3	5.3					
Negotiable debt instruments	50.0	50.0					
Finance lease agreement payables	0.8	0.8					
TOTAL	**911.2**	**56.1**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**
%		**6.2%**	**2.4%**	**5.6%**	**8.9%**	**76.8%**	**0.1%**

As of December 31, 2018, gross financial debt consisted mainly of the €650 million bond issue maturing in 2023 and the €200 million medium-term credit facility.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial costs through this transaction reflects the strengthening of its business model as well as Fnac Darty's new scale.

Furthermore, in 2018, Fnac Darty issued short-term negotiable debt instruments to finance its operations. This totaled €300 million, and as of December 31, 2018 €50 million had been used.

(€ million)	2017	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**853.8**	**20.0**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0	20.0	50.0	80.0	50.0		
Finance lease agreement payables	3.8		1.9	1.4	0.5		
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**7.2**	**7.2**					
Capitalized interest on 2023 bond	5.3	5.3					
Finance lease agreement payables	1.9	1.9					
Bank overdrafts	0.0	0.0					
Other financial debt	0.0	0.0					
TOTAL	**861.0**	**27.2**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
%		**3.2%**	**6.0%**	**9.5%**	**5.9%**	**0.0%**	**75.5%**

27.2 / Analysis by repayment currency

(€ million)	2018	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2017	%
Euro	911.2	855.1	56.1	100.0%	861.0	100.0%
TOTAL	**911.2**	**855.1**	**56.1**		**861.0**	

27.3 / Gross debt by category

The Group's gross debt is as follows:

(€ million)	2018	2017
2023 Bond	655.3	655.3
Medium-term credit facility	200.0	200.0
Finance lease agreement payables	3.3	5.7
Negotiable debt instruments	50.0	0.0
Other financial debt	2.6	0.0
TOTAL	**911.2**	**861.0**

NOTE 28 EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2018, exposure to various market risks was as follows:

28.1 / Exposure to interest rate risks

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturity for 2018		
(€ million)	2018	Less than one year	One to five years	More than five years
Investment securities and cash	718.5	718.5		
FLOATING-RATE FINANCIAL ASSETS	**718.5**	**718.5**	**0.0**	**0.0**
Other financial debt	255.9	50.8	204.1	1.0
FLOATING-RATE FINANCIAL LIABILITIES	**255.9**	**50.8**	**204.1**	**1.0**

		Maturity for 2017		
(€ million)	2017	Less than one year	One to five years	More than five years
Investment securities and cash	675.1	675.1		
FLOATING-RATE FINANCIAL ASSETS	**675.1**	**675.1**	**0.0**	**0.0**
Other financial debt	205.7	21.9	183.8	0.0
FLOATING-RATE FINANCIAL LIABILITIES	**205.7**	**21.9**	**183.8**	**0.0**

Interest rate risk sensitivity analysis

The Group's debt is mainly composed of a fixed-rate bond for €650 million. A change in interest rates would primarily concern Group floating-rate bank financing, comprising a variable component (Euribor) floored at 0%.

Consequently, as of December 31, 2018 and on the basis of the items presented above, an interest rate change of plus or minus 50 basis points would not have a material impact on the Group's pre-tax income over a full year.

(€ million)	Impact on income
As of December 31, 2018	
Increase of +50 basis points	(0.0)
Decrease of -50 basis points	0.0

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

28.2 / Exposure to currency risks

Fnac Darty uses forward exchange instruments to manage currency risk and thus hedge its commercial export and import risks.

In addition, the Group may implement simple optional strategies (purchase of options or collars) to hedge future exposure.

In accordance with IFRS 9, these derivative instruments are analyzed with regard to hedge accounting eligibility criteria. These foreign exchange derivative instruments are recognized on the balance sheet at their market value at period-end.

Fnac Darty's currency derivative instruments managed for hedging purposes are not documented as part of the IFRS 9 hedge accounting and are therefore recognized as derivative instruments for which a change in fair value impacts other comprehensive income items.

As of December 31, 2018 and December 31, 2017, these derivative instruments mainly included a currency hedge contract in dollars.

(€ million)	2018	US dollar
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**43.7**	**43.7**
Forwards & forward swaps	43.7	43.7

(€ million)	2017	US dollar
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**50.4**	**50.4**
Forwards & forward swaps	50.4	50.4

The Group's balance sheet exposure to non-euro currencies as of December 31, 2018 was as follows:

(€ million)	2018	US dollar	Swiss franc	Hong Kong dollar
Exposed trade receivables	0.8		0.8	
Other exposed financial assets	15.9	8.4	7.3	0.2
Exposed trade payables	16.8		16.8	
Exposed financial debt	0.0			
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**8.4**	**(8.7)**	**0.2**
Hedging instruments	0.0			
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**8.4**	**(8.7)**	**0.2**

(€ million)	2018	US dollar	Swiss franc	Hong Kong dollar
Monetary assets	16.7	8.4	8.1	0.2
Monetary liabilities	16.8	0.0	16.8	0.0
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**8.4**	**(8.7)**	**0.2**
Hedging instruments	0.0			
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**8.4**	**(8.7)**	**0.2**

Trade receivables and payables in currencies exposed to currency risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's currency risk management policy consists of reducing the inherent currency 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 of prohibiting any speculation. The management of currency risk is governed by an internal procedure aimed at hedging risks as soon as they are identified.

Currency risk 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-material as of period-end.

Based on market data at period-end, the impact of currency derivative instruments would be non-material in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (primarily the US dollar).

28.3 / Exposure to risks of share price fluctuations

In the context of its current operations, the Group trades the shares issued by the Group. As of December 31, 2018, no derivative instrument was used to hedge equity risk in the sense of IFRS 9.

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 commitments related to financial debt and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at period-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 currency derivatives is not material.

	2018				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**More than five years**
Other financial debt	911.2	(911.2)	(56.1)	(854.1)	(1.0)
Trade payables	1,865.2	(1,865.2)	(1,865.2)		
TOTAL	**2,776.4**	**(2,776.4)**	**(1,921.3)**	**(854.1)**	**(1.0)**

	2017				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**More than five years**
Other financial debt	861.0	(861.0)	(27.2)	(183.8)	(650.0)
Trade payables	1,764.0	(1,764.0)	(1,764.0)		
TOTAL	**2,625.0**	**(2,625.0)**	**(1,791.2)**	**(183.8)**	**(650.0)**

NOTE 29 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

	2018	Breakdown by accounting classification					2017
(€ million)	**Market value**	**Balance sheet value**	**Fair value through profit or loss**	**Fair value through equity**	**Amort-ized cost**	**Valuation level**	**Balance sheet value**
NON-CURRENT ASSETS							
Non-current financial assets	20.6	20.6	4.6		16.0		15.9
Debt instruments at fair value	*4.6*	*4.6*	*4.6*			*Level 2*	*2.0*
Deposits and guarantees	*15.8*	*15.8*			*15.8*		*13.8*
Other non-current financial assets	*0.2*	*0.2*			*0.2*		*0.1*
CURRENT ASSETS							
Trade receivables	271.8	271.8			271.8		265.1
Other current financial assets	14.2	14.2			14.2		22.3
Derivative instrument assets with hedge accounting	*0.5*	*0.5*		*0.5*		*Level 2*	*0.0*
Other current financial assets	*13.7*	*13.7*	*13.7*				*22.3*
Cash and cash equivalents	918.6	918.6	918.6			Level 1	774.9
NON-CURRENT LIABILITIES							
Long-term borrowings and financial debt	841.4	855.1			855.1		884.0
2023 Bond	*636.3*	*650.0*			*650.0*	*Level 1*	*680.2*
Medium-term credit facility	*200.0*	*200.0*			*200.0*		*200.0*
Finance lease agreement payables	*2.5*	*2.5*			*2.5*		*3.8*
Other financial debt	*2.6*	*2.6*			*2.6*		
CURRENT LIABILITIES							
Short-term borrowings and financial debt	56.1	56.1			56.1		7.2
Negotiable debt instruments	*50.0*	*50.0*			*50.0*		*0.0*
Capitalized interest on 2023 bond	*5.3*	*5.3*			*5.3*		*5.3*
Finance lease agreement payables	*0.8*	*0.8*			*0.8*		*1.9*
Other current financial liabilities	15.9	15.9			15.9		18.5
Derivative instrument liabilities with hedge accounting						*Level 2*	*0.8*
Other current financial liabilities	*15.9*	*15.9*	*15.9*				*17.7*
Trade payables	1,876.7	1,876.7			1,876.7		1,765.6

IFRS 13 requires the ranking of different valuation techniques for each of the financial instruments. As a result, the Group distinguishes three categories of financial instruments based on the two valuation methods used (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to show the features of the financial instruments recognized on the balance sheet at fair value through profit or loss at the closing date:

- **level 1 category:** financial instruments quoted on an active market;
- **level 2 category:** financial instruments for which valuation at fair value uses valuation techniques based on observable market parameters;
- **level 3 category:** financial instruments for which valuation at fair value uses valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transaction prices on the markets on the same instrument, or on observable market data available at period-end) or on parameters that are only partially observable.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	2018	2017
Gross financial debt	911.2	861.0
Cash and cash equivalents	(918.6)	(774.9)
NET FINANCIAL DEBT	**(7.4)**	**86.1**

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €918.6 million as of December 31, 2018 and corresponds to the cash and cash equivalents presented in the cash flow statement.

(€ million)	2018	2017
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	**918.6**	**774.9**
Bank overdrafts	0.0	0.0
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**918.6**	**774.9**

The change in cash and cash equivalents between December 31, 2017 and December 31, 2018 was an increase of €143.7 million.

(€ million)	**2018**	**2017**
Net cash flows from operating activities	270.3	311.1
Net cash flows from investing activities	(131.1)	(113.7)
Net cash flows from financing activities	5.6	(19.9)
Net cash flows from discontinued operations	(0.6)	(56.2)
Impact of changes in foreign exchange rates	(0.5)	(2.3)
NET CHANGE IN CASH	**143.7**	**119.0**

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:

(€ million)	**2018**	**2017**
Cash flow before tax, dividends and interest	341.0	353.1
Change in working capital requirement	1.1	56.3
Income tax paid	(71.8)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**270.3**	**311.1**

In 2018, net cash flows from operating activities generated a resource of €270.3 million.

The composition of cash flow before tax, dividends and interest was as follows:

(€ million)	**2018**	**2017**
Net income from continuing operations	**149.6**	**124.5**
Current & non-current additions and reversals on non-current assets and provisions for contingencies and expenses	93.5	140.7
Impairment on non-current operating assets	0.0	0.0
Non-cash expenses/income related to stock options and similar	0.0	0.0
Current proceeds from the disposal of operating assets	(4.9)	0.9
Non-current proceeds from the disposal of operating assets	0.0	1.1
Non-current proceeds from the disposal of financial assets	0.0	0.2
Deferred tax income and expense	(10.2)	(12.4)
Discounting of provisions for pensions & other similar benefits	2.4	3.1
Financial additions and reversals on non-current financial assets	(1.2)	0.0
Other items with no impact on cash	0.0	0.0
CASH FLOW	**229.2**	**258.1**
Financial interest income and expense	36.5	34.4
Dividends received	0.0	(0.1)
Net tax expense payable	75.3	60.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST	**341.0**	**353.1**

31.2 / Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for acquisitions 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 and disposals of other financial assets, and interest and dividends received (net financial investments).

The operating and financial investments made by the Group in 2018 amounted to €131.1 million. Over 2017, they represented an expenditure of €113.7 million.

(€ million)	**2018**	**2017**
Net operating investments	(117.6)	(111.9)
Net financial investments	(13.5)	(1.8)
CASH FLOWS FROM INVESTING ACTIVITIES	**(131.1)**	**(113.7)**

The net operating investments made by the Group in 2018 represented an expense of €117.6 million. Investments were made specifically to open new stores (in France, Switzerland, Spain and Belgium), automate logistics warehouses, create Darty spaces in Fnac stores, install kitchen spaces in the Darty network, develop the Group's websites, increase IT costs to support the generation of synergies within the Group, and digitize existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy, particularly the complementary features of the Fnac and Darty banners, the omnichannel and the digital segments.

(€ million)	**2018**	**2017**
Acquisitions of intangible assets	(43.0)	(43.2)
Acquisitions of property, plant & equipment	(79.5)	(69.4)
Change in advances & installments on assets	0.0	0.0
Change in payables for assets	4.6	(1.3)
TOTAL ASSET ACQUISITIONS	**(117.9)**	**(113.9)**
Disposals of non-current assets	0.3	2.0
TOTAL ASSET ACQUISITIONS AND DISPOSALS	**(117.6)**	**(111.9)**

The Group's net financial investments represented an outflow of €13.5 million in 2018 versus an outflow of €1.8 million in 2017.

(€ million)	**2018**	**2017**
Acquisitions of subsidiaries net of cash acquired	(11.2)	(0.3)
Disposals of subsidiaries net of cash transferred	0.0	0.0
Acquisitions of other financial assets	(2.3)	(1.5)
Sales of other financial assets	0.0	0.0
Interest and dividends received	0.0	0.0
FINANCIAL INVESTMENTS (NET)	**(13.5)**	**(1.8)**

In 2018, acquisitions of subsidiaries net of cash acquired represent the disbursement relating to the acquisition of a 51% stake in WeFix. Furthermore, the Group committed to purchasing minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

Acquisitions of other financial assets primarily include the two calls for funds from Daphni Purple in the amount of €1.4 million. The Group also agreed to underwrite the remaining 49% of Daphni shares for €3.4 million.

In 2017, acquisitions of subsidiaries net of cash acquired represented the adjustments to the Darty acquisition price.

Acquisitions of other financial assets included a €1.5 million investment in the Daphni Purple Fund.

31.3 / Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's contributions to equity and borrowings.

(€ million)	**2018**	**2017**
Capital increase/(decrease)	6.8	11.9
Other transactions with shareholders	0.0	(3.9)
Purchases or sales of treasury stock	(14.4)	4.2
Dividends paid to shareholders	0.0	(0.2)
Bonds issued	0.0	0.0
Bonds repaid	0.0	0.0
Increase/decrease in other financial debt	50.2	(2.5)
Interest and equivalent payments	(32.5)	(20.9)
Financing of the Comet pension fund	(4.5)	(8.5)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**5.6**	**(19.9)**

Net cash flows from financing activities amounted to a resource of €5.6 million in 2018 compared to an expenditure of €19.9 million in 2017.

In 2018:

- the capital increase of €6.8 million represents the creation of 90,558 shares to support the Group's Employee Stock Ownership plan implemented for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland;
- disbursements of €14.4 million for the purchase of treasury stock include €11.2 million in respect of the first tranche of the treasury stock buyback program. This item also includes a net payment of €3.2 million related to the acquisition and sale of Fnac Darty shares made under the liquidity agreement. As of December 31, 2018, the Group held 61,000 treasury stocks;
- the €50.2 million net increase in financial debt includes the issuance of short-term negotiable debt instruments (NEU CP) for €50.0 million net of repayments. In 2018, Fnac Darty issued short-term negotiable debt instruments to fund its operations;
- the interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group.

In 2017:

- the capital increase of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the payables to the option plan beneficiaries who had paid cash of €3.9 million over 2016;
- inflows for the purchase of treasury stock primarily represented the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also included the outflows and inflows related to the purchase of Fnac Darty shares made under the liquidity agreement. As of December 31, 2017, the Group held no treasury shares;
- in 2017, the decrease of €2.5 million in other financial debt reflected the reductions in finance lease agreement payables. This flow has no cash counterpart;

- the interest and equivalent payments represented the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item included an amount of €10.0 million received by the Group as a cash advance made by Crédit Agricole for the financial compensation receipts from loans and payment cards.

31.4 / Financing of the Comet pension fund

The financing of the British Comet pension fund, which was integrated in the Darty Ltd. acquisition, represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was GBP 4.0 million per year, versus GBP 10.0 million previously.

NOTE 32 DISCONTINUED OPERATIONS

A discontinued operation that was sold or is held for sale is defined as a component of an entity having separate cash flows from the rest of that entity and which represents a principal and distinct business line or 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.

32.1 / Net income from discontinued operations

(€ million)	**2018**	**2017**
INCOME FROM ORDINARY ACTIVITIES		**58.5**
Cost of sales		(45.7)
GROSS MARGIN	**0.0**	**12.8**
Personnel expenses		(6.8)
Other current operating income and expense		(13.1)
CURRENT OPERATING INCOME	**0.0**	**(7.1)**
Other non-current operating income and expense	0.3	(75.1)
OPERATING INCOME	**0.3**	**(82.1)**
(Net) financial expense	0.0	(4.8)
PRE-TAX INCOME	**0.3**	**(87.0)**
Income tax	0.0	0.0
NET INCOME	**0.3**	**(87.0)**

In 2018, net income from discontinued operations included a post of +€0.3 million in respect of the Group’s discontinued operations in Italy.

In 2017, Fnac Darty sold its Fnac Brazil subsidiary to the Livraria Cultura Group. In 2017, the income from discontinued operations included the Fnac Brazil business for a net loss of -€87.6 million; and net income of €0.6 million for the discontinued operations of the Darty banner in Italy and Turkey.

32.2 / Net cash flows from discontinued operations

(€ million)	**2018**	**2017**
Net cash flows from operating activities	(0.6)	(19.2)
Net cash flows from investing activities		0.0
Net cash flows from financing activities		0.0
NET CASH FLOWS	**(0.6)**	**(19.2)**
Cash at start of period or net cash flow and change in intra-group cash flows		(37.0)
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(0.6)**	**(56.2)**

In 2018, net cash flows from discontinued operations include the Group's business in Italy in the amount of €0.6 million.

In 2017, net cash flows from discontinued operations include the activity of Fnac Brazil until the date of disposal for a net flow of -€15.0 million, as well as its flows related to the recapitalization and debt write-offs of -€41.2 million.

32.3 / Assets held for sale and payables associated with assets held for sale

(€ million)	**2018**	**2017**
Assets held for sale	**0.0**	**3.1**
Assets relating to stores being sold	*0.0*	*3.1*
Payables associated with assets held for sale	**1.3**	**6.2**
Liabilities relating to stores being sold	*1.3*	*6.2*

In 2018 and 2017, the assets held for sale and payables associated with assets held for sale represent the assets and debts related to points of sale to be sold as part of the decision of the French Competition Authority pursuant to Decision 16-DCC-111 of July 27, 2016.

On July 27, 2018, the French Competition Authority published a decision on the conditions for executing the commitments made under Decision 16-DCC-111 of July 27, 2016 for the exclusive takeover of Darty by Fnac. Before July 31, 2017 Fnac Darty was to dispose of six points of sale. Three points of sale were sold to buyers approved by the French Competition Authority. Regarding Darty's points of sale not sold in Belleville and Saint-Ouen, Fnac Darty proposed a buyer in accordance with its commitments, which the Authority did not authorize. Regarding the Fnac point of sale in Beaugrenelle, Fnac Darty requested an extension to the deadline for execution of its commitment, which the Authority also refused. The Board of the French Competition Authority decided to intervene as of April 18, 2017 to verify the conditions under which the Group executed the commitments it made. The intervention has been ongoing since that date. In its decision of July 27, 2018, the Authority requested the disposal of the Darty Passy and Darty Montmartre stores in lieu of the commitments to sell the Darty Saint-Ouen, Darty Belleville and Fnac Beaugrenelle points of sale, and issued a fine in the amount of €20.0 million. The fine was paid in November 2018. An appeal is currently pending before the French Council of State in respect of this fine. As of December 31, 2018 the Group sold the Darty Passy store and signed a promise of sale for the Darty Montmartre store.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	More than five years	2018
Operating lease agreements	211.0	260.8	48.0	519.8
Irrevocable purchase obligations	27.0	7.0	0.0	34.0
TOTAL COMMITMENTS GIVEN	**238.0**	**267.8**	**48.0**	**553.8**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	More than five years	2017
Operating lease agreements	206.4	279.6	49.0	535.0
Irrevocable purchase obligations	21.9	13.5	0.0	35.4
TOTAL COMMITMENTS GIVEN	**228.3**	**293.1**	**49.0**	**570.4**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreements" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be canceled by the lessee. They mainly correspond to non-cancelable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

Finance leases

The discounted value of future lease payments included in "Borrowings and financial debt" and relating to capitalized assets that meet the IAS 17 definition of finance lease agreements is as follows:

(€ million)	2018	2017
Less than one year	(0.8)	(3.9)
One to five years	(2.5)	(1.8)
More than five years	0.0	
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(3.3)**	**(5.7)**

33.2 / Pledges and guarantees

In the context of the Darty acquisition, the Group established new sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

The maturity of the Senior Credit Facility in the amount of €600 million, initially for five years from the date it was signed, April 20, 2016, was renegotiated in 2018, and it is now due to mature in April 2023. The Senior Credit Facility is broken down into two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200 million, amortizable from the 54th month, compared to the 30th month initially, following the renegotiation conducted in 2018;
- a revolving credit facility in the amount of €400 million to finance fluctuations in cash flows related to the seasonal nature of its business.

In addition, on September 22, 2016, Fnac Darty issued senior bonds in the amount of €650 million maturing after seven years.

In order to secure these financing lines obtained by Fnac Darty SA, the following companies of the Group were the guarantors: Fnac Darty Participations et Services SA, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	Less than one year	One to five years	More than five years	2018	2017
Amount of credit facility not used at period-end	0.0	400.0	0.0	400.0	400.0
Other guarantees received	24.5	16.9	26.1	67.5	47.7
TOTAL COMMITMENTS RECEIVED	**24.5**	**416.9**	**26.1**	**467.5**	**447.7**
Rent guarantees and real estate guarantees	9.6	15.3	16.9	41.8	40.6
Other commitments	86.2	34.6	84.8	205.6	213.8
TOTAL COMMITMENTS GIVEN	**95.8**	**49.9**	**101.7**	**247.4**	**254.4**

The revolving credit facility in the amount of €400 million was not drawn as of December 31, 2018 and thus represents an off-balance sheet commitment received.

The increase in other guarantees received can be explained in part by the sharp increase in deposits linked to new franchise agreements (up €6.5 million).

The decrease in other commitments given of €8.2 million is related primarily to the non-renewal of a $15 million guarantee in favor of Apple, guaranteeing the commitments with Fnac Brazil, since this subsidiary was sold in 2017.

In addition, the other commitments given include two guarantees for a total amount of GBP 83.0 million (equivalent to €92.8 million):

- a guarantee of GBP 23.0 million given by Darty in 2012, during the disposal of Comet, and extended on June 23, 2017 until February 2022; and
- an additional guarantee of GBP 60.0 million, for a term of 20 years, given on June 23, 2017 by the Group to cover its obligations in respect of the British Comet pension fund.

33.4 / Group dependence on patents, licenses or supply contracts

The Group is not heavily dependent on patents, licenses or supply contracts.

33.5 / Proceedings and litigation

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

According to their experts, none of the disputes in which the Group's companies or businesses are involved threatens the Group's normal and foreseeable course of business or its planned development.

The Group is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which an estimated provision had to be recorded at period-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 material impact on the financial position, business or income of the Group.

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Fnac Darty

As of December 31, 2018, the Ceconomy Retail International group held 24.3% of the share capital and 24.3% of the voting rights in Fnac Darty. In 2018, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

As of December 31, 2018, the SFAM company held 11.4% of the share capital and 11.4% of the voting rights in Fnac Darty and did not have a representative on the Fnac Darty Board of Directors. Therefore, the company SFAM is not a related party.

As of December 31, 2018, the Vivendi Universal Group had two independent members on the Board of Directors of Fnac Darty, although it is not a shareholder. Therefore, the Vivendi Group is no longer a related party.

As of December 31, 2017, the Ceconomy Retail International group held 24.2% of the share capital and 24.2% of the voting rights in Fnac Darty.

As of December 31, 2017, the Vivendi Universal Group held 11.05% of the share capital and 11.05% of the voting rights in Fnac Darty.

In 2017, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

In 2017, the main transactions between the Vivendi Universal Group and all Fnac Darty consolidated companies were as follows:

- reinvoicing by the Universal company, a musical products supplier, in the total amount of €25.3 million excluding taxes;
- reinvoicing by Activation Blizzard, a digital products supplier, for a total of €5.9 million excluding tax;
- reinvoicing by the Universal company, a musical products customer, in the total amount of €0.2 million excluding taxes;
- reinvoicing by L'Olympia, ticket sales provider, for a total of €5.3 million excluding taxes;
- reinvoicing by the Canal+ Group, subscription services provider, in the total amount of €0.2 million excluding taxes.

NOTE 35 REMUNERATION OF EXECUTIVE OFFICERS

Short-term benefits

The scope for the principal executives corresponds to the Executive Committee of the Group. The remuneration recorded as expense was the following:

(€ million)	2018 [(a)]	2017 [(a)]
Short-term benefits	6.4	11.6
Severance packages	0.2	1.0

(a) *Amounts including employee social security costs.*

Long-term benefits

In 2018, two multi-year variable compensation plans based on performance options and bonus shares expired in whole or in part.

In line with IFRS 2, the number of instruments expiring, canceled and allotted during the year was updated. The volatility rate of the Fnac Darty share price was maintained at 25%. The expense measured in accordance with IFRS 2 of these multi-year remuneration systems amounted to €3.6 million expensed in 2018 and €6.0 million in 2017. Final vesting of these multi-year plans is subject to performance and continued employment conditions. All these plans are listed in section 5, note 7.

The 2016 bonus share plan expired on June 16, 2018 for French residents. Vesting in the plan was subject to performance conditions (average of 20 stock market closing prices for Fnac Darty shares prior to June 17, 2018 of €89.80), which were achieved; 100% of the shares were vested for the beneficiaries employed as of June 16, 2018. These shares may be sold at the end of a two-year holding period.

The second tranche of the 2015 performance option plan was vested on September 30, 2018. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2018 (average of €70.25) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2018. These options may be exercised between October 1, 2018 and September 30, 2019.

NOTE 36 STATUTORY AUDITORS' FEES

The fees (excluding taxes) paid to the Statutory Auditors of Fnac Darty, the parent company of the Group and associated network, can be analyzed as follows:

	2018							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
■ Issuer	0.3	46%		0%	0.3	44%		0%
■ Fully-consolidated subsidiaries	0.3	54%	0.2	76%	0.3	51%	0.2	53%
SUBTOTAL	**0.6**	**99%**	**0.2**	**76%**	**0.6**	**95%**	**0.2**	**53%**
Services other than certification of financial statements								
■ Issuer	0.0	0%		0%	0.0	5%		0%
■ Fully-consolidated subsidiaries	0.0	1%	0.1	24%	0.0	0%	0.2	47%
SUBTOTAL	**0.0**	**1%**	**0.1**	**24%**	**0.0**	**5%**	**0.2**	**47%**
TOTAL	**0.6**	**100%**	**0.3**	**100%**	**0.6**	**100%**	**0.3**	**100%**

Services other than certification of the financial statements consist primarily of consulting assignments on internal control, technical consultations and various certifications.

	2017							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
■ Issuer	0.2	27%	0.0	0%	0.2	33%	0.0	0%
■ Fully-consolidated subsidiaries	0.3	45%	0.2	86%	0.3	54%	0.2	100%
SUBTOTAL	**0.5**	**72%**	**0.2**	**86%**	**0.5**	**86%**	**0.2**	**100%**
Services other than certification of financial statements								
■ Issuer	0.2	25%	0.0	0%	0.1	13%	0.0	0%
■ Fully-consolidated subsidiaries	0.0	3%	0.0	14%	0.0	1%	0.0	0%
SUBTOTAL	**0.2**	**28%**	**0.0**	**14%**	**0.1**	**14%**	**0.0**	**0%**
TOTAL	**0.7**	**100%**	**0.2**	**100%**	**0.6**	**100%**	**0.2**	**100%**

NOTE 37 POST-BALANCE SHEET EVENTS

On January 17, 2019, Fnac Darty announced it was in exclusive negotiations with the Lagardère Group, in view of the acquisition of Billetreduc.com by its subsidiary France Billet, a specialist in cultural and leisure ticketing.

The ticketing leader in France, with an offering of 60,000 shows per year, France Billet has a strong local presence that is expressed through a multi-channel and multi-banner distribution network. By way of this acquisition, France Billet would offer a wider, more diversified ticketing offering to strengthen its promotion of cultural diversity, the discovery of new talent and access to culture by all audiences.

As a key player in the distribution of "last minute" tickets to events in France, Billetreduc.com can provide France Billet with an additional ticketing offering in the growing last-minute market, so it can attract a new audience and enhance its attractiveness to event organizers.

Fnac Darty aims to finalize the transaction during Q1 2019.

On February 18, 2019, Fnac Darty announced the signing of a loan agreement for €100 million with the European Investment Bank (EIB). Performed as part of the "Juncker Plan", this loan is intended to finance Fnac Darty's digital transformation investments to support the roll-out of "Confiance+". This new financing will allow Fnac Darty to benefit from the support of a leading European financial institution, in a highly competitive environment of non-European pure players. The Group already has a very solid financing structure, balanced between bond and bank debt, as well as excellent liquidity thanks to a revolving credit facility of €400 million that is not drawn down. This financing will allow the Group to take the opportunity to set up long-term debt, with a maximum maturity of 9 years, on very attractive terms. The Group has 18 months to draw down this line.

Together with the implementation of this financing, the Group's financial strength was also confirmed by Standard & Poor's, which raised Fnac Darty's long-term credit rating to BB+ in March 2019, after having raised its rating outlook to positive in April 2018. Furthermore, to show its support for independent credit research in Europe, the Group announces in parallel that it has received a BBB- rating from Scope Ratings. This rating is in addition to the BB+ (stable outlook) and Ba2 (stable outlook) ratings received from Standard & Poor's and Moody's, respectively.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2018

The Group's subsidiaries are as follows:

- Fully consolidated: F
- Consolidated under the equity method: E

Company	% interest			
	12/31/2018		12/31/2017	
FNAC BANNER				
Fnac Darty (Parent company)				
France				
Alize – SFL	F	100.00	F	100.00
Codirep	F	100.00	F	100.00
Eazieer	F	100.00	F	100.00
Fnac Darty Participations et Services	F	100.00	F	100.00
Fnac Accès	F	100.00	F	100.00
Fnac Appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	UTH* as of 05/01/2018		F	98.00
Fnac Logistique	F	100.00	F	100.00

Company	% interest 12/31/2018		% interest 12/31/2017	
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
Fourty	E	50.00		0.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00	E	50.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live	F	50.00	F	50.00
WeFix	F	51.00		0.00
Belgium				
Belgium Ticket	F	75.00	F	75.00
Fnac Belgium	F	100.00	F	100.00
Spain				
Fnac España	F	100.00	F	100.00
Monaco				
Fnac Monaco	F	100.00	F	100.00
Portugal				
Fnac Portugal	F	100.00	F	100.00
Switzerland				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
DARTY BANNER				
United Kingdom				
Darty Limited	F	100.00	F	100.00
Kesa Holdings Limited	F	100.00	F	100.00
Kesa International Limited		UTH* as of 04/30/2018	F	100.00
Kesa Sourcing Limited	F	100.00	F	100.00
Kesa Turkey Limited		dissolved 08/28/2018	F	100.00
France				
A2I Darty Ouest SNC	F	100.00	F	100.00
A2I Darty Rhône Alpes SNC	F	100.00	F	100.00
A2I Île-de-France SNC	F	100.00	F	100.00
Compagnie Européenne de Commerce et de Distribution SAS “C.E.C.D”	F	100.00	F	100.00
Darty Développement SAS	F	100.00	F	100.00
Darty Grand Est SNC	F	100.00	F	100.00
Darty Grand Ouest SNC	F	100.00	F	100.00
Darty Holdings SAS	F	100.00	F	100.00
Etablissements Darty & Fils SAS	F	100.00	F	100.00
Kesa Electricals SAS		UTH* as of 04/30/2018	F	100.00
Kesa France SA	F	99.70	F	99.70
Ménafinance SA	E	50.00	E	50.00
Participations Distribution Services SNC	F	100.00	F	100.00

Company	% interest 12/31/2018		% interest 12/31/2017	
Netherlands				
BCC Holding BV	F	100.00		0.00
BCC Elektro-Speciaalzaken BV	F	100.00	F	100.00
BCC Holding Amstelveen BV	F	100.00	F	100.00
BCC Vastgoed Holding BV	F	100.00	F	100.00
Bouwerij Amstelveen BV	F	100.00	F	100.00
Bouwerij Amstelveen OG BV	F	100.00	F	100.00
Oude Haagweg Holding BV	F	100.00	F	100.00
Oude Haagweg OG BV	F	100.00	F	100.00
Polectro BV	F	100.00	F	100.00
Polectro Plaza BV	F	100.00	F	100.00
Rivieradreef Holding BV	F	100.00	F	100.00
Rivieradreef OG BV	F	100.00	F	100.00
Belgium				
New Vanden Borre	F	100.00	F	100.00
New Vanden Borre Transport	F	100.00	F	100.00
Vanden Borre Kitchen	E	50.00	E	50.00
Other countries				
Darty Asia Consulting Limited (CH)	F	100.00	F	100.00
Fnac Darty Asia Limited (HK)	F	100.00	F	100.00

* *UTH = Universal Transfer of Holdings.*

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES WORKING WITH FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

for €1	2018 Closing rate	2018 Average rate	2017 Closing rate	2017 Average rate
Pound sterling	0.89	0.88	0.89	0.88
Swiss franc	1.13	1.15	1.17	1.11

5.3 / Parent company financial statements

Balance sheet assets

(€ million)	Notes	Gross value	Amortization, depreciation, provisions	As of December 31, 2018 Net value	As of December 31, 2017 Net value
NON-CURRENT ASSETS					
Equity investments		1,955.2	0.0	1,955.2	1,955.2
Other non-current financial assets		3.6	0.0	3.6	2.2
TOTAL NON-CURRENT FINANCIAL ASSETS	3	**1,958.8**	**0.0**	**1,958.8**	**1,957.4**
Property, plant and equipment and intangible assets	4	0.0	0.0	0.0	0.0
TOTAL NON-CURRENT ASSETS		**1,958.8**	**0.0**	**1,958.8**	**1,957.4**
CURRENT ASSETS					
Receivables	5	317.8	0.0	317.8	276.3
Marketable securities	6	5.9	0.0	5.9	8.4
Cash and cash equivalents	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**323.7**	**0.0**	**323.7**	**284.7**
TOTAL ASSETS		**2,282.5**	**0.0**	**2,282.5**	**2,242.1**

Balance sheet liabilities

(€ million)	Notes	As of December 31, 2018	As of December 31, 2017
Shareholders' equity			
Share capital		26.6	26.7
Additional paid-in capital		984.4	988.8
Reserves		2.6	2.6
Retained earnings		328.9	338.9
Regulatory provisions		14.5	9.1
Net profit (loss) for the period		(17.4)	(10.0)
TOTAL SHAREHOLDERS' EQUITY	7	**1,339.6**	**1,356.1**
Provisions		**0.0**	**0.0**
Debts			
Bond	8	655.3	655.3
Other financial debt	8	250.0	200.0
Other debts	9	37.6	30.7
TOTAL LIABILITIES		**2,282.5**	**2,242.1**

Income statement

(€ million)	Notes	2018	2017
Operating income		18.7	17.4
Operating expenses		(21.7)	(22.7)
OPERATING INCOME (LOSS)	11	**(3.0)**	**(5.3)**
Charges and interest on debt owed to non-Group entities		(25.5)	(26.3)
Additions/reversals of impairment provisions		0.0	0.0
Other financial income and expense		(2.5)	0.4
NET FINANCIAL INCOME (LOSS)	12	**(28.0)**	**(25.9)**
CURRENT INCOME BEFORE TAX		**(31.0)**	**(31.2)**
Non-recurring income	13	(29.5)	(6.2)
Employee profit-sharing		0.0	0.0
Income tax	14	43.2	27.4
NET INCOME FOR THE PERIOD		**(17.4)**	**(10.0)**

Cash flow statement

(€ million)	Notes	2018	2017
Net income		(17.4)	(10.0)
Income and expense with no impact on cash		5.4	5.5
CASH FLOW		**(12.0)**	**(4.5)**
Change in working capital requirements		(41.0)	(1.7)
CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	15	**(53.0)**	**(6.2)**
(Acquisitions)/Disposals of non-current operating assets		(0.0)	0.0
Change in non-current financial assets		(1.4)	(2.6)
CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	15	**(1.4)**	**(2.6)**
Net change in financial debt		56.4	(0.7)
Capital increases		(4.5)	11.9
Dividends paid			0.0
CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	15	**51.9**	**11.1**
CHANGE IN CASH POSITION		**(2.5)**	**2.3**
CASH AT BEGINNING OF PERIOD		**8.4**	**6.1**
CASH AT END OF PERIOD		**5.9**	**8.4**

Change in shareholders' equity and other capital

€ million (before appropriation of earnings)	Number of shares outstanding	Share capital	Additional paid-in capital and other shareholders' equity	Reserves and retained earnings	Net profit (loss) for the period	Shareholders' equity
AS OF DECEMBER 31, 2016	**26,122,771**	**26.1**	**977.5**	**206.3**	**138.8**	**1,348.7**
Appropriation of 2016 earnings				138.8	(138.8)	0.0
Capital increase	535,364	0.5	11.3			11.9
Regulatory provisions				5.5		5.5
2017 Profit/Loss					(10.0)	(10.0)
AS OF DECEMBER 31, 2017	**26,658,135**	**26.7**	**988.8**	**350.6**	**(10.0)**	**1,356.1**
Appropriation of 2017 earnings				(10.0)	10.0	0.0
Capital increase	(52,696)	(0.1)	(4.4)			(4.5)
Regulatory provisions				5.4		5.4
2018 Profit/Loss					(17.4)	(17.4)
AS OF DECEMBER 31, 2018 [a]	**26,605,439**	**26.6**	**984.4**	**346.0**	**(17.4)**	**1,339.6**

(a) €1 par value of shares.

5.4 / Notes

NOTE 1 HIGHLIGHTS OF THE PERIOD

Renegotiation of financing terms

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023.

Employee stock ownership plan

In 2018, Fnac Darty's first Employee stock ownership plan was rolled out for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland. Nearly 4,500 employees chose to buy Fnac Darty shares on preferential terms. The subscription price per share as part of this transaction was set at €73.72. This was equal to the average opening price of Fnac Darty shares on the Euronext Paris market for the twenty trading days prior to the allotment decision, less a 20% discount. All subscribers to the Offer benefited from a matching contribution made by the Company corresponding to 100% of their initial contribution, up to a limit of €700 gross. The Offer resulted in a capital increase in the total gross amount of €90,558 through the issuance of 90,558 new shares at a subscription price per unit of €1, on July 16, 2018. 4,464 employees in the six countries concerned, representing 18% of the Group's workforce as of June 30, 2018, chose to subscribe to the Offer. The shares were issued on July 16, 2018. The new shares issued as part of the Offer are ordinary shares of the Company. They were admitted to trading on the Euronext Paris market immediately after their issue, on the same listing line as existing shares. The shares issued will bear immediate rights and will be fully assimilated upon issue to existing shares. The total matching contribution was expensed as personnel expenses and amounted to €2.4 million net of social security charges. Charges relating to the implementation of the plan were recorded as a deduction on the issue premium. This transaction had no material dilutive impact.

Performance stock option plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018, the Board of Directors decided to award performance options to certain Group executives, in an effort to retain them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments.

The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.

The second tranche of the 2015 performance stock option plan was vested on September 30, 2018. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2018 (average of €70.25) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2018. These options may be exercised between October 1, 2018 and September 30, 2019.

Bonus share plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018 the Board of Directors noted the allotment of bonus shares to certain Group employees (167 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The duration of this plan is three years (May 18, 2018 – May 17, 2021). These shares will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.

The 2016 bonus share plan expired on June 16, 2018 for French residents. Based on the average closing price of the Fnac Darty share over the 20 trading days prior to June 17, 2018 (average of €89.80) and the performance conditions, 100% of the shares were vested for the beneficiaries employed on June 16, 2018. These shares may be sold at the end of a two-year holding period.

Treasury stock buyback program

On October 19, 2018, Fnac Darty announced the implementation of a treasury stock buyback program, in the amount of 535,000 shares, or approximately 2% of its capital. This program will have a maximum term of 24 months and the unit price of each share will be capped at €130. These shares are intended to be canceled so as to offset the dilutive effects of performance share plans or past stock option plans. As of December 31, 2018, the number of shares purchased and canceled stood at 198,250 shares for an amount of €11.2 million. Fnac Darty reserves the right to revoke the stock buyback mandate at any time. As a result, no debt was recognized in the financial statements as of December 31, 2018.

Tax consolidation group

Until December 31, 2017, the subsidiaries of the former Fnac and Darty Groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

Decision by the French Competition Authority

On July 27, 2018, the French Competition Authority published a decision on the conditions for executing the commitments made under Decision 16-DCC-111 of July 27, 2016 for the exclusive takeover of Darty by Fnac. Before July 31, 2017 Fnac Darty was to dispose of six points of sale. Three points of sale were sold to buyers approved by the French Competition Authority. Regarding Darty's points of sale not sold in Belleville and Saint-Ouen, Fnac Darty proposed a buyer in accordance with its commitments, which the Authority did not authorize. Regarding the Fnac point of sale in Beaugrenelle, Fnac Darty requested an extension to the deadline for execution of its commitment, which the Authority also refused. The Board of the French Competition Authority decided to intervene as of April 18, 2017 to verify the conditions under which the Group executed the commitments it made. The intervention has been ongoing since that date. In its decision of July 27, 2018, the Authority requested the disposal of the Darty Passy and Darty Montmartre stores in lieu of the commitments to sell the Darty Saint-Ouen, Darty Belleville and Fnac Beaugrenelle points of sale, and issued a fine in the amount of €20 million. The fine was paid in November 2018. An appeal is currently pending before the French Council of State in respect of this fine. As of December 31, 2018, the Group sold the Darty Passy store and signed a promise of sale for the Darty Montmartre store.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

The annual financial statements for 2018 were drawn up in accordance with the provisions of ANC regulation 2016-07 on the French General Accounting Plan, established on the authority of the accounting standards on November 4, 2016 and approved by the Ministerial Order of December 26, 2016 (*Journal officiel* of December 28, 2016).

General accounting conventions were applied with respect to the principle of prudence and in accordance with basic assumptions (going concern, consistency of accounting policies from one period to the next, independence of periods) and in accordance with the general rules of preparation and presentation of annual financial statements.

These financial statements are presented in euros, Fnac Darty's functional currency. All figures shown are rounded to the nearest thousand.

The basic method used to value the items recognized in the accounts is the historical cost method. The principal methods used are as follows:

2.1 / Non-current financial assets

Equity investments

Securities are classified as "Equity investments" when their ownership is deemed useful to the Company's operations, particularly because it enables influence or control over the issuing company.

On the entry date, equity investments are recognized at the acquisition cost, including transfer taxes, fees, commissions and legal costs. The Company opted for including the acquisition costs in the entry cost of the shares (opinion of the CNC Emergency Committee of June 15, 2007).

At period-end, the Company values its equity investments in Fnac Darty Participations et Services (FDPS) and Darty Limited at their value-in-use. The value-in-use is determined on the basis of the observed average market capitalization of the Fnac Darty share during the second half of 2018, weighted by the objective of the analysts' consensus. By applying economic criteria, this value-in-use can be allocated between the two subsidiaries. This valuation takes the Company's debt into account. When this value is lower than the book value, an impairment is recorded for the amount of this difference.

2.2 / Receivables and payables

Receivables and payables are recognized at nominal value. Where appropriate, receivables are provisioned to take into account any potential recovery difficulties.

2.3 / Marketable securities and cash and cash equivalents

Marketable securities are recognized in the balance sheet at their acquisition price.

Acquisition costs of marketable securities are expensed in accordance with the option provided by Article 321-10 of the French General Accounting Plan applicable to marketable securities.

Potential impairment provisions are determined by comparing this value with the probable trading value or average share price from the previous month for listed securities.

Treasury shares

Treasury shares acquired under a liquidity contract are recorded in marketable securities.

As of December 31, 2018, Fnac Darty holds 61,000 treasury shares.

Sicav

Sicav shares are recognized at their acquisition cost. They are estimated at period-end at their net asset value. Any unrealized capital loss is provisioned for impairment. Any unrealized capital gain is not taken into account.

2.4 / Tax consolidation

Fnac Darty notified the French tax authorities in writing on March 15, 2013 that the company and all of its subsidiaries were opting for the tax consolidation rules for groups implemented by Article 68 of the 1988 finance law. The tax consolidation agreement took effect on January 1, 2013.

The tax consolidation agreement entered into on July 1, 2013 between Fnac Darty and its subsidiaries and second-tier subsidiaries is effective from January 1, 2013. As of December 31, 2018, it covered 26 companies.

Under these rules, Fnac Darty acts as a corporate tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Conditions for distribution of the corporate income tax are as follows:

- the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred if it had not been consolidated for tax purposes; and
- Fnac Darty immediately takes into account the tax savings or expense resulting from the difference between the sum of the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on the total taxable income.

Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries have been part of the tax consolidation group formed by Fnac Darty since the beginning of 2018. The tax group formed by Darty Holdings ceased to exist as of January 1, 2018.

2.5 / Operating income (loss)

Operating income results from income and expense related to the Company's current operations.

2.6 / Net financial income (loss)

Net financial income (loss) results from the income and expense attached to the Company's financing and cash management.

2.7 / Non-recurring income

Non-recurring income includes income and expense that, by their nature, occurrence or material character, do not fall within the Company's ordinary operating activities.

2.8 / Performance-based compensation plans

The Company applies General Accounting Plan (PCG) Art. 642-1 et seq. relating to the accounting treatment of stock options and bonus share allotment plans granted to employees. This regulation stipulates that whenever it is probable that the Company will deliver existing shares to plan beneficiaries, a liability should be recognized on the basis of the probable outflow of resources.

NOTE 3 NET NON-CURRENT FINANCIAL ASSETS

(€ million)	As of December 31, 2017	Increase	Decrease	As of December 31, 2018
Gross value				
Equity investments	**1,955.2**			**1,955.2**
Other non-current financial assets				
Daphni stake	2.2	1.4		3.6
GROSS VALUE	**1,957.4**	**1.4**	**0.0**	**1,958.8**
Impairment				
Equity investments	0.0			0.0
IMPAIRMENT	**0.0**	**0.0**	**0.0**	**0.0**
NET VALUES	**1,957.4**	**1.4**	**0.0**	**1,958.8**

Equity investments

As of December 31, 2018, Fnac Darty held:

- 46,421,807 shares of FDPS (Fnac Darty Participations et Services) out of 46,421,808 shares for a gross value of €838.4 million;
- 31,000 shares of Fnac Luxembourg out of 31,000 shares for a gross value of €0.031 million; and
- 529,553,216 shares of Darty Limited out of 529,553,216 shares for a gross value of €1,116.8 million.

At period-end, the Company values its equity investments in Fnac Darty Participations et Services (FDPS) and Darty Limited at their value-in-use. The value-in-use is determined on the basis of the observed market capitalization of the Fnac Darty share during the second half of 2018, weighted by the objective of the analysts' consensus. By applying economic criteria, this value-in-use can be allocated between the two subsidiaries. This valuation takes the Company's debt into account. When this value is lower than the book value, an impairment is recorded for the amount of this difference.

These equity investments are consolidated.

Other non-current financial assets

As of December 31, 2018, other non-current financial assets consisted of an equity interest in the Daphni Purple investment fund for €3.6 million, corresponding to a first drawdown of 51% out of a total commitment of €7.0 million. Fnac Darty has agreed to subscribe for the remaining 49% of shares for €3.4 million by 2026.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As of December 31, 2018, Fnac Darty had no property, plant and equipment or intangible assets.

NOTE 5 RECEIVABLES

(€ million)	As of December 31, 2018	As of December 31, 2017
Current accounts of subsidiary	293.4	219.2
State – income tax	0.0	26.9
Group customers	9.9	7.5
Other receivables	4.0	5.2
Deferred expenses	10.5	17.5
TOTAL	**317.8**	**276.3**

The current account balance of €293.4 million includes a current account receivable of €269.1 million to the subsidiary Fnac Darty Participations et Services and tax consolidation receivable amounting to a total of €24.3 million.

Group customers amounting to €9.9 million consist of receivables from the subsidiary Fnac Darty Participations et Services and from Group companies internationally.

As of December 31, 2018, the other receivables of €4.0 million relate largely to the equity interest in the Daphni Purple investment fund for €3.4 million, as well as VAT receivables for €0.6 million.

Prepaid expenses for €10.5 million primarily reflect fees and commissions for placing the bond and credit facilities granted to finance the Darty acquisition.

NOTE 6 MARKETABLE SECURITIES AND CASH AND CASH EQUIVALENTS

(€ million)	As of December 31, 2018	As of December 31, 2017
Treasury shares	3.3	0.0
Sicav	2.6	8.4
Marketable securities	**5.9**	**8.4**
Bank deposit and fund transfers	0.0	0.0
Cash and cash equivalents	**0.0**	**0.0**
CASH DEBT	**5.9**	**8.4**

The marketable securities consist of Sicavs for €2.6 million and treasury shares for €3.3 million, and correspond to the liquidity agreement designed to promote transaction liquidity and the consistency of the Group's share listing.

In 2018, under the liquidity agreement, 488,476 shares were purchased at an average price of €80.04 for a total amount of €39,099,961, and 427,476 shares were sold at an average price of €77.97 for a total of €33,332,392.

NOTE 7 SHAREHOLDERS' EQUITY

(€ million)	As of December 31, 2018	As of December 31, 2017
Share capital	26.6	26.7
Additional paid-in capital	984.4	988.8
TOTAL SHARE CAPITAL AND PREMIUMS	**1,011.0**	**1,015.5**
Legal reserve	2.6	2.6
Regulated reserves	0.0	0.0
Other reserves	0.0	0.0
TOTAL RESERVES	**2.6**	**2.6**
Retained earnings	328.9	338.9
Regulatory provisions	14.5	9.1
Net profit (loss) for the period	(17.4)	(10.0)
TOTAL SHAREHOLDERS' EQUITY	**1,339.6**	**1,356.1**

Over the course of 2018, a number of transactions have affected the share capital:

- a share capital decrease of €0.2 million corresponding to the cancellation of 198,250 shares under the share buyback program;
- a share capital increase of €0.1 million linked to the creation of 90,558 shares under the stock ownership plan for employees; and
- a share capital increase of €0.1 million corresponding to the allotments of bonus shares and stock options.

The net decrease of €4.4 million to additional paid-in capital primarily corresponds to the decrease in capital linked to the share buyback program for €10.9 million and the €6.1 million increase linked to the stock ownership plan for employees (net of issue fees).

The change in reserves and retained earnings corresponds to the appropriation of Fnac Darty's 2017 earnings.

The regulatory provisions represent the exceptional fiscal amortization of the costs for the Darty acquisition, for a total of €14.5 million as of December 31, 2018.

NOTE 8 FINANCIAL DEBT

In the context of the Darty acquisition, in 2016 Fnac Darty established new sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two groups.

Fnac Darty successfully issued €650.0 million in senior bonds with a seven-year maturity. This borrowing plus accrued interest not yet due in the amount of €5.3 million represented €655.3 million on the balance sheet as of December 31, 2018.

A draw of €200.0 million on a medium-term loan (Senior Term Loan Facility) was made in 2016 and appears on the Fnac Darty balance sheet. Though it had originally been repayable from the thirtieth month after it was drawn, the repayment schedule was postponed by two years following a renegotiation that was finalized on April 18, 2018.

Fnac Darty also implemented a program of short-term negotiable debt instruments in 2018, designed to replace the drawdowns on the revolving credit facility for the Group's seasonal financing needs. This program, with a ceiling of €300 million, consists of issues made on the short-term debt market, with a maximum maturity of one year. As of December 31, 2018, €50 million of this program had been used.

(€ million)	As of December 31, 2018			
	Total	**Less than one year**	**1 to 5 years**	**Over 5 years**
Bond	655.3	5.3		650.0
Other financial debt	250.0	50.0	200.0	
FINANCIAL DEBT	**905.3**	**55.3**	**200.0**	**650.0**

The drawdowns under the Loan Agreement (Senior Term Loan Facility) bear interest at a rate equal to the sum of the EURIBOR reference rate for the period and a margin that can be adjusted based on the Group's rating.

The bonds bear annual interest at 3.25% and are redeemable in 2023 ("High Yield" bonds). Interest is payable half-yearly. The High Yield Bonds are admitted to 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 repayment premium and accrued interest not yet due. As of September 30, 2019, they will be redeemable in full or in part at the values shown in the table below:

Redemption period commencing:	**Redemption price** *(as % of the principal)*
September 30, 2019	101.625
September 30, 2020	100.8125
September 30, 2021 and beyond	100.00

The redemption premiums will be amortized over the life of the loan as applicable.

NOTE 9 OTHER DEBTS

(€ million)	**As of December 31, 2018**	**As of December 31, 2017**
Tax consolidation current accounts	0.0	15.2
Tax and social security liabilities	22.6	4.7
Other liabilities	15.0	10.8
TOTAL	**37.6**	**30.7**

The increase in tax and social security liabilities, which reached €22.6 million on December 31, 2018, is primarily due to corporate tax liabilities, which are the result of the integration of Darty Holdings into the tax consolidation scope.

As of December 31, 2018, the various payables consist mainly of €6.6 million payables to the subsidiaries, Fnac Darty's commitment as part of its stake in the Daphni Purple fund for €3.4 million, interest not yet due on the medium-term loan for €1.2 million and a provision on attendance fees to be paid to directors for 2018 for €0.5 million.

NOTE 10 OFF-BALANCE SHEET COMMITMENTS

Retirement benefits

The Company applies the option provided by ANC Recommendation 2013-02 to recognize all retirement and similar commitments as off-balance sheet commitments. The amount of the retirement benefits was €0.9 million as of December 31, 2018, and €1.0 million as of December 31, 2017.

The main actuarial assumptions used to estimate the retirement commitments of Fnac Darty are as follows:

	2018	2017
Discount rate	1.65%	1.55%
Expected rate of increase in salaries	1.50%	1.50%

Other commitments

In the context of the Darty acquisition, Fnac Darty established sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in the two groups.

The Senior Credit Facility totaling €600 million, which matures in 2023, consists of:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200 million, amortizable as of October 2020; and
- a revolving credit facility in the amount of €400 million to finance fluctuations in cash flows related to the seasonal nature of its business.

In addition, on September 22, 2016, Fnac Darty issued senior bonds for €650 million maturing in 7 years.

In order to secure these financing lines obtained by Fnac Darty, the following Group companies were the guarantors: Fnac Darty Participations et Services, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre.

It should also be noted that the revolving credit facility for €400 million was not drawn as of December 31, 2018 and thus represents an off-balance sheet commitment received.

NOTE 11 OPERATING INCOME (LOSS)

(€ million)	2018	2017
Group royalties	13.7	15.3
Other reinvoicings	4.4	1.6
Payroll expenses	(6.3)	(12.2)
Purchasing, external costs, and income and other taxes	(15.4)	(10.5)
Net amortization and depreciation and provisions	0.0	0.0
Other income and expense	0.6	0.5
TOTAL	**(3.0)**	**(5.3)**

The improvement in payroll expenses in 2018 is primarily linked to the decrease in the costs of the performance share and stock option plans. The deterioration of other external costs is linked to the non-recurring expense of renegotiating the terms of the €5.9 million credit facility in April 2018.

NOTE 12 NET FINANCIAL INCOME (LOSS)

(€ million)	2018	2017
Charges and interest on debt	(25.5)	(26.3)
Additions/reversals of impairment provisions	0.0	0.0
Other financial income and expense	(2.5)	0.4
TOTAL	**(28.0)**	**(25.9)**

As in 2017, net financial income (loss) principally reflects the financial interest expense on the bond and the medium-term loan. The change in other financial income and expense can be largely explained by the loss on the disposal of treasury shares in the amount of €2.5 million, carried out under the liquidity agreement.

NOTE 13 NON-RECURRING INCOME

(€ million)	2018	2017
Exceptional amortization	(5.4)	(5.5)
Fine from the French Competition Authority	(20.0)	0.0
Other	(4.1)	(0.7)
TOTAL	**(29.5)**	**(6.2)**

In 2018, non-recurring income consisted primarily of the €20.0 million fine imposed by the French Competition Authority and of exceptional depreciation and amortization additions for €5.4 million, linked to the fiscal amortization of the costs of the Darty acquisition. The "Miscellaneous" item consists primarily of costs and fees associated with the consolidation of Darty and other costs and fees associated with litigation.

In 2017, non-recurring income was an expense of €6.2 million, comprised of exceptional amortization of €5.5 million related to the fiscal amortization of the costs for the Darty acquisition and the costs and fees related to the Darty consolidation.

NOTE 14 INCOME TAX

(€ million)	2018	2017
Tax consolidation gain/loss	43.2	27.4
TOTAL	**43.2**	**27.4**

In 2018, net profit from tax consolidation amounted to €43.2 million against a fiscal profit of €27.4 million in 2017.

In the absence of tax consolidation, Fnac Darty would have had no tax expense because of its deficit tax position.

The cumulative total of Fnac Darty tax deficit carry forwards as of December 31, 2018 was €148.4 million.

NOTE 15 CASH FLOW STATEMENT

In 2018, the change in the cash position represented a downturn in the cash position of €2.5 million. This downturn is primarily linked to:

- the downturn in the change in cash position resulting from operating activities for -€53.0 million, primarily associated with the increase in the current account receivable to the subsidiary Fnac Darty Participations et Services of €50.0 million;
- the downturn in the change in cash position resulting from investing activities for -€1.4 million, associated with the two calls for funds from Daphni Purple; and
- the improvement in the change in cash position resulting from financing activities for €51.9 million, primarily associated with the use, amounting to €50.0 million, of the short-term negotiable debt instrument program implemented in 2018, which was intended to replace the drawdowns on the revolving credit facility. The change in cash flow from financing activities also includes the effects on cash flow of the employee stock ownership plan and the stock buyback program.

In 2017, the change in cash was primarily related to the capital increase of €11.9 million representing the creation of 535,364 shares to remunerate the performance option plans settled in 2017 and 2016 and serviced in 2017. The remainder of the change is related to the increase in the stake in the Daphni Purple investment fund for €1.5 million, the receipt of the last invoices related to the acquisition of the shares of Darty Limited for €1.1 million, and the cash resulting from the ordinary operating activities of Fnac Darty in the amount of -€7.3 million.

NOTE 16 OTHER INFORMATION

16.1 / Compensation paid to the Chairman and Chief Executive Officer

In 2018, the gross amount paid to Alexandre Bompard, Chairman and Chief Executive Officer until July 17, 2017, with respect to the 2017 period, amounted to €605,115, of which €578,195 represented annual variable compensation and €26,920 represented attendance fees.

16.2 / Compensation paid to the Chairman of the Board of Directors

In 2018, the gross amount paid to Jacques Veyrat, Chairman of the Board of Directors, for his duties during 2018 amounted to €200,000.

This payment consists only of a fixed annual remuneration as the Chairman of the Board no longer receives attendance fees since the date of his appointment on July 17, 2017.

16.3 / Compensation paid to the Chief Executive Officer

In 2018, the gross amount paid to Enrique Martinez, Chief Executive Officer, for his current duties, including benefits in kind, other benefits and supplementary pension scheme contributions, amounted to €835,662, of which €550,000 represented fixed annual remuneration, €248,617 represented 2017 variable annual remuneration, €16,750 represented benefits in kind and other benefits, €10,938 represented supplementary pension scheme contributions and €9,357 represented provident insurance plan contributions.

16.4 / Average number of employees

In 2018, the average number of employees of Fnac Darty was ten.

16.5 / Related-party transactions

As of December 31, 2018, the Ceconomy Retail International group held 24.3% of the share capital and 24.3% of the voting rights in Fnac Darty.

As of December 31, 2018, the SFAM company held 11.4% of the share capital and 11.4% of the voting rights in Fnac Darty.

In 2018, there were no transactions between Fnac Darty and the Ceconomy Retail International group and SFAM.

16.6 / Supplier and customer payment schedules

(€ million)	Invoices received, not paid and due at period-end: Invoices not yet due	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total 1 day and over	Invoices issued, not paid and due at period-end: Invoices not yet due	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total 1 day and over
A) Late payment tranches														
Number of invoices concerned	37	0					10	7	0					0
Total inc. tax of invoices concerned	7.1	0.0	0.0	0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
Fnac Darty Group	*6.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*10.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Percentage of total inc. tax for purchases for the period	40.4%	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%							
Percentage of revenues inc. tax for the period								48.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
B) Invoices excluded from A) for disputed or not recognized payables and receivables														
Number of invoices excluded	29							None						
Total of invoices excl. tax Invoices not arrived	2.3							None						
C) Reference payment deadlines used (contractual or legal period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)														
Payment deadlines used to calculate late payments	Contractual deadlines: General expenses = 45 days end of month Contractual deadlines: Group invoices = 25th of the following month Legal deadlines: 60 days invoice date							Contractual deadlines: Group invoices = 25th of the following month Legal deadlines: 60 days invoice date						

NOTE 17 INFORMATION ON POST-BALANCE SHEET EVENTS

On February 18, 2019, Fnac Darty announced the signing of a credit agreement for €100 million with the European Investment Bank (EIB).

Performed as part of the “Juncker Plan,” this loan is intended to finance Fnac Darty’s digital transformation investments to support the roll-out of “Confiance+”. This new financing will allow Fnac Darty to benefit from the support of a leading European financial institution, in a highly competitive environment of non-European pure players.

The Group already has a very solid financing structure, balanced between bond and bank debt, as well as excellent liquidity thanks to a revolving credit facility of €400 million that is not drawn down.

This financing will allow the Group to take the opportunity to set up long-term debt, with a maximum maturity of 9 years, on very attractive terms. The Group has 18 months to draw down this line.

Together with the implementation of this financing, the Group’s financial strength was also confirmed by Standard & Poor’s, which raised Fnac Darty’s long-term credit rating to BB+ in March 2019, after having raised its rating outlook to positive in April 2018. Furthermore, to show its support for independent credit research in Europe, the Group announces in parallel that it has received a BBB- rating from Scope Ratings. This rating is in addition to the BB+ (stable outlook) and Ba2 (stable outlook) ratings received from Standard & Poor’s and Moody’s, respectively.

NOTE 18 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS

(€ million)	Share capital	Shareholders’ equity excluding capital & income	Share of capital held	Book value for securities held		Loans made by Fnac Darty not yet repaid	Securities & endorsements given by Fnac Darty	Revenues before tax of previous period	Profit or (loss) for last period ended	Dividends received by Fnac Darty during the period
				Gross	Net					
Subsidiaries owned at +50%										
Fnac Darty Participations et Services	325.0	242.4	99.99%	838.4	838.4	269.1	0.0	2,922.1	(17.8)	0.0
Darty Limited	148.0	5.9	100%	1,116.8	1,116.8	0.0	0.0	0.0	3.3	0.0
FNAC Luxembourg SA	0.03	0.0	100%	0.0	0.0	0.0	0.0	0.0	0.0	0.0

NOTE 19 FIVE-YEAR RESULTS

Five-year results	2018	2017	2016	2015	2014
CAPITAL AT PERIOD-END					
Share capital *(€)*	26,605,439.0	26,658,135.0	26,122,771.0	16,687,774.0	16,595,610.0
Number of ordinary shares outstanding	26,605,439	26,658,135	26,122,771	16,687,774	16,595,610
Transactions and results for the period *(€ thousand)*					
Income from ordinary operating activities	18,117.8	16,873.2	20,311.4	28,896.0	18,679.7
Earnings before tax, employee profit-sharing, amortization, depreciation and provisions	(55,170.5)	(31,883.5)	(54,961.5)	(15,409.5)	5,020.6
Employee profit-sharing payable for the period	(16.1)	(13.3)	(10.0)	(13.1)	(7.7)
Income tax (expense)/credit	43,193.2	27,369.0	33,162.1	26,108.2	22,912.3
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	(17,422.9)	(10,053.8)	138,832.0	174,684.5	27,920.2
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	(0.45)	(0.17)	(0.83)	0.64	1.68
Earnings after tax, employee profit-sharing, amortization, depreciation and provisions	(0.65)	(0.38)	5.31	10.47	1.68
Dividend:					
net dividend per share	0.0	0.0	0.0	0.0	0.0
EMPLOYEES					
Average number of employees during the period	10.0	11.0	11.0	10.0	11.0
Payroll for the period *(€ thousand)*	3,793.2	8,737.3	14,879.5	21,753.9	14,848.3
Amount paid for employee benefits for the period *(€ thousand)*	2,507.3	3,416.5	4,002.2	5,193.3	5,318.7

5.5 / Material change in financial or commercial positions

To the best of Fnac Darty's knowledge, no event likely to have a material influence on the Group's activity, financial position and net assets has occurred since December 31, 2018.

5.6 / Auditors' Report on the consolidated financial statements

Year ended December 31, 2018

To the Fnac Darty General Meeting of Shareholders,

Opinion

In execution of the mission assigned to us by the General Meetings, we have audited the Fnac Darty consolidated financial statements for the year ended December 31, 2018, as attached to this report.

We hereby certify that the consolidated financial statements present a true and fair view of the results of the operations for the past year and of the financial position and net assets at year-end of the group formed by the persons and entities included in the consolidation in accordance with IFRS guidelines as adopted in the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' Responsibilities for the audit of the consolidated financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2018 to the date we issued our report, and specifically we provided no services prohibited by Article 5, Section 1 of Regulation (EU) 537/2014 or by the Code of Ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, and our responses to these risks.

The assessments made are part of our process of auditing the consolidated financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these consolidated financial statements taken in isolation.

Valuation and recognition of discounts and commercial cooperation received and to be received from suppliers

(Notes 2.3.2 and 2.19 of the notes to the consolidated financial statements)

Risk identified	Audit response provided
Within the group, there is a large number of purchasing contracts and agreements with suppliers that stipulate: ■ commercial discounts given to the group based on quantities purchased or other contractual conditions, such as reaching thresholds or growth in purchasing volumes ("discounts"); ■ amounts paid to the group in respect of services to suppliers ("commercial cooperation"). Discounts and commercial cooperation received and to be received by the group from its suppliers are valued on the basis of contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contractual conditions, such as thresholds reached or growth in purchasing volumes for discounts, and the performance of services rendered to suppliers as regards commercial cooperation. These are recognized as a reduction in the cost of sales. Given the large number of contracts and the features specific to each supplier, the correct valuation and recognition of discounts and commercial cooperation to be received with respect to contractual provisions and annual purchasing volumes constitute a key point of the audit.	We were informed of the internal control process and key controls established by the group concerning the process to value and recognize discounts and commercial cooperation, and tested their effectiveness on a sampling of contracts. Our other work, involving surveys, consisted of: ■ reconciling the commercial terms used in the calculation of discounts and commercial cooperation with the conditions stipulated in the purchasing contracts and agreements with suppliers; ■ comparing the estimates made of discount and commercial cooperation amounts for the previous year with the corresponding actual data in order to assess the reliability of the estimation process; ■ corroborating the volumes of business chosen with the volumes of business recorded in the group's purchasing information systems to calculate the expected amount of discounts; ■ obtaining evidence of the completion of the services rendered as of December 31, 2018; ■ obtaining evidence of payment for amounts already collected as of December 31, 2018.

Valuation of the Darty and Vanden Borre brands

(Notes 2.3.2, 2.7, 2.10, 16 and 18 of the notes to the consolidated financial statements)

Risk identified	Audit response provided
The values-in-use of the Darty and Vanden Borre brands are recognized for a net amount of €301.7 million and €35.3 million, respectively. They were valued using the relief from royalty method by an independent expert, in the context of the allocation of the Darty acquisition price in 2016. During each fiscal year, when events or circumstances indicate that impairment is likely to occur, management ensures that the net book value of these brands is not greater than their recoverable value. The recoverable value of the brands is their fair value minus exit costs or their value-in-use, whichever is higher. The recoverable value of the brands was determined on the basis of the value-in-use of the brands defined by discounting royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half of the year based on budgets and medium-term plans over a three-year period. To calculate value-in-use, a terminal value equal to capitalization in perpetuity of a normative savings is added to the value of the expected future savings. In this context, we considered the measurement of the recoverable value and specifically the calculation of the value-in-use of the Darty and Vanden Borre brands to be a key point of the audit because of their particularly material amount on the balance sheet assets as of December 31, 2018, uncertainties related to the probability of achieving the budgets and medium-term plans used as the basis for projections of flows of future royalty savings used in the measurement of their value-in-use, and sensitivity to changes in the data and assumptions on which the estimates were based.	We were informed of the process implemented by management in order to determine the value-in-use of the Darty and Vanden Borre brands. Our work consisted of: ■ assessing the relevance of the principles and method for determining values-in-use in terms of market practices used to value brands; ■ assessing the consistency of the projected revenue growth rates with available outside analyses; ■ assessing the royalty rates applied to the brands in calculating value based on future revenues; ■ assessing the reasonable nature of the discount rates applied to the estimated royalty flows, specifically by verifying that the various parameters comprising the weighted average cost of capital for each brand can approach the rate of return expected by market participants for similar activities. We also assessed the appropriateness of the information presented in Note 18 of the notes to the consolidated financial statements.

Assessment of goodwill allocated to the France cash generating unit

(Notes 2.3.2, 2.6, 2.10, 15 and 18 of the notes to the consolidated financial statements)

Risk identified	Audit response provided
Cash generating units containing goodwill are subject to a systematic annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. If the recoverable value of a cash generating unit is lower than its net book value, an impairment is recognized. The recoverable value of a cash generating unit is its fair value less exit costs or its value-in-use, whichever is higher. Value-in-use is determined in relation to projections of expected future cash flows, taking into account the time value and specific risks related to the cash generating unit. Projections of expected future cash flows were made during the second half of the year based on budgets and medium-term plans over a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows. As of December 31, 2018, the net book value of the goodwill allocated to the France cash generating unit was €1,420.4 million. We considered the measurement of the recoverable value of the goodwill allocated to the France cash generating unit to be a key point of the audit because of its weight in total assets as of December 31, 2018, uncertainties related to the probability of achieving the projected future cash flows used in the measurement of the value-in-use, and sensitivity to changes in the financial data and assumptions used.	We were informed of the process implemented by management to determine the recoverable value of the goodwill allocated to the France cash generating unit. Our work consisted of: ■ verifying the items making up the net book value of the cash generating unit to which goodwill is allocated by the Group; ■ assessing the relevance of the principles and methods for determining the recoverable value of the cash generating unit under IAS 36; ■ assessing the reasonableness of the cash flow projections in terms of management's assumptions and the economic environment in which the Group operates in France; ■ assessing the consistency of the growth rate used for projected flows with available outside analyses; ■ assessing the reasonableness of the discount rate applied to the estimated cash flows by specifically verifying that the various parameters comprising the weighted average cost of capital of the cash generating unit approaches the rate of return expected by market participants for similar activities; ■ comparing the accounting estimates of cash flow projections from previous periods with the corresponding actual data in order to assess reliability. We also assessed the appropriateness of the information presented in Notes 15 and 18 to the consolidated financial statements.

Specific verifications

Consistent with professional standards applicable in France, we also performed the specific verifications required by the legal and regulatory requirements of information relating to the group, provided in the Board of Directors' Management Report.

We have no observations to make on its fair presentation and its consistency with the consolidated financial statements.

We certify that the declaration on the consolidated non-financial performance provided for by Article L. 225-102-1 of the French Commercial Code is included in the information relating to the group given in the Management Report, on the understanding that, pursuant to the provisions of Article L. 823-10 of the said Code, we have not verified the fairness or consistency of the information contained in this report with the consolidated financial statements, and that it must be the subject of a report by an independent third party.

Information arising out of other legal and regulatory requirements

Appointment of the Auditors

Deloitte & Associés was appointed auditor of Fnac Darty by the General Meeting of June 22, 1993, and KPMG Audit, a division of KPMG S.A., was appointed at the General Meeting of April 17, 2013.

As of December 31, 2018, the two firms were in the sixth year of their appointment since the Company's shares were admitted to trading on a regulated market. Deloitte & Associés is in the twenty-sixth year of its appointment without interruption, and KPMG S.A. in its sixth year.

Responsibilities of management and the individuals comprising corporate governance for the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a fair image, in accordance with IFRS guidelines as adopted in the European Union, and to implement the internal controls it believes necessary for the preparation of consolidated financial statements containing no material anomalies, whether as a result of fraud or errors.

During preparation of the consolidated financial statements, it is management's responsibility to assess the Company's ability to continue operations, to present in these statements any information concerning operating as a going concern, and to apply the going concern accounting principle, unless it is planned to liquidate the Company or cease operations.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Auditor for auditing the consolidated financial statements

Audit purpose and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that, individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. Moreover:

- the auditor identifies and measures the risks that the consolidated financial statements contain material anomalies, whether as a result of fraud or error, defines and implements audit procedures in light of these risks, and collects information deemed sufficient and appropriate on which to base an opinion. The risk of failure to detect a material anomaly resulting from fraud is greater than the risk of failure to detect a material anomaly resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or bypassing of internal controls;
- the auditor reviews the internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;

- the auditor assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the consolidated financial statements;
- the auditor assesses the appropriateness of management's application of the going concern accounting convention and, based on information collected, the existence or absence of material uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the Company operating as a going concern. If the auditor concludes that a material uncertainty exists, he calls the attention of readers of the audit report to information provided in the consolidated financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;
- the auditor assesses the overall presentation of the consolidated financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events;
- for financial information on persons or entities included within the scope of consolidation, the auditor collects information believed to be sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and completion of the audit of the consolidated financial statements and for the opinion on those statements.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most important for the audit of the annual consolidated financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) 537/2014 confirming our independence, under the rules applicable in France specifically as established by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Paris La Défense, March 15, 2019

Statutory Auditors

Deloitte & Associés	KPMG Audit
	A department of KPMG S.A.
Stéphane Rimbeuf	Éric Ropert
Partner	*Partner*

5.7 / Auditors' Report on the annual financial statements

Year ended December 31, 2018

To the Fnac Darty General Meeting of Shareholders,

Opinion

In execution of the mission assigned to us by the General Meetings, we have audited the Fnac Darty annual financial statements for the year ended December 31, 2018, as attached to this report.

We hereby certify that the annual financial statements present a true and fair view of the results of the operations for the past year and of the financial position and net assets of the Company at year-end in accordance with French accounting rules and principles.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' responsibilities for the audit of the annual financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2018 to the date we issued our report, and specifically we provided no services prohibited by Article 5, Section 1, of Regulation (EU) 537/2014 or by the Code of Ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the annual financial statements, and our responses to these risks.

The assessments made are part of our process of auditing the annual financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these annual financial statements taken in isolation.

Valuation of equity investments

(Notes 2.1 "Non-current financial assets", 3 "Net non-current financial assets" and 18 "Table of subsidiaries and shareholdings" in the notes to the annual financial statements)

Risk identified	Audit response provided
As of December 31, 2018, equity investments are recorded on the balance sheet at a net book value of €1,955.2 million, or 85.7% of total assets, including Fnac Darty Participations et Services securities for €838.4 million and Darty Limited securities for €1,116.8 million. On the entry date, they are recognized at acquisition cost, including related costs and fees. At period-end, the gross value of equity investments is compared to their value-in-use. The value-in-use of the equity investments of Fnac Darty Participations et Services and Darty Limited is determined based on the observation of Fnac Darty's market capitalization over the second half of 2018, and the consensus target price agreed by analysts. By applying economic criteria, this value-in-use can be allocated between the two subsidiaries. This valuation takes the Company's debt into account. When this value is lower than the acquisition cost of the securities, an impairment is recorded for the amount of this difference. Estimating the value-in-use of equity investments requires a substantial amount of judgment on the part of management, in particular to determine and allocate this value-in-use between the two subsidiaries. Taking into account the weight of equity investments on the balance sheet and in the model used, we considered the measurement of the value-in-use of the equity investments to be a key point of our audit.	In order to assess the reasonableness of the estimated value-in-use of the equity investments and their allocation between the subsidiaries of Fnac Darty Participations et Services and Darty Limited, based on the information provided to us, our work consisted primarily of: ■ verifying that the estimate of the value-in-use determined by management is based on an appropriate justification of the valuation method and the data used; ■ recalculating this value-in-use by our valuation experts; ■ verifying the consistency and arithmetical control of how the chosen allocation criteria were distributed between the equity investments of the subsidiaries of Fnac Darty Participations et Services and Darty Limited.

Specific verifications

Consistent with professional standards applicable in France, we also performed the specific verifications required by the legal and regulatory requirements.

Information provided in the Management Report and other documents on financial position and the annual financial statements sent to shareholders

We have no observations to make as to the fair presentation and consistency with the annual financial statements of the information provided in the Board of Directors' Management Report and in the documents sent to shareholders on financial position and the annual financial statements.

We certify the fairness and consistency with the financial statements of the information regarding the payment periods outlined in Article D. 441-4 of the French Commercial Code.

Information on corporate governance

We certify the existence of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code in the section of the Board of Directors' Management Report on corporate governance.

As regards the information provided pursuant to the provisions of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers and the commitments made to them, we have verified their consistency with the financial statements or with the data used to prepare these statements and, as applicable, with the items obtained by your Company from companies that control or are controlled by your Company. On the basis of this work, we certify the accuracy and fairness of this information.

With respect to information on the items which your Company believes could have an impact in the event of a public tender or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we verified its consistency with the documents from which the information was drawn and which were provided to us. On the basis of this work, we have no comment to make about this information.

Other information

As required by law, we have made certain that various information on the acquisition of interests and control, and the identity of shareholders and voting rights has been provided to you in the Management Report.

Information arising out of other legal and regulatory requirements

Appointment of the Auditors

Deloitte & Associés was appointed auditors of Fnac Darty by the General Meeting of June 22, 1993, and KPMG Audit, a division of KPMG S.A., was appointed at the General Meeting of April 17, 2013.

As of December 31, 2018, the two firms were in the sixth year of their appointment since the Company's shares were admitted to trading on a regulated market. Deloitte & Associés is in the twenty-sixth year of its appointment without interruption, and KPMG S.A. in its sixth year.

Responsibilities of management and the individuals comprising corporate governance for the annual financial statements

It is the responsibility of management to prepare annual financial statements that present a fair image, in accordance with French accounting rules and principles, and to implement the internal controls it believes necessary for the preparation of annual financial statements containing no material anomalies, whether as a result of fraud or error.

During preparation of the annual financial statements, it is management's responsibility to assess the Company's ability to continue operations, to present in these statements any information concerning operating as a going concern, and to apply the going concern accounting principle, unless it is planned to liquidate the Company or cease operations.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Responsibilities of the Auditor for auditing the annual financial statements

Audit purpose and approach

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that, individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. Moreover:

- the auditor identifies and measures the risks that the annual financial statements contain material anomalies, whether as a result of fraud or error, defines and implements audit procedures in light of these risks, and collects information deemed sufficient and appropriate on which to base an opinion. The risk of failure to detect a material anomaly resulting from fraud is greater than the risk of failure to detect a material anomaly resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or bypassing of internal controls;
- the auditor reviews the internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;
- the auditor assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the annual financial statements;
- the auditor assesses the appropriateness of management's application of the going concern accounting convention and, based on information collected, the existence or absence of material uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the Company operating as a going concern. If the auditor concludes that a material uncertainty exists, he calls the attention of readers of the audit report to information provided in the annual financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;
- the auditor assesses the overall presentation of the annual financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most important for the audit of the annual financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) No. 537/2014 confirming our independence, under the rules applicable in France specifically as established by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Paris La Défense, March 15, 2019

Statutory Auditors

Deloitte & Associés	KPMG Audit
	A department of KPMG S.A.
Stéphane Rimbeuf	Éric Ropert
Partner	*Partner*

6

Risk factors and internal control

The Group conducts its operations in a constantly changing environment and is therefore exposed to both external and internal risks while developing its activities relating to its Confiance+ strategic plan. Moreover, the Group has conducted a review and assessment of the risks that could potentially have a material adverse impact on its activities, its financial position, its net assets, its income, its ability to achieve its objectives, its image and its reputation. This Chapter set outs the main risks identified to which the Group considers itself to be exposed, as well as the internal control and risk management procedures implemented to prevent, manage and mitigate these risks. The risks related to societal challenges are detailed in Chapter 2 of this Registration Document.

Main risks identified to which the Group considers itself to be exposed

6.1 / Strategic and economic risks

Strategic risks – Ability to find new profitable growth drivers

Risk identification	Risk management
The Fnac and Darty banners operate in markets that are undergoing massive change, primarily due to the increasing reach of the Internet and the resulting changes in consumer purchasing patterns, such as the digitalization of physical consumer media. The spread of this new media has given rise to a spectacular boom in e-commerce, which has shaken up the status quo in every market and in every country in which the Fnac and Darty banners operate, by significantly changing modes of consumption, customer behavior (and customer-attraction and retention tools), as well as distribution methods (see section 1.3.2.1 “Digitization of distribution and changes in consumer behavior”). The boom in e-commerce has resulted in new web-only retailers (“pure players”) to the detriment of traditional retail banners such as our two Banners. They are generating intense competition in prices and offer an extensive product range, all constituting a serious threat to traditional retailers. Specifically, the development of e-commerce has reduced prices and margins in the markets of our Banners. The Group could also find it difficult to differentiate itself from the competition. These elements could have a material adverse effect on the Group’s image, operations, earnings, financial position, market share and outlook. Moreover, the Group may not be able to identify new profitable growth levers, putting its long-term existence at risk.	Adapting Fnac Darty to new developments and the shrinkage in its traditional markets lies at the heart of the Confiance+ strategic plan, the principal aim of which is to: ■ expand the Group’s geographical coverage through an ambitious development of franchises; ■ extend the brand’s territory by diversifying its product range, primarily by developing its Marketplaces; ■ develop product ecosystems; ■ develop new fast-growing product lines; ■ adapting its business models to customers’ expectations, by focusing on an omnichannel, multi-banner approach to distribution and by developing associated services; and ■ develop the kitchen sales network. The Group is constantly developing its customer loyalty program to make it more attractive and competitive. The Strategy Department has implemented an innovation committee with the specific aim of identifying potential targets to drive profitable growth. A multidisciplinary team is established for each project to prepare due diligence work, led by the Strategy Department.

Economic risks – Impact of developments in the transport market

Risk identification	Risk management
As part of its integration projects, the Group has pooled its centralized logistics resources in order to improve efficiency. However, the Group is faced with multiple risk factors in relation to its logistics activities: ■ the increase in online sales and associated multichannel flows, higher customer expectations regarding product availability; ■ ever-increasing transport costs; ■ difficulties in recruiting delivery drivers for "last mile" deliveries; ■ difficulties in recruitment to absorb year-end peak business periods; ■ the challenge of reducing CO_2 impacts in an environment of increased publication of non-financial indicators; ■ restricted access to many town centers, requiring us to revise our logistical planning and transport partnerships; and ■ climatic and social disruptions (strikes, roadblocks, etc.) In light of the factors set out above, the Group may be unable to fulfill its promises to customers, which would damage the reputation of our banners and harm the profitability of their services and their business model and, consequently, their economic sustainability.	In order to anticipate the customized solutions required, the Group simultaneously monitors: ■ the social climate; ■ the risks of transportation strikes; and ■ climatic events. IT systems are also updated regularly to facilitate the fulfillment of promises to customers and the processing of logistics flows by employees. Accordingly, employees receive support in adapting to the required transformations. The Group splits the load of "last mile" deliveries between internal resources and external service providers to enhance flexibility and is also increasing the number of single-crew deliveries made by providing delivery drivers with electric winches. Furthermore, the Group has enhanced its specifications for calls to tender among its transport service providers, particularly with regard to environmental issues.

Economic risks – Acts of terrorism

Risk identification	Risk management
A major critical risk level concerning acts of terrorism was maintained in 2018 following: ▪ the terrorist attacks in Paris in 2015, Nice in 2016, Spain in 2017, and Carcassonne, Trèbes, Paris and Strasbourg at the end of 2018; ▪ the heightened level of security by the authorities for terrorist attacks in France; ▪ the national security plan that is at its highest alert in both France and in Spain; ▪ the placement of Belgium at level 2 on a scale of 1 to 4; ▪ the continued placement of the Netherlands at level 4 on a scale of 1 to 5; and ▪ the risk that also exists in the other countries where the Group is based, particularly Africa. This risk concerns both the threat to the safety of the Group's employees, customers and service providers, and the threat to the goods required to operate its business. An unanticipated risk of an attack on the safety of people and goods in our Group would do great harm to the image of our Banners, and the Group's business could be severely damaged, especially through a decrease in store traffic.	Additionally, the Group, under the supervision of the Security and Risk Prevention Department, has taken steps to strengthen the security of stores located in sensitive areas and has also reinforced its links with the authorities, has obtained "Securi-site" certification for its Paris stores, and has strengthened anti-terrorism patrols in Île-de-France stores. Store employees have received instruction in crisis management and have taken e-learning modules, and posters with anti-terrorism best practices have been put up in stores. Simulation drills are also carried out by site managers.

Strategic risk – Risk linked to change of shareholding structure

Risk identification	Risk management
Upon completion of Ceconomy's purchase of the shares held by Kering, Ceconomy International Group held 24.25% of the share capital and voting rights of the Company. In early February 2018, SFAM bought 11.38% of Fnac Darty shares from the Knight Vinke investment fund. In January 2018, Vivendi announced it had entered into an agreement with Société Générale Group as the underwriting counterparty to place securities with institutional investors. On December 31, 2018, Vivendi exercised its exit option and is no longer a shareholder. To date, no shareholder can influence the adoption or rejection of resolutions submitted for approval by Company shareholders at Ordinary 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 accounts and dividend distributions, authorizations related to capital increases, mergers, contributions, or any other decision requiring approval from Company shareholders. However, these recent changes demonstrate that the Group is potentially exposed to the risk of change of shareholding structure that may hinder it in the execution of its strategic roadmap.	The company's bylaws stipulate that shareholders must inform the company when they pass the 3% capital holding threshold, and any multiple of 1% above this threshold. Any shareholder holding more than 5% of the capital must also make a declaration of intention providing the information specified in Paragraph VII of Article L. 233-7 of the French Commercial Code, including a declaration regarding intention to take control of the company and to continue purchasing securities. This declaration is renewable every 6 months. Together with the performance of shareholder identification studies several times per year, these mechanisms ensure that the company is well informed about the various participants that have a stake in its capital. The Group also adheres to a strict policy ensuring that its governing bodies remain independent in the event of potential conflicts of interest with an existing shareholder. Accordingly, following the acquisition by Ceconomy of its equity stake in the Group, the latter entered into a dialog with Ceconomy in order to determine the best way for it to be represented in the company's governance without hindering the proper functioning of operations or impeding execution of the Group's strategy. As such, no director representing Ceconomy is present on the Board of Directors, but the group Ceconomy did participate in the selection of three independent directors. None of the 12 directors on the Board are linked to the company SFAM, a service provider for the group, which therefore has no influence on the Group's decisions.

Economic risks – Slowdown in growth

Risk identification	Risk management
Our banners may be affected by changes in their markets due to an unfavorable macroeconomic or political environment. The markets in which the Group operates are correlated with disposable household income. As such, the Group's revenue depends on the economic conditions of the countries in which it operates, which are primarily the eurozone countries. The difficult economic climate in the eurozone, marked by commercial tensions and Brexit negotiations, has a negative effect on the economy of its member countries. Moreover, austerity budgetary policies, a higher tax burden and the corresponding reduction in disposable household income for secondary consumption, which covers consumer electronics, editorial products and white goods, such as those offered by our banners, have an impact on the Group's markets. Social disturbances, particularly in France with the "yellow vests" movement and the resulting political crisis, have an impact on household sentiment and therefore contribute to the downturn in our banners' markets.	Monitoring and taking into account an unfavorable macroeconomic and political environment at Group level should enable us to anticipate adjustments to our organizations in a flexible way with regard to the economic context. Moreover, our positioning on the second-hand product market, consideration of product usage and the distribution of our branded or licensed products, particularly at entry level, must enable us to meet the needs of households affected by the decline in purchasing power.

6.2 / Operational risks

Operational risks – IT capacity to support group transformation

Risk identification	Risk management
Most of the Group's operations rely on information systems developed or administered by internal resources or outside contractors. Any fragility or failure of these systems could disrupt business operations and potentially have major repercussions on the Group's sales and financial results, particularly with regard to websites and ordering and payment systems, and especially during peak business activity, such as at the end of the year. The ambition of Fnac Darty through its Confiance+ plan and the multiplication of the Group's growth drivers (development of the Franchise, partnerships, the Marketplace, its online platforms, etc.) requires the successful conversion of its information systems enabling it to support the Group's transformation and use agile IT systems in its various projects. In fact, certain applications used by the Group need updating and there is a lack of consistency among the applications used by the different Group entities. Moreover, the Group may not successfully achieve this transformation both in terms of its capacity and its speed of execution.	Fnac Darty's Information Systems Department ensures that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents, particularly in the context of sharing tools due to the consolidation of the two Banners, and to arrange emergency plans. A three-year master plan set up in 2018 is steered at Executive Committee level in close collaboration with the business lines. The main measures of this include: ■ the implementation of a digital factory aiming to internalize key IT resources, which contributes to the success of this plan; ■ a strengthening of the service continuity system for the most critical applications that are in place; and ■ the modularization the Group's X-Commerce platform, which also represents a key action plan for the success of this digital transformation.

Operational risks – Supplier relations and partnerships

Risk identification	Risk management
Fnac Darty offers a wide range of products and is supplied by a large number of suppliers. In France in particular, the amount of purchases from the top twenty suppliers represented around 50% of the total purchases made in 2018. A major portion of the Group's operations depends on its capacity to negotiate under good conditions and maintain contracts and long-term business relations with its suppliers, especially those (e.g. Samsung, Apple, Microsoft, Sony, etc.) for whose products there is no substitute as far as customers are concerned. Any deterioration in the banners' relationships with their main suppliers, the imposition of stricter conditions by suppliers, or the non-renewal or early termination of its main supply or service agreements may have a material adverse effect on the Group's image, operations, earnings, financial position and outlook. The Group's activities also depend on its relations with its partners, for example regarding consumer credit or the development of its marketing range, and its relations with service providers who play a key role in its operations, such as in transport, delivery and payroll management. Moreover, the increase in partnerships, at the heart of the Confiance+ strategy, could expose us to the risk of loss of independence. The concentration of suppliers on the white goods markets in particular exacerbates the risk of dependence for the Group. 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 franchisees, the terms of the franchise agreement strive for a balance between respect for the reciprocal rights and obligations of each of the parties over a seven-year period, which is conducive to the establishment of a relationship of trust and partnership; ■ agreements with suppliers are periodically negotiated in accordance with local laws and regulations; ■ ad-hoc structures with a specific governance system have been implemented, which aim to rebalance our relations with our suppliers; ■ audits are carried out on the proper execution of partnerships, and the training of in-store sales staff was also reinforced to ensure correct partnership execution; and ■ mystery customer visits contribute to monitoring correct partnership execution.

Operational risks – Relations with employees and their representatives

Risk identification	Risk management
The Group is constantly adapting its human resources and organizational structure. Its capacity to maintain good relations with its employees, the unions and the employee representative bodies is crucial to successfully achieving the reorganization required to adapt to market developments. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy linked to continuous structural optimization could have a material adverse effect on the Group's image, operations, operational efficiency, earnings, financial position and outlook. Moreover, social movement may follow elections of employee representatives in the event of structural changes. Differences between the wage policies of the two banners could persist despite integration having concluded, which could lead to disputes. The economic context may generate tensions within the Group and result in social disputes, particularly in the context of mandatory annual negotiations. Finally, organizational changes could lead to a loss of motivation among employees if they do not belong to the target organization, exposing the Group to a risk of social disputes in the long term.	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, section 2.1.1 of this Registration Document, "Key challenge 1: Develop our most valuable asset: people." In particular, the Group has: ■ strengthened social dialog; ■ strengthened meaningful internal communications for employees; ■ favored local management; ■ implemented a new tool during 2018 to measure employee satisfaction, in the form of three questions asked every two weeks. The results are submitted to management and are analyzed in working groups for the implementation of specific action plans; and ■ established a permanent monitoring of changes to the social climate within the Group.

Operational risks – Cost-saving plans and adaptation of our store network to changes in activity

Risk identification	Risk management
The most impactful, simple and readily implementable cost-saving plans have already been accomplished. The projected synergies from the Fnac Darty consolidation have been achieved as reported, but the Group must continually seek out further cost-saving plans to ensure that its operational efficiency and earnings do not deteriorate due to normal cost inflation, particularly logistical costs. As such, the Group may not be able to implement sufficient cost-saving plans to offset the impact of inflation. As part of its expansion strategy and commercial lease renewal, the Group must ensure that its store network remains in line with changes in activity and customer expectations, particularly in terms of size of commercial surface area. The Group could also be affected by a deterioration of its relations with its property owners in the context of lease renewal and renegotiation, or be exposed to the risk of non-renewal of its existing leases. Moreover, the need to combine a significant transformation of the structures while remaining focused on the renewal of its commercial policy intensifies the risk to which the Group is exposed.	The performance culture is central to the Group's strategy, to ensure that all departments contribute to the search for savings while maintaining operational efficiency (see sections 1.4.1 and 1.4.5). Action plans to support its staff are in place, primarily through a matrix structure that permits decision-making without hampering Group-wide development and pays special attention to any potential human resource impacts in its entities. The redesign of our store formats, and the transfer or sharing of space contribute to mitigating the risk. In order to improve operational profitability, the Group, as often as is required, also renegotiates its rents, optimizes indexation terms and renegotiates its leases to make them as flexible as possible (particularly through the installation of shops-in-shop or space-sharing). Fnac Darty's property assets are constantly monitored to ensure optimal use and anticipate any necessary adjustments to preserve a portfolio of prime-quality sites negotiated under the best market conditions. Asset valuation also plays a role in this performance culture.

Operational risks – Risk of brand image deterioration

Risk identification	Risk management
The success of our brands relies in part on the strong reputation and consumers' high opinion of our Fnac and Darty brands. In the context of the development of its network of franchises, the development of the Marketplace, the development of partnerships, increasingly fierce competition and the development of social media that encourages the rapid dissemination of opinions, comments and reviews, the Group's ability to maintain the reputation and distinctive character of its brands, and the loyalty of its customer bases including membership of its loyalty programs, are key factors for longevity. Moreover, our banners' brand image could be affected by exceptional events such as liability incurred for marketing faulty products or non-compliance with applicable regulations.	In order to reduce the aforementioned risks, a permanent monitoring mechanism flags any event likely to affect the Group's image and reputation. This system is based on the coordination of the various departments, in particular the Marketing Department, Internal Communication and the Risk Prevention Department. Moreover, there is regular internal communication to remind operations teams about the crisis management alert procedures. Fnac Darty's Business Code of Conduct, updated at the end of 2018, available on the company's internal network and appended to our contracts and agreements with third parties, sets out the ethical commitments undertaken by the Group and the behaviors to adopt. Furthermore, the IT charter sets out the rules governing the use of the IT tools available to employees in compliance with the Group's ethical rules.

Operational risks – Quality of own-brand products sold/products sold under license

Risk identification	Risk management
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 brands and Banners.	Controls are regularly carried out to monitor both the quality of the products and respect of the regulations. Assessments of third parties that we use in foreign countries are carried out on a regular basis prior to and during any business relationship with them. The regulatory framework is constantly monitored at Group level to ensure compliance with local, European and international standards, and to adopt the appropriate standards depending on the product's country of distribution. Also, the crisis management procedures that are in place at Group level will allow for effective tracking of contingent risks, detailed above, if our Banners were faced with them.

Operational risks – Human resources management

Risk identification	Risk management
The Group could be faced with a talent drain, which would prevent it from capitalizing on the experience of employees and could therefore restrict its operational efficiency. The Group could also encounter recruitment difficulties, particularly with regard to digital skills.	The Group has implemented: ■ face-to-face communication on the roll-out of the Confiance+ strategic plan in particular; ■ an employee shareholding plan, launched in June 2018; and ■ development reviews, carried out in order to identify talent and support these individuals in their professional career path within the Group. Furthermore, the development of links with specialized schools, sponsorship, and recruitment under the work-study program with a focus on digital skills are intended to foster employee retention in these areas within the Group.

Operational risks – Cyber attacks/security

Risk identification	Risk management
Our Group's commercial websites could be subject to cyber attacks and our databases might be corrupted. Our Group could also be the subject of internal malicious actions through privilege escalation, particularly due to inadequate security of our logical access controls and network. Our employees and customers could be subject to phishing scams (wrongful use of the Fnac Darty identity) resulting in unlawful data capture.	Fnac Darty's Information Systems Department, underpinned by the network of country or entity IT managers, helps safeguard the security of the information systems and the data they contain. This is achieved through appropriate governance, shared standards, a common policy, the dissemination of the IT charter to employees, verification of external IT service providers 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 tightened security audits of external service providers. Furthermore, the Group works continuously to raise its employees' awareness of cyber security. Increasingly stringent security solutions are in place on our commercial websites, messaging services, and outflows. Every year, specialist external service providers carry out anti-intrusion audits and, where necessary, draw up immediate action plans.

Operational risks – Operational efficiency in the context of partnerships and integration

Risk identification	Risk management
Our Group is continuing its integration initiatives. At the same time, as part of its efforts to diversify and grow, the Group is building new partnerships and integrating new entities. Managing these new partnerships and integrating new M&A targets could be detrimental to the Group's operational efficiency if an ad-hoc organization is not in place. Management might be faced with conflicts between the various projects carried out at the same time with different prioritization concerns. These factors could have an adverse effect on the Group's business activities and earnings if these operations are not carried out with appropriate governance.	An appropriate system of governance was put in place. Partnership development initiatives as well as initiatives for integrating new M&A targets are central to the Confiance+ strategic plan, which is based on first-rate operational efficiency (see section 1.4.3). Actions undertaken as part of the Confiance+ plan are monitored by the Executive Committee on a monthly basis. Each business initiative is sponsored by a member of the Executive Committee. Key indicators have been defined. These help to ensure closer management of business initiatives, reactivity, and the provision of corrective actions where necessary.

Operational risks – Security of our sites

Risk identification	Risk management
Our physical sites (stores, warehouses, delivery platforms, offices) could suffer losses if we are not sufficiently vigilant in terms of security and maintenance. Employees, service providers, suppliers, and customers could be affected in the event of damage due to inadequate prevention measures by the Group.	As specified in Fnac Darty's Business Code of Conduct, security is imperative for the Group, which hosts employees, customers, and third parties at its various sites. Prevention plans, specifically clearance checks, are also in place on our sites. A strong investment policy has been drawn up for the maintenance of security equipment. Security procedures are in place and their application is checked on a regular basis. Fire drills are carried out twice a year. Training on safety rules is carried out in a classroom or using e-learning modules. A regulatory framework is in place. The incident alert diagram has been communicated internally.

Operational risks – Asset valuation

Risk identification	Risk management
Changes to the assumptions used to determine the book value of some assets, mainly as a result of an unfavorable market environment, could result in an impairment of these assets, especially certain intangible assets like goodwill or the brands. Goodwill is allocated per cash generating unit in each country. The recoverable value of groups of cash generating units is determined on the basis of their value-in-use, which is in turn determined based on certain assumptions. If business operations and forecasts change, the estimated recoverable value of goodwill or the assets themselves may decline materially and require impairment. The absence of material impairment in the future cannot be guaranteed, especially if market conditions were to deteriorate.	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 value of those units may not be recoverable. Accordingly, the Group's brands are also tested for impairment every year. The valuation assumptions used primarily include the discount rate, growth rate and change in sales prices and direct costs during the period. Management determines discount rates using pre-tax discount rates that reflect the rate of return expected by the market for investments with a similar risk level. Growth rates are based on the Group's growth forecasts driven mainly by the Confiance+ strategic plan, which are in line with industry trends. Changes in sales prices and direct costs are based on historical data regarding these changes and on estimates of future changes in the market. Details of assumptions and the study of the impacts of impairment test sensitivity are detailed in section 5.2 note 18 to the consolidated financial statements.

6.3 / Legal risks

Legal risks – Compliance with various regulations

Risk identification	Risk management
Because of its in-store and online retail activities, the Group is exposed to changes in the legal and regulatory environment in the countries in which it operates. In particular, the Group's activities are subject to controls, investigations and regulations relating to consumer protection, competition, e-commerce, intermediation in consumer credit and insurance, personal data protection, information technology, book prices (digital and physical), contractual warranties for customers, and store safety and accessibility. The Sapin 2 Law and the law establishing a duty of care places a heavier obligation on our Group to put in place anti-corruption and influence-peddling measures in all our geographic regions (presented in Chapter 2, section 2.4.1 of this Registration Document, "Key challenge 4: Conduct our business in an exemplary manner". The Group's business is also affected by environmental regulations that may have an adverse impact on the Group or increase the restrictions that apply to the products our Banners distribute (such as obligations to dispose of or recycle consumer electronics and household appliances) or to the methods and cost of transporting products distributed, or the costs our Banners incur for the rental of retail space. Moreover, financial penalties and/or the requirement to publish such penalties may be imposed on the Group if its compliance is considered to be insufficiently robust, impacting the Group's earnings and image.	Monitoring and taking account of legal and regulatory requirements are done at the country level by the local Finance and Legal Department with the support of the Group's advisory network, under the supervision of the Group's Legal, Finance and Tax Departments. The Group's Business Code of Conduct reaffirms our commitments on compliance with legal and regulatory obligations towards Group employees and the third parties with which we enter into contracts. This system is supplemented by letters of representation signed in-house by key employees. Employees are reminded of our obligations through internal training courses carried out in a classroom or via e-learning modules.

Legal risks – Confidentiality of key commercial, social and legal information

Risk identification	Risk management
In the context of its current operations and strategic development, the Group processes and stores key information that could be used for malicious purposes.	The Group ensures the confidentiality of its key information by means of: ■ an internal authorization and rights policy for the various shared tools and networks; ■ a reminder of the best practices to adopt when using tools and managing information, provided in the Group's IT Charter; ■ the monitoring of key employees' inboxes for suspicious emails; and ■ the encryption of sensitive information.

Legal risks – Intellectual and industrial property

Risk identification	Risk management
The Group owns or uses intellectual and industrial property rights, including brands, logos and domain names that it uses in its business. 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.	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.

6.4 / Market risks

The Group has set up an organizational structure that enables it to centrally manage market risks. Within the Group, risk management is the responsibility of the Investor Relations and Financing Department and the Cash Management Department. The Group believes that monitoring market risk at the Group level allows for a more effective risk management policy.

Market risks – Currency risk

Risk identification	Risk management
Exposure to currency risk is detailed in section 5.2, note 28.2 to the consolidated financial statements.	The Group's currency risk management policy consists of reducing the currency risk inherent to the businesses of 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. Currency risk management 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.

Market risks – Interest rate risk

Risk identification	Risk management
The exposure to interest rate risk described in section 5.2 note 28.1 to the consolidated financial statements is composed of floating rate financial assets and liabilities.	An interest rate sensitivity analysis is conducted each year. Using assumptions of an upward or downward variation of 50 basis points in interest rates, the impact calculated would not represent a significant impact on the Group's pre-tax income. It should be noted that the Group's main source of financing is a fixed-rate bond loan of €650 million.

Market risks – Credit and/or counterparty risk

Risk identification	Risk management
Credit risk:	**Credit risk:**
Due to its large number of customers, the Group does not consider itself to be exposed to a significant concentration of credit risk. However, the development of these franchise and B2B activities, as presented in the Confiance+ strategic plan, may have a dilutive effect on the Group's cash, earnings, or financial position.	The Group has internal procedures to control these risks, especially through requested guarantees and insurance policies and through the management of outstanding trade receivables.
Counterparty risk:	**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 interest rate and currency risk management policy, 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.

Market risks – Liquidity risk

Risk identification	Risk management
Exposure to liquidity risk is detailed in section 5.2, note 28.5 to 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, 2016, the Group successfully issued a seven-year senior bond for €650 million bearing annual interest of 3.25%. In order to diversify its sources of financing and stimulate its liquidity, the Group established a Negotiable European Commercial Paper plan in Q1 2018 and negotiated the extension of the maturity of the syndicated bank loan and the revolving credit facility until 2023. As of December 31, 2018, Fnac Darty's net debt was €911.2 million, consisting mainly of: ▪ a €200 million bank term loan maturing in April 2023; and ▪ €655.3 million in senior bonds maturing in September 2023 with capitalized interest. Free cash flow from operations amounted to €152.7 million as of December 31, 2018. The €400 million revolving credit facility maturing in April 2023 was unused. The Loan Agreement and the bond issue contain clauses customary for these types of financing, namely financial commitments, general restrictive covenants and early repayment clauses. As of December 31, 2018, all of the financial covenants relating to the Loan Agreement were being complied with (see section 4.2.2.2 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 4.2.2.2 of this Registration Document.	Liquidity risk for the Group and each of its subsidiaries is closely and regularly evaluated by the Group through periodic financial reporting. The process of diversifying financing and renegotiating the Group's financial instruments launched in early 2018 contributes to risk management and mitigation. **Centralized cash management** Fnac Darty Participations et Services has entered into centralized cash management agreements for an unlimited term with its French and non-French subsidiaries. The purpose of these agreements is to centralize the Group's cash management ("cash pool") in order to encourage coordination and optimization in using cash surpluses or in covering aggregate cash requirements at Group level. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their capital expenditure program with Fnac Darty Participations et Services, in exchange for which Fnac Darty Participations et Services finances their working capital requirements and capital expenditure program.

Market risks – Volatility of the market price of the company's shares

Risk identification	Risk management
Stock markets experience significant fluctuations which are not always related to the earnings of operations of the companies whose shares are being traded. These market fluctuations may have a material effect on the market price of the Company's shares. The market price of the Company's shares could also be materially affected by many factors that impact the Company, its competitors, general economic conditions or the specialty retail market (in particular the entertainment and consumer electronics retail 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 income of the Group or of its competitors; ■ announcements made by the Group's competitors or other companies with similar businesses and/or announcements relating to the specialty retail market (particularly the retailing of entertainment products and consumer electronics) or to the financial and operating performance of these companies; ■ adverse political, economic or regulatory developments in the countries and markets in which the Group operates; ■ announcements relating to changes in the Company's shareholder base; ■ announcements relating to changes in the Group's management team or key employees; and ■ announcements relating to the Company's asset scope (acquisitions, disposals, etc.).	The Group offers a high level of availability and proximity to financial markets through: ■ a dedicated investor relations team; ■ a proactive policy of reporting its activity, results and the major events affecting the Fnac Darty business to financial markets, which ensures a response to market uncertainty on the impact of internal or external events; and ■ the company's regular participation at investor conferences or roadshows, which also facilitates a wide dissemination of information and is an opportunity for investors to have access to Fnac Darty's management, ensuring a close link between the company and the markets. The Group also pays close attention to the liquidity of its share and the volumes traded on the financial markets. Fnac Darty has established a liquidity agreement with an independent investment services provider in order to improve liquidity and reduce the risk of volatility peaks.

6.5 / Financial risks

Financial risks – Impact of commitments under financing agreements

Risk identification	Risk management
The Group may be unable to comply with some of its obligations under the Loan Agreement and/or the bond issue agreement, particularly the restrictive covenants, due to circumstances affecting the Group's markets or operations. Failure to meet any of the stipulations, especially those of the covenants, could constitute a default under the terms of the Loan Agreement, whereby the agent of the Loan Agreement (Société Générale) could, and must if so requested by the lenders, (i) terminate with immediate effect the commitments 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). Moreover, the obligations assumed under these agreements may reduce the Group's flexibility when conducting its operations as regards the performance of certain investment or divestiture transactions including asset acquisitions or disposals, changes to the Group's financial structure including its debt, the granting of securities or guarantees or the completion of merger or restructuring transactions. 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 Group's image, operations, earnings, outlook, financial position and assets. In the event that the amounts due under the Loan Agreement are declared immediately due and payable, the Group might face a cash shortage.	As of December 31, 2018, all financial covenants were being complied with (see section 4.2.2.2. "Financial debt" of this Registration Document). An annual crash test measures credit and liquidity risks. The strategy for diversifying sources of financing and the obligations attached to these sources of financing, initiated in 2018 and continued in 2019, contributes to reducing this risk.

Financial risks – Pension plan

Risk identification	Risk management
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 financing 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 financing 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, 2018. In this case, these funding obligations could have a negative impact on the Group's financial position.	The monitoring of commitments under this pension fund is lead jointly by the Financial Control Department and the Investor Relations and Financing Department. These obligations are revalued twice per year. The Group is a member of the Comet pension fund Board, which meets approximately once per quarter. The monitoring of disbursements made for the 2018 period is described in section 5.2 note 31.4 of the consolidated financial statements.

6.6 / Insurance

General overview

The Group took out all of its insurance policies under conditions that were tailored to the scale and type of the Group's risks.

The Group's insurance approach is coordinated by its Legal Department, which is responsible, with the support of the other departments, for identifying risks, quantifying their consequences and reducing them by:

- recommending preventive measures for risks that can be eliminated or reduced by these means; and
- scheduling financing arrangements, including transfer to the insurance company, for risks of an exceptional nature where the potential impact is high and the frequency is low.

This requires each Group subsidiary to provide the Group Legal Department with the information required to identify and quantify risks, and to implement appropriate resources to ensure business continuity in the event of an incident. Based on this information, the Group Legal Department negotiates with the major players in the insurance and reinsurance industry in order to find the cover best suited to the Group's risk coverage requirements.

Risk prevention policy

The aim of the risk prevention, precaution and protection policy, which is decentralized to subsidiary level, is to identify, assess and reduce the exposure, occurrence and intensity of incidents, through:

- audits of the main operational sites;
- 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 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, theft, natural events causing damage to the Group’s own property (buildings, furniture, equipment, merchandise or computer systems), riots, terrorism, war or other causes;
- operating losses following direct damage; and
- cyber attacks.

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, cyber attacks or other risks for each facility and company concerned. This appraisal takes into account assessments made by insurers, as underwriters of the Group’s risks.

Uninsured risks are those for which no coverage is offered on the insurance market or where insurance is offered at a cost that is disproportionate to the potential benefits of such insurance.

As is the case for comparable groups, these risks are managed within the Group’s general approach to risk management.

The main insurance programs which the Group has taken out pool the purchase of insurance coverage, to which all of the Group’s subsidiaries adhere. This coverage is underwritten by international insurance brokers that specialize in the coverage of major risks with reputable insurers.

Main insurance programs

The main insurance programs taken out by the Group to cover the risks it faces in its operations are described below. Where necessary, they may be supplemented by local programs specific to the country in question:

Damage and operating losses: The principal purpose of this policy is to insure the Group against damage resulting from fire, explosions, water damage, theft, natural disasters affecting property (buildings, furniture, equipment, merchandise, or IT installations) and those for which the Group is liable, and against resulting operating losses, for an estimated period required for resumption of normal business. The total amount of the damage covered under these policies varies according to the risk and the geographical area under consideration. The cover limit is €400 million and €20 million per claim for direct damages and operating loss combined, for the Group over the insurance term expiring January 1, 2020.

Third-party liability: This policy chiefly covers operating risks and post-delivery or post-service risks of physical injury or material damage caused to third parties due to the activity of any of its subsidiaries or products sold by the Group. The amount of damage covered in this respect is capped for the Group for an insured period expiring April 30, 2020. The cover limit is €75 million per claim per year for the Group.

Transport of merchandise: These policies cover the business activities of the stores, subsidiaries and the fnac.com website, especially the risk of damage, theft, loss or major events (excluding acts of war) during transportation conducted by Group subsidiaries, from the delivery of merchandise by suppliers through to delivery in store or to the intended recipient. The amount of damages compensated under this policy in 2018 expiring April 30, 2019, is commensurate with the risks run. The cover limit is €3 million per claim.

Cyber risk: This policy covers the risk of high-severity cyber attacks that may target the Group. The amount of damage covered in this respect is capped for the Group at €15 million per claim and per insured period, for an insured period expiring April 30, 2019.

Insurance expenses borne by the Group: The cost to the Group of all insurance policies for the period ended is approximately €4 million.

6.7 / Risk management

The AMF defines risk as the possibility of an event whose consequences are likely to impact the persons, assets, environment and objectives of the Company, its image or its reputation.

Risk management includes areas that encompass far more than just financial risks: strategic, operational, market, corruption, image, reputation or compliance risks. Risk management is a management tool that contributes to:

- creating and protecting the Company's value, assets, image and reputation;
- preserving the longevity of the company's short-, medium- and long-term activities;
- securing the Company's decision-making process and other processes to achieve its objectives;
- encouraging consistency between the Company's actions and its values; and
- mobilizing the Company's workforce around a shared vision of the main risks.

The Group closely associates risk management with internal control. The Group's risk management and internal control systems rely on a series of resources, procedures, and actions aimed at ensuring that proper measures are taken to identify, analyze and control:

- risks that could have a significant impact on the Company's assets or the achievement of its objectives, whether operational, financial or related to compliance with laws and regulations; and
- the activities, efficiency of its operations and efficient use of resources.

6.7.1 / THE RISK MANAGEMENT SYSTEM

The implementation of the risk management system in Fnac Darty is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.7.1.1 / Risk management structure and coordination with internal control

Organizational framework

The organizational framework includes:

- a structure that defines the roles and responsibilities of those concerned, establishes clear and consistent procedures and standards within the system; and
- a risk management policy that formalizes the system objectives.

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 physical and intangible assets and for the security and safety of all persons present at all the Group's sites; they implement all human, organizational and technical means to handle risks of an accidental or intentional nature; and
- the Support Services Departments, in their role of securing and driving progress, may identify risks and propose an action plan to the reporting line for their containment.

Organization of risk management at Group level

The Internal Audit Department organizes, for management, the process of mapping the Group's major internal and external risks based on a formalized approach for identifying and assessing risks.

The Security and Risk Prevention Department circulates a set of rules and best practices to control the risks within its remit, with the network of individual country Security Directors also relying on these rules and practices. Its objectives at Group level are to harmonize procedures, reduce risks and optimize safety costs by promoting synergies and raising the awareness of all personnel within the Group's banners.

The Legal Department identifies and analyzes the Group's material legal risks and the insurable risks to be included in the Group's financial statements.

Preparation of the strategic plan by the Strategy Department provides the opportunity to assess the major external risks and update the mapping of the Group's major risks. In accordance with the guidelines, this is sent to the Internal Audit Department.

Risk management policy

The Group instituted its risk management policy based on the COSO II Framework in 2011 and updated it in 2015. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

A three-step risk management process

- Risk identification: the Group treats risk identification as an ongoing business process. Risk identification helps to categorize and centralize major risks either with the Security and Risk Prevention Department or with the Internal Audit Department, depending on the type of risk.
- Risk assessment: at the Group, this approach is documented at least once a year during a risk self-assessment process headed by the Internal Audit Department. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, HR, legal, image-related or reputational nature) and assess the likelihood of their occurrence, as well as the required level of risk management.
- Handling risk: the last step of the risk management process includes identifying the action plan(s) best suited to the Company.

Managing risk management procedures

The risk management system is subject to regular monitoring and review, which allows it to be continually improved.

The Audit Committee meets at least once a year to review the risk mapping prepared by the Internal Audit Department for the Group's Senior Management and monitors the progress of dedicated action plans.

The Group also conducts regular internal audits in France and abroad to assess and improve the effectiveness of its risk management systems.

Links between risk management and internal control

The risk management and internal control systems are complementary to the management of the Group's activities:

- the risk management system aims 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 come within the internal control system and may be reviewed in light of the risk mapping;
- the internal control system relies on the risk management system to identify the main risks to be contained; and
- the audit plan relies mainly on risk mapping to test the assessment of the level of control of identified risks.

The coordination and balance between the two systems depend on their shared underlying control environment, and, more specifically, the Company's specific risk and control culture, and the ethical values specified in the business code of conduct.

6.7.1.2 / General internal control principles

Internal control definition and objectives

The internal control system at Fnac Darty encompasses a number of appropriate resources, policies, practices, procedures and initiatives whose purpose is to ensure that the required measures are taken to control:

- the activities, efficiency of its operations and efficient use of resources; and
- 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 senior 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;
- application of instructions and strategy adopted by senior management;
- proper functioning of internal processes, including those contributing to protecting the assets; and
- reliability of financial information.

Internal control limits

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 made or implemented;
- deliberate collusion between several persons, making it possible to elude the control system in place;
- deliberate fraud by management;
- where the implementation, or even maintenance, of a control would be more burdensome than the risk which it is supposed to alleviate; and
- 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.).

Internal control components

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 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; and
- ongoing monitoring of the internal control system, and regular review of its performance.

Fnac Darty's internal control environment

This environment is structured around the principles and values shown in the internal codes and charters governing the behavior and ethics of all employees and is based on the management of human resources guaranteeing the competence, ethics and involvement of employees.

Principles and values

- The business code of conduct was updated in 2017. It sets forth the ethical principles and the main rules of conduct, in accordance with applicable regulations, and the behavior expected of Fnac Darty employees and partners.
- A "Gifts and Benefits Charter" updated in 2017 sets out in more detail the rules governing the various gifts and enticements from suppliers, third parties, and partners.
- The key unifying values of the Fnac and Darty banners are Commitment, Passion, Respect, Innovation, Solidarity, Exemplary Performance, Spirit of Service, and Operational Excellence. These shared underlying values are reiterated in the updated business code of conduct.
- An Internal Control Charter, issued in 2010, was updated and supplemented in 2013. It defines the role, as set forth by the AMF framework, of each individual involved in internal control. Darty also has internal control guidelines that are regularly updated and sent to employees.
- An ethics charter for securities trading, updated in 2017, in compliance with AMF instructions, defines the obligations incumbent on persons holding privileged information.
- A charter relating to the appropriate use of IT systems was first released in 2008, re-issued in 2012 and updated in 2017 to raise awareness and increase user responsibility among Fnac Darty employees on the rights and duties incumbent on them.

These codes and charters have been validated by the Group's management committee. They are available to all employees for reference on the intranet sites of the Group's banners.

"Fnac Darty's Essential Rules," updated in 2017, set forth the 14 main operational and administrative cycles of the Group'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.

Human resources policy

The human resources policy contributes to internal control, in particular by delegations of power and responsibilities, descriptions of functions, an employee assessment system and investments in training.

- Given the size of Fnac Darty, the size of its workforce, the diversity of its activities, and the geographical dispersion of its different entities, it is necessary to delegate powers and responsibilities for the business to operate effectively. Responsibilities are delegated to appropriate people and entities, along with all the powers and resources they need to carry them out, in compliance with applicable regulations. Official job descriptions exist for key functions. The descriptions refer to the necessary controls for the supervision of the activity and also serve as a framework for the individual assessment system. The identification and description of key skills (managerial and business-specific) for the Group allows for the gradual implementation of a shared system for managing skills.
- Training, a component of annual plans, is focused on business-specific skills, combining specific know-how and management expertise. It is provided from the time new recruits first join the Group and continues throughout their careers, ensuring their individual development.
- All Fnac Darty managers and employees benefit from an annual performance and skills appraisal to consider their training and professional development needs. Group Human Resources is responsible for the Group's senior executives (recruitment, international mobility, career management and training). Succession plans are in place for the principal Fnac Darty management positions.
- Since January 2018, employees are asked to give their opinion on various themes every fifteen days by answering three questions. This mechanism is also an opportunity for them to freely express their expectations, which facilitates the creation of concrete actions plans. Monitoring committees have been set up for this purpose.
- 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.
- The Group's Human Resources deploys and coordinates the Group's Corporate Social and Environmental Responsibility policy.

Organization

The structure of the Group's internal control involves persons throughout the chain of command, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the Appointments and Compensation Committee, the Corporate, Environmental and Social Responsibility Committee and the Statutory Auditors.

The allocation of responsibilities and division of functions ensures control and provides the basis on which the respective roles of the various decision-making bodies are built.

The Executive Committee

The Executive Committee determines Fnac Darty's main strategic policies and their impact on the major financial and management equilibrium. It examines the work of internal and external auditors. It decides which directions to take and which action plans to follow.

It is chaired by the Chief Executive Officer of Fnac Darty, and in 2018 included, in addition to himself, the CEO of Fnac Vanden Borre in Belgium, the Fnac Darty Human Resources Director, the Fnac Darty France Products and Services Commercial Director, the Fnac Darty Information Systems Operations Director, the Fnac Darty Chief Operating Officer, the Fnac Darty Chief Financial Officer and General Secretary, the CEO of Fnac Spain in charge of Iberia Region coordination, the Fnac Darty Marketing and e-Commerce Director, the Fnac Darty Communication and Public Affairs Director, and the Director of Strategy and M&A since January 2019.

The Director of Strategy and M&A at Fnac Darty leads 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; and
- the acquisition or disposal of companies or businesses.

The Group Investment Committee is chaired by the Group's Chief Executive Officer. Its permanent members are the Group Chief Financial Officer and the Financial Control Director. Country projects are presented by the country CEO, assisted by his Chief Financial Officer and the experts involved in the projects (e.g. the Property Department for a real estate project).

The IT Investment Committee has examined and authorized all investment decisions on major IT projects since 2012.

The IT Investment Committee is chaired by the Group's Chief Financial Officer, and its permanent members are the Group Information Systems Operations Director and the Group Financial Control Director. Country projects are presented by the country CEO, assisted by his Chief Financial Officer.

Operational managers and employees

Management is the operational agent for internal control and relies on it for the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Group manager. This responsibility begins at the first level of supervision. Awareness of these controls among the main participants is formalized by the signing of delegations of powers and responsibilities.

As part of their delegated powers and formalized responsibilities, each Director and manager defines, implements and manages the internal control system. In particular, store, subsidiary and entity Directors are responsible for maintaining a satisfactory level of internal control on the assets and cash flows of the unit or company they manage.

Employees must be aware of the internal control systems for the objectives assigned to them, and must comply with the control principles and rules. They may help to improve and detect malfunctions. They are informed of the existing measures when they sign their employment contracts and by the internal regulations of the legal entities to which they report.

Other internal control participants

- The Fnac Darty Legal Department advises and assists the operational departments and subsidiaries on major legal questions.
- The Fnac Darty Tax Department advises and assists the operational departments and subsidiaries on major tax issues.
- The Fnac Darty Financial Control Department is in charge of implementing and ensuring compliance with the procedures for reporting and preparing the consolidated financial statements.
- The Fnac Darty Human Resources Department advises and ensures that internal practices comply with labor laws and regulations.
- The Fnac Darty Security and Risk Prevention Department conducts specific risk analyses and proposes action plans on security, safety and the environment.

Supervisory and internal control assessment bodies

- The Board of Directors contributes to the general control environment through the skills of its members. It is regularly informed of major internal control and risk management methodologies and describes them in its Activity Report.
- Part of the Audit Committee's responsibility is "to implement and ensure the relevance of internal control procedures; identify and hedge risks of the Company, in particular for its financial or commercial and physical or intangible assets, as well as any type of contingent risk relating to employees, customers or third parties arising from the activities of the Company and/or its subsidiaries".
- Part of the Appointments and Compensation Committee's responsibility is "to evaluate the independence of the members of the Board of Directors, propose the appointment of its members, senior management and the specialized committees, and to examine and propose to the Board all elements and conditions for the compensation of members of senior management and the Group's main directors".
- Part of the Corporate, Environmental and Social Responsibility Committee's responsibility is "to examine the principal risks and opportunities for the Group in corporate, social and environmental matters".
- In 2018, the Group's Ethics Committee was set up, chaired by the Human Resources Director, and its permanent members are the Legal Director, the Security and Risk Prevention Director, the Internal Audit Director and the Head of Environmental and Social Responsibility. This Committee's primary responsibilities are to ensure that the Group's codes, charters and policies are kept up-to-date, to monitor the effectiveness of risk reduction plans when mapping specific risks involving corruption and duty of care, and to prepare an annual report of its work for the Executive Committee.
- A Personal Data Management Committee was set up in 2017 to oversee compliance and adherence with the European General Data Protection Regulation (GDPR) of May 25, 2018. This Committee is chaired by the Data Protection Officer (DPO) appointed by Fnac Darty for France. DPOs have also been appointed for other countries. The main objectives of this Committee, which meets every six weeks, are explained in Chapter 2 of this Registration Document and particularly in section 2.4.1.3 "Protection of personal data".
- The Fnac Darty Internal Audit Department, through its missions, contributes to the assessment of the internal control system and draws up recommendations for the improvement of its operations. The Internal Audit Department is in charge of managing and coordinating risk management, in particular through annual risk mapping and monitoring of action plans. It is also in charge of the central administration and analysis of internal control pursuant to the Financial Security Law and the AMF's reference framework set out in the section below, "Oversight of the system". The Fnac Darty Internal Audit Department, which reports to Fnac Darty's Chief Financial Officer and General Secretary, reports the main results of its assessments to the senior management and the Audit Committee.

- The Statutory Auditor learns the elements of internal control that are pertinent for the audit in order to take into consideration factors that may generate risks of material anomalies in the financial statements, and not for the purpose of formulating an opinion on internal control efficacy.

  At a time the Statutory Auditor deems appropriate, he or she communicates to management, at the appropriate level of responsibility, the weaknesses of the internal control identified during the audit which he or she believes to be of sufficient importance to merit attention, unless the auditor believes this approach would be inappropriate under these circumstances. The Statutory Auditor makes this communication in writing when it covers weaknesses believed to be significant. The Statutory Auditor communicates the significant internal control weaknesses in writing to the bodies cited in Article L. 823-16 of the French Commercial Code, at the time he or she deems appropriate.

Oversight of the system

The ongoing oversight of the internal control system and the regular review of how it is functioning entail three types of tasks: annual self-assessment exercises, internal audit assignments and observations made by the Statutory Auditors, as indicated in the previous paragraph.

Self-assessment

Those in charge are asked to apply the internal control system to assess the level of internal control achieved through key controls for the proper functioning of their activities.

This approach helps to:

- raise awareness among operational and functional managers of the internal control procedures for which they are responsible;
- provide a structured and objective framework for analyzing risks and sharing internal control best practices; and
- launch action plans and, if necessary, improvement plans.

The internal control analysis strategy is based on the following principles:

- an annual self-assessment of Fnac Darty's essential rules, through questionnaires filled in by key operational staff in each Group country organization. In 2018, 14 cycles were self-assessed and a specific self-assessment mechanism was established for regulatory risks. The questionnaire for the "Finance, Accounting and Management" cycle sent to country Chief Financial Officers takes into account the AMF's reference framework and, in particular, its application guide.

  These questionnaires help operational staff to assess the quality of the internal control procedures for which they are responsible. They standardize the level of internal control across all activities and allow operational staff to benefit from best practices. They enable the launch of improvement action plans based on the results obtained; and
- 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 2018, all stores in the French and international network had been self-assessed.

Internal audit

In 2018, the Internal Audit Department continued to strengthen its system for assessing the organizations' internal control and risk management. The main actions undertaken concern:

- Internal Control Committees for all French and international 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; and
- the carrying out of on-site audit missions, both in France and abroad, including audits of store operational cycles and audits of the cycles of the main support functions at the head offices of subsidiaries (product procurement and overheads, HR, marketing, etc.).

Statutory Auditors

Within the framework of their assignment to certify the financial statements, the Statutory Auditors make observations. At a time the Statutory Auditor deems appropriate, he or she communicates to management, at the appropriate level of responsibility, the weaknesses of the internal control identified during the audit which he or she believes to be of sufficient importance to merit attention, unless the auditor believes this approach would be inappropriate under these circumstances. The Statutory Auditor makes this communication in writing when it covers weaknesses believed to be significant. The Statutory Auditor communicates the significant internal control weaknesses in writing to the bodies cited in Article L. 823-16 of the French Commercial Code, at the time he or she deems appropriate.

6.7.1.3 / Internal control procedures relating to the preparation of financial information

General principles of organizing accounting and financial internal control

Definition and objectives

Accounting and financial internal control includes the processes that provide accounting data: the financial information production process, account-closing process and communication actions.

The accounting and financial internal control system aims to ensure:

- compliance with accounting regulations and proper implementation of the principles on which the financial statements are prepared;
- implementation of senior management's instructions on financial reporting;
- the preservation of assets;
- the quality of information reported for the preparation of published financial statements and the reliability of their centralized processing for Group consolidation, with a view to the distribution and use of that information for management purposes; and
- the control of production of financial, accounting and management items.

Scope

The scope of application of internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all subsidiaries in the consolidated financial statements.

Organization and management process of the accounting and finance function

Organization

Group financial and accounting information is prepared by the Group Finance Department.

In 2018, the Finance Department and the Office of the General Secretary of Fnac Darty supervised the Financial Control Department, the Legal Department, the Tax Department, the Investor Relations and Financing Department, the Security and Risk Prevention Department, the Real Estate Department, the Internal Audit Department and the France Finance Department, to which the Cash Management Department and the Management Control Department are attached.

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 processing of transactions. They specify, in particular, the recording methods pursuant to International Financial Reporting Standards (IFRS).

The budgetary and closure procedures ensure consistency in the processing of data.

Management standards

Management standards not only specify the rules applying to the valuation of certain major account balance sheets and income statements, but also the controls and validations applying to key processes.

The Financial Control Department is responsible for improving the quality of formalized rules and updating them.

Management process

The production and analysis of financial and accounting information is based on a set of management procedures, such as:

- the medium-term plan that measures the consequences of the strategic directions on the Group's major financial and management cornerstones. The plan is also used annually by the Group to assess the value-in-use of assets relating to the various Cash Generating Units;
- annual budgets, compiled after discussions with Country and Group operational departments and general management: the annual budgets identifying the major financial goals and operational action plans are prepared in the fourth quarter of the period and definitively adopted in the following first quarter after taking any intervening events into account;
- the annual budgets are updated at least twice a year to ascertain whether the budgetary targets have been met and, if necessary, to revise them by taking into account results to date and changes in the internal and external environment. In addition, a rolling monthly forecast is provided as part of the monthly budget update, with the entities sending in their revised monthly earnings and cash flow forecasts based on their business activity estimates;

- the reporting that is carried out each month on the basis of monthly result closures performed by all entities dependent on the Group allows rapid reporting of financial information and regular monitoring of operational performance. The Financial Control Department, based on the controls delegated to country or subsidiary Chief Financial Officers, makes sure it is consistent and complies with the applied accounting treatments.

  The Group's CEO, its Chief Financial Officer, and the regional, country or subsidiary CEOs meet regularly with the managers of the various activities to assess the development of business, based on financial and operational aspects; and
- the Financial Control Department oversees, on a regular basis for annual and semi-annual financial statements, off-balance sheet commitments of consolidated legal entities, including as part of the statutory consolidation processes or with regard to how they are required to list all their commercial or financial commitments and monitor them over the years.

Information systems

Financial and accounting information systems implemented in the Group have the purpose of meeting the compliance, security, reliability, availability and traceability of information requirements.

- Financial management and accounting data are managed with a single SAP information system in all Fnac banner activities to ensure consistent processing, 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 are managed with a single information system across all Fnac Darty activities. This SAP BPC tool interfaces with the various accounting information systems.
- Consolidation data are collected in a single consolidation tool known as BPC Consolidation, which interfaces with Fnac Darty's BPC V2 consolidated reporting system.

To reinforce internal control of systems, the Organization and Information Systems Department has strengthened the system for segregating duties and has improved right of access controls through a formalized annual review across the entire Group.

Preparation of accounting and financial information

Operational bookkeeping processes

All bookkeeping processes, including sales, purchases and inventory management, fixed assets, payroll and cash are the subject of specific monitoring procedures and accounting validation and authorization rules.

Consolidation of accounts

The statutory consolidation of accounts is performed monthly using the single consolidation tool that allows the consolidated subsidiaries' financial information to be transmitted in real time after a comprehensive validation process of consolidation files by their Statutory Auditors, CEOs and CFOs, who sign a representation letter every six months, thus ensuring the quality of financial information transmitted.

The Financial Control Department conducts the consolidation process.

Financial communication

The Investor Relations and Financing Department, which reports to the Group Chief Financial Officer and General Secretary, is responsible for preparing a precise timetable for releasing the latest financial information on the Group's activities to the financial markets.

This timetable is in line with the requirements of market authorities. Managers verify, with help from the Legal Department, that the information is released within the required time and in compliance with the laws and regulations that it monitors on an ongoing basis.

All material information communicated to the financial community accurately and transparently reflects the situation of the Group's activity, and is released in accordance with the principle of equality of information between shareholders.

Statutory Auditors

As part of their ongoing assignment, the Statutory Auditors audit the annual and interim accounts and financial statements of consolidated entities. The Group's annual consolidated financial statements are prepared under the supervision of the Financial Control Department under the responsibility of the Group Chief Financial Officer and General Secretary after validation by the entities' Finance Departments. The Chief Executive Officer and the Group Chief Financial Officer and General Secretary certify that the consolidated financial statements are true and present a fair view by signing a representation letter addressed to the Statutory Auditors.

6.7.2 / RISK MAPPING

Under its risk management and internal control procedures, Fnac Darty maps the principal risks to which it is exposed. The Group assesses the potential impact of each risk that is identified. The risk maps are updated regularly and allow the Group to define and monitor the various action plans that are implemented to reduce or manage these risks. The risks identified in the most recent Fnac Darty risk mapping are described in the previous sections of this Chapter 6 "Risk factors and internal control". Additionally, in order to meet new regulatory requirements, risk mapping specifically for anti-corruption risks and risk mapping relating to the French law establishing a duty of care that must be exercised by parent companies and ordering companies have been carried out.

6.7.2.1 / Mapping of Group business risks

Key business risks identified are mapped at Group level with contributions from the Group's countries and main operational departments, initially approved by the Executive Committee and then reviewed and approved by the members of the Audit Committee in December of every year.

Audit Committee members are updated on a regular basis on the progress of any risk mitigation plans.

6.7.2.2 / Specific mapping of Group corruption risks

In accordance with the Sapin 2 Law promulgated in December 2016, which came into effect in June 2017, the Group has established a corruption risk mapping process. Developed from interviews with the Group's various departments, it takes into account the geographical location of our activities, our interactions with third parties, the various business lines within the Group, our human resources policy, and existing procedures. The action plans defined in this regard have helped to strengthen our business ethics system (see Chapter 2, section 2.4.1.1, "Fight corruption").

6.7.2.3 / Specific mapping of Group risks relating to duty of care

In consideration of the French law establishing a duty of care that must be exercised by parent companies and ordering companies, the Group, in conjunction with the Company's stakeholders, has prepared specific risk mapping relating to fundamental human rights and freedoms, personal health and safety, ethics and the environment, directly or indirectly resulting from its business activities. This work has helped us to define a robust oversight plan that includes appropriate mitigation measures (see Chapter 2, section 2.4.1.2, "Oversight plan").

7

Information on the Company, capital and shareholders

7.1 / The Company

7.1.1 / HISTORY AND DEVELOPMENT

7.1.1.1 / Corporate name

The name of the Company is "Fnac Darty".

7.1.1.2 / Place of registration and registration number

The Company is registered under No. 055 800 296 with the Créteil Trade and Companies 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 set at January 1, 2100, unless it is dissolved early or extended.

7.1.1.4 / Registered office, legal form and applicable legislation

Registered office

Fnac Darty's registered office 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 legislation

Fnac Darty is a French limited company *(société anonyme)* specifically governed by the provisions of Book II of the French Commercial Code.

Previous corporate form

The Company was initially incorporated as a limited company. It was transformed into a simplified joint stock company by a unanimous resolution of the shareholders on June 4, 2002. On September 26, 2012, the Company's partners approved the transformation of the Company into a limited company with a Board of Directors.

7.1.2 / ARTICLES OF INCORPORATION AND BYLAWS

The Company's bylaws were written pursuant to the laws and regulations governing French limited companies with a Board of Directors. The principal stipulations described below are taken from the Company's bylaws, as adopted by the Company's Ordinary and Extraordinary General Meeting of April 17, 2013.

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 worldwide;
- 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 and senior management bodies

Board of Directors

Internal regulations of the Board of Directors

The Board of Directors has internal regulations which aim to specify the practices of the Company's Board of Directors.

Composition of the Board of Directors (Article 12 of the Bylaws and Article 1 of the Board's internal regulations)

The Board is composed of at least three and no more than eighteen members, subject to exceptions allowed by law, including in the case of a merger.

A person over 70 years of age cannot be appointed a director if the appointment would result in more than one third of the Board members being over 70 years. If this one-third proportion is exceeded due to an existing director turning 70, the oldest director will be deemed to have resigned at the end of the next Annual General Meeting.

The directors are appointed for a term of three years by the General Meeting under the conditions set forth by law. The General Meeting of May 23, 2019 will be asked to amend Article 12 of the bylaws so that the term of office for directors is set at four (4) years. The directors are eligible for re-appointment and may be dismissed at any time by a General Meeting. If one or more directorships are vacant, the Board may make provisional appointments, under the conditions set forth by law, which will be subject to ratification at the next General Meeting. A director appointed under these conditions to replace another director remains in office for the remaining period of his predecessor's term of office. The General Meeting of May 23, 2019 will be asked to amend Article 12 of the bylaws to provide the option of appointing directors for a term that is less than the term of office in order to implement or maintain the staggering of Board members' terms of office. It will then be possible to organize Board members' terms of office in a way that allows for renewal of members as regularly as possible.

The Board must ensure balance in the composition of both the Board and its committees, particularly in terms of diversity (gender balance, nationalities, age, qualifications and professional experience, etc.), 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 must be at least half for the Board of Directors, at least two thirds for the Audit Committee, over half for the Appointments and Compensation Committee, and at least half for the Corporate, Environmental and Social Responsibility Committee, wherever possible. 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, the Board assesses the independence of each of its members (or nominees). During this assessment, the Board, following the opinion of the Appointments and Compensation Committee, examines the qualification of each of its members (or nominees) on a case-by-case basis with respect to the criteria below, the particular circumstances, and the situation of the interested party in relation to the Company. Shareholders are informed of the assessment's conclusions 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:

- the member is not nor has been an employee or executive corporate officer of the Company, an employee or director of any company that has consolidated the Company, or of a company consolidated by the Company in the past five years;
- the member is not an executive corporate officer of a company in which the Company is a director, either directly or indirectly, or in which an employee appointed as such or an executive corporate officer of the Company (current or within the last five years) is a director;
- the member is not a significant customer, supplier, investment banker, commercial banker or advisor of the Company, or the Company does not represent a significant proportion of the member's business (nor is 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; and
- the member's current term of office as a member of the Company's Board of Directors does not exceed twelve years as of their appointment date.

For Board members holding ten percent or more of the Company's capital or voting rights, or representing a legal entity holding such an interest, the Board, upon recommendation of the Appointments and Compensation Committee, will assess the qualification of independence by taking particular account of the composition of the Company's capital and whether there is any potential conflict of interest.

The Board may decide that a Board member, 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 grounds. Conversely, the Board may decide that a Board member who does not meet the above criteria is nonetheless independent.

Chairman of the Board of Directors (Article 14 of the Bylaws and Article 1 of the Board's internal regulations)

The Board elects individuals from among its members to serve as Chairman and Vice Chairman, for terms not exceeding their term of office as a Board member. Their duties include calling and chairing Board meetings. The Chairman is eligible for re-election and may be dismissed at any time by the Board of Directors. At no time may he or she be more than 65 years of age.

Committees of the Board of Directors (Article 15 of the Bylaws and Article 1 of the Board's internal regulations)

The Board may decide to set up permanent or temporary committees from among its members in order to facilitate the operations of the Board and to provide effective assistance in preparing its decisions. Under the responsibility of the Board, these committees are tasked with examining the subjects that the Board or its Chairman submits for their examination and opinion to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal regulations specific to each committee and approved by the Board.

To date, the Board has decided to establish the following permanent committees: (i) an Audit Committee, (ii) an Appointments and Compensation Committee and (iii) a Corporate, Environmental and Social Responsibility Committee (see section 3.2.1 "Committees of the Board of Directors" of this Registration Document).

Operation of the Board of Directors (Article 15 of the Bylaws and Article 5 of the Board's internal regulations)

The Board is convened by its Chairman, 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 allow for 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. Directors who participate in the meeting via videoconferencing or other appropriate means, under the conditions provided for by the law and regulations, are deemed present at the meeting for the purposes of calculating the quorum and majority. All directors may give a written proxy to another director to represent them at a meeting of the Board of Directors. Each director may only hold one proxy per meeting.

Decisions are made by a majority vote of the members present, deemed present or represented. If the result is tied, the Chairman of the meeting has the deciding vote.

The Board of Directors appoints a secretary, who can be chosen from outside its members.

A register of attendance is kept for Board meetings and minutes are taken, pursuant to the laws and regulations in force. The attendance register mentions the attendance of members by videoconference or by any other means of telecommunication.

The directors hold a meeting at which the executive corporate officers are not present at least once per year.

The duties of the Board of Directors (Articles 13 and 17 of the Bylaws and Articles 3 and 4 of the Board's internal regulations)

The Board carries out the duties and exercises the powers entrusted to it by law and by the Company's bylaws. It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly granted 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.

It promotes long-term value creation by the company while considering the social and environmental challenges related to its activities and, where applicable, proposes any changes to the bylaws that it deems necessary.

The Board regularly assesses opportunities and risks with regard to the strategy that it has set out, such as financial, legal, operational, social and environmental risks, as well as the measures taken in response thereto.

It ensures, where applicable, the implementation of a prevention and detection system to combat corruption and influence-peddling.

It also ensures that the executive corporate officers implement a policy of non-discrimination and diversity, particularly in terms of gender balance within its executive bodies.

The Board carries out the audits and verifications it deems necessary. The Board is regularly informed of the Company's and Group's financial and cash position, as well as their commitments. The Chairman and the Chief Executive Officer communicate to the directors, on an ongoing basis, any information concerning the Company of which they are aware and which they consider useful or relevant to communicate.

The Chairman performs the following specific duties:

- the Chairman is responsible for relations between Company shareholders and the Board in relation to corporate governance matters. He is also responsible for maintaining good relations with the Company's strategic shareholders, in close collaboration with the Chief Executive Officer; and
- the Chairman may be consulted by the CEO for all significant events relating to the Company's strategy and major growth projects without prejudice to the prerogatives of the Board of Directors and its committees.

The Chairman has access to any document or information that he deems necessary or useful for the performance of his duties as set out above. He may consult the Board Secretary and the Company's Chief Financial Officer, and receive assistance from the Company's General Secretary for the administrative tasks resulting from these duties.

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; and
- the following transactions conducted by the Company or any entity controlled by it when the amount per transaction set by the Board of Directors is exceeded:
  - any investment or divestment, including an acquisition or sale or exchange of interests in any existing or future companies,
  - any surety, endorsement or guarantee of any kind, and
  - any borrowing (or series of borrowings) or loan of money or early repayment of borrowings of any kind.

The Board of Directors also oversees the Company's and Group's proper corporate governance, in order to ensure a high level of sustainable development and transparency consistent with the corporate social responsibility principles and practices of the Group and its directors and employees.

Compensation of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's internal regulations)

The General Meeting may allocate an annual fixed sum to directors as attendance fees, which is distributed among them as determined by the Board. On the recommendation of the Appointments and Compensation Committee, the Board:

- freely distributes the attendance fees allocated to the Board by the General Meeting among its members, if necessary under the conditions provided for in the applicable regulations; a portion set 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, under the conditions provided for in the regulations, and to the Vice Chairman; and
- may allocate exceptional compensation to some of its members for duties and offices assigned to them.

Senior management

Chief Executive Officer (Article 17 of the Bylaws)

a) Appointment of the Chief Executive Officer

If the Board of Directors chooses to separate the functions of Chairman and Chief Executive Officer (CEO), it will appoint the CEO from among the directors or from outside of them, and will set the term of office, 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 exercises these powers within the limits of the corporate purpose and subject to the powers expressly granted by law 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 of Directors (see above). Moreover, under the conditions set forth by law, the Board sets either a total amount below which the CEO may give, with or without the option of delegating, commitments in the name of the Company in the form of sureties, endorsements or guarantees or an amount above which each of the above commitments may not be given. All transactions exceeding the global cap or maximum amount set for each commitment 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 appoints, 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 responsible for assisting the CEO with the title of Chief Operating Officer (COO). The maximum number of Chief Operating Officers is set at five. At no time may a Chief Operating Officer be more than 65 years of age.

Should the CEO cease to or be prevented from exercising his or her duties, the Chief Operating Officer(s) will keep their positions and assignments until the new CEO is appointed, unless otherwise decided by the Board of Directors.

The Board of Directors determines the extent and duration of the powers given to the Chief Operating Officers in agreement with the CEO. The Chief Operating Officer(s) hold the same powers as the CEO with regard to third parties.

7.1.2.4 / Rights, privileges, and restrictions on shares

The shares may be freely traded pursuant to the legal conditions.

Each share gives the right to a part of the Company's assets and profits and to 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 on May 29, 2015, no double voting rights were granted, as instituted by Law 2014-384 of March 29, 2014.

As a result, each shareholder has as many votes as he or she 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 allotment of securities, capital reduction, merger, spin-off or any other transaction, holding fewer securities 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 fractional rights.

7.1.2.5 / Changes in shareholders' rights

Any change in rights attached to shares in the Company is governed by applicable legal and regulatory provisions.

7.1.2.6 / General Meetings

Convening General Meetings

The Company's General Meetings are convened under the conditions and according to the procedures and timetables set forth by the regulations in force and the Company's bylaws. They are held at the registered office or in any other place stated in the notice of meeting.

Attendance and voting at General Meetings

All shareholders may participate in General Meetings, personally or through a proxy, under the conditions defined by the regulations in force. They will need proof of identity and proof of ownership of the securities through registration in the shareholder's name (or in the name of the intermediary registered on the shareholder's behalf when Company shares are listed for trading on a regulated market, pursuant to the regulations in force). This must occur no later than the second business day preceding the meeting at midnight (Paris time), either in the registered securities accounts kept by the Company or in bearer share accounts kept by any authorized intermediary, when the Company's shares are listed for trading on a regulated market. Proof of shareholder status can be provided electronically, under the conditions set by the applicable regulations.

Shareholders who participate in the meeting by video-conferencing or by any means of telecommunication, including online, 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 pursuant to the Board of Directors' decision published in the notice of meeting that such forms of telecommunication are permitted.

Any shareholder may vote remotely or by proxy, in accordance with the regulations in force, by completing a form prepared by the Company and returned to it, in accordance with the regulations in force, including electronically or by remote transmission, pursuant to the Board of Directors' decision. To be accepted, this form must be received by the Company under the conditions provided by the regulations in force.

By prior decision of the Company's Board of Directors, electronic forms may be completed and signed using a reliable identification process that meets the conditions stated in the first sentence of the second paragraph of Article 1316-4 of the French Civil

Code, which 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 prior to the meeting at midnight (Paris time), the Company shall invalidate or accordingly modify the proxy or vote, as applicable, cast before that date and time.

Prior to the General Meeting of May 23, 2019, Fnac Darty has implemented Votaccess, a service offering the option to vote online at the General Meeting and to receive the meeting invitation in electronic form.

Conduct of General Meetings

The meetings are chaired by the Chairman of the Board of Directors, or, in his or her absence, by a Board member specially delegated for that purpose by the Board. Otherwise, the meeting shall elect its own Chairman.

The minutes of meetings are prepared and copies are certified and issued in accordance with the regulations in force.

7.1.2.7 / Provisions of the bylaws that could have an impact on a change of control of the Company

The Company's bylaws do not contain any provisions that would, to the Company's knowledge, have the effect of delaying, deferring or preventing a change of its control.

7.1.2.8 / Shareholding thresholds and identification of shareholders (Article 9 of the Bylaws)

Declaration of thresholds

While the Company's shares are admitted for trading on a regulated market, any individual or corporate entity acting alone or collectively who directly or indirectly holds or ceases to hold 3% or more – or any 1% multiple above 3% – of the Company's capital or voting rights must notify the Company by registered letter with acknowledgment of receipt within the time limit stated 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 trading day following the date the ownership threshold is crossed). This is in addition to the legal obligation to notify the Company of the holding of certain percentages of equity. The provisions of paragraph VI bis of Article L. 233-7 of the French Commercial Code and of the AMF General Regulations apply mutatis mutandis to the thresholds referred to in this paragraph.

If not declared in accordance with the preceding paragraph, shares exceeding the percentage that should have been declared shall be stripped of their voting rights in general meetings if the absence of a declaration has been noted at a meeting and if one or more shareholders holding at least 3% of the Company's capital or voting rights so requests at said meeting. This removal 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, any person who solely or jointly comes to hold a number of shares representing more than one-twentieth of the Company's capital or voting rights must include the information referred to in paragraph VII of Article L. 233-7 of the French Commercial Code in its declaration to the Company, as specified in AMF's General Regulations. This is applicable while the Company's shares are admitted to trading on a regulated market and is in addition to the thresholds provided by the regulations in force.

At the end of each six-month period following their first declaration, any shareholders who continue to hold a number of shares or voting rights greater or equal to the percentage referred to in the previous paragraph must renew their declaration of intention for each subsequent six-month period, in accordance with the abovementioned terms.

The Company reserves the right to notify the public and shareholders of any information of which it has been advised or of any failure to comply with the abovementioned obligation by the person concerned.

The ownership percentages are determined using the shares and voting rights referred to in Articles L. 233-7 et seq. of the French Commercial Code and the provisions of Articles 233-11 et seq. of the General Regulations of the AMF.

Identification of shareholders

While the Company's shares are listed for trading on a regulated market, the Company is authorized to use the methods pursuant to 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 will be made in kind by delivery of Company assets.

7.2 / Share capital

7.2.1 / SHARE CAPITAL SUBSCRIBED AND AUTHORIZED SHARE CAPITAL NOT ISSUED

The Company's share capital as of December 31, 2018 was €26,605,439, and as of March 7, 2019 was €26,567,245, divided into the equivalent number of shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class. This represents the same number of theoretical voting rights and 26,544,439 actual voting rights as of December 31, 2018 and 26,534,745 actual voting rights as of March 7, 2019. It is noted that the difference between the number of theoretical voting rights and the number of actual voting rights corresponds to the treasury shares, to which no voting right is attached.

The table below shows the financial resolutions approved by the Company's Combined Ordinary and Extraordinary Shareholders' Meetings on June 17, 2016, May 24, 2017 and May 18, 2018.

Subject of resolution	Maximum amount	Validity authorization [a] [b] [c]	Use of the authorization during the year
Share buybacks and share capital reduction			
Authorization to trade in the Company's shares	€346,555,690	18 months [c]	See 7.2.3.1
Authorization to reduce capital by canceling treasury shares	10% of share capital per 24 months	26 months [c]	See 7.2.3.2
Issuance of securities			
Issue of ordinary shares, with preemptive subscription rights, giving access to ordinary shares or to the allotment of Company debt instruments and/or investment securities giving access to ordinary shares, as applicable	€13m [d]	26 months [b]	This authorization has not been used
Issue of ordinary shares giving access, as applicable, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares, in the form of a public tender offer and/or as payment in a public exchange offering, with preemptive subscription rights waived and with a mandatory priority period	€5.20m [e]	26 months [b]	This authorization has not been used
Issue of ordinary shares giving access, as applicable, to ordinary shares or to the allotment of debt instruments and/or investment securities giving access to ordinary shares, in the form of a public tender offer and/or as payment in a public exchange offering, with preemptive subscription rights waived and with an optional priority period	€2.60m [e] [f]	26 months [b]	This authorization has not been used
Issue of ordinary shares giving access, as applicable, to ordinary shares or to the allotment of Company debt instruments and/or investment securities giving access to ordinary shares, with preemptive subscription rights waived, in the form of an offer stipulated in Article L. 411-2-II of the French Monetary and Financial Code (private placement)	€2.60m [e] [f]	26 months [b]	This authorization has not been used
Issue or shares or investment securities giving access to capital in payment for contributions in kind	10% of share capital on the day of the GM [e] [f]	26 months [b]	This authorization has not been used
Authorization granted to the Board of Directors, in the event of an issue without preemptive subscription rights, to set the issue price up to a limit of 10% of the share capital	10% of share capital per year	26 months [b]	This authorization has not been used
Capital increase by capitalizing premiums, reserves, profits and/or premiums	€13m [g]	26 months [b]	This authorization has not been used
Increase in the number of shares to be issued in the event of a capital increase with or without preemptive subscription rights	As limited by applicable regulations (currently 15% of the initial issue)	26 months [b]	This authorization has not been used
Capital increase through the issue of ordinary shares or investment securities giving rights to capital allocated to members of employee share savings plans, eliminating their preemptive subscription rights	€0.78m [g]	26 months [b]	This authorization has not been used

Subject of resolution	Maximum amount	Validity authoriza-tion (a) (b) (c)	Use of the authorization during the year
Issue reserved for employees and executives			
Award of stock subscription or purchase options, eliminating preemptive subscription rights	5% of share capital on grant date (same cap as for the allotments of bonus shares below)	38 months (a)	Grant of 97,438 stock subscription options (h) (0.37% of share capital)
Bonus allotments of existing shares or shares to be issued to Group employees and corporate officers, or to some of them, eliminating preemptive subscription rights	5% of share capital on the allotment date (same cap as for the stock subscription or purchase options above)	38 months (a)	Allotment of 109,817 bonus shares (i) (0.41% of share capital)

(a) From June 17, 2016.
(b) From May 24, 2017.
(c) From May 18, 2018.
(d) All other authorizations to increase capital (with the exception of stock options and allotment of bonus shares) count towards this overall cap.
(e) Cap of €5.20m towards which the shared cap referred to in (f) counts and which counts towards the overall cap referred to in (d).
(f) Shared cap totaling €2.60m that counts towards the overall caps referred to in (c) and (d).
(g) Included in the overall cap referred to in (d).
(h) It is specified that 300,000 stock subscription options (representing approximately 1.12% of share capital) were granted during previous years on the basis of this authorization by the Board of Directors of April 28, 2017.
(i) It is specified that 282,029 bonus shares (representing approximately 1.06% of share capital) were allocated during previous years on the basis of this authorization by the Board of Directors at its meetings of April 4, 2016 (67,529 shares), of April 28, 2017 (122,000 shares) and of December 15, 2017 (92,500 shares).
€m: millions of euros.

By way of example (based on existing capital), the number of (i) stock subscription or purchase options that may be allotted or (ii) bonus shares that may be allotted is capped at a maximum number of 540,987 shares (2.04% of existing capital).

The Company also acted on the resolutions authorizing the purchase or sale of Company shares and the reduction of the Company's capital through the cancellation of treasury shares as described in section 7.2.3 below.

7.2.2 / SECURITIES NOT REPRESENTING SHARE CAPITAL

Since September 22, 2016, the Group has at its disposal Senior bonds in the amount of €650 million, bearing 3.25% annual interest, maturing in 2023 (High Yield Bonds) as described in section 4.2.2.2 "Financial debt".

7.2.3 / SHARES CONTROLLED BY THE COMPANY, TREASURY SHARES AND THE COMPANY'S ACQUISITION AND CANCELLATION OF ITS OWN SHARES

7.2.3.1 / Share buyback program in force on the Registration Document preparation date

On May 18, 2018, the Ordinary General Meeting authorized the Company's Board of Directors to implement a buyback program for Company shares for a period of eighteen months from the date of the meeting, 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	€130 (excluding acquisition costs)	€346,555,690	10% of the Company's capital

On May 18, 2018, the Ordinary General Meeting of shareholders of the Company authorized the Company's Board of Directors to reduce the share capital, on one or more occasions through the cancellation of any amount of treasury shares in the proportions and at the times as it may decide. This authorization is for a twenty-six month period from the Meeting date, within the limits authorized by law and in accordance with the following conditions:

Transaction concerned	Duration of authorization	Maximum term of the share cancellation period	Maximum number of shares canceled
Share buyback program	26 months	24 months	10% of the Company's capital

Authorized purposes

Acquisitions may be made for the following purposes:

a) to stimulate the secondary market or liquidity for Fnac Darty shares via a liquidity agreement with an investment services provider in accordance with the Amafi Ethics Charter as permitted by regulations, it being understood that the number of shares used to calculate the aforementioned limit is the number of shares purchased minus the number of shares sold;

b) to hold the purchased shares for future sale as exchange or payment under any external growth transactions;

c) to cover stock purchase options and/or bonus share allocation (or similar) plans for the benefit of Group employees and/or corporate officers as well as allocations of shares in connection with a company or group savings plan (or similar), company profit-sharing plan and/or any other form of share allotments to Group employees and/or corporate officers;

d) to cover investment securities that establish the right to allotment of Company shares, as required by applicable regulations;

e) to potentially cancel the purchased shares, in accordance with the authorization granted or to be granted by an Extraordinary General Meeting.

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.

Buyback mechanism

Acquisitions, sales, trades and transfers may be arranged by any means, including by acquiring blocks of shares, and the Company reserves the right to use options or derivative instruments subject to applicable regulations.

The Board of Directors, unless authorized in advance by the General Meeting, may not use this delegation for the remainder of the offer period once a third-party public tender offer has been filed for the Company's shares.

Implementation

On October 18, 2018, the Company informed the market about the implementation of a treasury stock buyback program, in the amount of 535,000 shares, or approximately 2% of its capital, over a 24-month period. This buyback is carried out at a price that may not exceed the ceiling of €130 per share, set by the General Meeting.

These shares are intended to be canceled so as to offset the dilutive effects of performance share plans or past share option plans.

For the purpose of implementing this program, the Group granted a mandate to an independent investment services provider.

As of December 31, 2018, 198,250 shares had been redeemed under this mandate at an average price of €55.90 (brokerage fees amounting to €11,082 were paid in this respect). These shares, representing 0.74% of capital before cancellation, were canceled.

Redemptions under the liquidity agreement

Effective June 19, 2013, for a renewable period of twelve months, the Company had entrusted Rothschild & Cie Banque with implementing a liquidity agreement in accordance with the Ethics Charter established by Amafi and approved by the AMF on March 21, 2011.

To implement this liquidity agreement, a sum of €6 million had been allocated to the liquidity account. This amount had been increased to €8 million by an amendment on July 17, 2017.

On September 25, 2018, the liquidity agreement that had been entrusted to Rothschild & Cie Banque was terminated.

As of this date, the following resources were in the liquidity account:

- 97,750 Fnac Darty shares; and
- €360,967.54.

From September 26, 2018, and for a term of one year, renewable by tacit agreement, Fnac Darty entrusted the implementation of a market surveillance and liquidity agreement covering its ordinary shares to Oddo BHF and Natixis, in accordance with the Amafi ethics charter approved by the AMF by the decision of March 21, 2011.

For the implementation of this contract, the following resources were allotted to the liquidity account:

- 97,750 Fnac Darty shares; and
- €360,967.54.

In 2018, under the liquidity agreement, 488,476 shares were purchased at an average price of €80.04 for a total amount of €39,099,961, and 427,476 shares were sold at an average price of €77.97 for a total of €33,332,392. Under this liquidity agreement, the following resources were in the liquidity account on December 31, 2018: 61,000 shares and €2,684,972.63.

On March 7, 2019, the Company held 32,500 shares.

Breakdown by objective of treasury shares at the registration document preparation date

At March 7, 2019:

- number of shares held directly or indirectly: 32,500 representing 0.12% of the Company's capital;
- breakdown of number of shares held by objective:
  - stimulate the share price via an Amafi liquidity agreement: 32,500, and
  - holding with a view to cancellation: none.

7.2.3.2 / Description of the share buyback program submitted to the General Meeting of May 23, 2019 for authorization

Presentation of the program submitted to the next General Meeting

A new authorization is being submitted for the approval of the Combined Ordinary and Extraordinary General Meeting of May 23, 2019 called to approve the financial statements for the year ended December 31, 2018. This authorization seeks authority for the Board of Directors to implement a new Company share buyback program 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	€266,086,480.00	10% of the Company's capital

Acquisitions may be made for the following purposes:

- to stimulate the secondary market or liquidity for Fnac Darty shares via a liquidity agreement with an investment services provider in accordance with the practice permitted by the regulations, it being understood that the number of shares used to calculate the aforementioned limit is the number of shares bought minus the number of shares sold;
- to hold the purchased shares for future sale as exchange or payment under any external growth transactions;
- to cover stock purchase options and/or bonus share allocation (or similar) plans for the benefit of Group employees and/or corporate officers as well as allocations of shares in connection with a company or group savings plan (or similar), company profit-sharing plan and/or any other form of share allotments to Group employees and/or corporate officers;
- to cover investment securities that establish the right to allotment of Company shares, as required by applicable regulations; and
- to potentially cancel the purchased shares, in accordance with the authorization granted or to be granted by an Extraordinary General Meeting.

These shares may be purchased by any means, including by acquiring blocks of shares, at such times deemed appropriate by the Board of Directors.

This authorization is also intended to enable the Company to trade in its shares using any means and for any other authorized purpose or using any market practice permitted now or subsequently by applicable laws and regulations or those accepted by the AMF. If the Company undertakes any transactions outside the purposes mentioned above, it will inform its shareholders by means of a press release.

Acquisitions, sales, trades and transfers may be arranged by any means, including by acquiring blocks of shares, and the Company reserves the right to use options or derivative instruments subject to applicable regulations.

The Board of Directors, unless authorized in advance by the General Meeting, may not use this delegation for the remainder of the offer period once a third-party public tender offer has been filed for the Company's shares.

7.2.4 / OTHER SECURITIES GRANTING RIGHTS TO CAPITAL

At the preparation date of this Registration Document, the potential capital consists of 184,742 stock subscription options and 298,886 bonus shares in the process of vesting, as described below.

The mechanism for the allotment of performance shares described in 3.4.2 "Long-term incentives" is achieved partially through stock subscription options and partially through bonus share allotments.

The principles and implementation of a long-term incentive plan for the Group's main directors (excluding the executive corporate officer) were approved by the Board of Director meetings of October 22, 2013, February 26, 2014, February 26, 2015 and April 4, 2016 on the recommendation of the Appointments and Compensation Committee. This was in accordance with the authorizations granted by the General Meeting of April 17, 2013 in its Thirtieth Resolution on stock subscription options and its Thirty-first Resolution on bonus share allotment and by the General Meeting of June 17, 2016 in its Fourteenth Resolution on bonus share allotment.

These plans consist of an allotment of stock subscription options to the directors who are not corporate officers and an allotment of bonus shares to the main directors, Group leadership directors, and high-potential executives and managers, in order to link them to the Company's performance through the appreciation of its share price.

The options from the stock subscription option plans will be vested gradually to the beneficiaries by tranche at the end of successive vesting periods, subject to the beneficiary's continued employment in the Group at the end of the relevant period, and will be subject to a Fnac Darty share performance condition defined for each vesting period.

The principles and implementation of a long-term incentive plan for the Group's main directors (including the executive corporate officer) were approved by the Board of Directors meetings on April 28, 2017, December 15, 2017 and May 18, 2018 on the recommendation of the Appointments and Compensation Committee. This was in accordance with the authorization granted by the General Meeting of June 17, 2016 in its Thirteenth and Fourteenth Resolutions.

These plans consist of an allotment of stock subscription options to the executive corporate officer and main directors, and an allotment of bonus shares to the executive corporate officer, main directors, Group leadership directors, and high-potential executives and managers, in order to link them to the Company's performance through the appreciation of its share price.

Stock Options

The options from the stock subscription option plan will be vested gradually to the beneficiaries by tranche at the end of successive vesting periods, subject to the beneficiary's continued employment in the Group at the end of the relevant period. They will be subject to the performance of the Fnac Darty share price and on the achievement of specific synergy goals in the merging of Fnac and Darty and a current operating income target, defined for each vesting period.

The plan established by the Board of Directors on February 26, 2015 stipulates two vesting periods: March 1, 2015 to September 30, 2017 (maturity) and March 1, 2015 to September 30, 2018 (maturity).

The plan established by the Board of Directors on Friday, April 28, 2017 stipulates two vesting periods: May 2, 2017 to May 1, 2019 and May 2, 2017 to May 1, 2020.

The plan established by the Board of Directors on Friday, May 18, 2018 stipulates two vesting periods: May 18, 2018 until May 17, 2020 and May 18, 2018 until May 17, 2021.

Main features	2015 plan	2017 plan	2018 plan
Date of the authorization of the General Meeting	April 17, 2013	June 17, 2016	June 17, 2016
Date of Board of Directors' meeting	February 26, 2015	April 28, 2017	May 18, 2018
Exercise price	€44.10	€66.23	€89.43
Performance conditions	Share price increase	Share price increase Achievement of synergy goals	TSR Achievement of current operating income target
Date of vesting	September 30, 2017: for 54% September 30, 2018: for 46%	May 1, 2019: for 50% May 1, 2020: for 50%	May 17, 2020: for 50% May 17, 2021: for 50%
Number of stock subscription options initially allotted	98,972	300,000	97,438
Alexandre BOMPARD, Chairman and CEO until 07/17/2017		150,000	
Enrique MARTINEZ, CEO since 07/17/2017			41,766
Number of beneficiaries as of December 31, 2018	0	7	11
Being vested as of December 31, 2018	0	87,304	97,438
Canceled or expired as of December 31, 2018	18,332	212,696	0
Vested as of December 31, 2018	48,340 (1st tranche vested as of September 30, 2017) 32,300 (2nd tranche vested as of September 30, 2018)	0	0
Vested and exercised as of December 31, 2018	48,340 (1st tranche vested as of September 30, 2017) 10,751 (2nd tranche vested as of September 30, 2018)	0	0
TOTAL OPTIONS BEING VESTED AS OF DECEMBER 31, 2018			**184,742**

Allotment of bonus shares

The plan established by the Board of Directors on February 26, 2015 stipulates a bonus share plan with a duration of four years: two vesting years (March 2015 to February 2017), therefore now vested, and two holding years for French residents, and four vesting years (March 2015 to February 2019) for non-French residents. The performance condition is assessed on the average closing price of the Fnac Darty share at the end of February 2017.

The plan established by the Board of Directors on April 4, 2016 stipulates a bonus share plan with a duration of four years: two vesting years (June 17, 2016 to June 16, 2018) and two holding years for French residents, and four vesting years (June 17, 2016 to June 16, 2020) for non-French residents. The performance condition is assessed on the average closing price of the Fnac Darty share for the 20 days preceding June 16, 2018.

The plan established by the Board of Directors on April 28, 2017 stipulates a bonus share plan with a duration of four years: two vesting years (May 2, 2017 to May 1, 2019) and two holding years for French residents, and four vesting years (May 2, 2017 to May 1, 2021) for non-French residents. The performance condition relating to Fnac Darty's share price is assessed annually, in April 2018 and April 2019, on the share's average closing price over the 20 trading days preceding May 1, 2018 and May 1, 2019 respectively. The performance condition relating to achievement of synergies in the merger of Fnac and Darty is assessed in 2018 after publication of the Group's 2017 annual results, and in 2019 after the publication of the Group's 2018 annual results.

The plan established by the Board of Directors on December 15, 2017 stipulates a vesting period of more than two years (December 15, 2017 until the 3rd trading day following the publication of the 2019 annual results). The performance condition relating to Fnac Darty's share price is assessed in 2019 and 2020 based on the Company's Total Shareholder Return (TSR) compared to that of the companies in the SBF120. The performance condition relating to the achievement of synergies in the merger of Fnac and Darty and to a level of Current Operating Income (COI) are assessed in 2019 after the publication of the Group's 2018 annual results, and in 2020 after the publication of the Group's 2019 annual results.

The plan established by the Board of Directors meeting of May 18, 2018 provides for a term of three years (May 18, 2018 – May 17, 2021) with two successive vesting periods: a first period of two years (May 18, 2018 – May 17, 2020) and a second period of three years (May 18, 2018 – May 17, 2021). The market performance condition for Fnac Darty based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies is measured annually: for the first period, in 2019 for 2018, and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period in 2019, after the publication of the Group's 2018 annual results, and in 2020, after publication of the Group's 2019 annual results; and for the second period in 2021, after the publication of the Group's 2020 annual results.

Vesting of the bonus shares is subject to a continuous service condition and Fnac Darty performance conditions.

Main features	2015 plan	2016 plan	2017 plan	2017 plan	2018 plan
Date of the authorization of the General Meeting	April 17, 2013	June 17, 2016	June 17, 2016	June 17, 2016	June 17, 2016
Date of Board of Directors' meeting	February 26, 2015	April 4, 2016	April 28, 2017	December 15, 2017	May 18, 2018
Allotment price	€44.10	€50.86	€66.23	€86.82	€89.43
Performance conditions	Share price increase	Share price increase	Share price increase Achievement of synergy goals	TSR Achievement of synergy goals Achievement of current operating income target	TSR Achievement of current operating income target
Date of vesting	For French residents: February 28, 2017 + a two-year lock-up period until February 28, 2019 For non-French residents: February 28, 2019	For French residents: June 16, 2018 + a two-year lock-up period until June 16, 2020 For non-French residents: June 16, 2020	For French residents: May 1,2019 + a two-year lock-up period until May 1, 2021 For non-French residents: May 1, 2021	In 2020, the third trading day following the publication of the 2019 annual results	May 17, 2020: for 66.67% May 17, 2021: for 33.33%
Number of bonus shares initially allotted	60,839	67,529	122,000	92,500	109,817
Alexandre BOMPARD, Chairman and CEO until 07/17/2017			20,333		
Enrique MARTINEZ, CEO since 07/17/2017				15,391	9,983
Number of beneficiaries as of December 31, 2018	26	29	129	37	164
Being vested as of December 31, 2018	10,347	9,492	85,530	84,573	108,944
Canceled or expired as of December 31, 2018	11,602	13,792	36,470	7,927	873
Vested as of December 31, 2018	38,890	44,245	0	0	0
TOTAL BONUS SHARES BEING VESTED AT DECEMBER 31, 2018					**298,886**

Companies affiliated with Fnac Darty under the conditions laid down in Article L. 225-197-2 of the French Commercial Code or controlled by it as defined by Article L. 233-16 of the French Commercial Code have not issued any stock purchase or subscription option plans.

Dilutive effect

At December 31, 2018, the Company had 298,886 bonus shares in the process of vesting as well as 184,742 subscription options in the process of vesting, conferring the right to subscribe to 184,742 Company shares. As of December 31, 2018, there were 26,605,439 Company shares. On that date, if all subscription options (2017 and 2018 plans) had been exercised, along with all bonus shares vested through the issue of new shares, 483,628 shares would have been created, representing a dilution of 1.82%.

7.2.5 / TERMS GOVERNING ANY VESTING RIGHT AND/OR ANY OBLIGATION ATTACHED TO THE CAPITAL SUBSCRIBED BUT NOT PAID-UP

None.

7.2.6 / SHARE CAPITAL OF ANY GROUP COMPANY THAT IS SUBJECT TO AN OPTION OR AN AGREEMENT TO PLACE IT UNDER OPTION

Except as described in section 7.3 "Shareholders" of this Registration Document, the Company is not aware of any options to acquire all or part of the capital of any company in the Group or any conditional or unconditional agreement to grant an option over all or part of the capital of any Group company.

7.2.7 / HISTORY OF THE SHARE CAPITAL OVER THE LAST FIVE YEARS

The table below presents the evolution of the Company's share capital over the last five years ended.

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 the transaction (€)	Capital after the transaction (€)
05/29/2015	Increase in the number of shares by exercise of stock subscription 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 payment for the Darty shares tendered as securities for the Darty plc acquisition offer	19,632,675	n. a.	19,632,675	26,103,758	1.00	26,103,758
09/15/2016	Capital increase as payment for the Darty shares tendered as securities for the Darty plc acquisition offer following the forced disposal notifications	26,103,758	n. a.	26,103,758	26,122,771	1.00	26,122,771
01/09/2017	Increase in the number of shares by exercise of stock subscription options	26,122,771	3,749,880.60	26,122,771	26,299,576	1.00	26,299,576
03/01/2017	Increase in the number of shares resulting from the final vesting of bonus shares	26,299,576	(38,890)	26,299,576	26,338,466	1.00	26,338,466
12/15/2017	Increase in the number of shares by exercise of stock subscription options	26,338,466	7,614,068.08	26,338,466	26,658,135	1.00	26,658,135
06/18/2018	Increase in the number of shares resulting from the final vesting of bonus shares	26,658,135	44,245	26,658,135	26,702,380	1.00	26,702,380
07/16/2018	Capital increase reserved for employees, corporate officers and eligible former employees subscribing to the Group Savings Plan	26,702,380	6,585,377.76	26,702,380	26,792,938	1.00	26,792,938
12/28/2018	Increase in the number of shares by exercise of stock subscription options	26,792,938	463,368.1	26,792,938	26,803,689	1.00	26,803,689
12/28/2018	Capital reduction through the cancellation of shares	26,803,689	n. a.	26,803,689	26,605,439	1.00	26,605,439

The following major transactions involving the Company's share capital were completed between May 29, 2015 and the preparation date of this Registration Document:

- the Board of Directors at its meeting of May 29, 2015 noted the capital increase of €92,164 with an issue premium of €1,776,921.92, through the exercise of 92,164 stock subscription 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 an issue premium of €156,079,753 reserved for 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 payment 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 payment 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 stock subscription options in 2016; the share capital was therefore raised from €26,122,771 to €26,299,576 (divided into 26,299,576 shares with a par value of €1);
- the Chairman and Chief Executive Officer, in a decision dated March 1, 2017, noted the capital increase of €38,890 through the issue of 38,890 new shares with a par value of €1, following the allotment of bonus shares fully vested by the beneficiaries; the share capital was therefore raised from €26,299,576 to €26,338,466 (divided into 26,338,466 shares with a par value of €1);
- the Chief Executive Officer, in a decision dated December 15, 2017, noted the capital increase of €319,669 through the issue of 319,669 new shares with a par value of €1, following the exercise of stock subscription options in 2017, not recognized as of March 1, 2017; the share capital was therefore raised from €26,338,466 to €26,658,135 (divided into 26,658,135 shares with a par value of €1);
- the Chief Executive Officer, in a decision dated June 18, 2018, noted the capital increase of €44,245 through the issue of 44,245 new shares with a par value of €1, following the final vesting of bonus shares fully vested by the beneficiaries; the share capital was therefore raised from €26,658,135 to €26,702,380 (divided into 26,702,380 shares with a par value of €1);
- the Chief Executive Officer, in a decision dated July 16, 2018, noted the capital increase of 90,558 new shares with a par value of €1 following the subscription of shares by employees, and eligible corporate officers and former employees subscribing to the Group Savings Plan for Fnac Darty's French companies, and to the International Group Savings Plan for Fnac Darty's non-French companies; the share capital was therefore raised from €26,702,380 to €26,792,938 (divided into 26,792,938 shares with a par value of €1);
- the Chief Executive Officer, in a decision dated December 28, 2018, noted the capital increase of 10,751 new shares with a par value of €1 following the exercise of stock subscription options since October 1, 2018; the share capital was therefore raised from €26,792,938 to €26,803,689 (divided into 26,803,689 shares with a par value of €1); and
- the Chief Executive Officer, in a decision dated December 28, 2018, noted the capital reduction of 198,250 shares with a par value of €1 following the redemption of shares under the share buyback program implemented by the Company's Board of Directors; the share capital was therefore reduced from €26,803,689 to €26,605,439 (divided into 26,605,439 shares with a par value of €1).

7.3 / Shareholders

7.3.1 / SHAREHOLDING

As of December 31, 2018, the Company's share capital and voting rights were distributed as follows:

	Position as of 12/31/2018			Position as of 12/31/2017			Position as of 12/31/2016		
Shareholders [(a)]	**Number of shares**	**% of share capital**	**% of voting rights**	**Number of shares**	**% of share capital**	**% of voting rights**	**Number of shares**	**% of share capital**	**% of voting rights**
Ceconomy Retail International	6,451,845	24.25%	24.25%	6,451,845	24.20%	24.20%			
SFAM Group	3,026,422	11.38%	11.38%						
Dorval Asset Management	1,334,996	5.02%	5.02%						
Artemis Group							6,451,845	24.70%	24.70%
Vivendi Universal				2,944,901	11.05%	11.05%	2,944,901	11.27%	11.27%
Knight Vinke Asset Management				2,735,458	10.26%	10.26%	3,038,987	11.63%	11.63%
DNCA				1,396,082	5.24%	5.24%	2,459,977	9.42%	9.42%
Employee share ownership	94,150	0.35%	0.35%						
Public	15,698,026	59.00%	59.00%	13,129,849	49.25%	49.25%	11,227,061	42.98%	42.98%
TOTAL	**26,605,439**	**100.00%**	**100.00%**	**26,658,135**	**100.00%**	**100.00%**	**26,122,771**	**100.00%**	**100.00%**

(a) *This table shows the shareholders representing more than 5% of the capital on the date indicated, with the exception of Group employee shareholders.*

According to the Euroclear bearer shares report and the Company's shareholder register, at the end of 2018 the Company had more than 1,500 registered shareholders. Approximately 46% of shareholders at that date were residents.

To the Company's knowledge, no other shareholder directly or indirectly, solely or jointly, holds more than 5% of the share capital or voting rights.

Declaration of thresholds

The following declarations of share ownership thresholds surpassed by registered intermediaries or fund managers for the year 2018 have been notified to the AMF and/or the Company:

- In letters received on January 18 and 19, 2018, Société Générale declared that on January 17, 2018, as a result of a series of transactions in which Société Générale took a long position on a forward contract for Fnac Darty shares, it had exceeded the statutory thresholds of 5% and 10% of the capital and voting rights of Fnac Darty and held 3,077,454 Fnac Darty shares representing the same number of voting rights, i.e., 11.54% of the capital and voting rights of Fnac Darty *(AMF Notice 218C0168)*.

The following declaration of intention was communicated in the same letters:

"Société Générale notes that:

- *we hold 131,525 Fnac Darty shares and we have carried out off-market transactions with an economic effect for Société Générale that is similar to the possession of Fnac Darty shares. These transactions specifically include the following concurrent transactions: (i) the disposal of 2,944,651 Fnac Darty shares via accelerated book building (ABB), (ii) the hedging of this short position through the signing of a securities borrowing agreement with a Fnac Darty shareholder, and (iii) the conclusion of a forward contract for Fnac Darty shares upon the expiry of which the counterparty of Société Générale may request settlement of this contract in cash or securities;*
- *as a result of these transactions, Société Générale ultimately holds a forward contract for 2,944,651 Fnac Darty shares and two contracts for difference for a total of 1,278 Fnac Darty shares. Société Générale does not hold any other forward financial instrument that may be regarded as a long position;*
- *we act alone and manage our risk in the context of this transaction;*

- *notwithstanding any purchases of Fnac Darty shares that may be made in the normal course of our activities as an investment service provider, we do not intend to continue purchasing;*
- *we do not intend to acquire control of Fnac Darty;*
- *we do not request either our appointment or that of one or more persons as a director of Fnac Darty;*
- *we do not have any strategy vis-à-vis Fnac Darty;*
- *we do not intend to carry out any of the transactions listed in Article 23-17 I(6) of the AMF General Regulations;*
- *upon the expiry of the forward transaction our counterparty will decide either to transfer the underlying Fnac Darty shares to us, or to settle in cash; and*
- *Société Générale constituted its own hedge by borrowing Fnac Darty shares via a temporary sale agreement (see above) and has not entered into any other temporary sale agreement involving Fnac Darty shares."*

- In letters received on February 8, 2018, SFAM Group SAS declared that it held 3,026,422 Fnac Darty shares representing the same number of voting rights, i.e., 11.35% of that company's capital and voting rights, and that on February 6, 2018 it had exceeded legal and statutory thresholds directly and indirectly through SFAM Développement SAS which it controls *(AMF Notice 218C0376):*
  - SFAM Développement, solely: the thresholds of 3%, 4%, 5%, 6%, 7%, 8% and 9% of the capital and voting rights of Fnac Darty;
  - SFAM Group, under the similarity provisions in Article L. 233-9, I, 2 of the French Commercial Code: the thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and 11% of the capital and voting rights of Fnac Darty; and
  - SFAM Développement and SFAM Group, jointly: the thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and 11% of the capital and voting rights of Fnac Darty.

  In the same letter, SFAM Group declared that:

  - *"the acquisition of 3,026,422 Fnac Darty shares was financed by SFAM resources originating from bond financing subscribed to by ICG, guaranteed by the pledging of a securities account in which the Fnac Darty shares acquired by SFAM Développement SAS are registered, and from a capital increase subscribed to by Ardian in particular;*
  - *it is not acting jointly with a third party;*
  - *it intends to acquire additional shares as market opportunities arise;*
  - *it has no intention of taking control of Fnac Darty;*
  - *it supports the strategy announced by the management team, which does not require entering into any transaction listed in section 6 of Article 223-17-I of the AMF General Regulations;*
  - *it is not party to any temporary sale agreement involving shares or voting rights in Fnac Darty;*
  - *it is not party to any agreement or financial instrument referred to in Sections 4 and 4 bis of Article L. 233-9-I of the French Commercial Code; and*
  - *it intends to discuss with the Fnac Darty management team its ability to contribute to the development of the diversification strategy and enhance its business activities, potentially through a seat, as shareholder, on the Board of Directors."*

- In a letter received on February 9, 2018, Knight Vinke Asset Management LLC, acting for the fund that it manages, stated that on February 6, 2018 it had dropped below the statutory thresholds of 10% and 5% of the capital and voting rights of Fnac Darty and the statutory thresholds of 3%, 4%, 5%, 6%, 7%, 8%, 9% and 10%, by a block sale of 2,678,571 Fnac Darty shares, and on behalf of those funds held 102,784 Fnac Darty shares representing the same number of voting rights, i.e., 0.39% of the capital and voting rights of Fnac Darty *(AMF Notice 218C0386).*
- In a letter received on February 9, 2018, the limited partnership DNCA Finance, acting for the funds that it manages and acting jointly with DNCA Finance Luxembourg, declared that on February 6, 2018 it had dropped below the statutory thresholds of 5% of the capital and voting rights of Fnac Darty, and jointly held on behalf of those funds 1,054,335 Fnac Darty shares representing the same number of voting rights, i.e., 3.96% of the capital and voting rights of Fnac Darty *(AMF Notice 218C0396).*
- In a letter sent on April 20, 2018, Société Générale stated that it had exceeded and then dropped below the statutory thresholds of 12% and 13% of the capital and voting rights of Fnac Darty on April 16, 2018 and April 19, 2018 respectively. At this date, Société Générale held 3,027,608 shares and voting rights representing 11.36% of the capital and voting rights of Fnac Darty.
- In a letter sent on June 12, 2018, SFAM Group stated that it had transferred 582,451 Fnac Darty shares to the company SFAM Développement on June 6, 2018. Consequently SFAM Développement alone exceeded the statutory threshold of 10% of the capital and voting rights of Fnac Darty and the statutory thresholds of 10% and 11% of the capital and voting rights of Fnac Darty, while SFAM Group continued to hold 3,026 422 Fnac Darty shares indirectly, i.e. 11.35% of the capital and voting rights *(AMF Notice 218C1052)*.

In the same letter, SFAM Group stated on its own behalf and on behalf of SFAM Développement which it controls, in particular:

- *"The crossing of thresholds […] was in the context of a reorganization of SFAM's stake in the company Fnac Darty; the threshold level triggering the declaration of intention was exceeded by SFAM Développement alone as a result of this reclassification, which was achieved through the transfer by SFAM Group of all of its Fnac Darty shares to SFAM Développement, in return for which SFAM Group was allocated shares issued by SFAM Développement; this internal reclassification has no impact on the size of the stake held by the SFAM group in the company Fnac Darty;*
- *it is not acting in concert with a third party;*
- *it intends to acquire additional shares as market opportunities arise;*
- *it has no intention of taking control of Fnac Darty;*
- *it supports the strategy announced by the management team, which does not require entering into any transaction listed in section 6 of Article 223-17-I of the AMF General Regulations;*
- *it is not party to any agreement or financial instrument referred to in sections 4 and 4 bis of Article L. 233-9-I of the French Commercial Code;*
- *it is not party to any temporary sale agreement involving shares or voting rights in Fnac Darty; and*
- *it intends to discuss with the Fnac Darty management team its ability to contribute to the development of the diversification strategy and enhance its business activities, potentially through a seat, as shareholder, on the Board of Directors."*

- In a letter sent on July 10, 2018, Vivendi reported that it had dropped below, directly and indirectly, through the company Compagnie Financière du 42 avenue de Friedland, which it controls (i) the legal thresholds of 15%, 10% and 5% in number of shares and voting rights and (ii) the multiple statutory thresholds of 1% between 11% and 3% inclusive, in number of shares and voting rights. Following this transaction, Vivendi and its subsidiary Compagnie Financière du 42 avenue de Friedland each hold 250 Fnac Darty shares and voting rights *(AMF Notice 218C1280).*
- In a letter sent on July 11, 2018, Société Générale reported that it had dropped below the legal thresholds of 10% and 5% and the statutory thresholds of 11%, 10%, 9%, 8%, 7% and 6% of the capital and voting rights of Fnac Darty on July 10, 2018 and held 120,558 Fnac Darty shares representing the same number of voting rights, i.e. 0.45% of the share capital and voting rights *(AMF Notice 218C1268).*
- In a letter sent on December 12, 2018, SFAM Développement reported that it continued to hold 3,026,422 Fnac Darty shares, i.e. 11.35% of the capital and voting rights and in accordance with Article 9 paragraph 6 of the bylaws, renewed its declaration of intention dated June 12, 2018.

It should be noted that since 2018 year-end, the breakdown of capital and voting rights presented above has changed as follows:

- In a letter sent on January 9, 2019, Amundi reported that it had exceeded the statutory 3% holding threshold of the share capital and voting rights of Fnac Darty and held 839,430 Fnac Darty shares representing the same number of voting rights, i.e. 3.15% of the capital and voting rights.
- In a letter received on January 11, 2019, the limited company Dorval Asset Management, acting on behalf of the funds it manages, reported for regularization purposes that on January 4, 2019 it had exceeded the thresholds of 5% of the capital and voting rights of the company Fnac Darty and held, on that date and at the time of writing, on behalf of the said funds, 1,335,296 Fnac Darty shares representing the same number of voting rights, i.e. 5.02% of the capital and voting rights of this company *(AMF Notice 219C0081).*
- In a letter received on January 21, 2019, the limited company Dorval Asset Management, acting on behalf of the funds it manages, reported that on January 16, 2019 it had dropped below the thresholds of 5% of the capital and voting rights of the company Fnac Darty and held, on behalf of the said funds, 1,318,438 Fnac Darty shares representing the same number of voting rights, i.e. 4.96% of the capital and voting rights of this company *(AMF Notice 219C0137).*
- In a letter sent on February 20, 2019, Amundi reported that it had dropped below the 3% threshold of the share capital and voting rights of Fnac Darty and held 789,042 Fnac Darty shares representing the same number of voting rights, i.e. 2.96% of the capital and voting rights.
- In a letter sent on March 11, 2019, Amundi reported that it had dropped below the 3% threshold of the share capital and voting rights of Fnac Darty and held 796,732 Fnac Darty shares representing the same number of voting rights, i.e. 2.99% of the capital and voting rights.

7.3.2 / SHAREHOLDERS' VOTING RIGHTS

Each share of the Company entitles its holder to one voting right. The Company has not granted any double voting rights. Fnac Darty's main shareholders do not have different voting rights from the other shareholders.

7.3.3 / CONTROL STRUCTURE

No shareholder controls Fnac Darty.

Ceconomy holds 24.25% of the Company's share capital and voting rights but is not represented on the Company's Board of Directors or Board Committees. Three independent administrators, Daniela Weber-Rey, Delphine Mousseau and Caroline Grégoire Sainte Marie were appointed on the recommendation of Ceconomy (see section 3.1.1 "Composition of the Board of Directors and its committees" of this Registration Document).

The Vivendi group sold its 11.05% stake in the Company's share capital and voting rights, and has minority representation on the Company's Board of Directors and on the Corporate, Environmental and Social Responsibility Committee (see section 3.1.1 "Composition of the Board of Directors and its committees" 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 "Operation of administrative and management bodies" of this Registration Document).

7.3.4 / AGREEMENTS THAT COULD RESULT IN A CHANGE OF CONTROL

None.

7.4 / Stock market information

7.4.1 / EQUITIES MARKET

Fnac Darty shares have been listed on Euronext Paris since June 20, 2013.

Codes and classification of Fnac Darty shares

ISIN code: FR0011476928

Mnemo: Fnac

Euronext code: FR0011476928

Where listed: Euronext Paris

Compartment: A

Indices: SBF120

7.4.2 / FNAC DARTY SHARE PRICE AND TRADING VOLUMES (ISIN CODE FR0011476928)

At the time of the IPO, the reference price for Fnac Darty shares was €22.00. On the first day of trading (June 20, 2013), the opening price of the share was €20.03 and the closing price €19.00.

At the end of December 2018, the closing price of Fnac Darty shares was €57.1. In addition, Fnac Darty market capitalization reached €1,519.2 million.

(€)	Average closing price	High	Low	Number of shares traded on all platforms
January 2018	98.5	106.6	91.4	6,134,888
February 2018	93.7	96.6	87.3	2,161,551
March 2018	86.3	92.3	81.0	1,624,369
April 2018	86.3	94.4	82.6	1,731,214
May 2018	92.0	97.0	87.8	1,476,644
June 2018	85.2	91.2	80.9	1,726,858
July 2018	79.7	84.8	74.6	1,912,060
August 2018	76.4	81.3	71.9	877,958
September 2018	70.4	74.8	67.6	840,380
October 2018	61.2	69.9	53.6	2,633,296
November 2018	57.1	64.0	51.6	2,059,165
December 2018	52.5	61.0	47.8	2,084,832
January 2019	61.5	65.5	54.7	1,983,544
February 2019	74.1	75.8	61.0	4,337,465

(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, France

Tel.: +33 (0)1 57 78 34 44
Fax: +33 (0)1 57 78 32 19
Email: ct-contact@caceis.com

7.5 / Dividend distribution policy

The Group's dividend distribution policy depends on the Company's financial results, applicable restrictions related to the Group's financing, the financial position of the Group, general business conditions, and all other factors considered pertinent by the Company's Board of Directors. The Group's short-term priority remains to generate synergies, continue its capital investment, and maximize free cash flow with the aim of reducing debt and improving the Group's financial flexibility. When the Group's situation is more normalized, the dividend policy may be redefined.

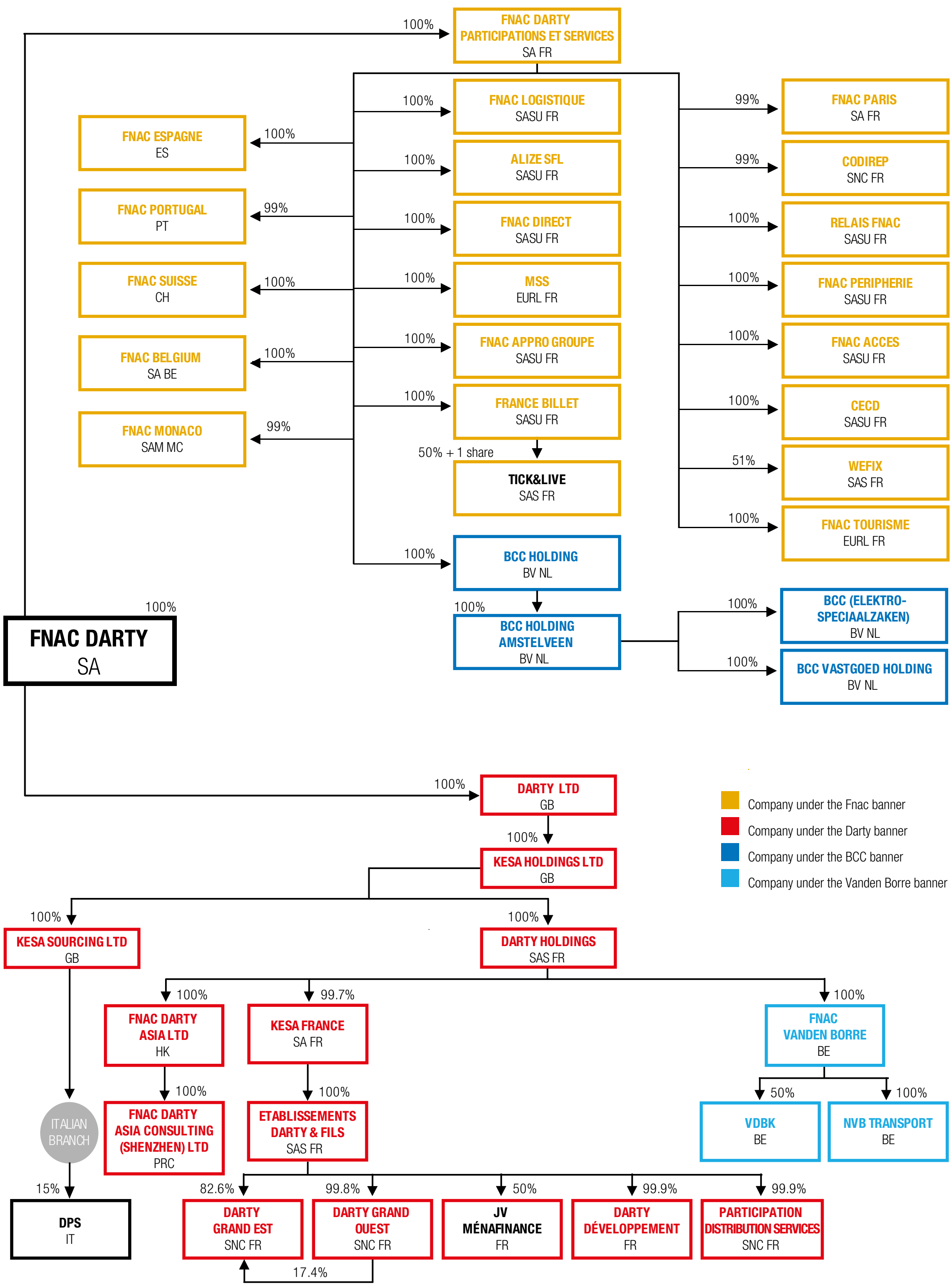
In addition, under the Loan Agreement, the Company may make dividend distributions or any other type of distribution related to its share capital only to the extent that (A) such a distribution and/or payment does not represent in one year more than 50% of the distributable profits for the previous year, and (B) a default event under the Loan Agreement is not 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).

It should be noted that no dividends have been paid out over the past five years.

7.6 / Organization of the Group

7.6.1 / SIMPLIFIED GROUP ORGANIZATIONAL CHART

The following simplified organizational chart shows the legal structure of the Group's principal subsidiaries as of December 31, 2018.



7.6.2 / MAIN SUBSIDIARIES AND EQUITY ASSOCIATES

7.6.2.1 / General Overview

Fnac Darty is the parent company of a group of companies including, as of December 31, 2018, 70 consolidated subsidiaries (40 in France, 1 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 operating activities in its own right. Its principal asset is nearly 100% of the shares of Fnac Darty Participations et Services SA and Darty Ltd. The simplified organizational chart provided in section 7.6.1 "Simplified Group organizational chart" includes the main subsidiaries and all direct and indirect interests of the Company as of December 31, 2018. The consolidated subsidiaries are also listed in note 38 "List of subsidiaries consolidated as of December 31, 2018" of the Company's 2018 consolidated financial statements in section 5.2.

For a description of the main transactions occurring within the Group see section 7.7.3 "Major intra-group transactions" of this Registration Document.

7.6.2.2 / Main subsidiaries

Fnac Darty's main direct and indirect subsidiaries are described below.

- **Fnac Darty Participations et Services SA** is a French limited company with capital of €324,952,656. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 775661390. Fnac Darty holds nearly 100% of the capital and voting rights of Fnac Darty Participations et Services SA. Fnac Darty Participations et Services SA is directly or indirectly the parent company of all the subsidiaries of the Banner and provides most of the management and support functions for the Banner: Operations Department, Department of Information Systems, Sales Department, Purchasing Department, Operating Department, Communications Department, Marketing and Brand Department, Financial Department, Internal Audit Department, Legal Department, Tax Department and Human Resources Department.
- **Fnac Paris** is a French limited company with capital of €58,500. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 350127460. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Paris. Fnac Paris' main business activity is the operation of Fnac stores.
- **Fnac Direct** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* with capital of €13,583,280. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and is registered with the Créteil Trade and Companies Registry under Number 377853536. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Direct. Fnac Direct's main business activity is the operation of the fnac.com website.
- **Relais Fnac** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* with capital of €70,777,648. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 334473352. Fnac Darty indirectly holds 100% of the capital and voting rights of Relais Fnac. Relais Fnac includes most of the Banner's regional departments and operates the Banner's stores.
- **France Billet** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* with capital of €352,512. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 414948695. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Billet. France Billet's main business activity is the marketing and retailing of tickets for sports, artistic, cultural, tourism and entertainment events via a network of local sales outlets, as well as on the fnac.com and francebillet.com websites.
- **Codirep** is a French partnership *(société en nom collectif)* with capital of €23,085,326. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 343282380. Fnac Darty indirectly holds 100% of the capital and voting rights of Codirep. Codirep's main business activity is the operation of the Banner's stores.
- **Alizé-SFL** (Société Française du Livre) is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* 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 Trade and Companies Registry under Number 349014472. Fnac Darty indirectly holds 100% of the capital and voting rights of Alizé-SFL. The principal activity of Alizé-SFL is the operation of a book store located at 11, rue Rottembourg in Paris in the 12th district, and the supply of services to municipalities, businesses and professionals for their book acquisitions.
- **Fnac Périphérie** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* with capital of €8,559,675. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 434001954. Fnac Darty

indirectly holds 100% of the capital and voting rights of Fnac Périphérie. Fnac Périphérie's main business activity is the operation of the Banner's stores.

- **Fnac Logistique** is a French single-shareholder simplified joint stock company *(société par actions simplifiée unipersonnelle)* with capital of €8,148,416. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Registry under Number 414702506. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Logistique. Fnac Logistique's main business activity is the operation of the Banner's warehouses.
- **Grandes Almacenes Fnac España** is a Spanish single-shareholder limited company with capital of €1,202,000. Its registered office is located at Paseo de la Finca 1, Edificio 11 – 2ª planta 28223 Pozuelo de Alarcón, Madrid (Spain) and it is registered in the Madrid Commerce Register under Number A-80/500200 (Tax ID number). Fnac Darty holds an indirect 100% interest in Grandes Almacenes Fnac España's share capital and voting rights. Grandes Almacenes Fnac España's main business activity is the operation of the Banner'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, 1070,374 Lisbon (Portugal) and it is registered with the Lisbon Commerce Register *(Conservatoria do Registo Comercial)* under Number 503952230. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Portugal. Fnac Portugal's main business activity is the operation of the Banner's Portuguese stores and website.
- **Fnac Belgium** is a Belgian limited company with share capital of €3,072,000. Its registered office is located at 142, avenue Jules Bordet, 1140 Evere, Brussels (Belgium) and it is registered with the Brussels Register of Legal Entities under number 0421 506 570. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Belgium. Fnac Belgium's main business activity is the operation of the Banner's Belgian stores.
- **Fnac Suisse** is a Swiss limited company 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. Fnac Darty indirectly holds 100% of the capital and voting rights of Fnac Suisse. Fnac Suisse's main business activity is the operation of the Banner's Swiss activities.
- **Établissements 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 Trade and Companies Registry under Number 542 086 616. Établissements Darty et Fils SAS is the parent company of two regional subsidiaries. The first, Darty Grand Ouest, is a French general partnership company with capital of €30,612. Its registered office is located at Parc Tertiaire de l'Eraudière, 32 rue Coulongé, 44300 Nantes (France), and it is registered with the Nantes Trade and Companies Registry under Number B 339 403 933. The second, Darty Grand Est, is a French general partnership company with capital of €394,205. Its registered office is located at RN 6 Lieu-dit l'Époux 69760 Limonest (France) and it is registered with the Lyon Trade and Companies Registry under Number B 303 376 586. The main business activity of Établissements Darty et Fils SAS, Darty Grand Ouest SNC and Darty Grand Est SNC consists of operating Darty banner stores. Établissements Darty et Fils SAS also operates the website darty.com. These three subsidiaries had 220 points of sale as of December 31, 2018.
- **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 Trade and Companies Registry under number 490 596 020. The main business activity of Darty Développement SAS is development of the network of franchise stores under the Darty banner and licensed stores. The network of franchise stores and licensed stores consisted of 163 points of sale as of December 31, 2018.
- **Fnac Vanden Borre SA** is a Belgian limited company with share capital of €22,652,461. Its registered office is located at Slesbroekstraat 100, 1600 Saint Peters Leeuw (Belgium) and it is registered with the Brussels Register of Legal Entities under VAT Number BE 04 1207 23419. The main business activity of Fnac Vanden Borre SA is operating Vanden Borre banner stores in Belgium (72 stores).
- **Ménafinance SA** is a French limited company accredited as a financial company *(société anonyme agréée en qualité de société financière)* with capital of €5,931,456. Its registered office is located at Bois Sauvage 91038 Évry Cedex (France) and it is registered in the Évry Trade and Companies Registry under number 319 416 764. The main business activity of Ménafinance is conducting credit transactions for Darty Group customers.
- **BCC Elektro Speciaalzaken BV** is a Dutch limited liability company with registered office located in Amstelveen and established at Bellsingel 61, Schiphol-Rijk, Netherlands. It is registered with the Dutch Chamber of Commerce under Number 33156765, and its main business activity is operating BCC banner stores in the Netherlands (64 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 the scope of consolidation" in the consolidated financial statements in section 5.2.

7.7 / Related party transactions

7.7.1 / RELATED PARTY TRANSACTIONS

Related party transactions are described in note 34 to the consolidated financial statements.

7.7.2 / REGULATED AGREEMENTS

7.7.2.1 / Transactions with the Kering Group

Agreement for exit from the Kering SA tax consolidation group of Fnac Darty and its French subsidiaries

In 2013, a regulated agreement was signed consisting of an agreement on removal from tax consolidation between Kering SA, Fnac Darty SA and Fnac Darty's French subsidiaries.

The agreement stated that tax losses, net long-term capital losses and tax credits made during the period of membership in the Kering consolidation group would be kept through the tax consolidation of the Kering Group.

This agreement was approved by the Ordinary General Meeting on May 15, 2014 in accordance with Article L. 225-38 of the French Commercial Code and continued during the 2018 period. For this reason, it is described in section 3.7 "Special Auditors' Report on Related-Party Agreements and Commitments" in this Registration Document. During the 2017 financial year, no amount was paid to Kering to settle a tax dispute concerning a subsidiary of Fnac Darty. At its annual review of regulated agreements conducted at its meeting of January 24, 2019, the Board of Directors noted that this Agreement was no longer included in the scope of the regulated agreements.

7.7.2.3 / Agreements with Enrique Martinez

Non-compete agreement

In 2017, a regulated agreement was signed consisting of a non-compete agreement between the Company and its Chief Executive Officer, Mr. Enrique Martinez. This commitment, limited to a term of two years starting from the end of Mr. Enrique Martinez's term of office, covers the specialty retail market for household appliances and cultural and electronic products for the consumer market in the countries where the Group operates. In return for this commitment, Mr. Enrique Martinez will receive a gross compensatory payment amounting to 70% of his fixed monthly compensation for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive implementation of the clause. This commitment was approved by the Board of Directors on July 17, 2017. It is also described in section 3.3.4 "Compensation and benefits of the Chief Executive Officer as of the date he took office" and is mentioned in section 3.7 "Special Auditors' Report on Related-Party Agreements and Commitments" in this Registration Document. This commitment has no effect for 2018. The Board of Directors approved the continuation of this commitment at its meeting of January 24, 2019.

To comply with the new provisions of the AFEP-MEDEF Code as revised in June 2018, the Board of Directors approved the changes made to Enrique Martinez's non-compete agreement when it met on February 20, 2019. It now states that the compensation received in return for this commitment will be paid in several instalments during the payment period, and that this payment will be excluded once the Chief Executive Officer decides to retire. In any event, no compensation may be paid beyond the age of 65.

Supplementary defined-contribution pension plan

During the 2017 period, a regulated agreement was reached whereby Mr. Enrique Martinez, CEO, became a member of a supplementary defined-contribution pension plan for all executives of French companies in the Group included in this contract. This commitment was approved by the Board of Directors on July 17, 2017. It is also described in section 3.3.4 “Compensation and benefits of the Chief Executive Officer as of the date he took office” and is mentioned in section 3.7 “Special Auditors’ Report on Related-Party Agreements and Commitments” in this Registration Document. The amount of the contribution for this membership for 2018 was €10,938.24.

The Board of Directors approved the continuation of this commitment at its meeting of January 24, 2019.

Provident insurance plan

During the 2017 period, a regulated agreement was reached whereby Mr. Enrique Martinez, CEO, became a member of a provident insurance plan for all employees of French companies in the Group included in this contract. This commitment was approved by the Board of Directors on July 17, 2017. It is also mentioned in section 3.7 “Special Auditors’ Report on Related-Party Agreements and Commitments” in this Registration Document. The amount of the contribution for this membership for 2018 was €9,357.

The Board of Directors approved the continuation of this commitment at its meeting of January 24, 2019.

7.7.3 / MAJOR INTRA-GROUP TRANSACTIONS

- **Tax consolidation agreement:** in 2013, a regulated agreement was signed by Fnac Darty and its French subsidiaries in which it holds at least 95% of the share capital for the creation of a tax consolidation group in France, effective January 1, 2013. This agreement was approved by the Ordinary General Meeting of May 15, 2014 pursuant to Article L. 225-40 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. At January 1, 2018, a majority of Darty’s French subsidiaries, in particular Établissement Darty et Fils, Darty Grand Ouest and Darty Grand Est, were signed up to the tax consolidation agreement.
- **Cash investment and financing agreement:** Fnac Darty Participations et Services SA has entered into centralized cash management agreements for an unlimited term with some of its subsidiaries in France, Belgium, Spain, Switzerland and Portugal, as well as with Kesa International Ltd (Groupe Darty). As a result of the merger of Kesa International Ltd (French branch of Kesa International Ltd) on 3/31/2018, the cash agreements concluded by the latter with the companies Établissements Darty & Fils, Darty Grand Ouest, Darty Grand Est, Darty Développement, A2I Darty Ouest, A2I Darty Rhône Alpes, A2I Île-de-France, Darty Holdings, Kesa Electricals, Kesa France, and CECD were terminated and new cash agreements were concluded between these companies and Fnac Darty Participations et Services SA. The purpose of these agreements is to centralize the Group’s cash management in order to encourage coordination and optimization of the utilization of cash surpluses or coverage of aggregate cash requirements within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses they do not use to finance their operation and their investment program with Fnac Darty Participations et Services SA, in exchange for which Fnac Darty Participations et Services SA finances their working capital requirements and capital expenditures. Cash agreements have also been entered into between Fnac Darty Participations et Services SA and the French subsidiaries of Darty.

- **Buying agent and reference centralized listing agreements:** some of the Group's French subsidiaries as well as its Spanish, Portuguese, Swiss and Belgian subsidiaries have concluded purchasing agent agreements with Fnac Darty Participations et Services SA or Fnac Appro Groupe ("FAG") for terms of one year that are renewable for each period for an identical term. These agreements have the purpose of instructing Fnac Darty Participations et Services SA or FAG, as appropriate, to define the relevant subsidiary's procurement policy, select its suppliers and certain products sold in its stores, and negotiate the purchasing conditions for those products. Fnac Darty Participations et Services SA has also entered into centralized product listing agreements with some of the Group's French subsidiaries that have a similar purpose; this also includes the purchase of certain products for each contracting subsidiary. In exchange for these services, Fnac Darty Participations et Services SA or FAG, as appropriate, receives from the relevant subsidiary a percentage of the revenue from the products purchased on its behalf. A purchasing agent agreement between Fnac Darty Participations et Services, as the first party, and Établissements Darty & Fils SA, Darty Grand Ouest and Darty Grand Est, as the second party, also entered into force in 2018.

  In addition, Alizé-SFL has entered into purchasing agent agreements for terms of one year, renewable for each period for an identical term, with some of the Group's French subsidiaries. The purpose of these agreements is to instruct Alizé-SFL to negotiate the purchasing conditions and to purchase the merchandise, including books, for each relevant subsidiary. In exchange, Alizé-SFL receives a fixed amount per number of products billed from the relevant subsidiary.
- **Service agreements:** Fnac Darty SA entered into two service agreements with Fnac Darty Participations et Services SA and Établissements Darty & Fils SA for a renewable one-year term. The purpose of these agreements is to provide the contracting subsidiaries with the expertise of Fnac Darty SA as it relates to the following: Chairmanship, Strategy Department, definition of the Group's marketing policy, organization and coordination of financial operations, definition of IT system requirements, definition of HR policy. A service agreement also binds Fnac Darty SA with Fnac Vanden Borre and BCC.
- Fnac Darty Participations et Services SA has entered into **service agreements** generally for a term of one year that are renewable by period for an identical term with some of its French subsidiaries and with its foreign subsidiaries. The purpose of these agreements is to make Fnac Darty Participations et Services SA's expertise available to the contracting subsidiaries in the following areas, according to the subsidiary: communication, accounting, risk prevention, streamlining cash pooling (for companies that have it), internal auditing, management of overheads, legal, management control, IT, human resources management, marketing, development, strategy, logistics and product marketing. Fnac Darty Participations et Services SA's compensation is determined on the basis of the annual expenses incurred to provide the relevant services and is allocated between the subsidiaries receiving the services based on criteria that take into account the beneficiaries' effective revenues and level of services provided.
- **"Fnac in a box" agreements:** Fnac Darty Participations et Services SA has entered into software license agreements with its Belgian and Swiss subsidiaries for Fnac in a Box (FIB); the agreements are for a two-year term and are renewable with tacit consent for three-year terms. The purpose of these agreements is to grant the relevant subsidiary a non-exclusive user license for the FIB software for its operating needs, solely within the territory of the country in which it is based. In exchange, Fnac Darty Participations et Services SA receives an annual license fee, calculated annually based on software development, maintenance and investment costs.
- **Trademark licensing agreements:** Fnac Darty Participations et Services SA has entered into two- or three-year trademark licensing agreements that are renewable for a one-year term with some of its French subsidiaries and all of its foreign subsidiaries. The purpose of these agreements is to grant, solely for the territory of the country in which the subsidiary is based, a non-exclusive license to use "Fnac" trademarks and all other templates and trademarks required to operate a Fnac store or websites belonging to the Group. In exchange, Fnac Darty Participations et Services SA receives an annual license fee based on a percentage of the relevant subsidiary's revenues.

Related party transactions 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, paragraph "Group financing tied to the Darty acquisition transaction" and section 7.7 "Related party transactions" in this Registration Document.

8

Additional information about the Registration Document

8.1 / Persons responsible

8.1.1 / PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Enrique Martinez, Chief Executive Officer of Fnac Darty.

8.1.2 / CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to the best of my knowledge, these financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the financial position and profit or loss of the Company and of all consolidated companies, and that the Management Report (for which the cross-reference table 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 main risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit, in which they state that they have audited the information relating to the financial position and statements contained herein and have read this document in its entirety."

Ivry-sur-Seine, March 15, 2019

Enrique Martinez

Chief Executive Officer of the Group

8.1.3 / PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Jean-Brieuc Le Tinier

Group Chief Financial Officer

Le Flavia
9, rue des Bateaux-Lavoirs
94200 Ivry-sur-Seine (France)

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

FranceDeloitte & Associés is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Association of Auditors of Versailles).

KPMG Audit, a department of KPMG SA

Represented by Eric Ropert

Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

KPMG is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Association of Auditors of Versailles).

8.2.2 / ALTERNATE STATUTORY AUDITORS

KPMG AUDIT IS

Represented by Jay Nirsimloo

Immeuble Le Palatin
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

KPMG AUDIT IS is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Association of Auditors of Versailles).

The General Meeting of May 23, 2019 will be asked not to renew the appointment of KPMG AUDIT IS.

8.3 / Statutory Auditors' fees

The Statutory Auditors' fees are presented in note 36 of section 5.2 "Notes to the consolidated financial statements for the period ended December 31, 2018", with regard to the consolidated financial statements of this 2018 Registration Document.

8.4 / Information from third parties, expert certifications and declarations of interests

Some of the market data in Chapter 1 “Presentation of the Group” in this Registration Document comes from third-party sources. The Company certifies that this information was faithfully reproduced and that, to the knowledge of the Company and based on the data reported or provided by these sources, no fact has been omitted that would render this information inaccurate or misleading.

8.5 / Documents available to the public

Copies of this Registration Document are available free of charge from the Company’s registered office. This document may also be viewed on the Company’s website (www.fnacdarty.com) and on the website of the French Markets Authority (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

- the bylaws of Fnac Darty available on our website at 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; and
- 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 registered office.

Regulated information pursuant to the AMF General Regulations has also been available on the Company’s website since the Company’s shares were admitted to trading on Euronext Paris.

The Fnac Darty business code of conduct is also available on the Group’s website fnacdarty.com, under the “Our Commitments” section.

For 2018, the list of financial documents and reports published by Fnac Darty is as follows (information is available on the Company's website www.fnacdarty.com, under the Finance section):

Date	Subject
01/19/18	Half-yearly achievement report of Fnac Darty's liquidity contract
02/09/18	Information on the total number of voting rights and shares
02/21/18	Fnac Darty: 2017 full-year results
03/07/18	Information on the total number of voting rights and shares
04/04/18	Filing of the 2017 Registration Document
04/09/18	Information on the total number of voting rights and shares
04/16/18	Fnac Darty launches a strategic partnership with Google
04/18/18	Fnac Darty renegotiates its credit facilities conditions of €600m
04/19/18	Fnac Darty: Revenue growth in the first quarter of 2018
04/26/18	Fnac Darty upgraded to "positive outlook" by Standard & Poor's – Confirmed BB rate
04/27/18	Availability of documentation for the General Meeting on May 18th, 2018
05/04/18	Information on the total number of voting rights and shares
05/15/18	Fnac Darty and MediaMarkSaturn announced the launch of the "European Retail Alliance"
06/04/18	Information on the total number of voting rights and shares
06/05/18	Capital increased reserved for the employees
07/04/18	Fnac Darty partners with Wehkamp in the Netherlands
07/09/18	Information on the total number of voting rights and shares
07/11/18	Half-yearly achievement report of Fnac Darty share quotation liquidity mandate
07/25/18	Fnac Darty: Strong growth of first-half results
07/27/18	2018 Interim financial report
07/27/18	Availability of 2018 Interim financial report
07/27/18	The French Competition Authority issued a decision regarding the store disposal process initiated in relation to the Darty acquisition
08/02/18	Information on the total number of voting rights and shares
08/30/18	Fnac Darty: The "European Retail Alliance" gets underway in time for IFA
09/14/18	Information on the total number of voting rights and shares
09/20/18	Fnac Darty invests in express smartphone repair / Agreement for the acquisition of a majority stake in WeFix
10/01/18	Termination of the liquidity providing contract entrusted to Rothschild & Cie banque
10/18/18	Fnac Darty launches a share buyback program of up to 2% of capital
10/18/18	Fnac Darty: Strong resilience of sales in Q3 2018
10/23/18	Information on the total number of voting rights and shares
11/21/18	Information on the total number of voting rights and shares
12/13/18	Information on the total number of voting rights and shares

8.6 / Information on equity investments

Information relating to companies in which the Company holds a percentage of equity that could have a material impact on the value of its assets, financial position or its earnings is provided in section 7.6 “Organization of the Group” and in Note 38 “List of subsidiaries consolidated as of December 31, 2018” in section 5.2. “Notes to the consolidated financial statements for the period ended December 31, 2018”.

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 the period ended December 31, 2017: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the 2017 Registration Document filed with the AMF on April 3, 2018, on pages 114 to 116, 15 to 30, 111 to 138, 135 to 137, 142 to 221, and 240 to 245;
- for the period ended December 31, 2016: key figures, Group businesses, business report, investment policy, consolidated financial statements and the related Statutory Auditors’ Report presented in the 2016 Registration Document filed with the AMF on April 14, 2017, on pages 104 to 105, 18 to 26, 103 to 131, 128 to 130, 135 to 209 and page 226.

The information contained in the 2016 and 2017 Registration Documents, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document. The 2016 and 2017 Registration Documents are available at the Company’s headquarters and on its website at: www.fnacdarty.com, under the Finance section.

8.8 / Correspondence tables

8.8.1 / MANAGEMENT REPORT CROSS-REFERENCE TABLE (ARTICLES L. 225-100 ET SEQ. OF THE FRENCH COMMERCIAL CODE)

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Business results for the Company, its subsidiaries and the companies that they control	4.2	153
Key performance indicators of a financial and non-financial nature	Introduction; 4.2.1	153
Analysis of changes in business, earnings and the financial position	4.2	153
Progress made or difficulties encountered	4.2.2	153
Description of the main risks and uncertainties	6	269
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Information about country risk	5.2.28	224
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n. a.: Not applicable.

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n. a.: Not applicable.

8.8.2 / ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE (ARTICLE 222-3 OF THE AMF GENERAL REGULATIONS)

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8.8.3 / CONCORDANCE WITH THE SECTIONS OF APPENDIX I OF EUROPEAN REGULATION NO. 809/2004

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n. a.: not applicable.

8.9 / Glossary of alternative performance indicators and current terms

Alternative performance indicators

Indicator title	Indicator definition	Sections reconciling indicators with financial statements
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.	4.1
EBITDAR	EBITDA before rental payments.	4.1
Free cash flow from operations	Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.	4.1
Changes in revenues at constant exchange rates	Change in revenues at constant exchange rates means that the impact of changes in exchange rates has been excluded. The exchange rate impact is eliminated by recalculating sales from period N-1 using the exchange rates used for period N.	4.1
Change in revenues at comparable scope of consolidation	The change in revenues at comparable scope of consolidation means that the impact of changes in scope of consolidation is corrected to not take account of modifications (acquisition, sale of subsidiary). Revenues of subsidiaries acquired or sold since January 1 of period N-1 are excluded from calculations of the change.	4.1
Change in revenues on a like-for-like basis	The change in revenues on a like-for-like basis means that the impact of directly owned store openings and closures is excluded. Revenues of stores opened or closed since January 1 of period N-1 are excluded from calculations of the change.	4.1

Current terms

Title	Definition
B2B	Business to business
B2C	Business to customer
CGU	Cash generating unit
Click&collect	Click&collect is a service offered to consumers whereby they reserve or order products online before collecting them directly in-store.
Click&mag	Click&mag is a service offered to consumers whereby a product missing in-store can be delivered to them.
Click & mortar	Click & mortar refers to companies that offer additional sales processes combined with traditional retail sales in store, or at physical points of sale (offline) and website sales (online).
COI	Current operating income
Comex	Executive Committee
Consumer electronics	Photography, TV Video, Sound (hi-fi, headsets and speakers), computers and tablets, telephony, connected objects.
CSR	Corporate social responsibility
DoIS	Department of Information Systems
DPEF	Non-financial performance declaration
DPO	Data Protection Officer
Editorial products	Books (physical or digital), audio (CD, vinyl), DVD/Blu-Ray, new and used video games and consoles, games & toys and stationery.
GDPR	General Data Protection Regulation
Household appliances	Household appliances are divided between large household appliances (refrigerators, cookers, washing machines) and small household appliances (vacuum cleaners, cleaning and small kitchen appliances).
ISP	Internet Service Provider
LHA	Large household appliances
OIE	Other income and expense
PP	Pure player: this refers to companies who only sell products online
SAV	After-sales service
Services	After-sales services, insurance and warranties, gift boxes and gift cards, ticketing, Marketplace and franchise fees.
Stat.Aud.	Statutory Auditors
VB	Volume of business
WEEE	Waste electrical and electronic equipment

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