FNAC DARTY

Interim financial report

FINANCIAL STATEMENTS AT JUNE 30

2017

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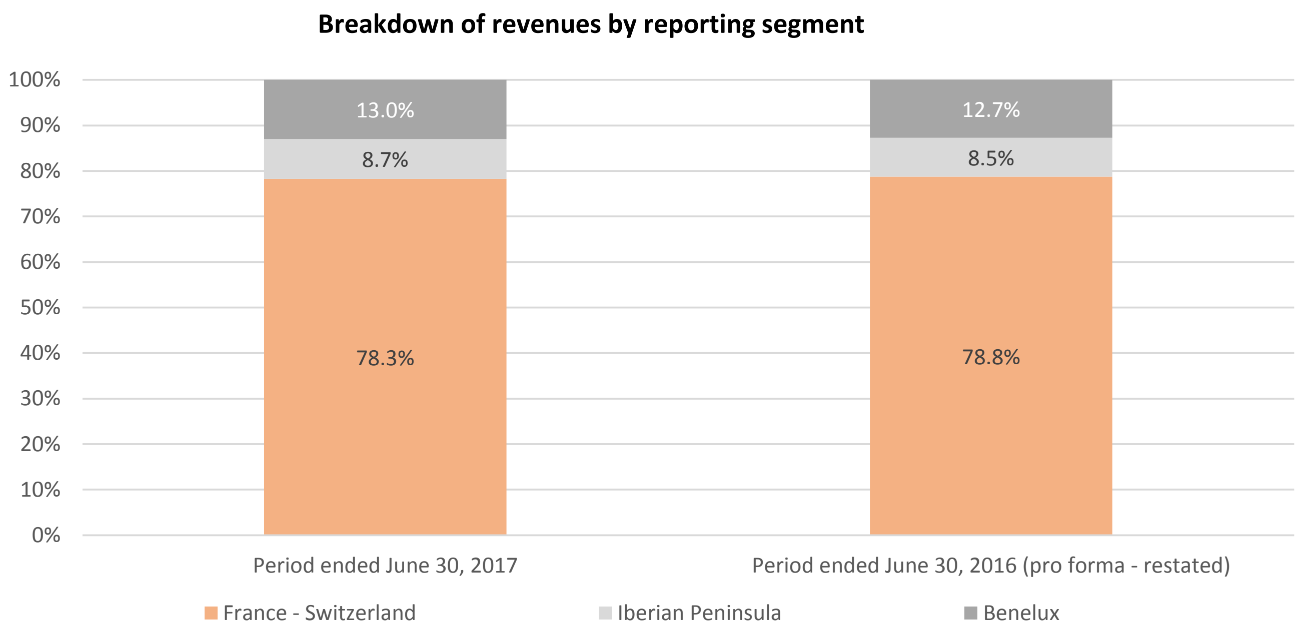
This is a free translation into English of the Fnac Darty 2017 Half-year Financial Report issued in French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

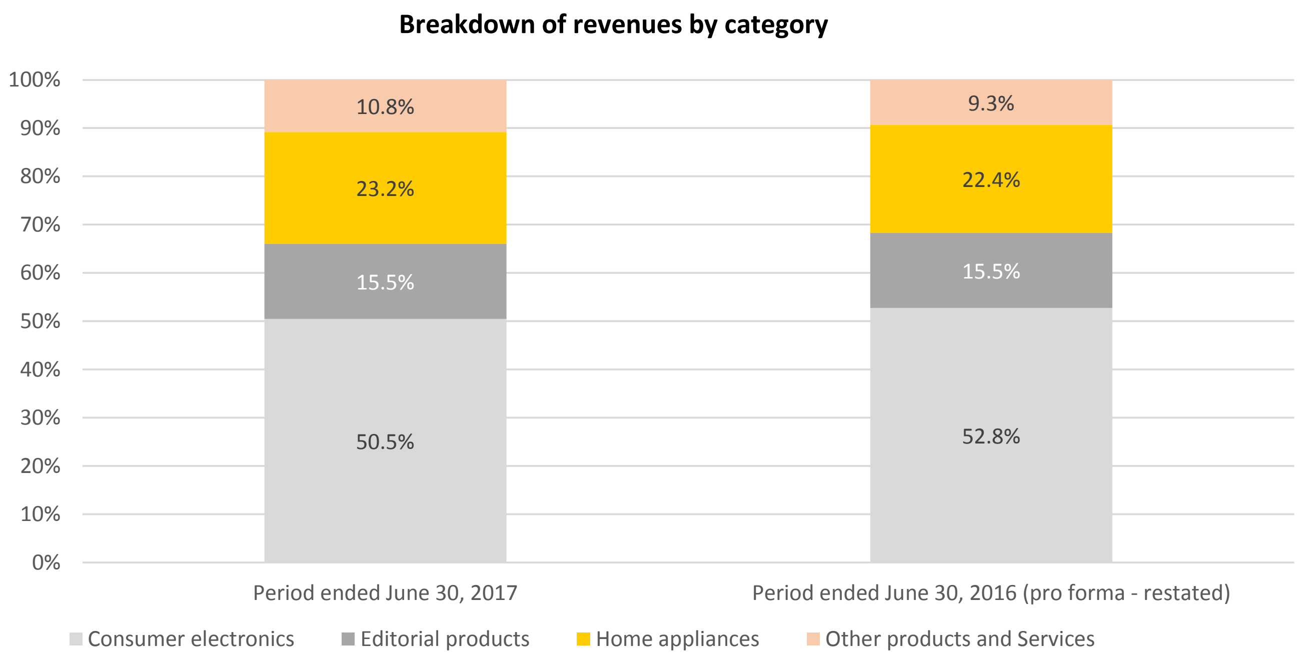
1 FIRST HALF OF 2017 – KEY FIGURES

(€ million)	Period ended June 30			
	2017	2016 Pro-forma	Change	2016 Adjusted reported*
Revenues	3,215.8	3,304.3	(2.7%)	1,571.8
Gross margin	994.6	986.6	0.8%	471.2
As % of revenues	30.9%	29.9%	1.1pt	30.0%
EBITDA (1)	84.2	57.1	47.5%	12.8
As % of revenues	2.6%	1.7%	0.9pt	0.8%
Current operating income	33.9	3.6	841.7%	(17.8)
As % of revenues	1.1%	0.1%	0.9pt	-1.1%
Operating income	12.0	(31.0)	138.7%	(40.4)
As % of revenues	0.4%	-0.9%	1.3pt	-2.6%
Net income from continuing operations	(15.1)	n/d	n/d	(67.8)
Net income from continuing operations, Group share	(15.3)	n/d	n/d	(68.1)
Net income from discontinued operations, Group share	(88.1)	n/d	n/d	(7.4)
Consolidated net income, Group share	(103.4)	n/d	n/d	(75.5)
Net operating investments	47.4	45.6	3.9%	33.8
Free cash flow from operations	(264.9)	(221.7)	(19.5%)	(274.3)
Shareholders' equity	938.6	n/d	n/d	631.9
Group share	931.6	n/d	n/d	624.6
Net financial debt	502.5	n/d	n/d	(67.7)
Average workforce	22,615	n/d	n/d	10,773

* Restated for the reclassification of Fnac Brazil as a discontinued operation

(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%
13.0%
8.7%
78.3%
12.7%
8.5%
78.8%
Period ended June 30, 2017
Period ended June 30, 2016 (pro forma - restated)
France - Switzerland
Iberian Peninsula
Benelux


Breakdown of revenues by category
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
10.8%
23.2%
15.5%
50.5%
9.3%
22.4%
15.5%
52.8%
Period ended June 30, 2017
Period ended June 30, 2016 (pro forma - restated)
Consumer electronics
Editorial products
Home 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 to describe change in its revenues:

1- Change in revenues at constant exchange rates:

Changes in revenues at constant exchange rates mean that the impact of changes in the exchange rate has been excluded. The impact of exchange rates is eliminated by recalculating sales from year N-1, based on exchange rates used for Year N.

2- Change in revenues at comparable scope of consolidation:

The change in revenues at comparable scope of consolidation means that the impact of changes in scope of consolidation is corrected in order to exclude modifications such as acquisitions or disposals of subsidiaries. Revenues of subsidiaries acquired or sold since January 1 of year N-1 are excluded from calculations of the change.

3- Change in revenues on a same-store basis:

The change in revenues on a same-store basis means that the impact of directly owned store openings and closings is excluded. Revenues of stores opened or closed since January 1 of year N-1 are excluded from 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 costs are recurring or whether they result from one-off operations or decisions.

"Other non-current operating income and expenses" reflects the unusual and significant items for the consolidated entity that could 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 entity's operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a constant and stable manner over time in accordance with the principle of continuity and relevance for financial reporting.

Definition of EBITDA and EBITDAR

In addition to the results published, the Group presents additional performance indicators that exclude the impact on current operating income of net amortization, depreciation and provisions on non-current operating assets recognized in current operating income, for EBITDA, as well as rents, excluding rental charges on building operating leases, for EBITDAR. The Group believes that this information can assist investors in their analysis of the Group's performance. These indicators are also used in the context of the financial covenants applicable under the Credit Facility Agreement. EBITDA and EBITDAR are not indicators stipulated by IFRS and do not appear in the Group consolidated financial statements. EBITDA and EBITDAR have no standard definition and, therefore, the definition used by the Group may not match the definitions of these terms used by other companies.

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

EBITDAR = EBITDA before rental payments.

Definition of free cash flow from operations

The Group also 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 purchases and sales of property, plant and equipment and intangible non-current assets, and the change in trade payables for non-current assets).

Free cash flow from operations = net cash flows related to operational activities less net operational capital expenditures.

Definition of net financial debt

Net financial debt is made up of gross financial debt including accrued interest not yet due as defined by recommendation no. 2013-03 on November 7, 2013, of the French National Accounting Council, minus gross cash and cash equivalents.

Rounding

The following tables contain data rounded off individually. The arithmetic calculations performed on the basis of rounded-off items may differ from the line items or sub-totals shown.

Pro forma financial information

In order to provide a reference framework for assessing the Group's performance, Fnac Darty has published pro forma operating information for the 2016 interim half-year period. The figures present the financial position as if Fnac's acquisition of Darty had taken place on January 1, 2016.

The pro forma financial information includes the consolidated operating results of Fnac and Darty produced on an individual basis, after alignment of the accounting policies and impacts of the purchase price allocation, which in turn have an impact on operating income.

The pro forma financial information, established pursuant to Appendix II of the Regulation (EC) 809/2004 and the ESMA recommendations on pro forma financial reporting, are purely illustrative and deal with a hypothetical situation. As a result, they do not represent the financial position or the operating performance of Fnac Darty if the merger had actually occurred on January 1, 2016.

(€ million)	**Reported First half of 2016 Adjusted***	Period adjustment (i)	Adjustments to accounting method (ii)	Allocation of the acquisition price (iii)	**Pro-forma 2016**
Income from ordinary activities	**1,571.8**	**1,732.8**	**(0.3)**	**0.0**	**3,304.3**
Cost of sales	(1,100.6)	(1,195.9)	(21.2)	0.0	(2,317.7)
Gross margin	**471.2**	**536.9**	**(21.5)**	**0.0**	**986.6**
Personnel expenses	(256.3)	(299.2)	2.5	0.0	(553.0)
Other current operating income and expenses	(232.7)	(212.3)	14.7	(0.5)	(430.8)
Share of profit from equity associates	0.0	0.8	0.0		0.8
Current operating income	**(17.8)**	**26.2**	**(4.3)**	**(0.5)**	**3.6**
Other non-current operating income and expenses	(22.6)	(8.6)	(3.8)	0.4	(34.6)
Operating income	**(40.4)**	**17.6**	**(8.1)**	**(0.1)**	**(31.0)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

This pro forma information is prepared based on "published" information that corresponds to the comparative information for the interim half-year period ended June 30, 2016, restated for the reclassification of Fnac Brazil as discontinued operations, as included in the audited consolidated financial statements of Fnac Darty for the interim half-year period ended June 30, 2017, and corresponding to six months of operating activity of the Fnac banner.

The pro forma adjustments consist of the following items:

(i) The adjustment to the period that corresponds, for the first half of 2016, to the operating activity of the Darty banner from January 1, 2016, to June 30, 2016.

Given the different annual closing dates of Fnac (December 31) and Darty (April 30), the Darty historical financial information was established from monthly IFRS accounting reports, which have not all been audited or subject to a limited review by the Darty Auditor;

(ii) adjustments to accounting methods that correspond to the alignment of the accounting methods between the Fnac and Darty banners, as well as the adjustments to the Darty opening balance sheet at August 1, 2016, considered to be at January 1, 2016. The adjustments in the accounting methods primarily consist of the harmonization of the methodologies for valuing inventories, and supplier discounts and purchase cut-offs;

(iii) adjustments related to the allocation of the purchase price that represented in the first half of 2016 the operating income impact of the recognition of the assets and liabilities acquired at fair value. The valuation of Darty acquired assets and liabilities was supplemented with the valuation of acquired real estate. For more details on the calculation of the allocation of the purchase price, refer to Chapter 3, section 4.

2.2 SIGNIFICANT EVENTS AND INFORMATION ON THE HALF-YEAR PERIOD

2.2.1 Rapid progress of Fnac Darty integration

The first half of the year saw rapid progress of Fnac Darty integration. A total of €43 million in synergies have been generated since the start of the process, including €34 million in the first half of 2017 and €9 million in 2016.

In terms of cost synergies, there was a positive outcome to annual negotiations with suppliers. Indirect purchasing contracts (overheads and service agreements) renegotiations continued, with the Group taking advantage of its larger scale.

IT system convergence is proceeding according to plan. The major logistics optimization projects also made headway, with the transfer of the Wissous 2 warehouse currently in progress and Darty already offering home delivery for certain Fnac product categories.

At the end of June, the Group unveiled the new organization plan for its head office in France, after that of Belgium in the first quarter and the closure of London offices in 2016.

In terms of commercial synergies, initiatives continued across the Group's two banners, with the launch of the first Darty shop-in-shops within Fnac stores, and vice versa.

The opening of the first Fnac-Darty store, sporting both banners and run as a franchise in Biganos, has given the Group a new potential field for growth. The overhaul of the Fnac and Darty brand platforms also began, helping to consolidate the complementary nature of the two banners. Darty's new visual identity was first rolled out during the summer sales.

Both banners also continued efforts to develop their range of services (subscriptions, insurances, warranties, after-sales assistance), a true focus for the Group in order to improve differentiation. Discussions between banners were also ongoing, helping to spread best practices.

2.2.2 Expansion of store network

The Group continued to quickly expand its store network, opening 32, of which 21 operated as franchises, during the first half of 2017, compared to 28 in the first half of 2016.

- **Opening of a retail space shared by both banners**

On June 29, Fnac Darty opened a retail space shared by its two banners in Biganos. Two Fnac and Darty spaces appear within a single retail space. This gives customers access to top editorial products and consumer electronics, domestic appliances and household goods within two Fnac and Darty spaces.

- **Continued enlargement of international footprint**

On June 23, Fnac opened its second store under franchise in Doha, Qatar, in partnership with Darwish Holding.

After opening a store in Douala, Cameroon, in April 2017, Fnac Darty announced on June 27 that it was continuing its expansion in French-speaking Africa with the opening of a new store, in Brazzaville, Congo, on July 1, 2017, in partnership with Mercure International.

Fnac initially made inroads into sub-Saharan Africa in late 2015, opening a first store in Abidjan, Côte d'Ivoire, and then a second store in early 2016. The Group continues to rely on prominent, well-established partners.

- **Opening of Darty spaces in Fnac stores**

The Reims Thillois and Bordeaux Sainte Catherine Fnac stores opened 110 m^2 and 180 m^2 spaces respectively on May 12 and June 14, with a focus on small household appliances. These spaces offer customers products, selected by Darty, for the kitchen, tableware, health and well-being.

These initiatives are another step toward deepening the commercial synergies between the two banners as part of the creation of the Fnac Darty group.

- **Integration of Kitchen Market stores in Belgium**

In the first half of 2017, the Group continued to grow in Belgium by converting under the Vanden Borre banner seven stores purchased in 2016 from Kitchen Market in Belgium, on top of two stores that had already been converted in 2016.

2.2.3 Sunday agreement

On January 26, 2017, Fnac signed an agreement regarding Sunday work and evening work. Its implementation allows Fnac to remain competitive while offering the best compensation, in terms of salary and benefits, to employees wishing to work Sundays.

Thus 10 Fnac stores that are located in international tourist zones can now be open seven days a week, for a total of 24 stores in France.

2.2.4 Fnac Darty unveils the organization plan for its head office

On June 28, the Fnac Darty management shared with the staff representative bodies the organization plan for the Group's head office.

This plan, which is governed by the principle of "one Group, two banners," is based on a unified organization for France structured around:

- a single Sales Department for the two brands, supported by a "purchasing" division and a crosscompany "sales development" division used by all of the product sectors;
- a single Marketing and E-commerce Department for the Group, with a Brand Department for each banner;
- a single Operating Department responsible for developing a global vision for the network of Fnac and Darty stores;
- a customized organization of the services provided: the Services Department will be responsible for marketing products and services and defining the Group's service policy (including its after-sales services); the Group Operations Department will be responsible for operational implementation of the services

Single corporate departments for both banners would be established: one Group Human Resources Department, one Finance Department, one Group Operations Department, one Information Systems Department, one Strategy Department and one Communications Department.

The Group also announced that a voluntary departure plan will be open to employees at the end of the social process. 111 jobs currently held would be removed, with 86 new ones created. The departures will therefore be on an exclusively voluntary basis, with no forced departure phase. A full raft of initiatives to support the reorganization will be proposed and discussed with the trade union organizations. The Fnac Darty head office would house 1,495 permanent jobs.

2.3 BUSINESS REVIEW FOR THE FIRST HALF OF 2017

2.3.1 Analysis of Group operating performance

The main financial indicators of Fnac Darty for the first half of 2017 are presented below:

(€ million)	Period ended June 30 2017	2016 Pro-forma	Change	2016 Adjusted reported*
Revenues	3,215.8	3,304.3	(2.7%)	1,571.8
Gross margin	994.6	986.6	0.8%	471.2
As % of revenues	30.9%	29.9%	1.1pt	30.0%
EBITDA (1)	84.2	57.1	47.5%	12.8
As % of revenues	2.6%	1.7%	0.9pt	0.8%
Current operating income	33.9	3.6	841.7%	(17.8)
As % of revenues	1.1%	0.1%	0.9pt	-1.1%
Operating income	12.0	(31.0)	138.7%	(40.4)
As % of revenues	0.4%	-0.9%	1.3pt	-2.6%
Net income from continuing operations	(15.1)	n/d	n/d	(67.8)
Net income from continuing operations, Group share	(15.3)	n/d	n/d	(68.1)
Net income from discontinued operations, Group share	(88.1)	n/d	n/d	(7.4)
Consolidated net income, Group share	(103.4)	n/d	n/d	(75.5)
Net operating investments	47.4	45.6	3.9%	33.8
Free cash flow from operations	(264.9)	(221.7)	(19.5%)	(274.3)
Shareholders' equity	938.6	n/d	n/d	631.9
Group share	931.6	n/d	n/d	624.6
Net financial debt	502.5	n/d	n/d	(67.7)
Average workforce	22,615	n/d	n/d	10,773

* Restated for the reclassification of Fnac Brazil as a discontinued operation

(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 operating free cash flow is recorded during the second half of the year.

2.3.1.1 Revenues

	Period ended June 30 Pro-forma 2017		2016						Reported 2016 Adjusted*	
Segment	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*Change at current exchange rate*	*Change at comparable scope of consolidation*	*Change at constant foreign exchange rates and comparable scope of consolidation*	*Change at constant foreign exchange rates, comparable scope of consolidation, and on a same-store basis*	*(€ million)*	*(as % of the total)*
France and Switzerland	2,516.6	78.3%	2,602.3	78.8%	(3.3%)	(3.3%)	(3.3%)	(2.8%)	1,214.7	77.3%
Iberian Peninsula	281.0	8.7%	282.2	8.5%	(0.4%)	(0.4%)	(0.4%)	1.1%	282.2	18.0%
Benelux	418.2	13.0%	419.8	12.7%	(0.4%)	(0.4%)	(0.4%)	(1.9%)	74.9	4.8%
TOTAL	**3,215.8**	**100.0%**	**3,304.3**	**100.0%**	**(2.7%)**	**(2.7%)**	**(2.7%)**	**(2.4%)**	**1,571.8**	**100.0%**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

Pro forma:

Consolidated revenues for continuing operations for the first half of 2017 were €3,215.8 million, down 2.7% at constant exchange rates and using a comparable scope of consolidation compared to the same period in 2016. At constant exchange rates and on a same-store basis, revenues fell by 2.4%.

The distribution of revenues by product category is broken down in note 5 "Operating segments" of the notes to the consolidated financial statements in this half-year financial report.

At constant exchange rates, revenues from consumer electronics fell due to the "Retail Electronics" sub-category, which remained down following strong sales of televisions and decoders after the switch to TNT HD and the positive impact of the UEFA European Football Championship in 2016. The "Microcomputing" sub-category benefited from strong sales of telephones and connected products, helping to offset the decline in the Hardware sector, which continued to suffer from the weakening performance of the tablet segment.

Revenues from editorial products were down due to the effect of the downturn in the Audio and Video markets, which are losing ground due to the continuing shift to digital. The "Books" sub-category was also down, in line with plummeting markets. However, Gaming posted double-digit growth that was driven mainly by sales of new consoles.

The slight uptick in revenues from Household Appliances stemmed primarily from the growth in the "Small Household Appliances" sub-category, which came mostly from the Air and Water Treatment and Vacuum Cleaner sectors.

Growth in revenues of Other products and services benefited, firstly, from the strong growth in the Games and Toys, Stationery and Kitchen sectors and, secondly, from development of sales of insurance paid monthly and from the continued increase in Marketplace commissions and royalties related to development of the franchise business. This increase also resulted from the reclassification as revenues of the commissions received from lending institutions on the sale of consumer loans, for an amount of €14.1 million. This item was previously recognized in costs.

Online business continued to grow and now accounts for 17.0% of Group sales, a 1.8-point increase, due to development of the omni-channel strategy, of Marketplaces and of mobile traffic.

The store network continued to expand, as 32 new stores were opened (6 Fnac, 25 Darty, 1 Fnac-Darty): 11 integrated (3 in France, 7 in Belgium, 1 in Spain) and 21 under franchise (17 Traditional France, 1 Travel France, 1 Connect France, 2 International in Qatar and Cameroon).

2.3.1.2 Current operating income

At June 30, 2017, Fnac Darty's current operating income was up by €30.3 million. It reached €33.9 million, versus €3.6 million for the first half of 2016. The gross profit margin increased compared to the first half of 2016 and offset the drop in sales. In addition, costs, especially personnel expenses, declined.

	Period ended June 30 Pro-forma 2017	Period ended June 30 Pro-forma 2016		Reported 2016 Adjusted*
Segment	*(€ million)*	*(€ million)*	*Change*	*(€ million)*
France and Switzerland	32.4	4.9	565.9%	(16.8)
Iberian Peninsula	2.4	1.2	103.9%	1.2
Benelux	(0.9)	(2.5)	65.3%	(2.2)
Current operating income	**33.9**	**3.6**	**846.6%**	**(17.8)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

2.3.1.3 EBITDA and EBITDAR

	Period ended June 30 Pro-forma 2017		Period ended June 30 Pro-forma 2016			Reported 2016 Adjusted*	
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	*Change*	*(€ million)*	*(as % of revenues)*
Current operating income	**33.9**	**1.1%**	**3.6**	**0.1%**	**846.6%**	**-17.8**	**-1.1%**
Depreciation, amortization and provisions (1)	50.3	1.6%	53.5	1.6%	(6.0%)	30.6	1.9%
EBITDA	**84.2**	**2.6%**	**57.1**	**1.7%**	**47.4%**	**12.8**	**0.8%**
Rents (2)	106.3	3.3%	100.8	3.1%	5.5%	59.4	3.8%
EBITDAR	**190.5**	**5.9%**	**157.9**	**4.8%**	**20.7%**	**72.2**	**4.6%**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

(1) Depreciation, amortization and provisions correspond to net allocations for depreciation and amortization and provisions on non-current operational assets recorded as current operating income.
(2) Rents correspond to property rents excluding rental charges on operating leases.

First-half EBITDA was €84.2 million, an increase of €27.1 million compared with the first half of 2016.

First-half EBITDAR was €190.5 million, up by €32.6 million from the first half of 2016.

See note 2.1 for the definitions of EBITDA and EBITDAR.

2.3.1.4 Other non-current operating income and expenses

	Period ended June 30		
(€ million)	**2017**	**2016 Pro-forma**	**2016 Adjusted reported***
Costs connected with DARTY acquisition and integration	(3.1)	(14.5)	(9.1)
Restructuring costs	(14.9)	(5.5)	(4.8)
C3S 2016 / Tascom 2015	(2.4)	(8.8)	(5.3)
Tax risk	0.0	(2.9)	0.0
Disposal of subsidiary	0.0	(2.7)	(2.7)
Other non-current operating income and expenses, net	(1.5)	(0.2)	(0.7)
TOTAL	**(21.9)**	**(34.6)**	**(22.6)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

“Other non-current operating income and expenses” reflect the unusual and significant items that could affect reliable monitoring of the Group’s business performance.

At June 30, 2017, these elements constituted a net expense of €21.9 million and included:

- €3.1 million in costs derived from the integration of Darty,
- €14.9 million in restructuring expenses in France and outside of France, related mainly to the implementation of the Group’s new organization. The Group also announced that a voluntary departure plan will be open to employees at the end of the social process. 111 jobs currently held would be removed, with 86 new ones created. The departures will therefore be on an exclusively voluntary basis, with no forced departure phase. A full raft of initiatives to support the reorganization will be proposed and discussed with the trade union organizations. The Fnac Darty head office would house 1,495 permanent jobs.
- A €2.4 million expense for the additional C3S tax contribution (social contribution paid by companies): The French Amending Finance Law for 2016 created, starting on January 1, 2017, an additional contribution to the C3S tax, which is levied based on revenues. This new contribution is deducted from the total C3S expense calculated based on 2017 revenues because it is offset against the amount of the C3S to be paid on May 15, 2018. In accordance with IFRIC 21, the creation of this additional contribution gives rise to a 25% increase in the C3S expense in the 2017 consolidated financial statements. Similarly to the Tascom (tax on commercial spaces) treatment used last year, the additional C3S contribution was classified in non-current expenses.

For June 30, 2016, pro forma, other non-current operating income and expenses represented a net expense of €34.6 million and mainly included the costs tied to the Darty acquisition.

2.3.1.5 **Net financial expense**

At June 30, 2017, the Group's net financial expense broke down as follows:

	Period ended		
	June 30		December 31
(€ million)	**2017**	**2016 Adjusted reported***	**2016 Adjusted reported****
Costs connected with Group debt and financing fees	(18.0)	(11.8)	(53.1)
Other financial income and expense	(4.2)	(11.2)	(23.1)
Net financial expense	**(22.2)**	**(23.0)**	**(76.2)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

In the first half of 2017, net financial income consisted of a financial expense of €22.2 million. Financial expense in the first half of 2016 included the Darty acquisition costs.

During the first six months of 2017, the cost of net financial debt for the Group comprised mainly the financial interest for the €650 million bond and the €200 million medium-term credit facility.

At June 30, 2016, other financial income and expenses consisted primarily of expenses related to the implementation of hedge instruments as part of the Darty acquisition, along with financial costs tied to the creation of the Group.

2.3.1.6 Income tax

For the first half of 2017, Group income tax broke down as follows:

	Period ended		
	June 30		December 31
(€ million)	2017	2016 Adjusted reported**	2016 Adjusted reported**
Pre-tax income	**(10.2)**	**(63.4)**	**47.3**
Current tax expense	(0.2)	(1.5)	(3.3)
Tax charge related to the corporate value-added t	(10.0)	(4.5)	(13.7)
Deferred tax income/(expense)	5.3	1.6	(6.2)
Total tax charge	**(4.9)**	**(4.4)**	**(23.2)**
Effective tax rate	**(48.04%)**	**(6.94%)**	**49.05%**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

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.

The total tax expense included the corporate value-added tax (CVAE), i.e., €10.0 million in the first half of 2017.

2.3.1.7 Net income, Group share

For the first half of 2017, the net income, Group share, for Fnac Darty's operations was -€15.3 million. This was an improvement over the same period last year, when this indicator was -€68.1 million. This progress stems largely from the Darty consolidation and the Group's improved operating efficiency in the first half of 2017.

Net income, Group share, of the Fnac Darty consolidated entity was -€103.4 million. This was a drop from the same period last year, when it was -€75.5 million. The decrease can be attributed to the recognition in 2017 of the costs related to the disposal of Fnac Brazil.

2.3.1.8 Net earnings per share

In the first half of 2017, the weighted average number of Fnac Darty shares was 26,322,290 shares. The weighted average number of treasury shares in the first half of 2017 was 28,477 shares, so the weighted average number of Fnac Darty shares used to calculate net earnings per share was 26,293,813 shares.

At June 30, 2017, Group net earnings per share amounted to -€3.93. In the first half of the previous year, they were -€4.37.

2.3.2 Analysis of operating performance by operating segment

2.3.2.1 France-Switzerland segment

	Period ended June 30			
		Pro-forma		Reported
(€ million)	**2017**	**2016**	**Change**	**2016**
Revenues	2,516.6	2,602.3	(3.3%)	1,214.7
Current operating income	32.4	4.9	565.9%	(16.8)
Operating margin	1.3%	0.2%	1.1pt	(1.4%)

Revenues for the France-Switzerland segment

The revenues generated in France amounted to €2,516.6 million for the first half of 2017, compared with €2,602.3 million for the first half of 2016, a decrease of 3.3%. Revenues at constant exchange rates and on a same-store basis dropped by 2.8%.

The distribution of revenues by product category is broken down in note 5 "Operating segments" of the notes to the consolidated financial statements in this half-year financial report.

In the first half, revenues from consumer electronics fell, mainly due to the drop in the "Retail Electronics" sub-category, which was impacted by the strong sales of televisions and decoders after the switch to TNT HD in early April 2016 combined with the positive impact of the UEFA European Football Championship. The "Microcomputing" sub-category continued to benefit from the growth in Telephony, which helped offset the drop in Hardware sales.

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. The Gaming sector posted gains of more than 30% at constant exchange rates, due mainly to sales of new consoles. The Books sub-category also declined during this half-year.

Revenues from Household Appliances increased at constant exchange rates, boosted by the "Small Household Appliances" sub-category, which itself improved due to higher sales in the Vacuum Cleaner and Air and Water Treatment sectors, particularly of air conditioners and fans.

Revenues generated by Other products and services increased by double digits at constant exchange rates during the first half of the year. This jump came mainly from growth in sales of insurance paid monthly, the strong performance of the Home & Design sector, the continued growth of Marketplaces, franchise activity and from commissions received from lending institutions on the sale of consumer loans, for €13.0 million.

Online activities continued their growth, now accounting for 18.2% of Group sales in France and Switzerland in the first half of 2017, i.e., a 2.1-point increase.

Current operating income for the France-Switzerland segment

The current operating income for the France-Switzerland segment improved by €27.5 million, from €4.9 million in 2016 to €32.4 million for the first half of 2017.

The current operating income margin rose by 1.1 points from the end of June 2016. This distinct improvement stemmed from the increase in resources related to the deployment of synergies as well as the drop in costs.

2.3.2.2 Iberian Peninsula

(€ million)	2017	Period ended June 30 Pro-forma 2016	Change	Reported 2016
Revenues	281.0	282.2	(0.4%)	282.2
Current operating income	2.4	1.2	103.9%	1.2
Operating margin	0.9%	0.4%	0.4pt	0.4%

Revenues for the Iberian Peninsula

Revenues generated in the Iberian Peninsula in the first half of 2017 were down slightly. They were €281.0 million, compared to €282.2 million year-on-year.

After opening five stores in 2016, Fnac continues to build up its presence in the Iberian Peninsula, with the opening of a Fnac store in Barcelona, Spain, in the first half of 2017. On a same-store basis, revenues were up by 1.1%.

The distribution of revenues by product category is broken down in note 5 "Operating segments" of the notes to the consolidated financial statements in this half-year financial report.

Revenues from consumer electronics were up slightly. The "Retail Electronics" sub-category was impacted by strong sales during the previous year in the TV sector with the UEFA European Football Championship. Conversely, the Photo and Sound sectors performed well during this half-year. Sales in the "Microcomputing" sub-category also rose slightly mainly due to the Telephony sector, despite lower sales in Hardware, in an environment of highly competitive markets.

Revenues from editorial products were down. The downturn in the "Discs and Gaming" sub-category is mainly due to the structural decline in the Audio and Video markets. However, the Gaming sector posted growth as a result of higher sales of consoles in the first half of the year. The "Books" sub-category also declined.

Revenues generated by Other products and services increased during the period. This growth was due mainly to the excellent performance posted by Games and Toys and Stationery, sales of services and insurance for consumer electronics, and Marketplace commissions. Online activities represented 10.0% of sales on the Iberian Peninsula for the first half of 2017, up by 1.0 point year-on-year.

Current operating income for the Iberian Peninsula

Current operating income for the Iberian Peninsula saw a profit of €2.4 million for the first half of 2017, an increase from €1.2 million for the same period in 2016.

The current operating income margin was up, rising from 0.4% to 0.9%. This increase corresponds to a historical effect resulting from the closure of a store in Madrid in 2016 (net expense of €2.4 million).

2.3.2.3 Benelux segment

(€ million)	2017	Period ended June 30 Pro-forma 2016	Change	Reported 2016
Revenues	418.2	419.8	(0.4%)	74.9
Current operating income	(0.9)	(2.5)	65.3%	(2.2)
Operating margin	(0.2%)	(0.6%)	0.4pt	(2.9%)

Revenues for the Benelux segment

Revenues in the Benelux segment fell by 0.4%, from €419.8 million in the first half of 2016 to €418.2 million in the first half of this year.

In the first half of 2017, the Group opened seven new stores in Belgium and closed two stores in the Netherlands. In 2016, the Group had opened four stores in Belgium and closed two in the Netherlands. On a same-store basis, revenues were down by 1.9%.

The distribution of revenues by product category is broken down in note 5 "Operating segments" of the notes to the consolidated financial statements in this half-year financial report.

Revenues from consumer electronics were down, impacted by the "Retail Electronics" sub-category, where TV was affected by strong sales the previous year with the UEFA European Football Championship. The "Microcomputing" sub-category increased slightly, partly offsetting the drop in "Retail Electronics" thanks to the strong performance of the Telephony sector.

Revenues from editorial products fell, mainly because of the substantial decline in the performance of the "Discs and Gaming" sub-category resulting from a limited number of new releases in the Video and Audio sectors. The "Books" sub-category also declined due to greater competitive pressure.

Revenues from Household Appliances were up. This growth resulted from the strong performance of the "Small Household Appliances" sub-category, which itself improved due to higher sales in the Vacuum Cleaner and Air and Water Treatment sectors, particularly of air conditioners and fans.

Other products and services posted increased revenues, driven by sales of services and insurance for consumer electronics. Online activities continued their growth and represented near 15% of sales in the Benelux region in the first half of 2017.

Current operating income for the Benelux segment

The current operating income for the Benelux segment was -€0.9 million in the first half of 2017, compared to -€2.5 million in the first half of 2016.

The current operating income margin improved, going from -0.6% to -0.2% thanks to an improvement in the gross margin rate with the implementation of synergies and cost savings.

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:

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Goodwill	1,522.8	332.5	1,522.5
Other non-current assets and liabilities	755.7	589.2	753.5
Current assets and liabilities	(554.6)	(301.1)	(832.5)
Provisions	(236.3)	(91.9)	(219.0)
Capital employed	**1,487.6**	**528.7**	**1,224.5**
Net assets held for sale	(46.5)	35.5	30.5
Shareholders' equity - Group share	931.6	624.6	1,041.0
Shareholders' equity - Share attributable to non-controlling interest	7.0	7.3	6.8
Net financial debt at the end of the period	502.5	(67.7)	207.2

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale
** Restated for the measurement of Darty's identifiable assets and liabilities

2.4.1 Capital employed

At June 30, 2017, capital employed was up €958.9 million year-on-year. This increase resulted from the integration of Darty into the Group. The Group simultaneously continued its efforts to optimize working capital.

2.4.2 Goodwill

At June 30, 2017, goodwill amounted to €1,522.8 million, up year on year.

This increase stemmed from the goodwill from the acquisition of Darty for €1,191.0 million.

The valuation of Darty acquired assets and liabilities was supplemented with the valuation of acquired real estate. For more details on the calculation of the allocation of the purchase price, refer to Chapter 3, section 4.

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Goodwill	1,522.8	332.5	1,522.5

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale
** Restated for the measurement of Darty's identifiable assets and liabilities

2.4.3 Other non-current assets

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Net intangible non-current assets	468.6	69.6	466.2
Net property, plant and equipment	617.4	149.0	627.2
Equity interests	20.6	2.0	20.1
Net non-current financial assets	14.7	326.7	15.6
Net deferred taxes	(154.8)	41.9	(160.0)
Other non-current liabilities	(210.8)		(215.6)
Other non-current assets and liabilities	**755.7**	**589.2**	**753.5**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

At June 30, 2017, other non-current assets increased by €166.5 million, mainly as a result of the full consolidation of Darty's assets.

Stakes in equity associates were up by €18.6 million, due primarily to the integration of Ménafinance, in which the Group holds a 50% stake.

Financial assets fell by €312.0 million. This drop was caused by the integration of Darty into the Group. At June 30, 2016, the Group held a 29.7% stake in Darty, assessed at €321.1 million.

Deferred taxes represented net liabilities of €154.8 million and for the most part reflected the revaluation of Darty's assets and liabilities, specifically, the valuation of the Darty and Vanden Borre brands on the Group's balance sheet, along with the revaluation of Darty's real estate.

2.4.4 Current assets and liabilities

At June 30, 2017, current assets and liabilities were -€554.6 million, compared to net assets of -€301.1 million at June 30, 2016, and -€832.5 million at December 31, 2016. The breakdown is as follows:

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Net inventory	1,004.0	430.7	1,060.7
Net trade receivables	108.8	23.8	168.6
Net trade payables	(1,101.5)	(522.5)	(1,447.8)
Tax receivables and payables due	(28.4)	(5.9)	(39.8)
Other working capital requirements	(537.5)	(227.2)	(574.2)
Current assets and liabilities	**(554.6)**	**(301.1)**	**(832.5)**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

At June 30, 2017, Fnac Darty's current assets and liabilities increased by €277.9 million since the closing of the 2016 period.

Changes in inventory (excluding the impact of exchange rates) led to positive cash flows of €56.4 million in the first half of 2017. This change is explained mainly by the seasonal nature of the business.

In the first half of 2017, the drop in trade receivables (excluding the impact of exchange rates) generated positive cash flows amounting to €59.3 million. This evolution comes mainly from the seasonal nature of the Group's business.

In the first half of 2017, the decline in trade payables (excluding the impact of exchange rates) generated negative cash flows of €346.4 million. This drop stems from the business's seasonal nature. The €579.0 million increase in trade payables from June 30, 2016, to June 30, 2017, resulted from the integration of Darty and the continuation of the policy to optimize working capital.

In the first half of 2017, the change in other working capital requirements included the disposal of Fnac and Darty's 2016 CICE (French tax credit for employment and competitiveness) receivables for an amount of €23.6 million. In the same period last year, the change in other working capital requirements included the disposal of Fnac's 2013, 2014 and 2015 CICE receivables for an amount of €28.4 million.

The French Amending Finance Law for 2012 established a tax credit for employment and competitiveness (CICE), which corresponds to a tax credit that can be reimbursed after four years and is levied based on remuneration less than or equal to 2.5 times the minimum wage in France. In June 2016 and June 2017, the Group disposed of its CICE receivables for 2013, 2014, 2015 and 2016, without recourse.

2.4.5 Provisions

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Provisions for pensions and equivalent benefits	193.5	87.0	186.6
Other provisions	42.8	4.9	32.4
Provisions	**236.3**	**91.9**	**219.0**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

(€ million)	At June 30, 2017	At June 30, 2016	At December 31, 2016
Discount rate			
- France	1.80%	1.15%	1.60%
- Switzerland	0.75%	1.00%	0.75%
- United Kingdom	2.70%	n/a	2.70%

The increase in provisions for pension schemes and similar benefits compared to June 30, 2016, stemmed mainly from the acquisition of Darty.

The across-the-board increase in interest rates seen during the first half of 2017 in the main geographical regions, including the euro zone, led to higher benchmark discount rates, namely bond rates for tier one businesses. An adjustment to the amount of the net commitment was recognized in the interim financial statements.

The €6.9 million increase in the provision since December 31, 2016, came mainly from the discount of the Comet pension fund commitment.

Regarding the retirement packages in France, the additions recognized in the first half of 2017 were offset by the impact of the 0.20% increase in the benchmark discount rates.

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

"Other provisions" include mainly the provisions for restructuring and operational and tax risks. The €10.4 million increase from December 31, 2016, stemmed mainly from the provision for restructuring recorded as part of the implementation of the Group's new organization.

2.4.6 Shareholders’ equity

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Shareholders’ equity - Group share	931.6	624.6	1,041.0
Shareholders’ equity – Share attributable to non-controlling interests	7.0	7.3	6.8
Shareholders’ equity	**938.6**	**631.9**	**1,047.8**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

In the first half of 2017, Fnac Darty’s consolidated shareholders’ equity was down €109.2 million from the closing of the previous year.

The proportion of shareholders’ equity attributable to the Group dropped by €109.4 million, affected by comprehensive income, Group share, of -€120.2 million.

The proportion of shareholders’ equity attributable to non-controlling interests was up €0.2 million to €7.0 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. At June 30, 2017, Group net financial debt was €502.5 million and broke down as follows:

(€ million)	**At June 30, 2017**	**At June 30, 2016 Adjusted***	**At December 31, 2016 Adjusted****
Gross financial debt	861.6	51.0	863.1
Cash and cash equivalents	(359.1)	(118.7)	(655.9)
Net financial debt at the end of the period	**502.5**	**(67.7)**	**207.2**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

Gross financial debt was made up mainly of the €650.0 million bond maturing in 2023 and the €200.0 million medium-term credit facility.

Net financial debt was up €570.2 million from June 30, 2016, due to the acquisition of Darty.

2.4.8 Solvency

Financing instruments of the Group included financial covenants at June 30, 2017.

As of June 30, 2017, the Group was in compliance with all half-year financial covenants.

The target values of the covenants vary in each test period.

2.4.9 Liquidity

At June 30, 2017, Fnac Darty had €359.1 million in cash on hand (€655.9 million at December 31, 2016), plus a confirmed €400.0 million revolving credit, unused on that date.

At June 30, 2017, cash included marketable securities of less than three months.

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

2.4.10 Change in net cash position

The change in net cash position is rationalized as follows:

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted reported*
Free cash flow from operations	(264.9)	(274.3)
Interest paid net of interest and dividends received	(17.4)	(4.4)
Purchases and disposals of subsidiaries net of cash acquired or transferred	(0.1)	(1.3)
Acquisition of 29.7% of Darty equity	0.0	(353.6)
Purchases and sales of other financial assets (net)	0.0	0.0
Purchases and sales of treasury stock	3.8	(0.2)
Dividends paid	0.0	0.0
Capital increases / reductions	7.6	157.1
Other transactions with shareholders	(3.9)	0.0
Net cash flows from discontinued operations	(14.7)	0.1
Financing of Comet pension fund	(5.7)	0.0
Other (1)	(0.2)	0.2
Change in net debt	**(295.5)**	**(476.4)**

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

Net financial debt at January 1	**207.0**	**(544.1)**
Financial debt at June 30	**502.5**	**(67.7)**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

2.4.10.1 Free cash flow from operations

The Group used 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 purchases and sales of property, plant and equipment and intangible non-current assets, and the change in trade payables for non-current assets).

For the first six months of 2017, Fnac Darty's free cash flow from operations was -€264.9 million; this was a €9.4 million improvement over the -€274.3 million recorded for the first half of 2016.

In 2017, the change in the working capital requirement included a cash inflow of €23.6 million from the disposal of the CICE receivables. In 2016, the change in the working capital requirement included a cash inflow of €28.4 million due to the disposal of the CICE receivables.

In June 2016 and June 2017, the Group disposed of its CICE receivables for 2013, 2014, 2015 and 2016, without recourse.

Pro forma free cash flow was down €43.2 million. The improvement in cash flow from operations was offset by the change in working capital.

(€ million)	At June 30, 2017	At June 30, 2016 Pro-forma	At June 30, 2016 Adjusted reported*
Cash flow from operations before tax, dividends and interest	**74.1**	**14.1**	**(10.5)**
Change in working capital	(270.5)	(173.9)	(222.4)
Income tax paid	(21.1)	(16.3)	(7.6)
Net cash flows from operating activities	**(217.5)**	**(176.1)**	**(240.5)**
Net operating investments	(47.4)	(45.6)	(33.8)
Free cash flow from operations	**(264.9)**	**(221.7)**	**(274.3)**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

At June 30, 2017, net operating investments were €47.4 million.

(€ million)	At June 30, 2017	At June 30, 2016 Pro-forma	At June 30, 2016 Adjusted reported*
France-Switzerland	(39.4)	(40.9)	(20.3)
Iberian Peninsula	(1.8)	(2.1)	(2.0)
Benelux	(5.6)	(4.6)	(0.7)
Purchases of property, plant and equipment and intangible non-current assets	**(46.8)**	**(47.6)**	**(23.0)**
Disposals of property, plant and equipment and intangible non-current assets	1.2	13.1	0.2
Change in payables and receivables relating to non-current assets	(1.8)	(11.1)	(11.0)
Net operating investments	**(47.4)**	**(45.6)**	**(33.8)**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

2.4.10.2 Net interest paid and dividends received

At June 30, 2017, 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. Their increase compared to the first half of 2016 ensues from the implementation of financing for the new, combined Group.

2.4.10.3 Purchases and disposals of subsidiaries net of cash acquired or transferred

There was no significant flow relating to this item in the first half of 2017.

In the first half of 2016, acquisitions and disposals of subsidiaries net of cash acquired or transferred represented a cash outflow of €1.3 million, as part of the sale of the call-center business.

2.4.10.4 Purchase and sales of other financial assets (net)

There was no significant flow relating to this item in the first half of 2017.

In the first half of 2016, outflows of €353.6 million, from acquisitions and disposals of other financial assets, represented the acquisition of 29.7% of Darty's shares for a net amount of €353.6 million. The first half of 2016 also included a €2 million outflow for the acquisition of 50% of Izneo, along with inflows totaling €2 million as repayments of security deposits and guarantees from real estate lease agreements.

2.4.10.5 Sale and purchases of treasury shares

In the first half of 2017, inflows for treasury shares represented mainly the repayment of Darty shares held by UBS as part of the share-based remuneration plans for managers of the former Darty Group. This item also includes the outflows and inflows related to the purchase of Fnac Darty shares made under the liquidity agreement entered into on June 19, 2013, with Rothschild & Cie Banque. As of June 30, 2017, the Group did not hold any treasury shares.

In the first half of 2016, the outflows for the purchase of treasury shares pertained to the purchase of shares made as part of the liquidity agreement entered into on June 19, 2013, with Rothschild & Cie Banque. At June 30, 2016, the Group held 4,509 treasury shares.

2.4.10.6 Capital increase and decrease and changes in liabilities to shareholders

At June 30, 2017, the €7.6 million capital increase reflected the exercise of stock options as part of the Group performance-based remuneration plans. This increase was offset for an amount of €3.9 million by the change in liabilities to subscribers who had already paid cash during the previous period.

At June 30, 2016, the capital increase represented mainly the 2,944,901 shares created to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

2.4.10.7 Net cash flows from discontinued operations

Net cash flows related to discontinued operations mainly represented financial flows generated by Fnac Brazil.

2.4.10.8 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, 2017, the Artémis Group owned 24.33% of Fnac Darty's share capital and 24.33% of its voting rights.

As of June 30, 2017, the Vivendi Group owned 11.10 % of Fnac Darty's share capital and 11.10 % of its voting rights.

The main transaction during the first half of 2017 between all Fnac Darty consolidated companies and the Kering Group, the party related to the Artémis Group, was as follows:

- reinvoicing by the Kering Group, IT services provider, in the amount of €0.8 million excluding taxes.

The Vivendi Group's main transactions at Fnac Darty in the first half of 2017, between all the Group's consolidated companies and the parties related to Vivendi Group, were as follows:

- reinvoicing by the Universal Group, musical products supplier, in the total amount of €11.3 million excluding taxes;
- reinvoicing by the Universal Group, musical products customer, in the total amount of €0.1 million excluding taxes;
- reinvoicing by the Olympia Group, ticket sales provider, in the total amount of €1.9 million excluding taxes;
- reinvoicing by the Canal+ Group, subscription services provider, in the total amount of €0.2 million excluding taxes.

In 2015, a regulated agreement was authorized in advance and entered into with BDGS, a law firm specializing in competition law and in market operations, especially cross-border transactions; one of its founding partners is Director Antoine Gosset-Grainville. This firm was tasked with overseeing the Darty acquisition process. The amount of this service and other services totaled €0.1 million before tax for the first half of 2017.

In 2016, the main transaction between all the Group's consolidated companies and the Kering Group, the party related to the Artémis Group, was as follows:

- reinvoicing by the Kering Group, IT services provider, in the amount of €3.3 million excluding taxes.

In 2016, the main transactions between all the Group's consolidated companies and the parties related to the Vivendi Group were as follows:

- reinvoicing by the Universal Group, musical products supplier, in the total amount of €17.4 million excluding taxes;
- reinvoicing by the Universal Group, musical products customer, in the total amount of €1.0 million excluding taxes;
- reinvoicing by the Olympia Group, ticket sales provider, in the total amount of €3.9 million excluding taxes;

In 2016, the main transaction between all the Group's consolidated companies and the party related to BDGS was as follows:

- reinvoicing by BDGS, service provider, in the total amount of €4.1 million excluding taxes.

2.6 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

2.6.1 New Fnac Darty governance

On June 9, 2017, Alexandre Bompard, Chairman and Chief Executive Officer of Fnac Darty, notified the Group's Board of Directors that he would be resigning from the position of Chairman and Chief Executive Officer. In order to help ensure that this top-level managerial transition would proceed smoothly, he officially stepped down on July 17, 2017. Alexandre Bompard will remain a Company Director until the last quarter of 2017.

The Fnac Darty Board of Directors has appointed Enrique Martinez as Chief Executive Officer of the Company. This appointment reflects the Board's intention to continue the Group's transformation that started in recent years, with the support of the current management team, and to effectively complete the Fnac Darty integration process that began in 2016.

The Board's choice reflects its conviction that managerial continuity is the best way of enabling the Group to strengthen both its position on the market and its operational performance.

The Board of Directors will be chaired by Jacques Veyrat, who will provide Enrique Martinez and the management team with his experience and contribute to the Group's strategic positioning.

The Audit Committee, which was led previously by Jacques Veyrat, will now be chaired by Marie Cheval.

2.6.2 Disposal of the Brazil operations

On July 19, Fnac Darty announced the signature of an agreement for the disposal of its subsidiary Fnac Brazil to the Livraria Cultura group.

Operating in Brazil since 1999, with a network of 12 Fnac stores and a website, Fnac Darty launched at the end of 2016 a process to identify a partner, in order for Fnac Brazil to reach a critical size.

Livraria Cultura is a longstanding player in the retailing of editorial products in Brazil, with a network of 18 stores and a well-known e-commerce offering. Livraria Cultura offers a promising industrial project for Fnac Brazil and will rely on Fnac brand awareness and the expertise of its teams to continue to implement its development strategy. This merger between two groups sharing similar cultures and committed to cultural promotion in Brazil will create value and synergies. It will allow the Livraria Cultura Group to diversify its business, through the contribution of Fnac's technical products.

In order to give the new entity all the resources it needs to position itself amongst the leaders in its market, Fnac Darty will license the Fnac brand and will carry out a recapitalization.

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 a provision had to be recorded at year-end. No litigation is material at the Company or Group level, when considered on a stand-alone basis.

The Group has no knowledge of any other litigation or arbitration that in the recent past could have or may have had a significant impact on the financial position, business or earnings of the Company or the Group.

The main risks and uncertainties the Group may face in the second half of 2017 are set out in section 6 of the Group's 2016 Registration Document.

2.8 OUTLOOK

Against the backdrop of sluggish markets in the first half of 2017, the Group proved the robustness of its business model and achieved good progress of Fnac Darty integration.

The second half of 2017 will return to a more normative basis for comparison. The Group will continue with the swift execution of its synergies plan and the transformation of its business model. Fast-paced expansion will continue in the second half of the year, mainly through new franchised store openings. The Group therefore expects to exceed its target of 50 store openings in 2017.

Fnac Darty reaffirms its objective of achieving €130 million in synergies by end-2018, at least half of which will have been generated by the end of 2017.

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 aggregates or sub-totals shown.

CONSOLIDATED INCOME STATEMENT

FOR POSITIONS AT JUNE 30, 2017 AND JUNE 30, 2016 AND THE PERIOD ENDED DECEMBER 31, 2016

(€ million)	**Notes**	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Income from ordinary activities	5	**3,215.8**	**1,571.8**	**5,369.2**
Cost of sales		(2,221.2)	(1,100.6)	(3,793.1)
Gross margin		**994.6**	**471.2**	**1,576.1**
Personnel expenses	6	(526.9)	(256.3)	(785.4)
Other current operating income and expenses		(434.3)	(232.7)	(629.2)
Share of profit from equity associates		0.5	0.0	0.2
Current operating income	5	**33.9**	**(17.8)**	**161.7**
Other non-current operating income and expenses	7	(21.9)	(22.6)	(38.2)
Operating income		**12.0**	**(40.4)**	**123.5**
(Net) financial expense	8	(22.2)	(23.0)	(76.2)
Pre-tax income		**(10.2)**	**(63.4)**	**47.3**
Income tax	9	(4.9)	(4.4)	(23.2)
Net income from continuing operations		**(15.1)**	**(67.8)**	**24.1**
Group share		(15.3)	(68.1)	23.5
share attributable to non-controlling interests		0.2	0.3	0.6
Net income from discontinued operations	16.4	**(88.1)**	**(7.4)**	**(21.6)**
Group share		(88.1)	(7.4)	(21.6)
share attributable to non-controlling interests		0.0	0.0	0.0
Consolidated net income		**(103.2)**	**(75.2)**	**2.5**
Group share		(103.4)	(75.5)	1.9
share attributable to non-controlling interests		0.2	0.3	0.6
Net income, Group share		**(103.4)**	**(75.5)**	**1.9**
Earnings per share (€)	10	(3.93)	(4.37)	0.09
Diluted earnings per share (€)	10	(3.91)	(4.29)	0.09
Net income from continuing operations, Group share		**(15.3)**	**(68.1)**	**23.5**
Earnings per share (€)	10	(0.58)	(3.94)	1.11
Diluted earnings per share (€)	10	(0.58)	(3.87)	1.09

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(€ million)	Notes	30-Jun-17	30-Jun-16 Adjusted*	31-Dec-16 Adjusted**
Net income		**(103.2)**	**(75.2)**	**2.5**
Items that may be reclassified subsequently to profit or loss		(8.5)	(9.3)	11.3
Items that may not be reclassified subsequently to profit or loss		(9.9)	(5.6)	(13.7)
Other comprehensive income items, after tax		**(18.4)**	**(14.9)**	**(2.4)**
Total comprehensive income	11	**(121.6)**	**(90.1)**	**0.1**
Group share		(121.8)	(90.4)	(0.5)
share attributable to non-controlling interests		0.2	0.3	0.6

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

FOR POSITIONS AT JUNE 30, 2017 AND JUNE 30, 2016 AND THE PERIOD ENDED DECEMBER 31, 2016

ASSETS

(€ million)	Notes	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Goodwill	4	1,522.8	332.5	1,522.5
Intangible non-current assets		468.6	69.6	466.2
Property, plant & equipment		617.4	149.0	627.2
Equity interests		20.6	2.0	20.1
Non-current financial assets		14.7	326.7	15.6
Deferred tax assets		46.9	41.9	40.2
Other non-current assets and liabilities		0.0	0.0	0.0
Non-current assets		**2,691.0**	**921.7**	**2,691.8**
Inventories		1,004.0	430.7	1,060.7
Trade receivables		143.6	60.6	208.9
Tax receivables due		44.0	7.2	19.4
Other current financial assets		23.1	24.9	25.7
Other current assets		237.8	75.2	340.1
Cash and cash equivalents	13	359.1	118.7	655.9
Current assets		**1,811.6**	**717.3**	**2,310.7**
Assets held for sale	16.4	**48.7**	**56.7**	**64.0**
Total assets	5	**4,551.3**	**1,695.7**	**5,066.5**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

LIABILITIES

(€ million)	Notes	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Share capital	12	26.5	19.6	26.1
Equity-related reserves		984.7	650.6	977.5
Translation reserves		(8.4)	(7.4)	(4.4)
Other reserves		(71.2)	(38.2)	41.8
Shareholders' equity - Group share		**931.6**	**624.6**	**1,041.0**
Shareholders' equity - Share attributable to non-controlling interests		7.0	7.3	6.8
Shareholders' equity		**938.6**	**631.9**	**1,047.8**
Long-term borrowings and financial debt	14	854.5	0.4	854.9
Provisions for pensions and other equivalent benefits		193.5	87.0	186.6
Other non-current liabilities		210.8	0.0	215.6
Deferred tax liabilities		201.7	0.0	200.2
Non-current liabilities		**1,460.5**	**87.4**	**1,457.3**
Short-term borrowings and financial debt	14	7.1	50.6	8.2
Other current financial liabilities		9.6	18.9	10.0
Trade payables		1,177.1	548.8	1,597.3
Provisions		42.8	4.9	32.4
Tax liabilities payable		72.4	13.1	59.2
Other current liabilities		748.0	318.9	820.8
Current liabilities		**2,057.0**	**955.2**	**2,527.9**
Liabilities relating to assets held for sale	16.4	**95.2**	**21.2**	**33.5**
Total liabilities	5	**4,551.3**	**1,695.7**	**5,066.5**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

CONSOLIDATED CASH FLOW STATEMENT

FOR POSITIONS AT JUNE 30, 2017 AND JUNE 30, 2016 AND THE PERIOD ENDED DECEMBER 31, 2016

(€ million)	Notes	30-Jun-17	30-Jun-16 Adjusted*	31-Dec-16 Adjusted**
Net income from continuing operations		**(15.1)**	**(67.8)**	**24.1**
Income and expense with no impact on cash		60.9	41.5	105.0
Cash flow from operations	16.1	**45.8**	**(26.3)**	**129.1**
Financial interest income and expense		18.1	9.8	54.3
Dividends received		0.0	0.0	(0.1)
Net tax charge payable		10.2	6.0	16.7
Cash flow from operations before tax, dividends and interest		**74.1**	**(10.5)**	**200.0**
Change in working capital requirement		(270.5)	(222.4)	84.0
Income tax paid		(21.1)	(7.6)	(37.5)
Net cash flows from operating activities	16.1	**(217.5)**	**(240.5)**	**246.5**
Purchases of property, plant and equipment and intangible non-current asse		(48.6)	(34.0)	(97.6)
Disposals of property, plant and equipment and intangible non-current asset		1.2	0.2	1.9
Purchases of subsidiaries net of cash acquired		(0.1)	0.0	(1,020.7)
Disposals of subsidiaries net of cash transferred		0.0	(1.3)	(1.3)
Acquisitions of other financial assets		0.0	(355.2)	(0.9)
Disposals of other financial assets		0.0	2.0	1.4
Interest and dividends received		0.0	0.3	0.6
Net cash flows from investing activities	16.2	**(47.5)**	**(388.0)**	**(1,116.6)**
Capital increase / reduction		7.6	157.1	157.1
Other transactions with shareholders		(3.9)	0.0	3.9
Purchases or sales of treasury stock		3.8	(0.2)	0.0
Dividends paid to shareholders		0.0	0.0	0.0
Bonds issued		0.0	0.0	650.0
Increase / decrease in other financial debt		0.0	50.1	200.0
Interest and equivalent payments		(17.4)	(4.7)	(18.5)
Net cash flows from financing activities	16.3	**(9.9)**	**202.3**	**992.5**
Net cash flows from discontinued operations	16.4	(14.7)	0.1	(7.6)
Financing of the Comet pension fund	16.5	(5.7)	0.0	(4.9)
Impact of fluctuations in exchange rates		(1.5)	0.2	1.4
Net change in cash		**(296.8)**	**(425.9)**	**111.3**
Cash and cash equivalents at the beginning of the period	16	**655.9**	**544.6**	**544.6**
Cash and cash equivalents at the end of the period	16	**359.1**	**118.7**	**655.9**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€ million)	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
At December 31, 2015	**16,687,774**	**16.7**	**496.7**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**
Total comprehensive income				**6.1**	**(96.5)**	**(90.4)**	**0.3**	**(90.1)**
Capital increase/(decrease)	2,944,901	2.9	154.2			**157.1**		**157.1**
Treasury shares			(0.2)		0.1	**(0.1)**		**(0.1)**
Valuation of share-based payments					0.8	**0.8**		**0.8**
Other movements			(0.1)			**(0.1)**		**(0.1)**
At June 30, 2016	**19,632,675**	**19.6**	**650.6**	**(7.4)**	**(38.2)**	**624.6**	**7.3**	**631.9**
Total comprehensive income				**3.0**	**84.9**	**87.9**	**0.3**	**88.2**
Capital increase/(decrease)	6,490,096	6.5	326.6			**333.1**		**333.1**
Change in scope						**0.0**	(0.8)	**(0.8)**
Treasury shares					0.2	**0.2**		**0.2**
Valuation of share-based payments					1.3	**1.3**		**1.3**
Fair value of the acquisition of non-controlling interests of Darty Plc.					3.2	**3.2**		**3.2**
Share of Darty Plc. acquisition expenses posted to shareholders' equity					(9.9)	**(9.9)**		**(9.9)**
Other movements			0.3		0.3	**0.6**		**0.6**
At December 31, 2016	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**41.8**	**1,041.0**	**6.8**	**1,047.8**
Total comprehensive income				**(4.0)**	**(117.8)**	**(121.8)**	**0.2**	**(121.6)**
Capital increase/(decrease)	396,846	0.4	7.2			**7.6**		**7.6**
Treasury shares					4.0	**4.0**		**4.0**
Valuation of share-based payments					0.9	**0.9**		**0.9**
Share of Darty Plc. acquisition expenses posted to shareholders' equity					(0.1)	**(0.1)**		**(0.1)**
At June 30, 2017 (1)/(2)	**26,519,617**	**26.5**	**984.7**	**(8.4)**	**(71.2)**	**931.6**	**7.0**	**938.6**

(1) Par value of shares of €1 .

(2) Number of shares of capital stock as of June 30, 2017: 26,519,617

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Note 1 General information

1.1. General information

Fnac Darty, the Group's parent company, is a French *société anonyme* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The company is 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 legislation governing commercial companies in France, including the provisions of the French Commercial Code (*Code de commerce*).

The condensed consolidated financial statements at June 30, 2017 reflect the accounting position of Fnac Darty and its subsidiaries, as well as its interests in associated companies and joint ventures.

On July 25, 2017, the Board of Directors approved the condensed consolidated financial statements at June 30, 2017 and authorized their publication on July 27, 2017.

1.2. Publication background

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

The admission of Fnac Darty's shares for trading on the NYSE Euronext regulated market in Paris requires the drafting of consolidated financial statements according to International Financial Reporting Standards (IFRS). The procedures for preparing these financial statements are described in Note 2 *Accounting principles and methods*.

Fnac Darty's consolidated financial statements are presented in millions of euros.

Note 2 Accounting principles and methods

2.1. General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for the six months ended June 30, 2017 have been prepared in accordance with international accounting standards (IAS) as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) and which are mandatorily applicable at that date, and are presented with comparative data for the same period in 2016 prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the International Accounting Standards Board (IASB).

The international standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as the interpretations of the IFRIC (International Financial Reporting Interpretation Committee).

The condensed consolidated financial statements as at June 30, 2017 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 drafting and review stage with the IASB and IFRIC, or standards whose application was not mandatory in 2017.

The notes presented relate to significant events and transactions during the period and should be read in conjunction with the consolidated financial statements as at December 31, 2016. 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, 2016.

2.2. IFRS guidelines applied

The half-year financial statements are prepared in accordance with the accounting principles and methods applied by the Group to the financial statements for the period ending December 31, 2016, with the exception of income taxes and employee benefits, which are subject to specific valuation methods (Note 2.3).

2.2.1 <u>Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning on or after January 1, 2017 which were not adopted early by the Group:</u>

- IFRS 9 – Financial Instruments: Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial assets. They will replace, effective January 1, 2018, the existing principles in IAS 3 – Financial Instruments.
  The impact of the application of IFRS 9 on the Group's financial statements is currently being assessed. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant and is still being assessed.

- IFRS 15 – Revenue from contracts with customers. IFRS 15 will replace IAS 18 – Revenue, with effect from January 1, 2018.

The impact of the application of IFRS 15 on the Group's financial statements is currently being assessed. The Group will be impacted by the implementation of IFRS 15. The impacts identified to date are not significant. The assessment work will continue during the second half of 2017.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2017:

- Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses;
- Amendments to IAS 7 – Disclosure Initiative;

The application of these amendments had 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-2017 reporting periods:

- On January 13, 2016, the IASB published IFRS 16 – Leases. IFRS 16 will replace IAS 17. The Group conducted a survey on all the leases at its subsidiaries along with their main provisions, for the purpose of conducting an analysis during the second half of 2017 of the qualitative and quantitative impacts of the coming standard on the Group's consolidated financial statements. Once the analysis is completed, the Group will be able to determine transition procedures and assess the impact on the Group's financial statements, which should be significant given the large number of stores under lease.

The IASB has also published the following amendments and improvements, which the Group expects will have no significant impact:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions;
- Annual Improvements to IFRS, 2014-2016 Cycle – Various amendments;
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration;
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments;
- Amendments to IAS 40 – Clarifications about events constituting evidence of a change of use.

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 six-month period is equal to one-half of the net expense calculated for the period ended December 31, 2017.

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

2.3.3. Seasonality of activities

Revenues, operating income and all operating indicators (including working capital requirements) are characterized by a high seasonality linked to a high level of activity in the last quarter of the calendar year, and especially in the month of December. Consequently, the interim results at June 30, 2017 are not necessarily representative of those that can be expected for the full period ending December 31, 2017.

2.4. Use of estimates and judgment

The preparation of consolidated financial statements requires the use of estimates and assumptions by the Group's management that can affect the book values of certain assets and liabilities, income and expenses, and information disclosed in the notes to the financial statements. The Group's management reviews these estimates and assumptions on a regular basis in order to ensure their appropriateness in view of past experience and the current economic environment. Depending on changes in these assumptions, the items shown in the Group's future financial statements may differ from current estimates. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all the future periods affected.

The main 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.

Furthermore, in addition to the use of estimates, Group management uses its judgment to determine the appropriate accounting treatment of certain transactions, pending the clarification of certain IFRS guidelines or where the standards in force do not address the issues concerned.

Note 3 Highlights

The consolidated financial statements of Fnac Darty as at December 31, 2016 included a provisional assessment of the identifiable assets and liabilities acquired. The assessment was completed in the first half of 2017, and the allocation of the acquisition price for Darty revised accordingly.

Note 4 Allocation of the acquisition price for Darty

Darty's opening balance sheet was fully consolidated in the Group's financial statements from August 1, 2016.

The assessment was completed in the first half of 2017, with the valuation of Darty's real estate portfolio.

The following table shows:

- the consideration provided for Groupe Darty in the amount of €1,079.0 million;
- the identifiable assets acquired less the liabilities assumed recognized after remeasurement at fair value on the acquisition date in the amount of -€112.0 million;
- final goodwill of €1,191.0 million corresponding to the difference between the consideration and the fair value of net assets acquired.

(€ million)	**Total consideration**	**Fair Value**
Total consideration	**1,079.0**	
Net assets acquired at fair value		**(112.0)**
Valuation of brands		337.0
Valuation of franchise relations		17.7
Leasehold rights and lease agreements		6.2
Other intangible non-current assets		22.4
Property, plant and equipment		474.2
Financial assets		27.5
Assets held for sale		0.5
Working capital requirement		(364.3)
Net Financial Debt		(217.3)
Pensions and other employee-related liabilities		(146.6)
Other current liabilities		(269.4)
Goodwill		**1,191.0**

Note 5 Operating segments

The information on operating segments follows the same accounting rules as those used for the consolidated financial statements, described in the notes to the financial statements.

The assessment of the performance of each operating segment, as used by the main operating decision-maker, is based on current operating income.

Non-cash income and expenses mainly include current and non-current provisions and reversals of amortizations and provisions for non-current assets, and provisions for contingencies and expenses.

Acquisitions of intangible assets and property, plant and equipment correspond to acquisitions of non-current assets including changes in debt on non-current assets. They do not include capital investments on a finance lease agreement.

Non-current segment assets consist of goodwill and other intangible non-current assets, property, plant and equipment and of other non-current assets. Segment assets consist of non-current segment assets, inventory, trade receivables, customer loans and other current assets. Segment liabilities consist of the financing for customer loans, trade payables, and other current liabilities.

- In the second half of 2016, the operating structure was changed, and operations are now split into three segments:

- France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast, Cameroon and Congo that are managed from France;
- Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
- Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg;
- Fnac Brazil is reclassified as a discontinued operation. This activity has been excluded from the new operations segmentation.

The comparative interim half-year statements for 2016 have been restated to reflect the new operations segmentation. As a reminder, in the first half of 2016, operations had been split into four segments: France, Iberian Peninsula, Brazil, and Other Countries including Belgium and Switzerland.

Information per operating segment

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
June 30, 2017				
Income from ordinary activities	**2,516.6**	**281.0**	**418.2**	**3,215.8**
- Consumer electronics	1,236.1	169.8	218.3	**1,624.2**
- Editorial products	384.3	90.2	24.2	**498.7**
- Household appliances	585.9		159.0	**744.9**
- Other products and services	310.3	21.1	16.7	**348.1**
Current operating income	**32.4**	**2.4**	**(0.9)**	**33.9**
Purchase of property, plant and equipment and intangible non-current assets (1)	(37.9)	(4.9)	(5.8)	**(48.6)**
Segment assets	**3,448.6**	**147.9**	**397.7**	**3,994.2**
Segment liabilities	**1,798.9**	**163.7**	**173.2**	**2,135.8**

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
June 30, 2016*				
Income from ordinary activities	**1,214.7**	**282.2**	**74.9**	**1,571.8**
- Consumer electronics	706.3	169.3	44.8	**920.4**
- Editorial products	391.2	93.9	25.9	**511.0**
- Household appliances				
- Other products and services	117.2	19.0	4.2	**140.4**
Current operating income	**(16.8)**	**1.2**	**(2.2)**	**(17.8)**
Purchase of property, plant and equipment and intangible non-current assets (1)	(29.5)	(4.2)	(0.3)	**(34.0)**
Segment assets	**924.8**	**138.9**	**53.9**	**1,117.6**
Segment liabilities	**685.6**	**147.9**	**34.1**	**867.6**

** Restated for the reclassification of Fnac Brazil as a discontinued operation*

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

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
December 31, 2016*				
Income from ordinary activities	**4,218.6**	**656.2**	**494.4**	**5,369.2**
- Consumer electronics	2,134.7	389.8	245.7	**2,770.2**
- Editorial products	962.7	219.3	61.9	**1,243.9**
- Household appliances	498.2		139.7	**637.9**
- Other products and services	623.0	47.1	47.1	**717.2**
Current operating income	**131.8**	**23.2**	**6.7**	**161.7**
Purchase of property, plant and equipment and intangible non-current assets (1)	(81.9)	(9.1)	(6.6)	**(97.6)**
Segment assets	**3,658.0**	**170.8**	**396.8**	**4,225.6**
Segment liabilities	**2,159.4**	**266.7**	**207.7**	**2,633.8**

* Restated for the measurement of Darty's identifiable assets and liabilities

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

Note 6 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:

- ✓ an increase in shareholders' equity for equity-settled plans;
- ✓ a liability to personnel for cash-settled plans.

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 concerns value unit plans and performance stock option plans.

Based on the assumptions described in the 2016 financial statements, this expense amounted in the first six months of 2017 to €3.6 million, against €5.8 million for the same period in 2016. It includes, *inter alia*, the update of the liability to personnel for cash-settled plans, taking into account the changes in the Fnac Darty share price, as well as the impact of the resignation of Mr. Bompard.

Note 7 Other non-current operating income and expenses

(€ million)	30 juin 2017	30 juin 2016 Adjusted*	31 décembre 2016 Adjusted**
Costs connected with DARTY acquisition and integration	(3.1)	(9.1)	(20.7)
Restructuring costs	(14.9)	(4.8)	(7.5)
C3S 2016 / Tascom 2015	(2.4)	(5.3)	(5.3)
Disposal of subsidiary	0.0	(2.7)	(2.8)
Other non-current operating income and expenses, net	(1.5)	(0.7)	(1.9)
Total	**(21.9)**	**(22.6)**	**(38.2)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

Other non-current operating income and expenses for the Group reflects the unusual and significant items that could impact the relevance of the tracking of the Group’s business performance.

At June 30, 2017, this item represents a net expense of €21.9 million and includes:

- €3.1 million in costs derived from the integration of Darty;
- €14.9 million in restructuring expenses in France and outside of France, related mainly to the implementation of the Group’s new organization. The Group announced that a voluntary departure plan will be open to employees at the end of the social process. 111 jobs currently held would be removed, with 86 new ones created. The departures will therefore be on an exclusively

voluntary basis, with no forced departure phase. A full raft of initiatives to support the reorganization will be proposed and discussed with the trade union organizations. The Fnac Darty head office would house 1,495 permanent jobs.

- an expense of €2.4 million related to the interim payment of the special social solidarity contribution (the "CS3 tax").

Other non-current operating income and expenses, mainly including the costs related to the acquisition of Darty, represented a net expense of €22.6 million at June 30, 2016, and a net expense of €38.2 million at December 31, 2016.

Note 8 (Net) financial expense

Net financial expense breaks down as follows:

(€ million)	**30 juin 2017**	**30 juin 2016 Adjusted***	**31 décembre 2016 Adjusted****
Costs connected with Group debt and financing fees	(18.0)	(11.8)	(53.1)
Financial costs connected with Darty acquisition		(8.4)	(15.2)
Cost of consumer credit	(2.4)	(1.7)	(6.3)
Other financial income and expenses, net	(1.8)	(1.1)	(1.6)
Net financial expense	**(22.2)**	**(23.0)**	**(76.2)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

In the first half of 2017, net financial income was composed of a financial expense of €22.2 million, compared with a financial expense of €23.0 million for the same period the previous year.

During the first six months of 2017, the cost of net financial debt for the Group comprised mainly the financial interest for the €650 million bond and the €200 million medium-term credit facility.

At June 30, 2016, the -€8.4 million in costs attributed to the Darty acquisition mainly comprised expenses related to the implementation of hedging instruments as part of that acquisition. Costs of Group debt amounting to -€11.8 million reflect the financial costs related to the Group's creation.

Note 9 Tax

Breakdown of the income tax expense from continuing operations

(€ million)	**30 juin 2017**	**30 juin 2016 Adjusted***	**31 décembre 2016 Adjusted****
Pre-tax income	**(10.2)**	**(63.4)**	**47.3**
Current tax expense	(0.2)	(1.5)	(3.3)
Tax charge related to the corporate value-added tax (CVAE	(10.0)	(4.5)	(13.7)
Deferred tax income/(expense)	5.3	1.6	(6.2)
Total tax charge	**(4.9)**	**(4.4)**	**(23.2)**
Effective tax rate	**(48.04%)**	**(6.94%)**	**49.05%**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

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.

The total tax expense included the corporate value-added tax (CVAE), i.e., €10.0 million in the first half of 2017.

Note 10 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 2017, Fnac Darty held an average of 28,477 treasury shares as part of the liquidity agreement entered into on June 19, 2013 with Rothschild & Cie Banque.

As of June 30, 2017, the Group did not hold any treasury shares.

Net diluted earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of dilutive potential ordinary shares. Dilutive potential shares correspond to the shares granted to employees as part of transactions for which payment is based on shares settled with equity instruments.

For the first half of 2017, instruments issued by the Group had a dilutive effect of 174,302 shares.

The number of shares that could potentially become dilutive during a subsequent period was 121,906.

10.1. Earnings per share

Earnings per share as of June 30, 2017

At June 30, 2017

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**(103.4)**	**(15.3)**	**(88.1)**
Weighted average number of ordinary shares issued	26,322,290	26,322,290	26,322,290
Weighted average number of treasury shares	(28,477)	(28,477)	(28,477)
Weighted average number of ordinary shares	**26,293,813**	**26,293,813**	**26,293,813**
Basic earnings per share (€)	**(3.93)**	**(0.58)**	**(3.35)**

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**(103.4)**	**(15.3)**	**(88.1)**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**(103.4)**	**(15.3)**	**(88.1)**
Weighted average number of ordinary shares	26,293,813	26,293,813	26,293,813
Potentially diluting ordinary shares	174,302	174,302	174,302
Weighted average number of diluted ordinary shares	**26,468,114**	**26,468,114**	**26,468,114**
Diluted earnings per share (€)	**(3.91)**	**(0.58)**	**(3.33)**

Earnings per share as of June 30, 2016

At June 30, 2016*

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**(75.5)**	**(68.1)**	**(7.4)**
Weighted average number of ordinary shares issued	17,286,463	17,286,463	17,286,463
Weighted average number of treasury shares	(18,641)	(18,641)	(18,641)
Weighted average number of ordinary shares	**17,267,822**	**17,267,822**	**17,267,822**
Basic earnings per share (€)	**(4.37)**	**(3.94)**	**(0.43)**

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**(75.5)**	**(68.1)**	**(7.4)**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**(75.5)**	**(68.1)**	**(7.4)**
Weighted average number of ordinary shares	17,267,822	17,267,822	17,267,822
Potentially diluting ordinary shares	325,282	325,282	325,282
Weighted average number of diluted ordinary shares	**17,593,104**	**17,593,104**	**17,593,104**
Diluted earnings per share (€)	**(4.29)**	**(3.87)**	**(0.42)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

Earnings per share as of December 31, 2016

At December 31, 2016*

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**1.9**	**23.5**	**(21.6)**
Weighted average number of ordinary shares issued	21,229,756	21,229,756	21,229,756
Weighted average number of treasury shares	(14,174)	(14,174)	(14,174)
Weighted average number of ordinary shares	**21,215,582**	**21,215,582**	**21,215,582**
Basic earnings per share (€)	**0.09**	**1.11**	**(1.02)**

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**1.9**	**23.5**	**(21.6)**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**1.9**	**23.5**	**(21.6)**
Weighted average number of ordinary shares	21,215,582	21,215,582	21,215,582
Potentially diluting ordinary shares	256,772	256,772	256,772
Weighted average number of diluted ordinary shares	**21,472,354**	**21,472,354**	**21,472,354**
Diluted earnings per share (€)	**0.09**	**1.09**	**(1.01)**

* Restated for the measurement of Darty's identifiable assets and liabilities

Note 11 Other comprehensive income items

Other comprehensive income items mainly comprise:

- profit and loss from the conversion of the financial statements of operations outside France;
- the change in the effective portion of hedging instruments;
- the change in the fair value of the Darty shares, as well as expenses directly attributable to the acquisition of those shares;
- items relating to the assessment of employee benefit obligations: revaluation of net liabilities for defined benefit plans. The across-the-board increase in interest rates seen during the first half of 2017 in the main geographical regions, including the euro zone, have resulted in higher benchmark discount rates that are the bond rates for tier one businesses. In parallel, the Group has revised its actuarial assumptions. An adjustment to the amount of the net investment was recognized in the interim financial statements. The impact on shareholders' equity appears under "Other comprehensive income items."

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

(€ million)	**At June 30, 2017**	**At June 30, 2016**	**At December 31, 2016**
Discount rate			
- France	1.80%	1.15%	1.60%
- Switzerland	0.75%	1.00%	0.75%
- United Kingdom	2.70%	n/a	2.70%

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

At June 30, 2017

(€ million)	**Net**
Translation difference	(4.0)
Fair value of hedging instruments	(4.5)
Items that may be reclassified subsequently to profit or loss	**(8.5)**
Revaluation of net liabilities for defined benefit plans	(9.9)
Items that may not be reclassified subsequently to profit or loss	**(9.9)**
Other items of comprehensive income as of June 30, 2017	**(18.4)**

At June 30, 2016*

(€ million)	**Net**
Translation difference	6.1
Change in fair value of Darty shares	(15.4)
Items that may be reclassified subsequently to profit or loss	**(9.3)**
Revaluation of net liabilities for defined benefit plans	(5.6)
Items that may not be reclassified subsequently to profit or loss	**(5.6)**
Other items of comprehensive income as of June 30, 2016	**(14.9)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

At December 31, 2016*

(€ million)	Net
Translation difference	9.1
Fair value of hedging instruments	2.2
Items that may be reclassified subsequently to profit or loss	**11.3**
Revaluation of net liabilities for defined benefit plans	(13.7)
Items that may not be reclassified subsequently to profit or loss	**(13.7)**
Other items of comprehensive income as of December 31, 2016*	**(2.4)**

* Restated for the measurement of Darty's identifiable assets and liabilities

Note 12 Shareholders' equity

12.1. Share capital

As of June 30, 2017, the share capital amounted to €26,519,617, consisting of 26,519,617 fully paid-up shares with a par value of €1. The capital increase in the first half of 2017 represents the creation of 396,846 shares to increase the share capital reserved for the exercise of stock subscription options as part of performance-based remuneration plans.

12.2. Appropriation of earnings

No dividend was paid for the 2016 period. The profit for the 2016 period was allocated to shareholders' equity.

12.3. Treasury stock

In the first half of 2017, Fnac Darty held an average of 28,477 treasury shares as part of the liquidity agreement entered into on June 19, 2013 with Rothschild & Cie Banque.

As of June 30, 2017, the Group did not hold any treasury shares.

Note 13 Cash and cash equivalents

Cash and cash equivalents break down as follows:

(€ million)	**At June 30, 2017**	**At June 30, 2016 Adjusted***	**At December 31, 2016 Adjusted****
Cash	352.7	112.7	272.8
Cash equivalents	6.4	6.0	383.1
Total	**359.1**	**118.7**	**655.9**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

In the first half of both 2017 and 2016, cash equivalents represented the amount allocated as part of the implementation of the liquidity agreement. That contract is designed to promote transaction liquidity and consistency of the Fnac Darty share listing.

In 2016, cash equivalents were comprised of Sicavs (open-ended investment funds). Sicavs also included €6.0 million allocated as part of the implementation of the liquidity agreement.

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, 2017, these analyses did not lead to changes in the accounting classification.

Note 14 Financial debt

(€ million)	At June 30, 2017	N+1	N+2	N+3	N+4	N+5	Beyond	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Long-term borrowings and financial debt	**854.5**		**46.7**	**56.5**	**100.8**	**0.5**	**650.0**	**0.4**	**854.9**
Bonds 2023	650.0						650.0		650.0
Medium-term credit facility	200.0		45.0	55.0	100.0				200.0
Finance lease liabilities	4.5		1.7	1.5	0.8	0.5		0.4	4.9
Short-term borrowings and financial debt	**7.1**	**7.1**						**50.6**	**8.2**
Capitalized interest on 2023 bonds	5.3	5.3							5.6
Finance lease liabilities	1.8	1.8						0.3	2.3
Bank overdrafts									0.1
Other financial liabilities								50.3	0.3
Total	**861.6**	**7.1**	**46.7**	**56.5**	**100.8**	**0.5**	**650.0**	**51.0**	**863.1**
%		0.8%	5.4%	6.6%	11.7%	0.1%	75.4%		

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

At June 30, 2017, gross financial debt consisted mainly of the €650 million bond issue maturing in 2023 and the €200 million medium-term credit facility.

At June 30, 2016, gross financial debt consisted mainly of a drawdown of €50 million on the syndicated revolving credit line.

Note 15 Net financial debt

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

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Gross financial debt	861.6	51.0	863.1
Cash and cash equivalents	(359.1)	(118.7)	(655.9)
Net financial debt	**502.5**	**(67.7)**	**207.2**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

Note 16 Cash flow statement

Cash and cash equivalents stood at €359.1 million as of June 30, 2017 and corresponded to the amount of cash and cash equivalents presented below:

(€ million)	At June 30, 2017	At June 30, 2016 Adjusted*	At December 31, 2016 Adjusted**
Balance sheet cash and cash equivalents	359.1	118.7	655.9
Bank overdrafts	-	-	-
Cash and cash equivalents in the cash flow statement	**359.1**	**118.7**	**655.9**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

** Restated for the measurement of Darty's identifiable assets and liabilities

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

(€ million)	30-Jun-17	30-Jun-16 Adjusted*	31-Dec-16 Adjusted**
Net cash flows from operating activities	(217.5)	(240.5)	246.5
Net cash flows from investing activities	(47.5)	(388.0)	(1,116.6)
Net cash flows from financing activities	(9.9)	202.3	992.5
Net cash flows from discontinued operations	(14.7)	0.1	(7.6)
Financing of the Comet pension fund	(5.7)		(4.9)
Impact of fluctuations in foreign exchange rates	(1.5)	0.2	1.4
Net change in cash	**(296.8)**	**(425.9)**	**111.3**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

16.1. Net cash flows from operating activities

Cash flows from operating activities globally stem from the Group's main cash generating activities and can be broken down as follows:

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted***
Cash flow from operations before tax, dividends and interest	74.1	(10.5)	200.0
Change in working capital requirement	(270.5)	(222.4)	84.0
Income tax paid	(21.1)	(7.6)	(37.5)
Net cash flows from operating activities	**(217.5)**	**(240.5)**	**246.5**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

The composition of cash flow from operations is as follows:

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Net income from continuing operations	**(15.1)**	**(67.8)**	**24.1**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	61.3	29.6	75.2
Current proceeds from the disposal of operating assets	1.0	0.3	2.5
Non-current proceeds from the disposal of operating assets	2.1	0.4	3.4
Non-current proceeds from the disposal of financial assets	0.6	1.4	2.4
Deferred tax income and expense	(5.3)	(1.6)	6.2
Discounting of provisions for pensions & other similar benefits	1.2	0.6	29.5
IFRS valuation of Darty shares		0.0	(14.0)
Gains and losses on derivatives	0.0	10.8	(0.2)
Cash flow from operations	**45.8**	**(26.3)**	**129.1**
Financial interest income and expense	18.1	9.8	54.3
Dividends received	0.0	0.0	(0.1)
Net tax charge payable	10.2	6.0	16.7
Cash flow from operations before tax, dividends and interest	**74.1**	**(10.5)**	**200.0**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

16.2. Net cash flows from investing activities

The Group's net cash flows from investing activities include cash flows for purchases and disposals of property, plant, and equipment and intangible assets (net operating investments), as well as acquisitions and disposals of subsidiaries net of cash acquired or transferred, acquisitions of other financial investments, and interest and dividends received (net financial investments).

Operating and financial investments made by the Group in the first half of 2016 amounted to €47.5 million.

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Net operating investments	(47.4)	(33.8)	(95.7)
Net financial investments	(0.1)	(354.2)	(1,020.9)
Cash flows from investing activities	**(47.5)**	**(388.0)**	**(1,116.6)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

The Group's net operating investments in the first half of 2017 amounted to €47.4 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Purchases of property, plant and equipment and intangible non-current asset	(46.8)	(23.0)	(88.6)
Change in debt for non-current assets	(1.8)	(11.0)	(9.0)
Total non-current asset purchases	**(48.6)**	**(34.0)**	**(97.6)**
Disposals of non-current assets	1.2	0.2	1.9
Total purchases and disposals of non-current assets	**(47.4)**	**(33.8)**	**(95.7)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

The Group's net financial investments show a near zero outflow in the first half of 2017 against a outflow of €354.2 million in the first half of 2016 and €1,020.9 million for the full 2016 financial period.

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Purchases of subsidiaries net of cash acquired	(0.1)	0.0	(1,020.7)
Disposals of subsidiaries net of cash transferred	0.0	(1.3)	(1.3)
Acquisitions of other financial assets	0.0	(355.2)	(0.9)
Disposals of other financial assets	0.0	2.0	1.4
Interest and dividends received	0.0	0.3	0.6
(Net) financial investments	**(0.1)**	**(354.2)**	**(1,020.9)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

In the first half of 2016, outflows of €354.2 million primarily related to the acquisition of 29.7% of Darty for €353.6 million.

In 2016, purchases of subsidiaries, net of cash acquired, reflected cash flows connected with the acquisition of Darty Plc in the amount of €1,018.7 million and a outflow of €2.0 million for the acquisition of 50% of Izneo.

16.3. Net cash flows from financing activities

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16 Adjusted****
Capital increase / reduction	7.6	157.1	157.1
Other transactions with shareholders	(3.9)	0.0	3.9
Purchases or sales of treasury stock	3.8	(0.2)	0.0
Bonds issued	0.0	0.0	650.0
Increase / decrease in other financial debt	0.0	50.1	200.0
Interest and equivalent payments	(17.4)	(4.7)	(18.5)
Net cash flows from financing activities	**(9.9)**	**202.3**	**992.5**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

** Restated for the measurement of Darty's identifiable assets and liabilities

At June 30, 2017, the €7.6 million capital increase reflected the exercise of stock options as part of the Group performance-based remuneration plans. This increase is offset by the change in the liability to subscribers who had already paid cash in the previous period, for the amount of €3.9 million.

In the first half of 2017, inflows for the purchase of treasury shares represented mainly the redemption of Darty shares held by UBS as part of the share-based remuneration plans for managers of the former Darty Group. This item also includes the outflows and inflows related to the purchase of Fnac Darty shares made under the liquidity agreement entered into on June 19, 2013, with Rothschild & Cie Banque. As of June 30, 2017, the Group did not hold any treasury shares.

At June 30, 2017, net outflows for net financial interest paid mainly include the payment of interest on financing instruments as well as utilization an non-utilization fees on credit lines.

In 2016, the capital increase represented the creation of 2,944,901 shares to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

In the first half of 2016, the increase in gross financial debt consisted mainly of a drawdown of €50 million on the syndicated revolving credit line.

In 2016, the Group issued €650 million in bonds and set up a €200 million medium-term credit facility.

16.4. Net cash flows from financing activities and discontinued operations

A discontinued operation that was sold or held for sale is defined as a component of an entity having a cash flow that can be identified separately from that of the rest of the entity and which represents a line of activity or a principal, distinct region. Over the reported periods, the income from these activities is presented on a separate line in the income statement, under “Discontinued operations”, and is restated in the cash flow statement.

During the fourth quarter of 2016, the Group decided to divest the Group's Brazilian operations and a bank was appointed to identify potential buyers and initiate negotiations. In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of June 30, 2017 and December 31, 2016, and in the adjusted presentation of the financial statements for June 30, 2016. The assets and liabilities of Fnac Brazil are presented on a separate line in the Group's balance sheet. Over the reported periods, the income from the Fnac Brazil operation is presented on a separate line in the income statement, under “Discontinued operations”, and is restated in the cash flow statement.

Furthermore, on July 19, 2017, the Group announced that it had signed an agreement for the sale of its subsidiary Fnac Brazil to the Livraria Cultura Group.

In order to give the new entity all the resources it needs to position itself among the leaders in its market, Fnac Darty will license the Fnac brand and will carry out a recapitalization.

The estimated impact of the cost of sale of the subsidiary, after recapitalization and the write-off of outstanding receivables, was recorded in the Group's consolidated financial statements at June 30, 2017. This estimated cost amounts to €77.8 million. Taking into account Fnac Brazil's operating loss in the first half of 2017, the net income from discontinued operations amounted to €88.1 million.

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16**
Income from ordinary activities	**53.9**	**48.4**	**118.6**
Cost of sales	(42.3)	(37.8)	(91.5)
Gross margin	**11.6**	**10.6**	**27.0**
Personnel expenses	(6.0)	(5.4)	(11.3)
Other current operating income and expenses	(11.2)	(10.8)	(22.2)
Current operating income	**(5.6)**	**(5.6)**	**(6.5)**
Other non-current operating income and expenses	(80.5)	(0.7)	(12.0)
Operating income	**(86.2)**	**(6.3)**	**(18.6)**
(Net) financial expense	(2.0)	(1.1)	(2.7)
Pre-tax income	**(88.1)**	**(7.4)**	**(21.2)**
Income tax	0.0	0.0	(0.4)
Net income	**(88.1)**	**(7.4)**	**(21.6)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16**
Net cash flows from operating activities	(13.0)	1.5	(2.7)
Net cash flows from investing activities	0.0	0.0	0.0
Net cash flows from financing activities	(1.3)	(1.4)	(3.2)
Net cash flows	**(14.3)**	**0.1**	**(5.9)**
Change in cash position	(0.3)	0.1	(1.7)
Net cash flows from discontinued operations	**(14.7)**	**0.1**	**(7.6)**

* Restated for the reclassification of Fnac Brazil as a discontinued operation

(€ million)	**30-Jun-17**	**30-Jun-16 Adjusted***	**31-Dec-16**
Assets held for sale	**48.7**	**56.7**	**64.0**
Inventories Fnac Brazil	*15.2*	*17.3*	*22.2*
Trade receivables Fnac Brazil	*9.0*	*16.6*	*16.4*
Receivables from suppliers Fnac Brazil	*2.2*	*2.7*	*2.3*
Other current assets Fnac Brazil	*20.7*	*20.0*	*21.6*
Assets relating to stores being sold	*1.6*	*0.0*	*1.6*
Liabilities relating to assets held for sale	**95.2**	**21.2**	**33.5**
Liabilities relating to assets held for sale Brazil	*94.0*	*21.2*	*32.3*
Liabilities relating to stores being sold	*1.2*	*0.0*	*1.2*
Translation gain/(loss) Fnac Brazil recognized in equity	**(5.9)**	**(3.0)**	**(0.3)**

* Restated for the reclassification of Fnac Brazil into assets and liabilities held for sale

16.5. Financing of the Comet pension fund

The financing of the UK pension fund that was assumed upon acquisition of Darty Plc represents disbursements by the Group in line with retirement benefit obligations to former Comet employees in the UK.

Note 17 Changes in contingent liabilities, unrecognized contractual commitments and contingent risks

Contingent liabilities, unrecognized contractual commitments and contingent risks as of December 31, 2016 are set out in Chapter 5, note 33 of the 2016 Registration Document.

Compared to 2016, 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 the end of the period. 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 earnings of the Company or Group.

Note 18 Related parties

As of June 30, 2017, the Artémis Group owned 24.33% of Fnac Darty's share capital and 24.33% of its voting rights.

As of June 30, 2017, the Vivendi Group owned 11.10 % of Fnac Darty's share capital and 11.10 % of its voting rights.

The main transaction during the first half of 2017 between all Fnac Darty consolidated companies and the Kering Group, the party related to the Artémis Group, was as follows:

- reinvoicing by the Kering Group, IT services provider, in the amount of €0.8 million excluding taxes.

The Vivendi Group's main transactions at Fnac Darty in the first half of 2017, between all the Group's consolidated companies and the parties related to Vivendi Group, were as follows:

- reinvoicing by the Universal Group, musical products supplier, in the total amount of €11.3 million excluding taxes;
- reinvoicing by the Universal Group, musical products customer, in the total amount of €0.1 million excluding taxes;
- reinvoicing by the Olympia Group, ticket sales provider, in the total amount of €1.9 million excluding taxes;
- reinvoicing by the Canal+ Group, subscription services provider, in the total amount of €0.2 million excluding taxes.

In 2015, a regulated agreement was authorized in advance and entered into with BDGS, a law firm specializing in competition law and in market operations, especially cross-border transactions; one of its founding partners is Director Antoine Gosset-Grainville. This firm was tasked with overseeing the Darty acquisition process. The amount of this service and other services totaled €0.1 million before tax for the first half of 2017.

In 2016, the main transaction between all the Group's consolidated companies and the Kering Group, the party related to the Artémis Group, was as follows:

- reinvoicing by the Kering Group, IT services provider, in the amount of €3.3 million excluding taxes.

In 2016, the main transactions between all the Group's consolidated companies and the parties related to the Vivendi Group, were as follows:

- reinvoicing by the Universal Group, musical products supplier, in the total amount of €17.4 million excluding taxes;

- reinvoicing by the Universal Group, musical products customer, in the total amount of €1.0 million excluding taxes;
- reinvoicing by the Olympia Group, ticket sales provider, in the total amount of €3.9 million excluding taxes;

In 2016, the main transaction between all the Group's consolidated companies and the party related to BDGS was as follows:

- reinvoicing by BDGS, service provider, in the total amount of €4.1 million excluding taxes.

Note 19 Events occurring after the close of the period

New Fnac Darty governance

On June 9, 2017, Alexandre Bompard, Chairman and Chief Executive Officer of Fnac Darty, notified the Group's Board of Directors that he would be resigning from the position of Chairman and Chief Executive Officer. In order to help ensure that this top-level managerial transition would proceed smoothly, he officially stepped down on July 17, 2017. Alexandre Bompard will remain a Company Director until the last quarter of 2017.

The Fnac Darty Board of Directors has appointed Enrique Martinez as Chief Executive Officer of the Company. This appointment reflects the Board's intention to continue the Group's transformation that started in recent years, with the support of the current management team, and to effectively complete the Fnac Darty integration process that began in 2016.

The Board's choice reflects its conviction that managerial continuity is the best way of enabling the Group to strengthen both its position on the market and its operational performance.

The Board of Directors will be chaired by Jacques Veyrat, who will provide Enrique Martinez and the management team with his experience and contribute to the Group's strategic positioning.

The Audit Committee, which was led previously by Jacques Veyrat, will now be chaired by Marie Cheval.

Disposal of the Brazil operations

On July 19, Fnac Darty announced the signature of an agreement for the disposal of its subsidiary Fnac Brazil to the Livraria Cultura group.

Operating in Brazil since 1999, with a network of 12 Fnac stores and a website, Fnac Darty launched at the end of 2016 a process to identify a partner, in order for Fnac Brazil to reach a critical size.

Livraria Cultura is a longstanding player in the retailing of editorial products in Brazil, with a network of 18 stores and a well-known e-commerce offering. Livraria Cultura offers a promising industrial project for Fnac Brazil and will rely on Fnac brand awareness and the expertise of its teams to continue to implement its development strategy. This merger between two groups sharing similar cultures and committed to cultural promotion in Brazil will create value and synergies. It will allow the Livraria Cultura Group to diversify its business, through the contribution of Fnac's technical products.

In order to give the new entity all the resources it needs to position itself amongst the leaders in its market, Fnac Darty will license the Fnac brand and will carry out a recapitalization.

4 REPORT OF THE STATUTORY AUDITORS

Fnac Darty S.A.

Société Anonyme
9, rue des Bateaux-Lavoirs
ZAC Port d'Ivry
94200 Ivry-sur-Seine (France)

Statutory Auditors' Report on the interim financial information

Period from January 1 to June 30, 2017

To the 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 limited review of the consolidated half-year financial statements of the company Fnac Darty S.A. for the period from January 1 to June 30, 2017, 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 limited review in accordance with the the professional standards applicable in France. A limited 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 limited 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 limited 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.

II – Specific verification

We also verified the information provided in the interim management report commenting on the condensed consolidated half-year financial statements that were the subject of our limited 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, on July 27, 2017	Neuilly-sur-Seine, on July 27, 2017

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 semester 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 27, 2017

Enrique Martinez

Chief Executive Officer

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Fnac Darty, a French limited company (société anonyme)
with share capital of €26,519,617
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