FNAC DARTY

INTERIM FINANCIAL REPORT

FINANCIAL STATEMENTS AT JUNE 30

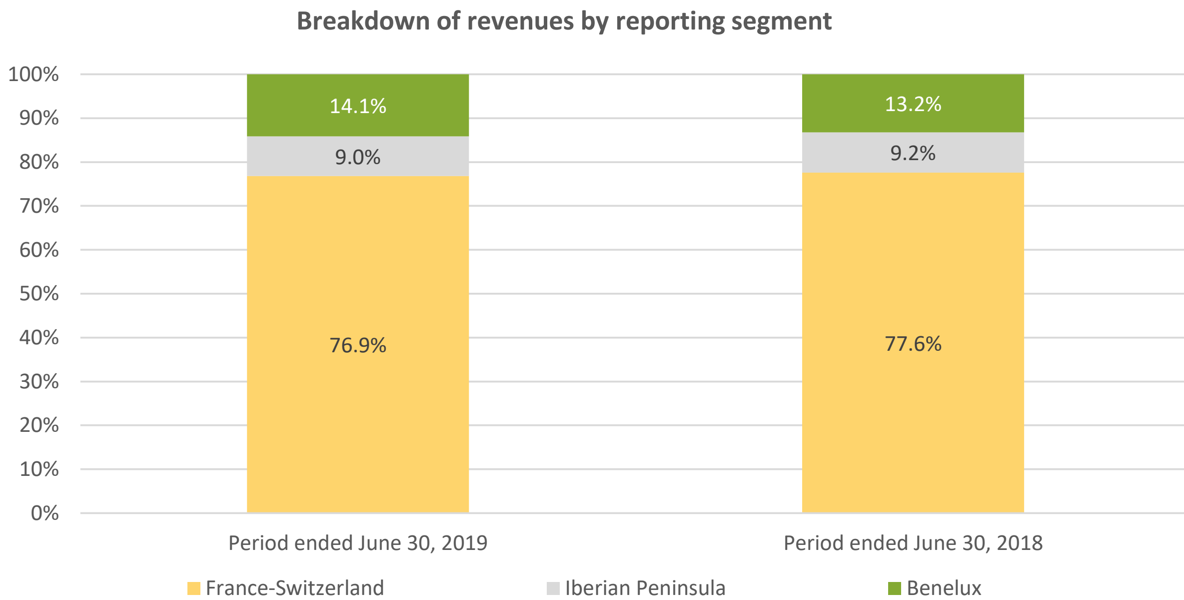
2019

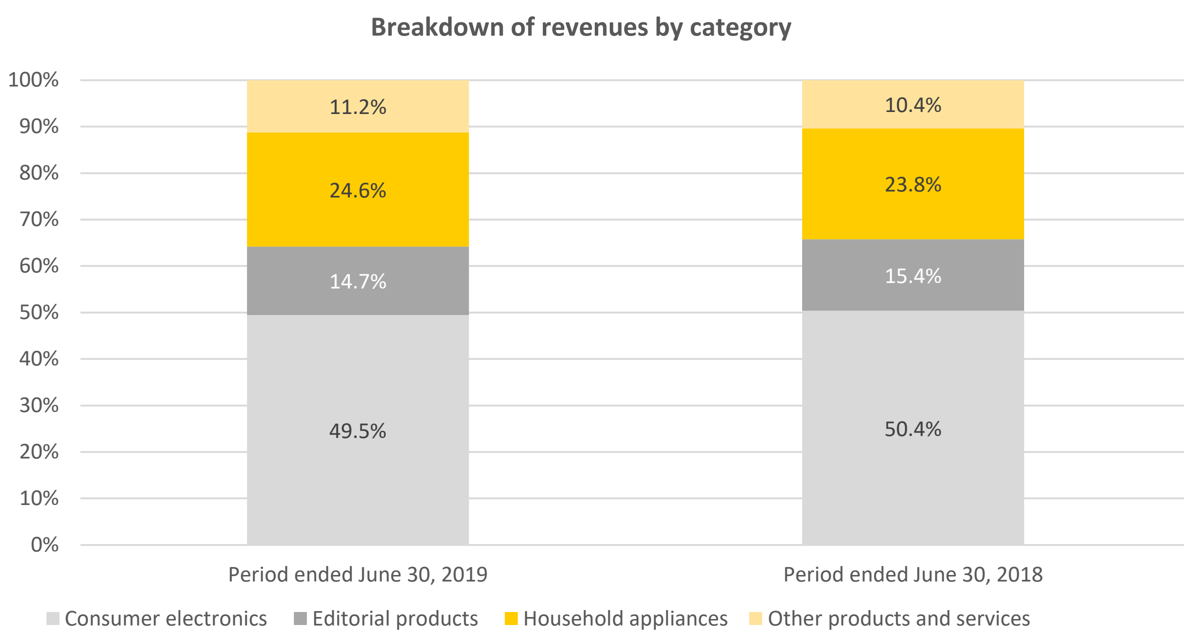
This is a free translation into English of the half-year report issued in French and it is provided solely for the convenience of English speaking users.

1 FIRST HALF OF 2019 – KEY FIGURES

(€ millions)	Period ended June 30 2019	 2018	 Change
Revenues	3,284.6	3,199.5	2.7%
Gross margin	997.0	996.4	0.1%
As % of revenues	30.4%	31.1%	(0.8)pt
EBITDA (1)	207.3	94.5	119.4%
As % of revenues	6.3%	3.0%	3.4pt
EBITDA (1) excluding IFRS 16	91.1	94.5	(3.6%)
As % of revenues	2.8%	3.0%	(0.2)pt
Current operating income	42.2	45.6	(7.5%)
As % of revenues	1.3%	1.4%	(0.1)pt
Operating income	20.7	34.7	(40.3%)
As % of revenues	0.6%	1.1%	(0.5)pt
Net income from continuing operations	(39.9)	7.1	(662.0%)
Net income from continuing operations, Group share	(39.0)	6.8	(673.5%)
Net income from discontinued operations, Group share	0.1	1.0	(90.0%)
Consolidated net income, Group share	(38.9)	7.8	(598.7%)
Net operating investments	49.0	44.6	9.9%
Free cash flow from operations	(257.5)	(304.5)	15.4%
Free cash flow from operations excluding IFRS 16	(379.4)	(304.5)	(24.6%)
Shareholders’ equity	1,176.9	1,130.3	4.1%
Group share	1,170.2	1,122.9	4.2%
Net financial debt excluding IFRS 16	452.1	416.9	8.4%
Net financial debt connected with IFRS 16	935.7	0.0	-
Net financial debt	1387.8	416.9	232.9%
Average workforce	21,568	21,950	(1.7%)

(1) 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.


Breakdown of revenues by reporting segment
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
14.1%
9.0%
76.9%
13.2%
9.2%
77.6%
Period ended June 30, 2019
Period ended June 30, 2018
France-Switzerland
Iberian Peninsula
Benelux


Breakdown of revenues by category
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
11.2%
24.6%
14.7%
49.5%
10.4%
23.8%
15.4%
50.4%
Period ended June 30, 2019
Period ended June 30, 2018
Consumer electronics
Editorial products
Household appliances
Other products and services

2 BUSINESS REVIEW

2.1 PREAMBLE – DEFINITIONS

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 effect of changes in scope is corrected to not take modifications (acquisition, sale of subsidiary) into account. 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 expenses" reflects the unusual and significant items for the consolidated entity that could affect tracking of the Group's business performance.

As a result, and in order to monitor Group operating performance, Fnac Darty uses current operating income as a major management balance, which is defined as the difference between the total operating income and "Other non-current operating income and expenses."

Current operating income is an intermediate line item that facilitates understanding of the company's operating performance and 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

In addition to the results published, the Group presents the EBITDA performance indicator, which excludes Interest, Tax, Depreciation, Amortization and provisions on fixed operational assets from current operating income. The Group believes that this information assists investors in their analysis of the Group's performance. This indicator is also used in the context of the applicable financial covenants under the Loan Agreement. EBITDA is not an indicator stipulated by IFRS and does not appear in the Group consolidated financial statements. EBITDA has no standard definition and, therefore, the definition used by the Group may not match the definition of this term used by other companies. Since January 1, 2019, the Group has applied IFRS 16 in accordance with the modified retrospective method. The application of this standard significantly modifies the Group's EBITDA.

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization on operational fixed assets.

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 disposals of property, plant and equipment and intangible assets, and the change in trade payables for non-current assets). Since January 1, 2019, the Group has applied IFRS 16 in accordance with the modified retrospective method. The application of this standard significantly modifies the Group's free cash flow from operations.

Free cash flow from operations = net cash flows related to operating activities less net operating investments.

Definition of net financial debt

Net financial debt is made up of gross debt including accrued interest not yet due as defined by the French National Accounting Council's recommendation no. 2013-03 on November 7, 2013, minus gross cash and cash equivalents. Since January 1, 2019, the Group has applied IFRS 16 in accordance with the modified retrospective method. The application of this standard significantly modifies the Group's net financial deb

Initial application of IFRS 16

On January 13, 2016, the IASB published IFRS 16 – Leases. IFRS 16 replaces the IAS 17 standard and its interpretations. This new standard, which is mandatory for annual periods beginning on or after January 1, 2019, requires the recognition of an asset (the right of use) and a liability (lease liabilities) on the basis of discounted unavoidable rental payments.

The Group has applied IFRS 16 since January 1, 2019 in a modified retrospective manner. 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. The impact of IFRS 16 application on the opening balance sheet as of January 1, 2019 resulted in a lease debt of €987.2 million being recorded, as well as an increase in non-current assets due to the recording of a right of use.

To monitor its financial performance, the Group publishes indicators that exclude the application of IFRS 16. These indicators are EBITDA excluding IFRS 16, free cash flow from operations excluding IFRS 16, and net financial debt excluding IFRS 16.

EBITDA	***+ Rents within the scope of application of IFRS 16 =***	EBITDA excluding IFRS 16
Current operating income before depreciation, amortization and provisions on fixed operational assets		EBITDA including rental expenses within the scope of IFRS 16

Free Cash flow from operations	***+ Disbursement of rents within the scope of application of IFRS 16 =***	Free Cash flow from operations excluding IFRS 16
Net cash provided by operating activities less net operating investments		Free cash flow from operations including impacts relating to rents within the scope of application of IFRS 16

Net financial debt	***- Lease liabilities =***	Net financial debt excluding IFRS 16
Gross financial debt less gross cash and cash equivalents		Net financial debt less lease liabilities

Financial result	***- Financial interest on lease liabilities =***	Financial result excluding IFRS 16

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.

2.2 SIGNIFICANT EVENTS AND INFORMATION FOR THE HALF-YEAR PERIOD

2.2.1 Strong sales growth driven by all geographies

Fnac Darty reported revenue of €3,284.6 million, up +2.6% on a like-for-like basis compared with the first half of 2018. This performance is based on the continued development of the Group's omnichannel platform.

Gross margin for the half-year reached €997 million, slightly up compared to the first half of 2018. The gross margin rate remains at a high level of 30.4%, despite strong negative impacts due to perimeter effects especially with the franchise development and the partnership with Wehkamp. The small domestic appliances and television segments had a negative impact on the gross margin rate in the half year.

Continued tight control of costs has enabled the Group to post a significant drop of costs as a percentage of sales, down by 60 basis points, despite the negative perimeter effect of more than €10 million during the half year, following the integration of WeFix and Wehkamp.

Current operating income stood at €42.2 million, versus €45.6 million the previous year.

Current Net income, Group share totaled €0.1 million in the first half, excluding non-recurring items (€21.5 million) and excluding costs associated with the bond refinancing in May (€27.0 million).

Free cash flow from operations, excluding IFRS 16, totaled -€379.4 million at the end of June 2019, mainly reflecting the seasonal nature of the business.

2.2.2 Analysis of the impact of the transition to IFRS 16

The method used for the application of IFRS 16 is the modified retrospective method. It consists in reintegrating rent commitments into debt, and recognizing in return an asset, called the right of use. As a result, for lease contracts within the scope of IFRS 16, rental expenses are no longer recognized in the income statement, replaced by depreciation and financial charges. The payment of rents is divided between the repayment of the capital of the debt and financial charges. The main impacts of the standard therefore relate to EBITDA, the Group's debt position and the accounting financial cost associated with this debt.

EBITDA totaled €207.3 million, up €112.8 million compared to the first half of 2018, including €116.2 million related to the application of IFRS 16. Excluding IFRS 16, EBITDA totaled €91.1 million, compared to €94.5 million the previous year.

At the end of June, the net financial debt position totaled €1,387.8 million, compared with €452.1 million excluding IFRS 16.

Finally, the application of IFRS 16 adversely impacted financial costs, in the income statement, for €11.8 million.

2.2.3 Strengthening of the Fnac Darty platform and acceleration of the transformation

In the context of the rollout of the Confiance+ plan, the Group continued to open its platform and enhance its ecosystem, through both partnerships and acquisitions. These initiatives demonstrate the momentum of the Fnac Darty transformation and strengthen the Group's multi-specialist profile.

During the half year, the Group signed an exclusive distribution agreement with Xiaomi for the distribution of its latest smartphone and electric scooter. A first 50-sqm corner dedicated to Xiaomi products was also opened, in a Fnac store.

The partnership with Google continued to bear fruit in the first half, thanks to a stronger offering for connected devices.

The integration of WeFix, a French leader in express smartphone repair, is progressing according to plan, with the aim of doubling the number of repair points. The Group recorded 22 new openings in the half year, which brings the total number of points of sale to 79.

Through its subsidiary France Billet, the Group also completed in the first quarter the acquisition of BilletReduc.com, a specialist in culture and entertainment ticket sales. This acquisition enables the Group to present a wider and more diversified ticket sales offering, by integrating the last-minute market. To continue the development momentum of France Billet, Fnac Darty recently announced the signing of a strategic partnership project with CTS Eventim, the European leader in the ticketing sector. France Billet will be able to count on the technological innovations of CTS Eventim, accelerating the development of its digital platform and allowing it to offer more in terms of value to its customers and partners. CTS Eventim will accordingly include in its offer the distribution of show tickets in France, a leading market in Europe.

The intended strategic partnership would be reinforced with the acquisition by France Billet of a 100% equity stake in the capital of CTS Eventim France. CTS Eventim will acquire a 48% minority stake in France Billet, which will remain under Fnac Darty's control. In the medium term, CTS Eventim may increase its shares to a majority stake.

Fnac Darty plans to retain a long-term interest in France Billet, a strategic asset for the Group. France Billet would thus be able to count on the support of Fnac Darty, the European leader in omnichannel retail, and on the expertise of the leading European player in ticketing, representing more than €1 billion in revenue and more than 250 million tickets sold in 2018. This alliance would allow Fnac Darty to strengthen its role as a distributor of show tickets both online and in-store. This project will first be presented to the employee representative bodies with the aim of finalizing the operation by the end of 2019.

At the same time, Fnac Darty continues its exclusive discussions to acquire Nature & Découvertes, a leader in the omnichannel distribution of natural and well-being products, which should be finalized in the coming weeks. This acquisition will enable the Group to diversify its product offering and strengthen its positioning in responsible consumption, a theme that is becoming increasingly important to consumers. Many areas of cooperation between Fnac Darty and Nature & Découvertes will thus be deployed, in order to enhance the power of the Nature & Découvertes brand, particularly through dedicated corners within Fnac stores in France and abroad. The first "shop-in-shops" could open in France in 2019, and the expansion of the banner internationally could be rolled out rapidly, especially in the Iberian Peninsula.

2.2.4 Strengthening the Group's omnichannel platform

The Group is accelerating the transformation of its digital platforms with the deployment of its Digital Factory project, which aims to increase the agility of IT and business line teams, in order to accelerate production launch times that will facilitate continuous improvement in the customer experience.

E-commerce accounted for more than 19% of the Group's revenue in the first half, compared to 18% the previous year. The Group recorded double-digit growth in online sales during the half year, driven by the strong momentum of all geographies. The Group is also accelerating on mobile devices, which account for 62% of the traffic on its sites, strongly up this half year. Marketplaces also continued their development with double-digit growth. Omnichannel sales accounted for 49% of online sales, up +2 points compared to the first half of 2018.

The Group continued to strengthen its delivery offering during the first half and generalized its click&collect offer for books, CDs and DVDs, thus offering its customers the option of picking up their purchases within one hour. The entire Fnac network of integrated stores in France has rolled out this new service.

The digitalization of stores continued in the first half with nearly 290 digitalized stores. This helps to improve the customer experience thanks to sale support on tablets and the simplified acceptance of payment.

The territorial network has been further expanded with the opening of 32 stores this half-year, 25 of which are franchise stores. The Group opened seven integrated stores, including five Fnac and two Darty. Fnac opened 15 stores in the first half, including 12 in France, one in Portugal, one in Luxembourg and one in Belgium. Darty opened 17 stores in France. At the end of June 2019, Fnac Darty had a total of 804 stores, including 284 franchises. The expansion momentum will continue in the second half of the year, mainly through the opening of franchise stores. The Group should open over 60 stores in 2019.

2.2.5 Continued diversification of the offer and support for customers towards an "educated choice"

Diversification categories, mainly Urban Mobility, Games & Toys and Home & Design, posted very strong growth over the first half, with double-digit performance.

Growth in the kitchen segment continued with the opening of around 10 corners during the half-year, in addition to four kitchen-dedicated Darty stores. At the end of June 2019, the Group had more than 140 kitchen points of sale.

Services continued to grow in the first half, driven by WeFix and the advertising businesses.

At the same time, the normalization of telephony/multimedia insurance commissions, and the gradual ramp-up of new offers, had a negative but limited impact on revenue and gross margin growth from the second quarter onwards. These effects are expected to continue during the rest of the year.

Finally, Fnac Darty continues its initiatives to help customers make "educated choices", by launching the second "after-sales service barometer," which will be renewed every year in order to better inform the public about the lifespan of household appliances and multimedia equipment. The Group also strengthened its commitment to promote products' sustainability, by creating the "Durable Choice by Darty" and extending the scope of the repairability index to smartphones.

Lastly, the Group asserted its environmental strategy, by setting a quantified objective of reducing its CO_2 consumption in France by 50% by 2030, compared to the 2017 level.

2.3 BUSINESS REVIEW FOR THE FIRST HALF OF 2019

2.3.1 Analysis of Group operating performance

Fnac Darty's main financial indicators for the first half of 2019 are presented below:

(€ millions)	Period ended June 30 2019	 2018	 Change
Revenues	3,284.6	3,199.5	2.7%
Gross margin	997.0	996.4	0.1%
As % of revenues	30.4%	31.1%	(0.8)pt
EBITDA (1)	207.3	94.5	119.4%
As % of revenues	6.3%	3.0%	3.4pt
EBITDA (1) excluding IFRS 16	91.1	94.5	(3.6%)
As % of revenues	2.8%	3.0%	(0.2)pt
Current operating income	42.2	45.6	(7.5%)
As % of revenues	1.3%	1.4%	(0.1)pt
Operating income	20.7	34.7	(40.3%)
As % of revenues	0.6%	1.1%	(0.5)pt
Net income from continuing operations	(39.9)	7.1	(662.0%)
Net income from continuing operations, Group share	(39.0)	6.8	(673.5%)
Net income from discontinued operations, Group share	0.1	1.0	(90.0%)
Consolidated net income, Group share	(38.9)	7.8	(598.7%)
Net operating investments	49.0	44.6	9.9%
Free cash flow from operations	(257.5)	(304.5)	15.4%
Free cash flow from operations excluding IFRS 16	(379.4)	(304.5)	(24.6%)
Shareholders' equity	1,176.9	1,130.3	4.1%
Group share	1,170.2	1,122.9	4.2%
Net financial debt excluding IFRS 16	452.1	416.9	8.4%
Net financial debt connected with IFRS 16	935.7	0.0	-
Net financial debt	1387.8	416.9	232.9%
Average workforce	21,568	21,950	(1.7%)

(1) 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.

In the first half of the year, Group performance is historically affected by the seasonal nature of the business, for which the main part of the earnings and of the free cash flow from operations is recorded during the second half of the year.

2.3.1.1 Revenues

	Period ended June 30							
	2019		2018					
Segment	*(€ millions)*	*(as % of the total)*	*(€ millions)*	*(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*	*constant foreign exchange rates, comparable scope of consolidation and on a same-*
France-Switzerland	2,524.3	76.9%	2,482.3	77.6%	1.7%	1.3%	1.3%	1.6%
Iberian Peninsula	295.6	9.0%	294.0	9.2%	0.5%	0.5%	0.5%	0.2%
Benelux	464.7	14.1%	423.2	13.2%	9.8%	9.8%	9.8%	10.6%
Total	**3,284.6**	**100.0%**	**3,199.5**	**100.0%**	**2.7%**	**2.4%**	**2.3%**	**2.6%**

Consolidated revenues for continuing operations for the first half of 2019 totaled €3,284.6 million, up 2.7% in reported data compared to the first half of 2018. At constant exchange rates and on a same-store basis, revenues were up +2.6%.

Revenues from consumer electronics were up slightly. The growth in sales of IT equipment in the Telephony and Sound departments helped to offset falls in the TV department, affected by the Soccer World Cup in June 2018, and in the Imaging department, which continued to be penalized by a sluggish innovation cycle.

Sales of household appliances benefited from the heatwave in June, which saw a sharp upturn in sales of air-conditioners and fans. In addition, an uptick in sales was seen in the built-in cooking appliance and washing machine departments.

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. However, the book market posted satisfactory sales performance.

Other products and services were up sharply, thanks firstly to growth in the Games & Toys, Home & Design, and Kitchen sectors and, secondly, from the development of assistance and after-sales service following the integration of Wefix, as well as income derived from the monetization of advertising space.

Online activities continued to grow, totaling €636 million and now accounting for 19.3% of Group sales, up +1.8 points on the first half of 2018, driven by development of the omni-channel strategy, of Marketplaces, and of traffic.

The store network continued to expand, as 32 new stores were opened (15 Fnac, 17 Darty): Seven consolidated stores (of which 5 in France, 1 in Portugal and 1 in Belgium) and 25 franchise stores (16 Traditional in mainland France, overseas departments and territories, 4 Travel, 2 Proximity France, and 3 Connect France).

2.3.1.1.1 Current operating income

As of June 30, 2019, the current operating income of Fnac Darty totaled €42.2 million, compared to €45.6 million for the first half of 2018, i.e. a fall of €3.4 million. Gross margin was stable compared to the first half of 2018 with an increase in revenues offset by a slight fall in the profit margin, impacted by the product mix effect and the dilutive effect of franchise development and the scope effect. Operational costs also remained stable over the period.

	Period ended June 30		
	2019	**2018**	
Segment	*(€ millions)*	*(€ millions)*	*Change*
France-Switzerland	40.3	46.5	(13.3%)
Iberian Peninsula	5.5	3.3	66.7%
Benelux	(3.6)	(4.2)	14.3%
Current operating income	**42.2**	**45.6**	**(7.5%)**

2.3.1.2 EBITDA

	Period ended June 30				
	2019		**2018**		
	(€ millions)	*(as % of revenues)*	*(€ millions)*	*(as % of revenues)*	*Change*
Current operating income	**42.2**	**1.3%**	**45.6**	**1.4%**	**(7.5%)**
Net depreciation, amortization and provisions (a)	165.1	5.0%	48.9	1.5%	237.6%
EBITDA	**207.3**	**6.3%**	**94.5**	**3.0%**	**119.4%**
IFRS 16 impact on EBITDA	116.2	3.5%	0.0	0.0%	-
EBITDA excluding IFRS 16	**91.1**	**2.8%**	**94.5**	**3.0%**	**(3.6%)**

(1) 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.

EBITDA for the first half totaled €207.3 million,

See note 2.1 for the definition of EBITDA.

In the first half of 2019, EBITDA included the impact of applying IFRS 16 for €116.2 million. Excluding IFRS 16, Group EBITDA totaled €91.1 million.

2.3.1.3 Other non-current operating income and expenses

	Period ended June 30	
(€ millions)	**2019**	**2018**
Fnac Darty restructuring costs	(8.9)	(8.3)
Costs related to the acquisition and consolidation of Darty	0.0	(0.8)
Costs connected with the Billetreduc acquisition	(0.9)	0.0
Other restructuring costs	(3.5)	(0.5)
Exceptional bonus for purchasing power	(4.8)	0.0
Other non-current operating income and expenses, net	(3.4)	(1.4)
Total	**(21.5)**	**(10.9)**

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 June 30, 2019, this item represents a net expense of €21.5 million and includes:

- €8.9 million in restructuring costs, related mainly to the implementation of the Group's reorganization. In the first half of 2019, these expenses were primarily linked to planned changes to the organization of Darty subsidiaries, and to the reorganization of the Logistics functions of Fnac Darty,
- €0.9 million in costs incurred as part of the Billetreduc acquisition,
- €3.5 million in restructuring costs for employee and structural adaptation plans in France and abroad,
- €4.8 million in expenses relating to the exceptional bonus for purchasing power granted to all Group employees in France with a gross annual compensation of €30,000 or less. This bonus was paid to some 14,000 employees,
- other non-current income and expenses represented a net expense of €3.4 million resulting from various one-off litigation cases.

As of June 30, 2018, they comprised a net expense of €10.9 million and included:

- €8.3 million in restructuring costs, related to the implementation of the Group's new organizational structure. In the first half of 2018, these expenses were mainly attributable to the Remote Customer Service reorganization project aimed at streamlining the industrial processes of this activity and refocusing on technical expertise, the core business of Darty's sales staff,
- €0.8 million in costs incurred as part of the Darty consolidation,
- €0.5 million in restructuring costs related to headcount adjustment measures,
- other non-current income and expenses represented a net expense of €1.4 million resulting from various one-off litigation cases.

2.3.1.4 Net financial expense

As of June 30, 2019, the Group's net financial expenses broke down as follows:

	Period ended June 30	
(€ millions)	**2019**	**2018**
Costs related to Group debt and financing fees	(40.3)	(20.5)
Interest on rental debt	(11.8)	0.0
Other financial income and expense	(1.9)	(4.7)
Net financial expense	**(54.0)**	**(25.2)**

In the first half of 2019, financial income (loss) was composed of a net financial expense of €54.0 million, compared with a net financial expense of €25.2 million for the same period the previous year.

On May 15, 2019, Fnac Darty completed the refinancing transaction of its bond issue after successfully placing its senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026. The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The proceeds from the offering were used to fully repay the €650 million in outstanding senior bonds at 3.25% maturing in 2023.

During the first six months of 2019, 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. It also includes an expense of €18.7 million related to the early redemption premium for the former bond issue, as well as an expense of €8.3 million related to the deduction of remaining costs associated with the former bond issue.

An expense related to interest on leasing debt was recorded following the application of IFRS 16 as of January 1, 2019 in the amount of €11.8 million.

The other financial income and expenses primarily reflect the cost of consumer credit and the financial effects from employee post-employment benefits.

2.3.1.5 Tax

For the first half of 2019, Group income tax broke down as follows:

	Period ended June 30	
(€ millions)	**2019**	**2018**
Pre-tax income	**(33.3)**	**9.5**
Current tax expense	8.4	(2.6)
Current tax expense related to corporate value-added tax (CVAE)	(10.4)	(9.8)
Deferred tax income/(expense)	(4.6)	10.0
Total tax expense	**(6.6)**	**(2.4)**
Effective tax rate	**(19.82%)**	**25.26%**

In the first half, tax expense was calculated based on the effective tax rate estimated for the whole period for each fiscal entity or sub-entity.

2.3.1.6 Net income, Group share

For the first half of 2019, net income Group share, for Fnac Darty's continuing operations totaled -€39.0 million, a fall compared to the same period the previous year, when it stood at €6.8 million.

Consolidated net income, Group share, for Fnac Darty was -€38.9 million, compared to €7.8 million for the same period the previous year.

2.3.1.7 Net earnings per share

In the first half of 2019, the weighted average number of Fnac Darty shares was 26,572,165 shares. The weighted average number of treasury stock in the first half of 2019 was 39,824 shares, so the weighted average number of Fnac Darty shares used to calculate net earnings per share was 26,532,341 shares.

As of June 30, 2019, Group net earnings per share amounted to -€1.50. In the first half of the previous year, this figure was €0.29.

2.3.2 Analysis of operating performance by operating segment

2.3.2.1 France-Switzerland segment

	Period ended June 30		
(€ millions)	**2019**	**2018**	**Change**
Revenues	2,524.3	2,482.3	1.7%
Current operating income	40.3	46.5	(13.4%)
Operating profitability	1.6%	1.9%	(0.3)pt

Revenues for the France-Switzerland segment

Revenues generated in France stood at €2,524.3 million for the first half of 2019, compared with €2,482.3 million for the first half of 2018, an increase of +1.7%. Revenues at constant exchange rates and on a same-store basis were also up +1.6%.

The distribution of revenues by product category is broken down in note 4 “Operating segments” of the notes to the consolidated financial statements in this half-year financial report.

Growth in the Hardware and Telephony segments helped offset the fall in the TV segment, impacted by the base effect of the 2018 Soccer World Cup and by the imaging segment, which continued to be penalized by a sluggish innovation cycle, where the Group is highly exposed.

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. However, the Book market posted satisfactory sales levels.

Sales of household appliances benefited from the heatwave in June, which saw a sharp upturn in sales of air-conditioners and fans. In addition, an uptick in sales was seen in the built-in cooking appliance department.

Other products and services were up sharply, thanks firstly to growth in the Games & Toys, Home & Design, and Kitchen sectors and, secondly, from the development of assistance and after-sales service following the integration of Wefix, as well as income derived from the monetization of advertising space.

Current operating income for the France-Switzerland segment

Current operating income for the France-Switzerland segment stood at €40.3 million for the first half of 2019, compared to €46.5 million one year earlier. This downturn is due mainly to a reduced gross profit margin, impacted by the perimeter effect and the product mix.

The operating margin stood at 1.6%, down 0.3 points from the end of June 2018.

2.3.2.2 Iberian Peninsula

	Period ended June 30		
(€ millions)	**2019**	**2018**	**Change**
Revenues	295.6	294.0	0.5%
Current operating income	5.5	3.3	66.8%
Operating profitability	1.9%	1.1%	0.7pt

Revenues for the Iberian Peninsula

Revenues generated in the Iberian Peninsula in the first half of 2019 rose slightly. They were €295.6 million, compared to €294 million year-on-year, up by +0.5%. On a same-store basis, revenues were up by +0.2%.

The distribution of revenues by product category is broken down in note 4 "Operating segments" of the notes to the consolidated financial statements in this half-year financial report.

Portugal posted an upturn in commercial performance, taking advantage of its expansion as well as good performance in services. In Spain, commercial execution remained under good control while competition from brick & mortar players remained fierce.

Revenues from consumer electronics were up, thanks mainly to sales of IT equipment and the growth of the Sound sector, and despite a fall in the Photo sector which had to deal with competitive markets.

Revenues from editorial products were down. The fall in the "Discs and Gaming" sub-category was mainly due to the structural fall in the Audio and Video markets, and in Gaming.

Revenues generated by Other products and services increased sharply during the period. This growth was due mainly to the excellent performance posted by the Home & Design sector.

Current operating income in the Iberian Peninsula

Current operating income for the Iberian Peninsula was €5.5 million for the first half of 2019, compared to €3.3 million for the same period in 2018, up +€2.2 million compared with 2018. Thanks to an increase in margin and good control of its costs, the Group posted a current operating income that was up sharply.

Current operating profitability was up, rising from +1.1% to +1.9%.

2.3.2.3 Benelux segment

	Period ended June 30		
(€ millions)	**2019**	**2018**	**Change**
Revenues	464.7	423.2	9.8%
Current operating income	(3.6)	(4.2)	13.4%
Operating profitability	(0.8%)	(1.0%)	0.2pt

Revenues for the Benelux segment

Revenues in the Benelux segment increased by +9.8%, from €423.2 million in the first half of 2018 to €464.7 million in the first half of this year.

Thanks to the partnership with Wehkamp during Q4 2018, the Benelux segment posted a sharp upturn in revenues. On a same-store basis, revenues grew by +10.6%.

The distribution of revenues by product category is broken down in note 4 “Operating segments” of the notes to the consolidated financial statements in this half-year financial report.

In Belgium, business was driven by e-commerce websites, which posted double-digit growth for both of the country’s banners.

In the Netherlands, the continued implementation of the Group’s transformation plan, as well as the integration of Wehkamp, enabled BCC to post increased sales.

Over the first half, revenues achieved by consumer electronics was on the up, thanks mainly to the growth of Telephony and increasing sales of IT equipment.

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. The “Books” sub-category declined slightly during this half-year.

Revenues from Household Appliances were up sharply, boosted by the “large appliances” sub-category, primarily sales of washing machines, air-conditioning units and fans.

Revenues generated by Other products and services posted an excellent performance in the first half of the year. This upturn stemmed mainly from a continued increase in sales in the Home & Design department.

Current operating income for the Benelux segment

Current operating income for the Benelux segment stood at -€3.6 million for the first half of 2019, compared to -€4.2 million for the first half of 2018. This improvement shows the quality of commercial performance in a highly competitive environment.

Current operating profitability improved, from -1.0% to -0.8%.

2.4 COMMENTS ON THE GROUP'S FINANCIAL POSITION

At the end of the first half of the year, the Group's consolidated balance sheet is typically affected by the seasonal nature of Fnac Darty's business:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Goodwill	1,584.9	1,541.4	1,559.5
Other non-current assets and liabilities	1,739.4	814.8	826.1
Current assets and liabilities	(519.1)	(592.0)	(917.3)
Provisions	(239.6)	(215.4)	(213.4)
Capital employed	**2,565.6**	**1,548.8**	**1,254.9**
Net assets held for sale	(0.9)	(1.6)	(1.3)
Shareholders' equity, Group share	1,170.2	1,122.9	1,253.5
Shareholders' equity – Share attributable to non-controlling interests	6.7	7.4	7.5
Net financial debt at end of the period	452.1	416.9	(7.4)
Leasing debt	935.7	0.0	0.0

2.4.1 Capital employed

As of June 30, 2019, capital employed was up +€1,016.8 million year-on-year. This increase is mainly linked to the application of IFRS 16 since January 1, 2019, with the recording of rights of use offset against leasing debt.

2.4.2 Goodwill

As of June 30, 2019, Goodwill amounted to €1,584.9 million. The change of €25.4 million compared to December 31, 2018 was mainly due to the recognition of Goodwill in the amount of €25.8 million as part of the acquisition of Billetreduc.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Goodwill	1,584.9	1,541.4	1,559.5

2.4.3 Other net non-current assets

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Net intangible assets	471,1	471,4	480,0
Net property, plant and equipment	592,6	604,8	620,2
Rights of use relating to lease agreements	930,6	0,0	0,0
Investments in associates	20,6	19,1	19,7
Net non-current financial assets	23,6	18,4	20,6
Net deferred taxes	(124,6)	(123,1)	(123,1)
Other non-current liabilities	(174,5)	(175,8)	(191,3)
Other non-current assets, net	**1 739,4**	**814,8**	**826,1**

As of June 30, 2019, compared to June 30, 2018, other non-current assets net of liabilities increased by €924.6 million, mainly due to the application of IFRS 16 and the recognition of rights of use relating to leasing contracts for €930.6 million.

Shareholdings in equity associates increased by €0.9 million compared to December 31, 2018, and reflected the share of income from the first half of 2019.

As of the first half of 2019, net non-current financial assets increased by €3.0 million. This increase is mainly linked to the investment made by the Group in the Daphni Purple investment fund and the fair value revaluation of these securities in the total amount of €2.4 million. The Group agreed to underwrite the remaining 39% for €2.7 million.

Deferred taxes represented net liabilities of €124.6 million and for the most part reflected the revaluation of Darty's assets and liabilities, particularly, the valuation of the Darty and Vanden Borre brands on the Group's balance sheet, along with the revaluation of Darty's real estate.

Other non-current liabilities mainly represented the portion of income from Darty warranty extensions in excess of one year.

2.4.4 Current assets and liabilities

As of June 30, 2019, current assets and liabilities were a net liability of €519.1 million, compared to a net liability of €592.0 million as of June 30, 2018, and a net liability of €917.3 million as of December 31, 2018. The breakdown is as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Net inventories	1,067.4	1,026.2	1,091.8
Net trade receivables	128.7	81.8	197.4
Net trade payables	(1,278.6)	(1,255.1)	(1,624.2)
Tax receivables and payables due	10.1	13.7	(2.6)
Other working capital requirements	(446.7)	(458.6)	(579.7)
Current assets and liabilities	**(519.1)**	**(592.0)**	**(917.3)**

As of June 30, 2019, Fnac Darty's current assets and liabilities were a €519.1 million resource, a reduction of €72.9 million compared with June 30, 2018. This resource is down €398.2 million on the December 31, 2018 figure, a drop mainly explained by the seasonal nature of the business.

Changes in inventory (excluding the effect of changes in foreign exchange rates and perimeter) led to a cash flow of €31.9 million in the first half of 2019.

In the first half of 2019, the drop in trade receivables (excluding the effect of changes in foreign exchange rates and perimeter) generated positive cash flows amounting to €68.7 million.

Over the first half of 2019, the decline in trade payables (excluding the effect of changes in foreign exchange rates and perimeter) generated negative cash flows of €357.6 million.

In the first half of 2019, the change in other working capital requirements did not include any disposal of CICE (French tax credit for employment and competitiveness) receivables. In the first half of 2018, the change in other working capital requirements included the disposal of 2017 CICE receivables in the amount of €12.3 million.

2.4.5 Provisions

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Provisions for pensions and equivalent benefits	202.1	151.0	161.5
Other provisions	37.5	64.4	51.9
Provisions	**239.6**	**215.4**	**213.4**

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Discount rate			
- France	0.90%	1.65%	1.65%
- Switzerland	1.00%	0.75%	1.00%
- United Kingdom	2.30%	2.70%	2.90%

The fall in interest rates seen during the first half of 2019 in the principal geographic regions, including the eurozone, resulted in a fall in the reference discount rates, which are the rates of top-rated corporate bonds. An adjustment to the amount of the net liability was recognized in the interim financial statements, which was reflected by an increase in related commitments.

Compared to December 31, 2018, the increase in the provision for pensions and similar benefits is €40.6 million. €37.7 million of this increase is linked to the discounting of the Comet pension fund commitment, and the discounting of provision for retirement benefits in France.

The impact on shareholders' equity appears under "Other items of comprehensive income."

"Other provisions" include mainly the provisions for restructuring and operational and tax contingencies. The €14.4 million decrease compared to December 31, 2018, stemmed mainly from the use of provisions for restructuring recorded as part of implementing the Group's reorganization.

2.4.6 Shareholders' equity

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Shareholders' equity, Group share	1,170.2	1,122.9	1,253.5
Shareholders' equity – Share attributable to non-controlling interests	6.7	7.4	7.5
Shareholders' equity	**1,176.9**	**1,130.3**	**1,261.0**

In the first half of 2019, Fnac Darty's consolidated shareholders' equity was down €84.1 million from the closing of the previous year.

The proportion of shareholders' equity attributable to the Group fell by €83.3 million, firstly due to changes in the discount rates used to value retirement benefits for €36.5 million, and secondly, under the effect of negative net income attributable to the Group for €39.0 million. The remainder of the decrease relates primarily to the reduction of capital and reserves as part of the share buyback program announced by the Group as of October 19, 2018.

The proportion of shareholders' equity attributable to non-controlling interests was down €0.8 million to €6.7 million.

2.4.7 Net financial debt

At the end of the first half of the year, Group net financial debt is usually higher than at year-end because of the seasonal nature of the business. The Group's net financial debt as of June 30, 2019 stood at €1,387.8 million. It incorporates leasing debt linked to the application of IFRS 16 for €935.7 million.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Gross financial debt	927.7	913.9	911.2
Cash and cash equivalents	(475.6)	(497.0)	(918.6)
Net financial debt excluding IFRS 16 at end of period	**452.1**	**416.9**	**(7.4)**
Leasing debt	935.7	0.0	0.0
Net financial debt with IFRS 16 at end of period	**1,387.8**	**416.9**	**(7.4)**

Gross financial debt was made up mainly of the €300.0 million bond maturing in 2024, the €350.0 million bond maturing in 2026, and the €200.0 million medium-term credit facility, as well as short-term negotiable debt securities in the amount of €71.0 million.

On May 15, 2019, Fnac Darty completed the refinancing transaction of its bond issue after successfully placing its senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026. The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The proceeds from the offering were used to fully repay the €650 million in outstanding senior bonds at 3.25% maturing in 2023.

Compared to June 30, 2018, net financial debt increased by €35.2 million excluding leasing debts linked to IFRS 16, and €970.9 million including the leasing debts related to the standard.

2.4.8 Solvency

Financing instruments of the Group included financial covenants as of June 30, 2019.

As of June 30, 2019, the Group was in compliance with all half-year financial covenants.

The target values of the covenants vary for each testing period.

2.4.9 Liquidity

As of June 30, 2019, Fnac Darty had €475.6 million in cash on hand (€918.6 million as of December 31, 2018), plus a confirmed €400.0 million revolving credit facility, unused on that date, as well as a short-term negotiable debt instruments program of €300.0 million, drawn in the amount of €71.0 million, used to ensure the smooth running of the activity.

As of June 30, 2019, cash included investment securities of less than three months.

The Group is not exposed to any short-term liquidity risk.

2.4.10 Change in net financial debt

The change in net financial debt is broken down as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**
Free cash flow from operations	(257,5)	(304,5)
Interest paid net of interest and dividends received	(32,9)	(16,6)
Acquisitions of intangible assets, property, plant and equipment	(30,2)	0,0
Acquisition of other financial assets	(1,4)	(1,6)
Purchases and sales of treasury stock	(13,9)	(6,0)
Dividends paid	0,0	0,0
Capital increase/(decrease)	1,3	0,0
Repayment of leasing debt	(110,1)	0,0
Interest paid on leasing debt	(11,8)	0,0
Other transactions with shareholders	0,0	0,0
Net cash flows from discontinued operations	0,0	0,0
Financing of the Comet pension fund	(2,3)	(2,2)
Other (1)	(0,7)	0,1
Change in net financial debt excluding IFRS 16	**(459,5)**	**(330,8)**

(1) mainly includes the impact of translation differences on debt

Net financial debt excluding IFRS 16 at January 1	**(7,4)**	**86,1**
Net financial debt excluding IFRS 16 at end of period	**452,1**	**416,9**

2.4.10.1 Free cash flow from operations

The Group 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 net operating investment flow (defined as acquisitions and disposals of property, plant and equipment and intangible assets, and the change in trade payables for non-current assets).

For the first six months of 2019, Fnac Darty's free cash flow from operations was -€257.5 million with the application of IFRS 16 and -€379.4 million excluding IFRS 16; it was -€304.5 million as of the first half of 2018, expressing a fall of -€47.0 million with IFRS 16, and a decline of -€74.9 million excluding IFRS 16.

In 2019, the change in the working capital requirement did not include any cash inflows relating to the disposal of the CICE receivables. In 2018, the change in the working capital requirement included a cash inflow of €12.3 million from the disposal of the CICE receivables (competitiveness and employment tax credit).

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**
Cash flow from operations before tax, dividends and interest	**177.7**	**77.9**
Change in working capital requirement	(371.4)	(320.6)
Income tax paid	(14.8)	(17.2)
Net cash flows from operating activities	**(208.5)**	**(259.9)**
Acquisitions of intangible assets, property, plant and equipment	(49.0)	(44.6)
Free cash flow from operations	**(257.5)**	**(304.5)**
Repayment of leasing debt and interest	(121.9)	0.0
Free cash flow from operations, excluding IFRS 16	**(379.4)**	**(304.5)**

As of June 30, 2019, net operating investments were €49.0 million.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**
France-Switzerland	(47.0)	(41.6)
Iberian Peninsula	(3.6)	(2.2)
Benelux	(4.6)	(3.0)
Acquisitions of intangible assets, property, plant and equipment	**(55.2)**	**(46.8)**
Disposals of intangible assets, property, plant and equipment	0.0	1.3
Change in debt and receivables relating to non-current assets	6.2	0.9
Net operating investments	**(49.0)**	**(44.6)**

2.4.10.2 Acquisitions and disposals of subsidiaries net of cash acquired or transferred

As of the first half of 2019, the disbursement of €30.2 million corresponds to the purchase of 123Billets (Billetreduc.com).

2.4.10.3 Net interest paid and dividends received

As of June 30, 2019, net outflows for net financial interest paid and dividends received mainly included the disbursement of interest for financing and utilization and non-utilization fees for credit facilities for €12.2 million, as well as the early redemption premium for the former bond issue for €18.7 million.

2.4.10.4 **Acquisitions and disposals of other financial assets (net)**

In the first half of 2019 and 2018, disbursements related to purchases of other financial assets were solely composed of investment in the Daphni Purple fund. As of June 30, 2019, the Group agreed to underwrite the remaining 39% for €2.7 million.

2.4.10.5 **Purchases and sales of treasury stock**

In the first half of 2019, disbursements for purchases and sales of treasury stock relate, in the amount of €14.1 million, to disbursements to purchase Fnac Darty shares made under the treasury stock buyback program announced by the Group on October 19, 2018. They also include cash flows in connection with the liquidity agreement entered into with Oddo BHF and Natixis. As of June 30, 2019, the Group held 46,561 treasury stocks. As of June 30, 2018, this item primarily included cash flows as part of the liquidity agreement, and the Group held 69,000 treasury shares.

2.4.10.6 **Repayment of leasing debt and interest paid on leasing debts**

As of the first half of 2019, net cash flows linked to the repayment of leasing debts and interest paid on leasing debts relate to the application of IFRS 16 and represent leasing cash flows.

2.4.10.7 **Financing of the Comet pension fund**

The financing of the British Comet pension fund represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom.

2.5 RELATED PARTY TRANSACTIONS

As of June 30, 2019, the Ceconomy Retail International group held 24.3% of the share capital and 24.3% of the voting rights in Fnac Darty. In the first half of 2019, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

As of June 30, 2019, 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.

Until May 23, 2019, the date of the last General Meeting, 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.

For the record, in the first half of 2018, the Ceconomy Retail International group held 24.2% of the share capital and 24.2% of the voting rights in Fnac Darty. There were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

2.6 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

2.6.1 Employee stock ownership

Fnac Darty's second Employee Stock Ownership plan was rolled out for employees located in Belgium, Spain, France, the Netherlands, Portugal and Switzerland.

Nearly 20% of employees chose to buy Fnac Darty shares on preferential terms.

This operation will have a small non-recurring impact on dilution and operating income in the second half.

2.6.2 Nature & Découvertes

As of April 16, 2019, Fnac Darty announced that it was in exclusive negotiations with a view to acquiring Nature & Découvertes, a leader in the omnichannel distribution of natural and wellbeing products. Fnac Darty is continuing its exclusive discussions to acquire Nature & Découvertes, which should be completed in the coming weeks. This acquisition will enable the Group to diversify its product offering and strengthen its positioning in responsible consumption, a theme that is becoming increasingly important to consumers. Many areas of cooperation between Fnac Darty and Nature & Découvertes will thus be deployed, in order to enhance the power of the Nature & Découvertes brand, particularly through dedicated corners within Fnac stores in France and abroad. The first "shop-in-shops" could open in Fnac stores in France in 2019, and the expansion of the banner internationally could be rolled out rapidly, especially in the Iberian peninsula.
As of June 19, 2019, Fnac Darty notified the French Competition Authority of its intention to acquire Nature & Découvertes. As of July 16, 2019, the French Competition Authority issued a favorable opinion, ruling out any risk of undermining competition and authorizing the transaction.

2.6.3 Strategic Partnership Project with CTS Eventim

To continue the development momentum of France Billet, Fnac Darty recently announced the signing of a strategic partnership project with CTS Eventim, the European leader in the ticketing sector.
France Billet will be able to count on the technological innovations of CTS Eventim, accelerating the development of its digital platform and allowing it to offer more in terms of value to its customers and partners. CTS Eventim will accordingly include in its offer the distribution of show tickets in France, a leading market in Europe.
The planned strategic partnership would be strengthened by equity investments:
France Billet would purchase 100% of the equity in CTS Eventim France.
CTS Eventim will acquire a 48% minority stake in France Billet, which will remain under Fnac Darty's control. In the medium term, CTS Eventim may increase its shares to a majority stake.
Fnac Darty plans to retain a long-term interest in France Billet, a strategic asset for the Group.
France Billet would thus be able to count on the support of Fnac Darty, the European leader in omnichannel retail, and on the expertise of the leading European player in ticketing, representing more than €1 billion in revenue and more than 250 million tickets sold in 2018. This alliance would allow Fnac Darty to strengthen its role as a distributor of show tickets both online and in-store.
This project will first be presented to the employee representative bodies with the aim of finalizing the operation by the end of 2019.

2.7 MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING HALF-YEAR

Fnac Darty'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 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 Company or the Group.

The main risks and uncertainties the Group may face in the second half of 2019 are set out in Section 6 of the Group's 2018 Registration Document.

2.8 OUTLOOK

In a still competitive market environment, the Group has once again demonstrated its commercial agility and its business growth capabilities.

For the upcoming major commercial events in the second half of 2019, the Group will stay focused on its commercial execution and cost control. Fnac Darty will also continue to transform its model. The integration of its recent acquisitions, the acceleration on digital and the strengthening of its omnichannel footprint will contribute to strengthening the Group's operational profile while enabling it to continue the initiatives aimed at offering "educated choices" and improving the customer experience.

The expansion momentum will continue in the second half, mainly through the opening of franchise stores. The Group plans to open some 60 stores in 2019.

Fnac Darty also confirms its medium-term objectives and aims to achieve higher growth than its markets, and a current operating margin between 4.5% and 5%. These objectives take into account the application of IFRS 16.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

CONSOLIDATED INCOME STATEMENT

FOR POSITIONS AT JUNE 30, 2019 AND JUNE 30, 2018 AND THE PERIOD ENDED DECEMBER 31, 2018

(€ millions)	Notes	30-juin-19	30-juin-18	31-déc-18
Income from ordinary activities	4	**3 284,6**	**3 199,5**	**7 474,7**
Cost of sales		(2 287,6)	(2 203,1)	(5 209,6)
Gross margin		**997,0**	**996,4**	**2 265,1**
Personnel expenses	5	(539,4)	(536,6)	(1 105,1)
Other current operating income and expenses		(416,3)	(415,4)	(865,7)
Share of profit from equity associates		0,9	1,2	1,7
Current operating income		**42,2**	**45,6**	**296,0**
Other non-current operating income and expenses	6	(21,5)	(10,9)	(38,8)
Operating income		**20,7**	**34,7**	**257,2**
(Net) financial expense	7	(54,0)	(25,2)	(42,6)
Pre-tax income		**(33,3)**	**9,5**	**214,6**
Income tax	8	(6,6)	(2,4)	(65,0)
Net income from continuing operations		**(39,9)**	**7,1**	**149,6**
Group share		(39,0)	6,8	149,2
share attributable to non-controlling interests		(0,9)	0,3	0,4
Net income from discontinued operations	17.4	**0,1**	**1,0**	**0,3**
Group share		0,1	1,0	0,3
share attributable to non-controlling interests		0,0	0,0	0,0
Consolidated net income		**(39,8)**	**8,1**	**149,9**
Group share		(38,9)	7,8	149,5
share attributable to non-controlling interests		(0,9)	0,4	0,4
Net income, Group share		**(39,0)**	**7,8**	**149,5**
Earnings per share (€)	9	(1,5)	0,29	5,60
Diluted earnings per share (€)	9	(1,5)	0,29	5,57
Net income from continuing operations, Group share		**(39,0)**	**6,8**	**149,2**
Earnings per share (€)	9	(1,5)	0,26	5,59
Diluted earnings per share (€)	9	(1,5)	0,25	5,56

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(€ millions)	Notes	30-Jun-19	30-Jun-18	31-Dec-18
Net income		**(39.9)**	**8.1**	**149.9**
Translation difference		0.8	(0.1)	0.7
Fair value of hedging instruments		(0.2)	1.3	1.5
Items that may be reclassified subsequently to profit or loss		0.6	1.2	2.2
Revaluation of net liabilities for defined benefit plans		(36.5)	24.4	12.9
Items that may not be reclassified subsequently to profit or loss		(36.5)	24.4	12.9
Other items of comprehensive income, after tax	10	**(35.9)**	**25.6**	**15.1**
Total comprehensive income		**(75.8)**	**33.7**	**165.0**
Group share		(74.9)	33.6	164.6
share attributable to non-controlling interests		(0.9)	0.10	0.4

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

FOR POSITIONS AT JUNE 30, 2019 AND JUNE 30, 2018 AND THE PERIOD ENDED DECEMBER 31, 2018

ASSETS

(€ millions)	Notes	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Goodwill		1,584.9	1,541.4	1,559.5
Intangible assets		471.1	471.4	480.0
Property, plant & equipment		592.6	604.8	620.2
Rights of use relating to lease agreements	11	930.6	0.0	0.0
Investments in associates		20.6	19.1	19.7
Non-current financial assets		23.6	18.4	20.6
Deferred tax assets		68.1	66.9	66.8
Other non-current assets		0.0	0.0	0.0
Non-current assets		**3,691.5**	**2,722.0**	**2,766.8**
Inventories		1,067.4	1,026.2	1,091.8
Trade receivables		176.2	167.4	271.8
Tax receivables due		17.5	32.3	41.8
Other current financial assets		7.8	21.5	14.2
Other current assets		314.8	349.1	405.6
Cash and cash equivalents	13	475.6	497.0	918.6
Current assets		**2,059.3**	**2,093.5**	**2,743.8**
Assets held for sale	17.4	**0.0**	**0.0**	**0.0**
Total assets		**5,750.8**	**4,815.5**	**5,510.6**

LIABILITIES

(€ millions)	Notes	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Share capital	12.1	26.5	26.7	26.6
Equity-related reserves		971.8	988.8	984.4
Translation reserves		(3.7)	(5.3)	(4.5)
Other reserves and net income		175.6	112.7	247.0
Shareholders' equity, Group share	12	**1,170.2**	**1,122.9**	**1,253.5**
Shareholders' equity – Share attributable to non-controlling interests		6.7	7.4	7.5
Shareholders' equity		**1,176.9**	**1,130.3**	**1,261.0**
Long-term borrowings and financial debt	14	854.2	852.7	855.1
Long-term leasing debt	15	741.8	0.0	0.0
Provisions for pensions and other equivalent benefits		202.1	151.0	161.5
Other non-current liabilities		174.5	175.8	191.3
Deferred tax liabilities		192.7	190.0	189.9
Non-current liabilities		**2,165.3**	**1,369.5**	**1,397.8**
Short-term borrowings and financial debt	14	73.5	61.2	56.1
Short-term leasing debt	15	193.9	0.0	0.0
Other current financial liabilities		19.5	21.4	15.9
Trade payables		1,448.1	1,387.0	1,876.7
Provisions		37.5	64.4	51.9
Tax liabilities payable		7.4	18.6	44.4
Other current liabilities		627.8	761.5	805.5
Current liabilities		**2,407.7**	**2,314.1**	**2,850.5**
Liabilities relating to assets held for sale	17.4	**0.9**	**1.6**	**1.3**
Total liabilities		**5,750.8**	**4,815.5**	**5,510.6**

CONSOLIDATED CASH FLOW STATEMENT

FOR POSITIONS AT JUNE 30, 2019 AND JUNE 30, 2018 AND THE PERIOD ENDED DECEMBER 31, 2018

(€ millions)	Notes	30-juin-19	30-juin-18	31-déc-18
Net income from continuing operations		**(39,9)**	**7,1**	**149,6**
Income and expense with no impact on cash		163,3	36,5	79,6
Cash flow	16.1	**123,4**	**43,6**	**229,2**
Financial interest income and expense		52,3	21,9	36,5
Dividends received		0,0	0,0	0,0
Net tax expense payable		2,0	12,4	75,3
Cash flow from operations before tax, dividends and interest		**177,7**	**77,9**	**341,0**
Change in working capital requirement		(371,4)	(320,6)	1,1
Income tax paid		(14,8)	(17,2)	(71,8)
Net cash flows from operating activities	17.1	**(208,5)**	**(259,9)**	**270,3**
Acquisitions of intangible assets, property, plant and equipment		(49,0)	(45,9)	(117,9)
Disposals of intangible assets, property, plant and equipment		0,0	1,3	0,3
Acquisitions of subsidiaries net of cash acquired		(30,2)	0,0	(11,2)
Acquisition of other financial assets		(1,4)	(1,6)	(2,3)
Net cash flows from investing activities	17.2	**(80,6)**	**(46,2)**	**(131,1)**
Capital increase/(decrease)		1,3	0,0	6,8
Other transactions with shareholders		0,0	0,0	0,0
Purchases or sales of treasury stock		(13,9)	(6,0)	(14,4)
Dividends paid to shareholders		0,0	0,0	0,0
Bonds issued		650,0	0,0	0,0
Bonds repaid		(650,0)	0,0	0,0
Repayment of leasing debt		(110,1)	0,0	0,0
Interest paid on leasing debt		(11,8)	0,0	0,0
Increase/decrease in other financial debt		16,6	52,8	50,2
Interest and equivalent payments		(32,9)	(16,6)	(32,5)
Financing of the Comet pension fund	17.3	(2,3)	(2,2)	(4,5)
Net cash flows from financing activities		**(153,1)**	**28,0**	**5,6**
Net cash flows from discontinued operations	17.4	0,0	0,0	(0,6)
Impact of changes in exchange rates		(0,8)	0,2	(0,5)
Net change in cash		**(443,0)**	**(277,9)**	**143,7**
Cash and cash equivalents at the beginning of the period	17	**918,6**	**774,9**	**774,9**
Cash and cash equivalents at period-end	17	**475,6**	**497,0**	**918,6**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€ millions)	Number of shares outstanding [1]	Share capital	Equity-related reserves	Translation reserves	Other reserves and net income	Shareholders' equity Group share	Shareholders' equity Non-controlling interests	Shareholders' equity Total
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				**(0,1)**	**33,5**	**33,4**	**0,3**	**33,7**
Capital increase/(decrease)	44 245	0,0	0,0			**0,0**		**0,0**
Treasury stock					(6,0)	**(6,0)**		**(6,0)**
Valuation of share-based payments					3,4	**3,4**		**3,4**
Impact of first application of IFRS 9*					(4,1)	**(4,1)**		**(4,1)**
Impact of first application of IFRS 15					0,2	**0,2**		**0,2**
Other movements					0,0	**0,0**	0,1	**0,1**
As of June 30, 2018	**26 702 380**	**26,7**	**988,8**	**(5,3)**	**112,7**	**1 122,9**	**7,4**	**1 130,3**
Total comprehensive income				**0,8**	**130,4**	**131,2**	**0,1**	**131,3**
Capital increase/(decrease)	(96 941)	(0,1)	(4,4)			**(4,5)**		**(4,5)**
Treasury stock					0,2	**0,2**		**0,2**
Valuation of share-based payments					3,5	**3,5**		**3,5**
Impact of first application of IFRS 15					0,2	**0,2**		**0,2**
Other movements					0,0	**0,0**	0,0	**0,0**
As of December 31, 2018	**26 605 439**	**26,6**	**984,4**	**(4,5)**	**247,0**	**1 253,5**	**7,5**	**1 261,0**
Total comprehensive income				**0,8**	**(75,8)**	**(75,0)**	**(0,8)**	**(75,8)**
Capital increase/(decrease)	(100 804)	(0,1)	(12,6)			**(12,7)**		**(12,7)**
Treasury stock					1,1	**1,1**		**1,1**
Valuation of share-based payments					3,7	**3,7**		**3,7**
Impact of first application of IFRS 16					(0,4)	**(0,4)**		**(0,4)**
Other movements						**0,0**		**0,0**
At June 30, 2019 (1)/(2)	**26 504 635**	**26,5**	**971,8**	**(3,7)**	**175,6**	**1 170,2**	**6,7**	**1 176,9**

[1] €1 par value of shares.

[2] Number of shares in capital as of June 30, 2019: 26,504,635

* Impairment of financial assets of Ménafinance joint venture

Notes to the Condensed Consolidated Financial Statements

Note 1 General information

1.1. General information

Fnac Darty, the Group's parent company, 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 listed on the Euronext Paris exchange. 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 condensed consolidated financial statements at June 30, 2019 reflect the accounting position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On July 25, 2019, the Board of Directors approved the condensed consolidated financial statements at June 30, 2019 and authorized their publication.

1.2. Reporting context

Fnac Darty, composed of the Fnac Darty company and its subsidiaries (collectively herein "Fnac Darty"), is the leader in the leisure and entertainment, consumer electronics, and household appliances retail market in France and a major player on markets in other countries where it operates, such as Spain, Portugal, Belgium, the Netherlands and Switzerland. Fnac Darty also has franchise operations in Morocco, Qatar, Ivory Coast, Cameroon, Congo and Tunisia.

The listing of Fnac Darty securities for trading on the Euronext Paris regulated market requires the establishment of consolidated financial statements according to IFRS standards. The procedures for preparing these financial statements are described in Note 2 Accounting principles and policies.

Fnac Darty'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 the six months ended June 30, 2019 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 2018, prepared on the same basis.

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and IFRIC Interpretations (IFRS Interpretations Committee).

The condensed consolidated financial statements at June 30, 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union, which permits the presentation of a selection of explanatory notes.

The consolidated financial statements presented do not take into account the standards and interpretations which, at the end of the reporting period, were still in the exposure draft stage with the IASB and the IFRS Interpretations Committee, or standards whose application was not mandatory in 2019.

The notes presented relate to significant events and transactions during the period and should be read in conjunction with the consolidated financial statements at December 31, 2018. They are, in fact, indissociable from the information presented in the consolidated financial statements included in the Group's Registration Document published for the period ended December 31, 2018.

2.2. IFRS guidelines applied

The half-year financial statements are prepared in accordance with the accounting principles and policies applied by the Group to the financial statements for the period ending December 31, 2018, with the exception of the following items, which are subject to specific valuation methods (Note 2.3):

- income tax; and
- employee benefits.

In addition, the half-year financial statements are drawn up in accordance with IFRS 16, which has been applicable since January 1, 2019. The accounting principles and policies relating to this standard are set out in Note 2.4.

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning on or after January 1, 2019 which were not adopted early by the Group:

There are no texts adopted by the European Union that are applicable in advance.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2019:

- On January 13, 2016, the IASB published **IFRS 16 – Leases**. IFRS 16 replaces the IAS 17 standard and its interpretations. This new standard, which is mandatory for annual periods beginning on or after January 1, 2019, requires the recognition of an asset (the right of use) and a liability (lease liabilities) on the basis of discounted unavoidable rental payments.

  The Group has applied IFRS 16 since January 1, 2019 using the modified retrospective method. The 2018 financial statements have not been restated.

  The accounting principles under IFRS 16 that have been applied to the financial statements as at June 30, 2019 are described in Note 2.4.

  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 all lease agreements shorter than or equal to 12 months or having an underlying asset replacement value of less than USD 5,000. The Group did not apply the reduction aiming to exclude contracts with a residual maturity of less than 12 months on the transition date, nor did it apply any reduction other than the exemptions and the practical reduction for impairment. The recoverability of the right of use is tested starting when events or environmental modifications on the market indicate an impairment risk for the asset. The provisions for the implementation of the impairment tests are identical to those for intangible assets and property, plant and equipment as described in Notes 2.6, 2.7 and 2.8 of the consolidated financial statements as of December 31, 2018. The Group has chosen to apply the practical reduction on the transition date and not to redo the Goodwill impairment tests.
  At January 1, 2019, the Group had 3,645 lease agreements falling within the scope of IFRS 16, of which 616 were property lease agreements and the rest were almost all equipment lease agreements (primarily vehicles, lifting equipment, printers and computer servers).

  To determine the lease period to be taken into account for each contract, a double approach has been adopted:
    - contractual (determining the enforceable terms of the contracts); and
    - lease period based on economic and commercial criteria.

  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. This period is defined in accordance with the ANC's position in its statement of conclusion of February 16, 2018. 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. Generally, the assessment criteria are based on the quality of the asset and the specific characteristics of the market and contracts.

  In order to determine the total rent amount to be taken into account under IFRS 16, the Group used the minimum guaranteed rents after taking into account known changes in real estate price indices. The variable portion of rents, usually indexed to the change in revenue, was excluded in accordance with the recommendations of the standard.

  The implicit rates of the leases are not readily determinable. The Group has set the discount rates on the basis of a marginal borrowing rate that reflects the specific characteristics of the entities that take out the lease agreements. This has made it possible to establish a rate schedule for each country. The discount rates by currency are calculated using a Midswap index, by currency and by maturity, to which is added a spread (spread applied to the most recent Group borrowings + country risk premium + subsidiary rating). The maturity of the rate used depends on the duration of each lease agreement, which in turn depends on the payment profile. The maturity of the rates depends on the residual term of the contract up to its expiration, as from the date of the event. Therefore, on the date of initial application, the maturity of the rates applied depends on the time remaining between January 1, 2019 and the expiry of the contract.

The impact of IFRS 16 application on the opening balance sheet as of January 1, 2019 resulted in a lease debt of €987.2 million being recorded, as well as an increase in non-current assets due to the recording of a right of use. In accordance with IFRS 16, the outstanding apportionments of lessor's benefits pursuant to IAS 17 as of December 31, 2018 (recognized as deferred income) were offset against the right of use. With regard to the new lease discounts from the transition date, these were incorporated into the cash flow calculations to determine the amount of the debt and the right of use. In addition, the leasehold rights recognized in the balance sheet as of December 31, 2018 have been reclassified as rights of use for an amount of €26.8 million.
The difference noted between the amount of the IFRS 16 debt on the date of initial application and the off-balance sheet commitments related to lease agreements (€519.8 million at the end of December 2018) can be explained by the different methods used:
- no flow discounting for the calculation of rental off-balance sheet commitments; and
- period chosen for the calculation of the rental off-balance sheet commitments limited to the first exit option of the lease.

€ millions

Off-balance sheet commitments given in respect of operating leases as of 12/31/2018	**519.8**
Impact related to the contract expiry date used	508.7
Impact of discounting	(41.3)
IFRS 16 lease liabilities recorded at 01/01/2019	**987.2**

The impact of the periods chosen on the IFRS 16 debt represents a €508.7 million increase in the commitment.
The impact of the discounting on the IFRS 16 debt calculation represents a €41.3 million decrease in the commitment.

The accounting impacts on the main line items used by the Group are as follows:
- increase in EBITDA;
- increase in financial expense;
- recognition of a deferred tax in accordance with current practice regarding finance lease agreements under IAS 17;
- discontinuous change in net income with no impact over the total period of the agreement;
- in the cash flow statement, impact on changes related to financing activities;
- recognition of an asset (the right of use) and a liability on the basis of discounted rents;
- offsetting of outstanding apportionments of lessor's benefits at January 1, 2019 (lessor and franchise stake) against the right of use;
- reclassification of leasehold rights as rights of use;
- for sublease agreements, recognizing a sublease receivable primarily by offsetting against the right of use, and for the difference in shareholders' equity; and
- no impact regarding finance lease agreements, which continue to be treated as before under IAS 17. However, a reclassification will be carried out on December 31, 2019 in order to link the finance leasing debt to the leasing debt and the finance leasing assets to the right of use.

However, 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. The data relating to the lease agreements is updated in the tool each month from the date of initial application, and the accounting restatements are carried out on a monthly basis.

- **IFRIC 23 – Uncertainty over Income Tax Treatments** clarifies the application of the provisions of IAS 12 "Income Taxes" relating to recognition and evaluation when there is uncertainty regarding the treatment of income tax. To this end, the IFRIC 23 interpretation sets out a single uniform method for recognizing tax risks. During the first half of 2019, the Group standardized its tax risk recognition process, implementing standardized procedures for communication between the subsidiaries of all tax jurisdictions and the Group's tax department. Under the new process, if an uncertain tax position is likely not to be accepted by the tax authorities, this situation will be reflected in the financial statements when the payable and deferred taxes are recognized. As of June 30, 2019, uncertain tax positions were assessed in accordance with the new standards and, at the end of this assessment, no new risks were detected.

Other standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2019:

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation, applicable as of January 1, 2019;**
- **Amendments to IAS 28: Long-term Interests In Associates and Joint Ventures, applicable as of January 1, 2019;**
- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and**
- **Annual Improvements to IFRS Standards 2015-2017 Cycle: Miscellaneous Provisions.**

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-2019 reporting periods:

The IASB has also published the following texts, which the Group expects will have no material impact:

- **Amendments to IFRS 3: Definition of a Business;**
- **IFRS 17: Insurance Contracts;**
- **Amendments to IAS 1 and IAS 8: Definition of Material; and**
- **Amendment to references to the conceptual framework for the IFRS standards.**

2.3. Special features of the preparation of interim financial statements

2.3.1. Income tax

The tax expense for the period (current and deferred) is determined on the basis of the estimated effective tax rate for the current period as a whole, for each tax entity and sub-group.

2.3.2. Employee benefits

The post-employment benefit expense for the half year is equal to one-half of the net expense calculated for the full year period ended December 31, 2019.

In accordance with the requirements of IAS 19 and IAS 34, the amount of the net post-employment benefit obligation reflects material changes in market conditions during the preparation of interim financial statements. These material changes are detailed in Note 11.

2.3.3. Seasonality of activities

Revenues, operating income and all operating indicators (including working capital requirement) are characterized by a high seasonality linked to a high level of activity in the last quarter of the calendar year. Consequently, the interim results at June 30, 2019 are not necessarily representative of those that can be expected for the full period ending December 31, 2019.

2.4. Principles of consolidation: Processing of lease agreements under IFRS 16

The Group applied IFRS 16 – Lease Agreements (published by the IASB in January 2016) this year for the first time.

IFRS 16 introduces new requirements for recognizing lease agreements. It establishes significant changes to the lessee's accounts by eliminating the distinction between operating lease agreements and finance lease agreements, establishing the recognition of a right of use and a leasing debt upon implementation of each lease agreement, with the possible exception of short-term lease agreements (with a term of less than or equal to 12 months) and lease agreements for low-value assets. Lease agreements are thus recognized in the balance sheet from the start of the lease at the discounted value of future payments. These agreements are recorded under liabilities as "Short-term leasing debt" and "Long-term leasing debt", and under assets as "rights of use relating to lease agreements". They are amortized over the term of the lease, which generally corresponds to the enforceable term of the contract unless there is a known intent to renew or terminate the contract. In the income statement, amortization expenses are recognized in operating income and interest expenses in net financial income. At June 30, interest expenses relating to leasing debt amounted to €11.8 million.

The impact on the Group's consolidated financial statements of the adoption of IFRS 16 is described below.

The date of initial application of IFRS 16 for the Group is January 1, 2019.

The Group applied IFRS 16 using the modified retrospective method.

Impact of the new definition of a lease agreement

According to IFRS 16, the change in definition of a lease agreement relates primarily to the concept of control: a lease agreement is considered to be any contract for which the lessee can control the leased asset in return for a consideration.

Furthermore, the definition of a lease agreement in accordance with IAS 17 and IFRIC 4 will continue to apply to lease agreements entered into or amended before January 1, 2019.

The Group applies the definition of a lease agreement and the associated directives set out in IFRS 16 to all lease agreements entered into or amended on or after January 1, 2019. In order to prepare for the initial application of IFRS 16, the Group has conducted a survey showing that the new definition under IFRS 16 will have no material impact on the scope of agreements that fall under the definition of a lease agreement.

Impact on the accounts of lessees

IFRS 16 changes the way in which the Group processes simple lease agreements in accordance with IAS 17, which were previously considered off-balance sheet commitments.

In the course of applying IFRS 16, for all lease agreements (with the exception of those mentioned below), the Group:

- initially recognizes a leasing debt and a right of use, according to the discounted value of future lease payments;
- recognizes amortization on the right of use and interest on the leasing debt in the income statement; and
- breaks down the cash flows paid out between the repayment of the principal (presented under financing activities in the line "Repayment of leasing debt") and the interest (presented under financing activities in the line "Interest paid on leasing obligations") in the consolidated cash flow statement.

With regard to lessor's benefits (lessor or lease franchise stake) in the Group's statutory accounts, the Group has selected the method of apportionment of deferred income up to the end of the leases. As a result, there were outstanding lessor's benefits not yet apportioned in the amount of €43.2 million at December 31, 2018. This outstanding amount was offset in full against the right of use. For historical lessor's benefits, as for new ones, the spreads applied on or after January 1, 2019 in the statutory accounts are therefore systematically reversed in the consolidated financial statements and restated pursuant to IFRS 16.

The recoverability of the right of use is tested starting when events or environmental modifications on the market indicate an impairment risk for the asset. The provisions for the implementation of the impairment tests are identical to those for intangible assets and property, plant and equipment as described in Notes 2.6, 2.7 and 2.8 of the consolidated financial statements as of December 31, 2018. The Group has chosen to apply the practical reduction on the transition date and not to redo the Goodwill impairment tests.

For short-term lease agreements (less than or equal to 12 months) and lease agreements for low-value assets, the Group has chosen to apply the exception permitted under the standard and to recognize a lease expense. This expense is set out in "Other current operating income and expenses" in the consolidated income statement. The amount of lease expenses relating to short-term leases amounted to €0.4 million at June 30, 2019. In addition, the total amount of leasing commitments for short-term lease agreements amounted to €0.6 million. With regard to the exemption for agreements with low-value underlying assets (less than USD 5,000), rental expenses amounted to €0.3 million at June 30, 2019.

With regard to finance lease agreements, in accordance with IFRS 16 guidelines, their treatment has not been changed and will remain the same until they end. However, a reclassification will be carried out on December 31, 2019 in order to link the finance leasing debt to the leasing debt and the finance leasing assets to the right of use. New finance lease agreements will be treated under IFRS 16. At June 30, 2019, the Group recognizes non-current assets and a debt relating to finance lease agreements for €3.1 million and €2.5 million respectively.

At June 30, 2019, the Group recognizes a consolidated leasehold rights value of €26.8 million. In accordance with IFRS 16 guidelines, this amount has been reclassified as a right of use.

With regard to property sublease agreements, the Group has four finance lease agreements (expiration identical to the main agreement) subject to restatement under IFRS 16. As a result, a sublease receivable of €2.7 million has been recognized, offset against a €3.1 million reduction in the right of use and a €0.4 million reduction in shareholders' equity. The sublease income relating to these contracts amounts to €0.5 million for the first half of 2019.

The tax impact of restatements relating to the application of IFRS 16 is taken into account through the recognition of deferred taxes linked to the temporary deductible difference arising from the decrease in the book value of the assets (amortizations of the right of use) being faster than that of the liabilities (repayment of debt capital).

Methods applied

Each agreement signed by the Group is analyzed in order to determine whether it is a lease agreement. Consequently, when the Group is a lessee in a lease agreement, it recognizes a right of use and a corresponding leasing debt, with the exception of short-term leases (defined as leases shorter than or equal to 12 months) and leases with low-value underlying assets. For these exempted lease agreements, the Group recognizes rents under operating expenses on a straight-line basis over the term of the lease, unless there is a different basis that is more representative of the recovery rate of the economic benefits of the leased assets. The leasing debt is originally valued at the current value of the remaining rents due, discounted at the implicit rate of the lease agreement or, failing that, at the Group's annual marginal interest rate, which corresponds to the borrowing terms obtained by the Group.

The lease payments included in the valuation of the leasing debt include:

- fixed rents (minimum guaranteed rents, including known links to a price index) after deduction of lessor's benefits;
- the amount that the lessee should pay as residual value guarantees;
- the exercise price of the call options, if the lessee is reasonably sure that it will exercise those options; and
- the payment of penalties for terminating the lease agreement, if any are set out in the agreement.

In accordance with IFRS 16, the variable portion of the rents paid has not been included in the calculation of the debt. As of June 30, 2019, these variable expenses amounted to €0.4 million.

The leasing debt is set out on a separate line in the consolidated balance sheet. The leasing obligation is valued by adding the share of interest on the lease agreement to the book value of the debt. It is then adjusted depending on the payments made.

The Group revalues the leasing debt (and makes an adjustment corresponding to the assets on the associated right of use) when:

- the term of the lease agreement has been changed or there has been a change in the estimate of the exercise of an option, in which case the leasing debt is revalued by discounting the revised lease payments at the updated discount rate;
- rents change as a result of a change in an index or interest rate, following a change to the planned payment, or following the revaluation of the residual value guarantees. In such cases, the leasing debt is revalued by discounting the revised rents from the lease agreement at the initial discount rate (unless the change in rent payments is due to an interest rate change, in which case a revised discount rate is used); or
- a lease agreement is amended without thereby becoming a new lease agreement, in which case the leasing debt is revalued by discounting the revised rent payments at the revised discount rate.

The Group has made several adjustments of this type over the course of the period.

The assets associated with the right of use include the initial valuation of the leasing debt, which takes into account rents paid on and after the effective date and the initial direct costs. They are then valued at their initial cost less depreciation and amortization and impairment.

If there is a clause in the contract stating that the tenant undertakes, at the end of the term, to bear the costs of restoration, dismantling or collection of the leased asset, a provision is recognized either initially or subsequently and valued in accordance with IAS 37. Given the non-material nature of these costs, they have not been included in the valuation of the right of use.

The right of use is amortized over the term of the contract.

If a lease agreement sets out the transfer of ownership of the underlying asset or if the calculation of the right of use has taken into account the fact that the Group expects to exercise a purchase option, the right of use is amortized over its useful life. The amortization of the right of use begins on the effective date of the lease.

The assets associated with the right of use are set out on a separate line in the Group's consolidated balance sheet.

The Group applies IAS 36 to determine whether a right of use needs to be depreciated and to recognize any potential loss of value.

Variable rents that do not depend on an index or interest rate are not included in the valuation of the leasing debt or the right of use. The corresponding payments are expensed over the period and are included under operating expenses in the income statement.

In practice, IFRS 16 allows the lessee not to distinguish between the various components linked to the same lease agreement and to recognize them together. The Group has chosen to distinguish between each underlying asset within the same contract.

The main estimates and assumptions applied by the Group with respect to IFRS 16 are detailed in section 2.5. "Lease agreements". These relate to the determination of the lease term and the determination of the discount rates.

The impacts on leasing debt and right of use by flow, type of asset and maturity are presented in detail in notes 11 and 15.

2.5. Use of estimates and assumptions

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. 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.

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 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 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
Notes 2.4, 11 and 15	Lease agreements	Assumption regarding the lease term applied: the enforceable term identified for each agreement corresponds to the maximum period for which the lessee is entitled to benefit from the right of use of 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. Assumption regarding French 3/6/9 type leases: unless a renewal option exercisable by the lessee alone is set out in the agreement, the enforceable term is limited to nine years (a position that complies with the ANC's statement of conclusion on commercial leases in France of February 16, 2018). Assumption regarding foreign leases: in accordance with IFRS 16, the contractual term of the lease is applied, if necessary, with the addition of any renewal options set out in the contract that are exercisable by the lessee alone, unless it is reasonably certain to exit before the end of that term Assumption regarding discount rates: a rate schedule by maturity has been drawn up for each country. The discount rates are calculated using a Midswap index, by currency and by maturity, to which is added a spread (spread applied to the most recent Group borrowings + country risk premium + subsidiary rating). The maturity of the rate used depends on the duration of each lease agreement, which in turn depends on the payment profile. The maturity of the rates depends on the residual term remaining to the end of the contract
Note 2.9 of the 2018 Registration Document	Inventory	Prospects for inventory run-down for calculating impairment
Note 2.10 of the 2018 Registration Document	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 2.13 of the 2018 Registration Document and note 8	Tax	Assumptions used to recognize deferred tax assets related to tax loss carry-forwards and timing differences
Note 2.15 of the 2018 Registration Document	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 2.16 of the 2018 Registration Document	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Note 2.17 of the 2018 Registration Document and note 17.4	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
Note 2.18 of the	Income from	Spread of revenues related to sales of loyalty cards and sales of warranty extensions

2018 Registration Document	ordinary activities	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 of the 2018 Registration Document	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 of the 2018 Registration Document	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 3 Significant events

On January 24, 2019, the Group sold 100% of the stake of its subsidiary Eazieer to the companies STIT CONSULTING and BRANDSON TECHNOLOGIES.

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 financing will allow the Group to take the opportunity to set up long-term debt, with a maximum maturity of nine years, on very attractive terms.

On February 28, 2019, Fnac Darty acquired 100% of the equity of 123Billets, a key player in last-minute event ticket retail in France. Thanks to this acquisition, Fnac Darty now offers a wider and more diversified range of tickets. The website BilletRéduc.com, which was created in 2000, was acquired by Lagardère Active in December 2012. Today it is owned by 123Billets, which was part of the business combination. The consolidation of 123Billets has been carried out using the full consolidation method from March 1, 2019.

On April 25, 2019, Fnac Darty announced that it had successfully placed its senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026.
The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The offering should close and the bonds should be issued by May 14, 2019.
After the offering had closed, Fnac Darty used the income from the offering and the available cash to repay in full its outstanding senior bonds of €650 million at 3.25%, maturing in 2023, and to pay the associated premiums, costs, fees and expenses.
In accordance with IFRS 9, the analysis carried out concluded that the repaid debt had been settled, leading to the derecognition of the former debt. The impacts are as follows:

- derecognition of the former debt with an impact on income from premiums, discounts or original charges that were not fully amortized;
- registration of the new debt; and
- spread of the new charges attributable to the new debt.

This transaction also entails the recognition of an expense of €18.7 million corresponding to the early redemption premium for the former bond issue, as well as an expense of €8.3 million related to the deduction of remaining costs associated with the former bond issue.

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 into three segments:
  - 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, the Congo, and Tunisia, 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.

Information per operating segment

(€ millions)	France-Switzerland	Iberian Peninsula	Benelux	Total
As of June 30, 2019				
Income from ordinary activities	**2,524.3**	**295.6**	**464.7**	**3,284.6**
- Consumer electronics	1,216.7	174.5	234.0	1,625.2
- Editorial products	372.7	89.4	21.7	483.8
- Household appliances	621.4	0.0	185.4	806.8
- Other products and services	313.5	31.7	23.6	368.8
Current operating income	**40.3**	**5.5**	**(3.6)**	**42.2**
Acquisitions of intangible assets, property, plant and equipment (1)	(39.6)	(4.8)	(4.6)	(49.0)
Segment assets	**4,243.8**	**290.3**	**603.4**	**5,137.5**
Segment liabilities	**1,876.4**	**167.4**	**206.8**	**2,250.6**

(1) Acquisitions of intangible assets, property, plant and equipment including changes in receivables and payables on non-current assets

(€ millions)	France-Switzerland	Iberian Peninsula	Benelux	Total
As of June 30, 2018				
Income from ordinary activities	**2,482.3**	**294.0**	**423.2**	**3,199.5**
- Consumer electronics	1,220.8	172.4	219.9	**1,613.1**
- Editorial products	378.8	92.0	22.8	**493.5**
- Household appliances	601.5	0.0	160.0	**761.4**
- Other products and services	281.3	29.6	20.6	**331.5**
Current operating income	**46.5**	**3.3**	**(4.2)**	**45.6**
Acquisitions of intangible assets, property, plant and equipment (1)	(37.6)	(5.1)	(3.2)	**(45.9)**
Segment assets	**3,560.2**	**163.1**	**436.9**	**4,160.2**
Segment liabilities	**1,921.5**	**171.4**	**231.3**	**2,324.2**

(1) Acquisitions of intangible assets, property, plant and equipment including changes in receivables and payables on non-current assets

(€ millions)	France-Switzerland	Iberian Peninsula	Benelux	Total
As of 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		0.0	344.2	**1,670.6**
- Other products and services	653.7	76.2	45.0	**774.9**
Current operating income	**265.4**	**25.4**	**5.2**	**296.0**
Acquisitions of intangible assets, property, plant and equipment (1)	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**

(1) Acquisitions of intangible assets, property, plant and equipment including changes in receivables and payables on non-current assets

Note 5 Payroll expenses

The application of IFRS 2 – Share-based Payment, results in the recognition of a personnel expense that is allocated on a straight-line basis over the vesting period as follows. As of June 30, 2019, all plans allotted by the Group will be equity-settled.

Payroll expenses for the period include an expense related to the application of this standard. This expense is recognized for the share of the fair value of services rendered during the period. It relates to the performance stock option plans.

Based on the assumptions detailed in the 2018 annual financial statements, this expense totaled €4.1 million for the first half of 2019 compared with €4.6 million for the first half of 2018.

Note 6 Other non-current operating income and expenses

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Fine from French Competition Authority	0.0	0.0	(20.0)
Costs connected with Fnac Darty restructuring	(8.9)	(8.3)	(9.7)
Costs connected with DARTY acquisition and integration	(0.0)	(0.8)	(1.4)
Costs connected with WeFix acquisition	0.0	0.0	(1.0)
Costs connected with Billetreduc acquisition	(0.9)	0.0	0.0
Other restructuring costs	(3.5)	(0.5)	(6.4)
Exceptional bonus for purchasing power	(4.8)	0.0	0.0
Other non-current operating income and expenses, net	(3.4)	(1.4)	(0.3)
Total	**(21.5)**	**(10.9)**	**(38.8)**

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 June 30, 2019, this item represents a net expense of €21.5 million and includes:

- €8.9 million in restructuring costs, related to the implementation of the Group's reorganization. In the first half of 2019, these expenses were primarily linked to planned changes to the organization of Darty subsidiaries, and to the reorganization of the Logistics functions of Fnac Darty,
- €0.9 million in costs incurred as part of the Billetreduc acquisition,
- €3.5 million in restructuring costs for employee and structural adaptation plans in France and abroad,
- €4.8 million in expenses relating to the exceptional bonus for purchasing power granted to all Group employees in France with a gross annual compensation of €30,000 or less. This bonus was paid to some 14,000 employees,
- other non-current income and expenses represented a net expense of €3.4 million resulting from various one-off litigation cases.

As of June 30, 2018, they comprised a net expense of €10.9 million and included:

- €8.3 million in restructuring costs, related to the implementation of the Group's new organizational structure. In the first half of 2018, these expenses were mainly attributable to the Remote Customer Service reorganization project aimed at streamlining the industrial processes of this activity and refocusing on technical expertise, the core business of Darty's sales staff,
- €0.8 million in costs incurred as part of the Darty consolidation,
- €0.5 million in restructuring costs related to headcount adjustment measures,
- other non-current income and expenses represented a net expense of €1.4 million resulting from various one-off litigation cases.

Note 7 (Net) financial expense

Net financial expense breaks down as follows:

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Costs connected with Group debt and financing fees	(40.3)	(20.5)	(36.0)
Interest on rental debt	(11.8)	0.0	0.0
Cost of consumer credit	(1.3)	(1.9)	(4.9)
Other financial income and expense, net	(0.6)	(2.8)	(1.7)
Net financial expense	**(54.0)**	**(25.2)**	**(42.6)**

In the first half of 2019, financial income (loss) was composed of a net financial expense of €54.0 million, compared with a net financial expense of €25.2 million for the same period the previous year.

On May 15, 2019, Fnac Darty completed the refinancing transaction of its bond issue after successfully placing its senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026. The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The proceeds from the offering were used to fully repay the €650 million in outstanding senior bonds at 3.25% maturing in 2023.

During the first six months of 2019, 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. It also includes an expense of €18.7 million related to the early redemption premium for the former bond issue, as well as an expense of €8.3 million related to the deduction of remaining costs associated with the former bond issue.

An expense related to interest on leasing debt was recorded following the application of IFRS 16 as of January 1, 2019 in the amount of €11.8 million.

The cost of consumer credit was €1.3 million in the first half of 2019, compared with an expense of €1.9 million in the first half of 2018.

In the first half of 2019 and 2018, other income and net financial expenses include the financial impacts relating to post-employment benefits for employees, as well as, in the first half of 2019, the fair value revaluation through net income of the Daphni Purple financial asset.

Note 8 Tax

Analysis of the tax expense on continuing operations:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Pre-tax income	**(33.3)**	**9.5**	**214.6**
Current tax expense	8.4	(2.6)	(55.0)
Current tax expense related to corporate value-added tax (CVAE)	(10.4)	(9.8)	(20.2)
Deferred tax income/(expense)	(4.6)	10.0	10.2
Total tax expense	**(6.6)**	**(2.4)**	**(65.0)**
Effective tax rate	**(19.82%)**	**25.26%**	**30.29%**

In the first half, tax expense was calculated based on the effective tax rate estimated for the whole period for each fiscal entity or sub-entity.

Note 9 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 the first half of 2019, Fnac Darty held an average of 39,824 treasury stocks as part of the liquidity agreement entered into with Oddo BHF and Natixis.

As of June 30, 2019, the Group held 46,561 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.

For the first half of 2019, instruments issued by the Group had a dilutive effect of 135,324 shares.

The number of shares that could potentially become dilutive during a subsequent period was 217,926.

9.1. Earnings per share

Earnings per share as of June 30, 2019

As of June 30, 2019

(€ millions)	Consolidated Group	Group share – Continuing operations	Group share – Discontinued operations
Net income attributable to ordinary shareholders	**(38.9)**	**(39.0)**	**0.1**
Weighted average number of ordinary shares issued	26,572,165	26,572,165	26,572,165
Weighted average number of treasury stock	(39,824)	(39,824)	(39,824)
Weighted average number of ordinary shares	**26,532,341**	**26,532,341**	**26,532,341**
Basic earnings per share (€)	**(1.47)**	**(1.47)**	**0.00**

(€ millions)	Consolidated Group	Group share – Continuing operations	Group share – Discontinued operations
Net income attributable to ordinary shareholders	**(38.9)**	**(39.0)**	**0.1**
Convertible and exchangeable instruments			
Diluted net income, Group share	**(38.9)**	**(39.0)**	**0.1**
Weighted average number of ordinary shares	26,532,341	26,532,341	26,532,341
Potentially dilutive ordinary shares	135,324	135,324	135,324
Weighted average number of diluted ordinary shares	**26,667,665**	**26,667,665**	**26,667,665**
Diluted earnings per share (€)	**(1.46)**	**(1.46)**	**0.00**

Earnings per share as of June 30, 2018

As of June 30, 2018

(€ millions)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**7.8**	**6.8**	**1.0**
Weighted average number of ordinary shares issued	26,661,313	26,661,313	26,661,313
Weighted average number of treasury stock	(18,193)	(18,193)	(18,193)
Weighted average number of ordinary shares	**26,643,119**	**26,643,119**	**26,643,119**
Basic earnings per share (€)	**0.29**	**0.26**	**0.04**

(€ millions)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders		**6.8**	**1.0**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**7.8**	**6.8**	**1.0**
Weighted average number of ordinary shares	26,643,119	26,643,119	26,643,119
Potentially dilutive ordinary shares	151,011	151,011	151,011
Weighted average number of diluted ordinary shares	**26,794,131**	**26,794,131**	**26,794,131**
Diluted earnings per share (€)	**0.29**	**0.25**	**0.04**

Earnings per share as of December 31, 2018

As of December 31, 2018

(€ millions)	Consolidated Group	Group share Continuing operations	Group share 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 stock	(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**

(€ millions)	Consolidated Group	Group share Continuing operations	Group share 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**

Note 10 Other items of comprehensive income

Other items of comprehensive income mainly comprise:

- profit and loss from the translation of the financial statements of operations outside France;
- the change in the effective portion of hedging instruments;
- items relating to the measurement of employee benefit obligations: revaluation of net liabilities for defined benefit plans. The fall in interest rates seen during the first half of 2019 in the principal geographic regions, including the eurozone, resulted in a sharp fall in the reference discount rates, which are the rates of high credit quality corporate bonds. In parallel, the Group has revised its actuarial assumptions. An adjustment to the amount of the net commitment was recognized in the interim financial statements. The impact on shareholders' equity appears under "Other items of comprehensive income."

The discount rates used by the Group to calculate this impact are as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Discount rate			
- France	0.90%	1.65%	1.65%
- Switzerland	1.00%	0.75%	1.00%
- United Kingdom	2.30%	2.70%	2.90%

The amount of these items after related income tax effects and adjustments for reclassification of results are as follows:

As of June 30, 2019

(€ millions)	**Net**
Translation difference	0.8
Fair value of hedging instruments	(0.2)
Items that may be reclassified subsequently to profit or loss	**0.6**
Revaluation of net liabilities for defined benefit plans	(36.5)
Items that may not be reclassified subsequently to profit or loss	**(36.5)**
Other items of comprehensive income at June 30, 2019	**(35.9)**

As of June 30, 2018

(€ millions)	Net
Translation difference	(0.1)
Fair value of hedging instruments	1.3
Items that may be reclassified subsequently to profit or loss	**1.2**
Revaluation of net liabilities for defined benefit plans	24.4
Items that may not be reclassified subsequently to profit or loss	**24.4**
Other items of comprehensive income at June 30, 2018	**25.6**

As of December 31, 2018

(€ millions)	Net
Translation difference	0.7
Fair value of hedging instruments	1.5
Items that may be reclassified subsequently to profit or loss	**2.2**
Revaluation of net liabilities for defined benefit plans	12.9
Items that may not be reclassified subsequently to profit or loss	**12.9**
Other items of comprehensive income at December 31, 2018	**15.1**

Note 11 Rights of use

The table below shows the rights of use by asset class:

(€ millions)	Stores	Offices	Platforms	Other	Total
Net value as of June 30, 2018	**0.0**	**0.0**	**0.0**	**0**	**0**
Net value as of December 31, 2018	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Initial application of IFRS 16	797.8	39.7	82.3	36.5	956.3
Inflow and revaluation of assets	68.2	2.4	2.0	10.6	83.2
Terminations and impairment losses	(20.9)	(0.1)	(3.2)	0.0	(24.2)
Depreciation and amortization	(88.7)	(6.3)	(7.0)	(9.8)	(111.8)
Leasehold rights	26.8	0.0	0.0	0.0	26.8
Foreign exchange and miscellaneous	0.2	0.0	0.0	0.0	0.3
Net value as of June 30, 2019	**783.4**	**35.7**	**74.1**	**37.3**	**930.6**

The items relating to leasing debt are presented in note 15.

Note 12 Shareholders' equity

12.1. Share capital

As of June 30, 2019, the share capital stood at €26,504,635. It was comprised of 26,504,635 fully paid-up shares with a par value of €1 each. In the first half of 2019, the capital reduction corresponds to the cancellation of 196,750 shares under the share buyback program, offset by the creation of 95,946 shares to serve the capital increase reserved for the allotment of bonus shares and the exercise of stock options under the performance-based compensation plans.

12.2. Appropriation of earnings

No dividend was paid for the 2018 period. The profit for the 2018 period was allocated to shareholders' equity.

12.3. Treasury stock

In the first half of 2019, Fnac Darty held an average of 39,824 treasury shares as part of the liquidity agreement entered into on June 19, 2013 with Rothschild & Cie Banque, and taken over in October 2018 by Oddo BHF and Natixis.

As of June 30, 2019, the Group held 46,561 treasury stocks.

Note 13 Cash and cash equivalents

Cash and cash equivalents break down as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Cash	471.8	494.5	916.0
Cash equivalents	3.8	2.5	2.6
Total	**475.6**	**497.0**	**918.6**

As of June 30, 2019, cash equivalents consisted of €3.8 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.

The items that the Group recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of June 30, 2019, these analyses did not lead to changes in the accounting classification.

Note 14 Financial debt

(€ millions)	As of June 30, 2019	N+1	N+2	N+3	N+4	N+5	Beyond	As of June 30, 2018	As of December 31, 2018
Long-term borrowings and financial debt	**854.2**	**0.0**	**46.5**	**55.9**	**100.9**	**300.2**	**350.7**	**852.7**	**855.1**
2026 bond	350.0						350.0	0.0	0.0
2024 bond	300.0					300.0		0.0	0.0
2023 bond	0.0							650.0	650.0
Medium-term credit facility	200.0		45.0	55.0	100.0			200.0	200.0
Other financial debt	2.3		0.1	0.4	0.9	0.2	0.7	0.0	2.6
Finance lease agreement payables	1.9		1.4	0.5				2.7	2.5
Short-term borrowings and financial debt	**73.5**	**73.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**61.2**	**56.1**
Capitalized interest on 2023 bond	1.9	1.9						5.4	5.3
Negotiable debt instruments	71.0	71.0						54.0	50.0
Finance lease agreement payables	0.6	0.6						1.8	0.8
Total financial debt excluding IFRS 16	**927.7**	**73.5**	**46.5**	**55.9**	**100.9**	**300.2**	**350.7**	**913.9**	**911.2**
%		7.9%	5.0%	6.0%	10.9%	32.4%	37.8%		
Leasing debt IFRS 16	**935.7**	**193.9**	**167.9**	**143.3**	**112.1**	**75.0**	**243.5**	**0.0**	**0.0**
Long-term leasing debt IFRS 16	741.8		167.9	143.3	112.1	75.0	243.5	0.0	0.0
Short-term leasing debt IFRS 16	193.9	193.9						0.0	0.0
Total financial debt with IFRS 16	**1,863.4**	**267.4**	**214.4**	**199.2**	**213.0**	**375.2**	**594.2**	**913.9**	**911.2**

As of June 30, 2019, gross financial debt consisted mainly of the bond issues maturing in 2024 and 2026 for a total of €650 million, as well as the €200 million medium-term credit facility.

On May 15, 2019, Fnac Darty completed the refinancing transaction of its bond issue after successfully placing its senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026. The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The proceeds from the offering were used to fully repay the €650 million in outstanding senior bonds at 3.25% maturing in 2023.

Fnac Darty also issued short-term negotiable debt instruments to fund its operations. This totaled €300 million, and as of June 30, 2019, €71.0 million had been used.

Furthermore, following the application of IFRS 16, the IFRS 16 leasing debt was added to financial debt, in the amount of €935.7 million. The details of this debt are presented in note 15.

Note 15 Leasing debt

Leasing debts are broken down as follows:

(€ millions)	As of December 31, 2018	Initial application of IFRS 16	New agreements and revaluations	Devaluations	Redemptions	Translation difference	Reclassification	As of June 30, 2019
Leasing debts with a maturity of less than one year	0.0	211.6	10.8	(5.7)	(113.5)	0.1	90.6	**193.9**
Leasing debts with a maturity of over one year	0.0	775.5	76.2	(19.5)		0.2	(90.6)	**741.8**
Leasing debt	**0.0**	**987.1**	**87.0**	**(25.2)**	**(113.5)**	**0.3**	**0.0**	**935.7**

(€ millions)	**2019**
N+1	193.9
N+2	167.9
N+3	143.3
N+4	112.1
N+5	75.0
Over 5 years	243.5
Total	**935.7**

Note 16 Net financial debt

Fnac Darty's net financial debt can be broken down as follows:

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Gross financial debt	927.7	913.9	911.2
Cash and cash equivalents	(475.6)	(497.0)	(918.6)
Net debt excluding IFRS 16	**452.1**	**416.9**	**(7.4)**
Leasing debt	935.7	0.0	0.0
Net financial debt with IFRS 16	**1,387.8**	**416.9**	**(7.4)**

Note 17 Cash flow statement

Cash stood at €475.6 million as of June 30, 2019 and corresponded to the amount of cash and cash equivalents presented below:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Balance sheet cash and cash equivalents	475.6	497.0	918.6
Bank overdrafts	0.0	0.0	0.0
Cash and cash equivalents in the cash flow statement	**475.6**	**497.0**	**918.6**

The change in the Group's cash position is as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Net cash flows from operating activities	(208.5)	(259.9)	270.3
Net cash flows from investing activities	(80.6)	(46.2)	(131.1)
Net cash flows from financing activities	(153.1)	28.0	5.6
Net cash flows from discontinued operations	0.0	0.0	(0.6)
Impact of changes in exchange rates	(0.8)	0.2	(0.5)
Net change in cash	**(443.0)**	**(277.9)**	**143.7**

The application of IFRS 16 since January 1, 2019 according to the modified retrospective method has significant impacts on the cash flow statement.

These impacts are as follows:

(€ millions)	**As of June 30, 2019 IFRS 16**
Net cash flows from operating activities	121.9
Net cash flows from investing activities	0.0
Net cash flows from financing activities	(121.9)
Net cash flows from discontinued operations	0.0
Impact of changes in exchange rates	0.0
Net change in cash	**0.0**

17.1. 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:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Cash flow from operations before tax, dividends and interest	177.7	77.9	341.0
Change in working capital requirement	(371.4)	(320.6)	1.1
Income tax paid	(14.8)	(17.2)	(71.8)
Net cash flows from operating activities	**(208.5)**	**(259.9)**	**270.3**

The application of IFRS 16 since January 1, 2019 according to the modified retrospective method has significant impacts on the cash flow statement.

These impacts are as follows:

(€ millions)	**As of June 30, 2019 IFRS 16**
Cash flow from operations before tax, dividends and interest	117.0
Change in working capital requirement	4.9
Income tax paid	0.0
Net cash flows from operating activities	**121.9**

The composition of cash flow from operations is as follows:

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Net income from continuing operations	**(39.9)**	**7.1**	**149.6**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	157.3	45.8	93.5
Current proceeds from the disposal of operating assets	0.0	(1.3)	(4.9)
Non-current proceeds from the disposal of operating assets	0.0	0.6	0.0
Non-current proceeds from the disposal of financial assets	0.0	0.1	0.0
Deferred tax income and expense	4.6	(10.0)	(10.2)
Discounting of provisions for pensions and other equivalent benefits	2.4	1.3	2.4
Financial additions and reversals on non-current financial assets	(1.0)	0.0	(1.2)
Cash flow from operations	**123.4**	**43.6**	**229.2**
Financial interest income and expense	52.3	21.9	36.5
Dividends received	0.0	0.0	0.0
Net tax expense payable	2.0	12.4	75.3
Cash flow from operations before tax, dividends and interest	**177.7**	**77.9**	**341.0**

17.2. 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).

Operating and financial investments made by the Group in the first half of 2019 amounted to €80.6 million.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Net operating investments	(49.0)	(44.6)	(117.6)
Net financial investments	(31.6)	(1.6)	(13.5)
Cash flows from investing activities	**(80.6)**	**(46.2)**	**(131.1)**

The Group's net operating investments in the first half of 2019 amounted to €49.0 million, the bulk of which comprised acquisitions of property, plant and equipment and intangible assets, primarily for the purposes of opening new points of sale, renovating existing points of sale, pushing forward with the convergence of the Fnac and Darty IT systems, and developing websites.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Acquisitions of intangible assets, property, plant and equipment	(55.2)	(46.8)	(122.5)
Change in debt and receivables relating to non-current assets	6.2	0.9	4.6
Total asset acquisitions	**(49.0)**	**(45.9)**	**(117.9)**
Disposals of non-current assets	0.0	1.3	0.3
Total asset acquisitions and disposals	**(49.0)**	**(44.6)**	**(117.6)**

Net financial investments represented an outflow of €31.6 million in the first half of 2019 versus an outflow of €1.6 million in the first half of 2018.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Acquisition of subsidiaries net of cash acquired	(30.2)	0.0	(11.2)
Acquisition of other financial assets	(1.4)	(1.6)	(2.3)
(Net) Financial investments	**(31.6)**	**(1.6)**	**(13.5)**

In the first half of 2019, the outflow of €31.6 million included €30.2 million to purchase 123Billets (Billetreduc.com), and €1.4 million of investment in the Daphni Purple fund. The Group agreed to underwrite the remaining 39% for €2.7 million.

17.3. Net cash flows from financing activities

(€ millions)	As of June 30, 2019	As of June 30, 2018	As of December 31, 2018
Capital increase/(decrease)	1.3	0.0	6.8
Other transactions with shareholders	0.0	0.0	0.0
Purchases or sales of treasury stock	(13.9)	(6.0)	(14.4)
Dividends paid to shareholders	0.0	0.0	0.0
Bonds issued	650.0	0.0	0.0
Bonds repaid	(650.0)	0.0	0.0
Repayment of leasing debt	(110.1)	0.0	0.0
Interest paid on leasing debt	(11.8)	0.0	0.0
Increase/decrease in other financial debt	16.6	52.8	50.2
Interest and equivalent payments	(32.9)	(16.6)	(32.5)
Financing of the Comet pension fund	(2.3)	(2.2)	(4.5)
Net cash flows from financing activities	**(153.1)**	**28.0**	**5.6**

As of June 30, 2019, cash flows associated with changes in share capital correspond to the exercise of performance-based remuneration plans during the first half of 2019.

In the first half of 2019, disbursements for purchases and sales of treasury stock relate, in the amount of €14.1 million, to disbursements to purchase Fnac Darty shares made under the treasury stock buyback program announced by the Group on October 19, 2018. They also include cash flows in connection with the liquidity agreement entered into with Oddo BHF and Natixis. As of June 30, 2019, the Group held 46,561 treasury stocks. In the first half of 2018, outflows for the purchase of treasury stock pertained to the purchase of shares made as part of the liquidity agreement. As of June 30, 2018, the Group held 69,000 treasury stocks.

As of the first half of 2019, the bond issue corresponded to the placement of senior bonds with a cumulative principal amount of €650 million, composed of a cumulative principal amount of €300 million in senior bonds maturing in 2024, and a cumulative principal amount of €350 million in senior bonds maturing in 2026.
The 2024 bonds will pay an annual coupon of 1.875%. The 2026 bonds will pay an annual coupon of 2.625%. The offering should close and the bonds should be issued by May 14, 2019.
After the offering had closed, Fnac Darty used the income from the offering and the available cash to repay in full its outstanding senior bonds of €650 million at 3.25%, maturing in 2023, and to pay the associated premiums, costs, fees and expenses.
In accordance with IFRS 9, the analysis carried out concluded that the repaid debt had been settled, leading to the derecognition of the former debt. The impacts are as follows:

- derecognition of the former debt with an impact on income from premiums, discounts or original charges that were not fully amortized;
- registration of the new debt; and
- spread of the new charges attributable to the new debt.

Repayments of leasing debts and interest paid on leasing obligations correspond to rental payments falling within the scope of application of IFRS 16.

In the first half of 2018, the €52.8 million net increase in financial debt mainly included the additional issuance of short-term negotiable debt instruments (NEU CP) for €54.0 million. In the first half of 2018, Fnac Darty issued these short-term negotiable debt instruments to fund its operations. In the first half of 2019, the Group continued to use this financing facility and issued an additional amount of €21.0 million. The change in interest accrued from bond issuances supplements the cash flow of other financial debt in the amount of €3.4 million, meaning that it stands at €16.6 million.

In the first half of 2019, outflows for net financial interest paid included the disbursement of interest for financing instruments and utilization and non-utilization fees for credit facilities for €12.2 million, as well as the early redemption premium for the former bond issue for €18.7 million. In the first half of 2018, this item included only the disbursement of interest for financing instruments and utilization and non-utilization fees for credit facilities.

The financing of the UK pension fund that was assumed upon acquisition of Darty represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom.

17.4. Net cash flows from 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.

In the first half of 2019, the amount of cash flows from discontinued activities is not material.

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Income from ordinary activities	**0.0**	**0.0**	**0.0**
Cost of sales	0.0	0.0	0.0
Gross margin	**0.0**	**0.0**	**0.0**
Personnel expenses	0.0	0.0	0.0
Other current operating income and expenses	0.0	0.0	0.0
Current operating income	**0.0**	**0.0**	**0.0**
Other non-current operating income and expenses	0.1	1.0	0.3
Operating income	**0.1**	**1.0**	**0.3**
(Net) financial expense	0.0	0.0	0.0
Pre-tax income	**0.1**	**1.0**	**0.3**
Income tax	0.0	0.0	0.0
Net income	**0.1**	**1.0**	**0.3**

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Net cash flows from operating activities	0.0	0.0	(0.6)
Net cash flows from investing activities	0.0	0.0	0.0
Net cash flows from financing activities	0.0	0.0	0.0
Net cash flows	**0.0**	**0.0**	**(0.6)**
Change in cash position	0.0	0.0	0.0
Net cash flows from discontinued operations	**0.0**	**0.0**	**(0.6)**

(€ millions)	**As of June 30, 2019**	**As of June 30, 2018**	**As of December 31, 2018**
Assets held for sale	**0.0**	**0.0**	**0.0**
Liabilities relating to assets held for sale	**0.9**	**1.6**	**1.3**
Liabilities relating to stores being sold	*0.9*	*1.6*	*1.3*

In the first half of 2019, net liabilities held for sale included the assets and liabilities associated with the points of sale sold at the request of the competition authority on July 18, 2016.

During the first half of 2019, the Group sold the Darty Montparnasse store, the last one to be sold following the decision of the French Competition Authority.

Note 18 Changes in contingent liabilities, unrecognized contractual commitments and contingent risks

Contingent liabilities, unrecognized contractual commitments and contingent risks as of December 31, 2018 are set out in section 5, note 33 of the 2018 Registration Document.

Compared to 2018, there is no material change in the commitments given or received in terms of contractual obligations, pledges or charges on real estate.

Proceedings and litigation

Fnac Darty'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 Fnac Darty companies or businesses are involved threatens Fnac Darty's normal and foreseeable course of business or its planned development.

Fnac Darty is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at period-end. No litigation is material at the Company or Group level, when considered on a stand-alone basis.

Fnac Darty 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 Company or Group.

Note 19 Related parties

As of June 30, 2019, the Ceconomy Retail International group held 24.3% of the share capital and 24.3% of the voting rights in Fnac Darty. In the first half of 2019, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

As of June 30, 2019, 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.

Until May 23, 2019, the date of the last General Meeting, 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.

For the record, in the first half of 2018, the Ceconomy Retail International group held 24.2% of the share capital and 24.2% of the voting rights in Fnac Darty. There were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

Note 20 Events occurring after the close of the period

Employee stock ownership

Fnac Darty's second Employee Stock Ownership plan was rolled out for employees located in Belgium, Spain, France, the Netherlands, Portugal and Switzerland.

Nearly 20% of employees chose to buy Fnac Darty shares on preferential terms.

This operation will have a small non-recurring impact on dilution and operating income in the second half.

Nature & Découvertes

As of April 16, 2019 Fnac Darty announced that it was in exclusive negotiations with a view to acquiring Nature & Découvertes, a leader in the omnichannel distribution of natural and wellbeing products. Fnac Darty is continuing its exclusive discussions to acquire Nature & Découvertes, which should be completed in the coming weeks. This acquisition will enable the Group to diversify its product offering and strengthen its positioning in responsible consumption, a theme that is becoming increasingly important to consumers. Many areas of cooperation between Fnac Darty and Nature & Découvertes will thus be deployed, in order to enhance the power of the Nature & Découvertes brand, particularly through dedicated corners within Fnac stores in France and abroad. The first "shop-in-shops" could open in Fnac stores in France in 2019, and the expansion of the banner internationally should be rolled out rapidly, especially in the Iberian Peninsula.
As of June 19, 2019, Fnac Darty notified the French Competition Authority of its intention to acquire Nature & Découvertes. As of July 16, 2019, the French Competition Authority issued a favorable opinion, ruling out any risk of undermining competition and authorizing the transaction.

Strategic partnership with CTS Eventim

To continue the development momentum of France Billet, Fnac Darty recently announced the signing of a strategic partnership project with CTS Eventim, the European leader in the ticketing sector.
France Billet will be able to count on the technological innovations of CTS Eventim, accelerating the development of its digital platform and allowing it to offer more in terms of value to its customers and partners. CTS Eventim will accordingly include in its offer the distribution of show tickets in France, a leading market in Europe.
The planned strategic partnership would be strengthened by equity investments:
France Billet would purchase 100% of the equity in CTS Eventim France.
CTS Eventim will acquire a 48% minority stake in France Billet, which will remain under Fnac Darty's control. In the medium term, CTS Eventim may increase its shares to a majority stake.
Fnac Darty plans to retain a long-term interest in France Billet, a strategic asset for the Group.
France Billet would thus be able to count on the support of Fnac Darty, the European leader in omnichannel retail, and on the expertise of the leading European player in ticketing, representing more than €1 billion in revenue and more than 250 million tickets sold in 2018. This alliance would allow Fnac Darty to strengthen its role as a distributor of show tickets both online and in-store.

This project will first be presented to the employee representative bodies with the aim of finalizing the operation by the end of 2019.

4 STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION

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Statutory Auditors' Report on the interim financial information

Period from January 1 to June 30, 2019

Dear Shareholders,

In accordance with the mission entrusted to us by your General Meetings and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have carried out:

- the review of the consolidated half-year financial statements of the company Fnac Darty S.A. for the period from January 1 to June 30, 2019, as attached to this report;
- the verification of the information provided in the half-year business report.

These condensed consolidated half-year financial statements have been drawn up under the responsibility of the Board of Directors. It is our responsibility, on the basis of our limited review, to express our conclusion on these statements.

I - Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review consists primarily of interviewing members of the management team responsible for accounting and financial matters and performing analytical procedures. This work is less extensive than that required for an audit conducted in accordance with professional standards applicable in France. As a result, the assurance in a review that the financial statements, taken as a whole, do not contain any material anomalies is a moderate assurance, lower than that obtained in the course of an audit.

Based on our review, we have not identified any material anomalies likely to call into question the compliance of the condensed consolidated half-year financial statements with IAS 34 – Interim Financial Reporting of the IFRS guidelines as adopted by the European Union.

In due respect of the conclusion expressed above, we would draw your attention to note 2.2.2 “Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2019” of the notes to the condensed consolidated half-year financial statements, which set out the procedures used and the implications of the first application of IFRS 16 “Leases” as of January 1, 2019.

II – Specific verification

We also verified the information provided in the half-year business report commenting on the condensed consolidated half-year financial statements that were the subject of our review. We have no observations to make on its fair presentation and its consistency with the condensed consolidated half-year financial statements.

Paris La Défense, July 26, 2019

Statutory Auditors

KPMG Audit *Département de KPMG S.A.*	Deloitte & Associés
Eric Ropert *Associé*	Stéphane Rimbeuf *Associé*

5 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the past half-year have been prepared in accordance with the applicable accounting standards and give a true and fair view of the holdings, financial position and earnings of the company and of all consolidated companies, and that the Half-Year Report gives a fair description of significant events that occurred during the first six months of the period, their impact on the half-year financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the year.

Ivry-sur-Seine, July 26, 2019

Enrique Martinez

Chief Executive Officer

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Fnac Darty

A French joint stock company *(société anonyme)*
with capital of €26,615,572

Créteil Trade Register 055 800 296