IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Fnac Darty S.A. and its subsidiaries (the "*Group*") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "*U.S. SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED HEREIN.

Confirmation of your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be outside the U.S. This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to the Group that (i) the electronic mail address that you gave the Group and to which this offering memorandum has been delivered is not located in the U.S. and (ii) you consent to delivery of such offering memorandum by electronic transmission.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell S.A., Crédit Industriel et Commercial S.A. and KBC Bank NV (each, an "*Initial Purchaser*") nor any person who controls such Initial Purchaser, the Group, nor any director, officer, employee nor agent of theirs or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering of the notes pursuant to this offering memorandum (the "*Offering*") do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial

Purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Group in such jurisdiction.

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the U.S. Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States. Recipients of this offering memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this offering memorandum.

Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Notice to Prospective Investors in the United Kingdom

The communication of this offering memorandum and any other document or materials relating to the issue of the notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of Section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "*Financial Promotion Order*")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "*relevant persons"*). In the United Kingdom, the notes offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Notice to Prospective Investors in the European Economic Area

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (as amended or superseded), as implemented in the Member States of the European Economic Area (the "*EEA*").

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The notes offered hereby are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("*MiFID II*"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended or superseded (the "*Insurance Distribution Directive*)", where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "*PRIIPs Regulation*") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance / Professional Investors and ECPs Only Target Market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes offered hereby has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "*distributor*") should take into consideration the manufacturers' target market assessments; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessments) and determining appropriate distribution channels.

OFFERING MEMORANDUM

NOT FOR GENERAL CIRCULATION IN THE UNITED STATES STRICTLY CONFIDENTIAL

FNAC DARTY

Fnac Darty S.A.

€300,000,000 1.875% Senior Notes due 2024

€350,000,000 2.625% Senior Notes due 2026

Fnac Darty S.A., a *société anonyme* organized under the laws of France (the "*Issuer*"), is offering (the "*Offering*") €300 million aggregate principal amount of its 1.875% senior notes due 2024 (the "*2024 Notes*") and €350 million aggregate principal amount of its 2.625% senior notes due 2026 (the "*2026 Notes*" and, together with the 2024 Notes, the "*Notes*").

The 2024 Notes will bear interest at a rate of 1.875% and will mature on May 30, 2024. The 2026 Notes will bear interest at a rate of 2.625% and will mature on May 30, 2026. Interest on the Notes will accrue from May 14, 2019 and will be payable semi-annually on each May 30 and November 30, commencing on November 30, 2019.

Prior to May 30, 2021, the Issuer will be entitled at its option to redeem all or a portion of the 2024 Notes by paying a "make whole" premium. On or after May 30, 2021, the Issuer will be entitled at its option to redeem all or a portion of the 2024 Notes, at any time or from time to time, at the redemption prices set forth in this offering memorandum. In addition, at any time prior to May 30, 2021, the Issuer may redeem at its option up to 40% of the principal amount of the 2024 Notes with the net cash proceeds from certain equity offerings at a price equal to 101.875% of the principal amount of the 2024 Notes redeemed plus accrued and unpaid interest, provided that at least 60% of the original principal amount of the 2024 Notes remains outstanding after the redemption.

Prior to May 30, 2022, the Issuer will be entitled at its option to redeem all or a portion of the 2026 Notes by paying a "make whole" premium. On or after May 30, 2022, the Issuer will be entitled at its option to redeem all or a portion of the 2026 Notes, at any time or from time to time, at the redemption prices set forth in this offering memorandum. In addition, at any time prior to May 30, 2022, the Issuer may redeem at its option up to 40% of the principal amount of the 2026 Notes with the net cash proceeds from certain equity offerings at a price equal to 102.625% of the principal amount of the 2026 Notes redeemed plus accrued and unpaid interest, provided that at least 60% of the original principal amount of the 2026 Notes remains outstanding after the redemption.

Furthermore, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain change of control events, the Issuer may be required to offer to repurchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the repurchase.

The Notes will be the Issuer's senior obligations, will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not subordinated in right of payment to the Notes, including the Issuer's obligations under the Bank Facility Agreements (as defined herein), and will rank senior in right of payment to all of the Issuer's existing and future debt that is subordinated in right of payment to the Notes. The Notes will effectively be subordinated to any existing and future secured debt of the Issuer to the extent of the value of the assets securing such debt.

The Notes will be guaranteed on a senior basis within 90 days of the Issue Date (as defined herein) by the Guarantors (as defined herein), which include certain material subsidiaries of the Issuer. Each of the Guarantees (as defined herein) will rank *pari passu* in right of payment with such Guarantor's existing and future debt that is not subordinated in right of payment to such Guarantee, including such Guarantor's obligations under the Bank Facility Agreements, and will rank senior in right of payment to the applicable Guarantor's existing and future debt that is expressly subordinated in right of payment to such Guarantee. The Guarantee of each Guarantor will effectively be subordinated to any existing and future secured debt of such Guarantor to the extent of the value of the assets securing such debt. The Notes and the Guarantees will be structurally subordinated to any existing and future debt of the Issuer's existing and future subsidiaries that are not Guarantors. In addition, the validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees*". The Guarantees may be released under certain circumstances.

For a detailed description of the Notes, see "*Description of the Notes*" beginning on page 146.

There is currently no public market for the Notes. Application will be made for the Notes to be admitted to the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*") and to admit them for trading on the Global Exchange Market of Euronext Dublin (the "*Exchange*"). The Exchange is not a regulated market pursuant to the provisions of Directive 2014/65/EU ("*MiFID II*"). There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Exchange.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 25 for a discussion of certain risks that you should consider in connection with an investment in any of the Notes.

Issue Price for the 2024 Notes: 100% of principal plus accrued interest, if any, from the Issue Date.

Issue Price for the 2026 Notes: 100% of principal plus accrued interest, if any, from the Issue Date.

The Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S ("*Regulation S*") under the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"). The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Notice to Investors*" and "*Transfer Restrictions*" for further details about eligible offerees and resale restrictions.

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more Global Notes, which is expected to be delivered through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, S.A. ("*Clearstream*") on or about May 14, 2019.

Joint Global Coordinators and Joint Bookrunners

BNP PARIBAS **Crédit Agricole CIB** **Natixis**

Joint Bookrunner

Société Générale

Co-Managers

Banco Sabadell **BBVA** **CM-CIC Market Solutions** **KBC Bank**

Offering memorandum dated April 25, 2019

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NOTICE TO INVESTORS

THE NOTES WILL BE OFFERED AND SOLD IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY STATE SECURITIES LAWS AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD IN THE U.S. SEE "*PLAN OF DISTRIBUTION*" AND "*TRANSFER RESTRICTIONS*". INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or the Initial Purchasers or their respective affiliates. This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes.

The contents of this offering memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisers as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and its affiliates, the terms of the Offering and the merits and risks involved.

The Offering is being made in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "*Transfer Restrictions*". The Notes have not been and will not be registered with, recommended by or approved by the SEC or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has the SEC or any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

Application will be made for the Notes to be admitted to the Official List and to admit them for trading on the Exchange. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Exchange. In the course of any review by the competent authority, the Issuer may be requested to make changes to the financial and other information included in this offering memorandum. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this offering memorandum to reflect changes in the Group's business, financial condition or results of operations and prospects. The application to have the Notes admitted to the Official List and admitted to trading on the Exchange will not be approved as of the Issue Date, and it cannot be guaranteed that such application will be approved as of any date thereafter. Settlement of the Notes is not conditioned on obtaining this listing.

The Initial Purchasers, Deutsche Trustee Company Limited (the "*Trustee*") and any other agents acting with respect to the Notes make no representations or warranties, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum nor have the Initial Purchasers, the Trustee or any other agents acted on your behalf to independently verify the information in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or the Trustee as to the past or future.

The Group has prepared this offering memorandum solely for use in connection with the offer of the Notes outside the United States under Regulation S. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of any Notes.

The Issuer reserves the right to withdraw the Offering at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe, any such restrictions. None of the Issuer, the Initial Purchasers, the Trustee or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of this offering memorandum, see "*—Notice to Certain Other European Investors*" and "*Transfer Restrictions*".

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its affiliates, the Trustee or the Initial Purchasers or their respective affiliates will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit the Offering or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuer or its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The Notes will only be issued in fully registered form, in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes sold outside the U.S. in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "*Global Notes*"). The Global Notes representing the Notes will be deposited, on the Issue Date, with, or on behalf of, a common depositary for the accounts of the Euroclear and Clearstream and registered in the name of the nominee of the common depositary. See "*Book-Entry, Delivery and Form*".

The Group accepts responsibility for the information contained in this offering memorandum. To the best of the Group's knowledge and belief (having taken reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Group accepts responsibility accordingly.

Prospective investors should rely only on the information contained in this offering memorandum. None of the Issuer or the Initial Purchasers has authorized anyone to provide prospective investors with different information, and prospective investors should not rely on any such information. None of the Issuer, the Guarantors or the Initial Purchasers is making an offer of these Notes in any jurisdiction where this offer is not permitted. Prospective investors should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum. This offering memorandum may only be used for the purposes for which it has been prepared.

MiFID II Product Governance / Professional Investors and Eligible Counterparties Only Target Market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that:

- the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and
- all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

Any person subsequently offering, selling or recommending the Notes (a "*distributor*") should take into consideration the manufacturers' target market assessments; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessments) and determining appropriate distribution channels.

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (as amended or superseded), as implemented in the Member States of the EEA.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA.

For these purposes, a "retail investor" means a person who is one (or more) of:

- a retail client as defined in point (11) of Article 4(1) of MIFID II; or
- a customer within the meaning of Directive (EU) 2016/97, as amended or superseded (the "*Insurance Distribution Directive*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "*PRIIPS Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

STABILIZATION

IN CONNECTION WITH THE OFFERING, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (THE "*STABILIZING MANAGER*") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. SUCH STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES TAKES PLACE AND, IF BEGUN, MAY CEASE AT ANY TIME BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZING ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*".

NOTICE TO CERTAIN OTHER EUROPEAN INVESTORS

Belgium

This offering memorandum relates to a private placement of the Notes and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the Notes. The Offering has not been and will not be notified to, and this offering memorandum has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to a public offering of notes. Accordingly, the Offering, as well as any other materials relating to the Offering may not be advertised, the Notes may not be offered or sold, and this offering memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any person other than to qualified investors (*gekwalificeerde beleggers/ investisseurs qualifiés*) within the meaning of Article 10 of the Belgian Law of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market, as amended or replaced from time to time and Article 2(e) of Regulation (EU) 2017/1129 of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC or (ii) to any person qualifying as a consumer within the meaning of Book VI (*Market practices and consumer protection*) of the Belgian Code of Economic Law. This offering memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium. Any resale of the Notes in Belgium may only be made in accordance with the prospectus legislation and other laws as applicable in Belgium.

France

The Notes have not been and will not be offered or sold to the public in the Republic of France (''*offre au public de titres financiers*'') within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Title I of Book II of the *Règlement Général* of the French financial market authority (*Autorité des marchés financiers*, the ''*AMF*''). Consequently, neither this offering memorandum nor any offering or marketing materials relating to the Notes may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The Notes have not been and will not be offered or sold to the public in France and shall not be distributed or caused to be distributed to the public in France. This offering memorandum or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made available in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles 411-1, L. 411-2 and D. 411-1, D. 411-4, D. 744-1, D.754-1 and 764-1 of the French Monetary and Financial Code.

Prospective investors are informed that:

- this offering memorandum has not been submitted for clearance to the AMF;
- entities referred to in Article L. 411-2-II-2 of the French Monetary and Financial Code may participate in the Offering for their own account, as provided under Articles L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code; and
- no direct nor indirect distribution or sale of the Notes can be made to the public.

Spain

This offering memorandum has not been and it is not envisaged to be approved by, registered or filed with, or notified to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). It is not intended for the public offering or sale of the Notes in Spain and does not constitute a prospectus (registration document or notes) for the public offering of the Notes in Spain. Accordingly, no Notes may be offered, sold, delivered, marketed nor may copies of this offering memorandum or any other document relating to the Notes be distributed in

Spain, and investors in the notes may not sell or offer such Notes in Spain other than in compliance with the requirements set out by Articles 35 of the Royal Legislative Decree 4/2015 of 23 October of the Securities Markets (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated, ("*Royal Legislative Decree 4/2015*") and 38 of Royal Decree 1310/2005, of 5 November, on admission to trading of the Notes in official secondary markets, public offerings and prospectus (*Real Decreto 1310/2005, de 4 de noviembre, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated (the "*Royal Decree 1310/2005*") so that any sale or offering of the notes in Spain is not classified as a public offering of the Notes in Spain.

The Notes may not be listed, offered, sold or distributed in Spain, except in accordance with the requirements set out in Spanish laws transposing the Prospectus Directive, in particular Royal Legislative Decree 4/2015, and Royal Decree 1310/2005, of 4 November, or any other related regulations that may be in force from time to time, as further amended, supplemented or restated.

Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("*CONSOB*") pursuant to Italian securities legislation. Accordingly, each Initial Purchaser, severally and not jointly, has represented and agreed that it has not offered, sold or delivered, directly or indirectly, any Notes to the public in the Republic of Italy.

For the purposes of this provision, the expression "offer of Notes to the public" in Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, including the placement through authorized intermediaries.

Each Initial Purchaser, severally and not jointly, has represented and agreed that it will not offer, sell or deliver, directly or indirectly, any Note or distribute copies of this offering memorandum or of any other document relating to the Notes in the Republic of Italy except:

(i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the "*Italian Financial Act*"), as implemented by Article 35, paragraph 1, letter d) of CONSOB regulation No. 20307 of February 15, 2018, as amended ("*Regulation No. 20307*") pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("*Regulation No. 11971*"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB regulations including Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 20307, Legislative Decree No. 385 of September 1, 1993 as amended (the "*Banking Act*") and any other applicable laws or regulation;

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer, sale, delivery or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to Article 652a or 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, or (iii) a prospectus as such term is defined in the Swiss Federal Act on Collective Investment Schemes and neither this offering memorandum nor any other marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. Neither this offering memorandum nor any other offering and marketing material relating to the offering or the Notes have been or will be filed with or approved by the Swiss Financial Market Supervisory Authority FINMA or any other Swiss regulatory authority.

United Kingdom

The communication of this offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such document and/or materials have not been approved by an authorized person for the purposes of Section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "*FSMA*"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "*Financial Promotion Order*")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

The Netherlands

Each of the Initial Purchasers has, severally and not jointly, agreed that the Notes are not, and may not be, offered to the public in the Netherlands other than to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

USE OF TERMS

Unless otherwise specified or the context requires otherwise in this offering memorandum, references to:

- "£" are to the lawful currency of the U.K.;
- "*2023 Notes*" are to the €650 million 3.25% senior notes issued by the Issuer in 2016, which are expected to be fully redeemed in the Redemption;
- "*2024 Indenture*" are to the indenture to be dated as of the Issue Date governing the 2024 Notes;
- "*2024 Notes*" are to the €300 million 1.875% senior notes offered hereby;
- "*2026 Indenture*" are to the indenture to be dated as of the Issue Date governing the 2026 Notes;
- "*2026 Notes*" are to the €350 million 2.625% senior notes offered hereby;

- "*Acquisition*" are to the acquisition of 100% of the issued share capital of Darty by the Issuer, as described in more detail in "*Business—The Acquisition*";
- "*Bank Facility Agreements*" are to the Senior Facilities Agreement and the EIB Facility Agreement;
- "*BCC*" are to Darty's "BCC" business in the Netherlands;
- "*Belgian Guarantors*" are to Fnac Belgium SA and Fnac Vanden Borre NV;
- "*Brown Goods*" are to vision and audio products such as TVs, photography, sound systems and headsets;
- "*Commercial Paper Program*" are to the Commercial Paper Program entered into by the Issuer in which the Issuer may issue up to an aggregate principal amount of €300 million commercial paper notes;
- "*Consumer Electronics*" are to Grey Goods and Brown Goods;
- "*Darty*" are to Darty Limited and its subsidiaries;
- "*Editorial Products*" are to physical products (music, video, books and gaming products) and digital products (digital reading solutions and content offerings);
- "*EEA*" are to the European Economic Area;
- "*EIB Facility*" are to the €100.0 million term facility made available under the EIB Facility Agreement;
- "*EIB Facility Agreement*" are to the facility agreement dated February 15, 2019, entered into between the Issuer, as borrower, and the European Investment Bank, as lender;
- "*EU*" are to the European Union;
- "*EURIBOR*" are to the Euro Interbank Offered Rate;
- "*euro*" or "*€*" are to the lawful currency of the European Monetary Union;
- "*Euronext Dublin*" are to the Irish Stock Exchange plc trading as Euronext Dublin;
- "*Exchange*" are to the Global Exchange Market of Euronext Dublin;
- "*Exchange Act*" are to the U.S. Securities and Exchange Act of 1934;
- "*Fnac Darty*" or "*Group*" are to the Issuer and its subsidiaries;
- "*Fnac*" are to Fnac Darty Participations et Services S.A. and its subsidiaries;
- "*French Guarantors*" are to Fnac Darty Participations et Services, Fnac Direct, Établissements Darty & Fils, Darty Grand Est and Darty Grand Ouest;
- "*GfK*" are to the market research firm Gesellschaft für Konsumforschung;
- "*Grey Goods*" are to telecommunications and multimedia products such as personal computers, tablets, printers and scanners;
- "*Guarantees*" are to the unconditional guarantees of the Notes by the Guarantors;
- "*Guarantors*" are to the French Guarantors and the Belgian Guarantors;
- "*Household Appliances*" are to Large and Small Household Appliances;
- "*IFRS*" are to International Financial Reporting Standards, as adopted by the EU;
- "*Indentures*" are to the 2024 Indenture and the 2026 Indenture;
- "*Initial Purchasers*" are to BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell S.A., Crédit Industriel et Commercial S.A. and KBC Bank NV;

- "*Internet pure players*" are to new web-only retailers;
- "*Issue Date*" are to the date of issuance of the Notes;
- "*Issuer*" are to Fnac Darty S.A., a *société anonyme* organized under the laws of France;
- "*Kering*" are to the Kering group, including Kering S.A. and Kering B.U.;
- "*Large Household Appliances*" are to large household appliances, such as refrigerators, washing machines and dishwashers;
- "*Member State*" are to any state that is a member of the EEA;
- "*Notes*" are to the 2024 Notes and the 2026 Notes;
- "*Offering*" are to the offering of the Notes pursuant to this offering memorandum;
- "*Official List*" are to the Official List of Euronext Dublin;
- "*Other Products and Services*" are to products the Group considers to be in the development phase in terms of revenue generation (*e.g.*, kitchen equipment, home & design products, games & toys and stationery) and "services" and "other revenue" items (*e.g.*, sale of extended warranties, after-sales service, deliveries and installations, rental services for Consumer Electronics and delivery services, ticketing, gift boxes, sales of membership cards for Fnac's loyalty programs, the invoicing of shipping costs to Internet customers and royalties from stores operated under franchise);
- "*Prospectus Directive*" are to Directive 2003/71/EC (as amended or superseded), as implemented in Member States of the EEA;
- "*Redemption*" are to the redemption in full of the 2023 Notes, including the payment of accrued interest and the applicable redemption premium;
- "*Revenue*" are to the Group's consolidated income from ordinary activities as presented in the Consolidated Financial Statements;
- "*Revolving Facility*" are to the €400.0 million revolving credit facility made available under the Senior Facilities Agreement;
- "*SEC*" are to the U.S. Securities and Exchange Commission;
- "*Senior Facilities Agreement*" are to the senior facilities agreement dated April 20, 2016 (as amended, supplemented or otherwise modified from time to time including pursuant to an amendment and restatement agreement dated April 18, 2018) entered into between the Issuer, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale and certain other financial institutions as defined therein;
- "*Small Household Appliances*" include small domestic items such as kitchen appliances and accessories such as microwaves, coffee machines and irons, in addition to health and beauty products such as hair dryers and electric razors;
- "*Small and Large Household Appliances*" are to, collectively, Small Household Appliances and Large Household Appliances;
- "*Term Facility*" are to the term loan facility made available under the Senior Facilities Agreement;
- "*U.K.*" and "*United Kingdom*" are to the United Kingdom of Great Britain and Northern Ireland;
- "*U.S.*" and "*United States*" are to the United States of America;
- "*U.S. dollars*" or "*$*" are to the lawful currency of the United States of America;
- "*U.S. Securities Act*" are to the United States Securities Act of 1933, as amended;
- "*Vanden Borre*" are to the Group's "Vanden Borre" business in Belgium;

- "*Vivendi*" are to the Vivendi group, including Vivendi S.A.; and
- "*WEEE Directive*" are to the directive 2012/19/EU on waste electrical and electronic equipment.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum including, without limitation, in the sections captioned "*Risk Factors*", "*Use of Proceeds*", "*Business*", "*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*", and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the Group's inability to implement or adapt the Group's business strategy effectively;
- rapidly evolving and, in some circumstances, declining markets in which the Group operates;
- fierce competition in the markets in which the Group operates;
- risks associated with suppliers and third party logistic providers;
- rapidly changing technology, content, service delivery and consumer preferences;
- macroeconomic and political conditions in the domestic or foreign markets of the Group;
- risks associated with the seasonality of the business of the Group and with weather conditions;
- risks associated with the occurrence of catastrophic events such as terrorist attacks;
- the ability of the Group to implement effective marketing campaigns;
- the ability of the Group to maintain and enhance the perception and recognition of the Group;
- changes in production costs of the Group's suppliers;
- risks associated with not having formal contractual arrangements with the suppliers of the Group;
- the risk of product defects which may damage perception of the Group's banners;
- currency fluctuations and hedging risks;
- the risk of theft or misappropriation of funds or products in stores and warehouses;
- risks associated with changes in credit and debit card provider requirements or applicable regulations;
- the risk associated with loss of key personnel and the Group's inability to attract, retain or replace skilled employees;
- tax risks and risks relating to intellectual property and litigation;

- the risk of impairment of the assets of the Group, such as goodwill;
- risks relating to the Group's substantial indebtedness and the Group's ability to meet the Group's debt service obligations; and
- risks related to the Notes and the Guarantees.

Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Group undertakes no obligation, and does not intend, to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in the Group's business or strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

The Group provides a cautionary discussion of risks and uncertainties under "*Risk Factors*" contained elsewhere in this offering memorandum. These are factors that may cause the Group's actual results to differ materially from expected results. Other factors besides those listed here could also adversely affect the Group.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Consolidated Financial Information

This offering memorandum includes or derives information for the Group from the English language translations of the Group's audited consolidated financial statements and the related notes thereto (the "*Consolidated Financial Statements*") as of and for the financial years ended December 31, 2016, 2017 and 2018, each prepared in accordance with IFRS, included elsewhere in this offering memorandum. The historical financial data for the year ended December 31, 2016 correspond to the Consolidated Financial Statements for the financial year ended December 31, 2016, including 12 months of operating activity of Fnac and five months of operating activity of Darty since August 1, 2016 (for convenience, cash flows and income statements data are recognized as of August 1, 2016 even though the date of the Acquisition was July 18, 2016). Such historical financial data for the year 2016 were restated in 2017 to reflect the valuation of identifiable Darty assets and liabilities. For more information, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Other Financial Measures

Throughout this offering memorandum, financial measures and adjustments are presented that are not in accordance with IFRS, or any other internationally accepted accounting principles, including EBITDA, EBITDAR, free cash flow from operations, Like-for-like revenue growth/(fall), Internet sales, and Omnichannel sales as a percentage of Internet sales.

The Group has defined each of the following non-IFRS financial measures as follows:

- "*EBITDA*" is defined as the Group's current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income;
- "*EBITDAR*" is defined as EBITDA before rental payments, excluding rental charges on operating leases;
- "*Free cash flow from operations*" is defined as net cash flows from operating activities minus net capital expenditures. Net capital expenditures means operating investments net of disposals, excluding finance leases;
- "*Like-for-like revenue growth/(fall)*" is defined as the calculation of revenue growth/(fall) between a given period and the same period in the previous financial year, as adjusted, in order to exclude changes in scope such as acquisitions or disposals of subsidiaries and opening and closure of directly operated stores, and is expressed as a percentage change between the two periods. Like-for-like revenue growth/(fall) percentages are presented at constant exchange rates with revenue in foreign currencies for year or period N and year or period N-1 converted at the average N exchange rate. Revenue of subsidiaries acquired or sold (and of directly operated stores opened or closed) since January 1 of the previous year is excluded from the calculation of Like-for-like revenue growth/(fall);
- "*Internet sales*" is defined as the percentage of the Group's consolidated revenue derived from purchases on the Group's websites. For the purpose of calculating Internet sales, purchases on Group websites do not include "Click & Mag", where a sales assistant in a store places an order for the customer on fnac.com or darty.com when a store does not have a product in stock; and
- "*Omnichannel sales as a percentage of Internet sales*" is defined as revenue derived from the Group's omnichannel offering, as a percentage of consolidated revenue derived from purchases on its websites. Revenue derived from the Group's omnichannel offering includes purchase orders placed on the fnac.com and darty.com websites and collected in stores, such as "1hr Click & Collect" and "Click & Relais Colis". Revenue derived from the Group's omnichannel offering also includes purchase orders placed on the fnac.com and darty.com websites and initiated in stores by a sales assistant, such as "Click & Mag".

The Group has presented these financial measures (i) as they are used by the Group's management to monitor and report to the Group's directors on the Group's financial position for outstanding debt and available operating liquidity and (ii) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. The Group believes these measures enhance the investor's understanding of indebtedness and the Group's current ability to fund the Group's ongoing operations.

However, these non-IFRS financial measures are not measures determined based on IFRS, or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or other indicators of the Group's cash flow and the Group's performance based on IFRS. The non-IFRS financial measures, as defined by the Group, may not be comparable to similarly-titled measures as presented by other companies due to differences in the way the Group's non-IFRS financial measures are calculated. The non-IFRS financial information contained in this offering memorandum is not intended to comply and does not comply with the reporting requirements of the SEC, including Item 10(e) of Regulation S-K, which restricts adjusting non-GAAP measures by eliminating certain non-recurring, infrequent or unusual items, and will not be subject to review by the SEC. Even though the non-IFRS financial measures are used by management to assess the Group's financial position and performance and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Group's position or results as reported under IFRS.

General

Certain amounts and percentages included in this offering memorandum have been rounded. Accordingly, in certain instances, the sum of the numbers in a column of a table may not exactly equal the total figure for that column.

The financial information included in this offering memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Offering was being registered with the SEC.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this offering memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which the Group operates are based on data, statistical information, sector reports and third party studies that are generally believed to be reliable as well as on the Group's own estimates.

In drafting this offering memorandum, the following sources, in particular, were used:

- GfK data in respect of all market share and market size data. In this offering memorandum, market shares have been calculated on the basis of revenue; and

- Médiamétrie / NetRatings for Fevad, Baromètre trimestriel de l'audience du e-commerce en France au quatrième trimestre 2018, in respect of number of website visitors and data regarding the evolution of e-commerce.

The Group has not verified the accuracy and completeness of figures, market data and other information used by third parties in the Group's studies, publications and financial information, or the external sources on which the Group's estimates are based. The Group therefore assumes no liability for and offers no guarantee of the accuracy of the data from studies and third party sources contained in this offering memorandum or for the accuracy of data on which the Group's estimates are based. In particular, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative. However, the Issuer confirms that such information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by such third parties, no such facts have been omitted which could render the reproduced information inaccurate or misleading in any material respect.

This offering memorandum also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on the Group's own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. The Group believes that the Group's estimates of market data and the information the Group derived from such data help investors to better understand the industry the Group operates in and the Group's position within it. The Group's estimates have not been checked or verified externally. The Group nevertheless assumes that its market observations are reliable. The Group gives no warranty for the accuracy of its estimates and the information derived from them. They may differ from estimates made by the Group's competitors or from future studies conducted by market research institutes or other independent sources.

While the Group is not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this offering memorandum. As a result, neither the Group nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this offering memorandum.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum but may not contain all of the information that you should consider before investing in the Notes. This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. You should read this entire offering memorandum, including the section entitled "Risk Factors", the financial statements and related notes, before making an investment decision.

This offering memorandum contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences are discussed below and elsewhere in this offering memorandum. See "Forward-Looking Statements" and "Risk Factors".

The Group

Overview

Fnac Darty is a leading European retailer of Consumer Electronics, Editorial Products, Household Appliances and ancillary services. The Group combines two iconic and complementary banners, Fnac and Darty, providing customers with a wide range of products and services. The Group believes it is one of the top three omnichannel retailers in Europe by revenue, operating through its multi-format network of 780 stores in 12 countries (as of December 31, 2018), including France, Belgium, the Netherlands, Spain and Portugal, supported by strong logistics capabilities. As of the end of 2018, the Group was France's second-largest e-commerce retailer in terms of audience, reaching customers through its physical stores and its two retail websites, fnac.com and darty.com. The Group's position as a leader is based in particular on a high volume of customer traffic, with approximately 258 million store visits across the Group in 2018 and approximately 28 million unique online visitors per month in France. The Group generated revenue of €7,474.7 million (19% of which were Internet sales), EBITDA of €399.0 million and EBITDAR of €609.1 million in the financial year ended December 31, 2018.

The Group's main product and service categories are:

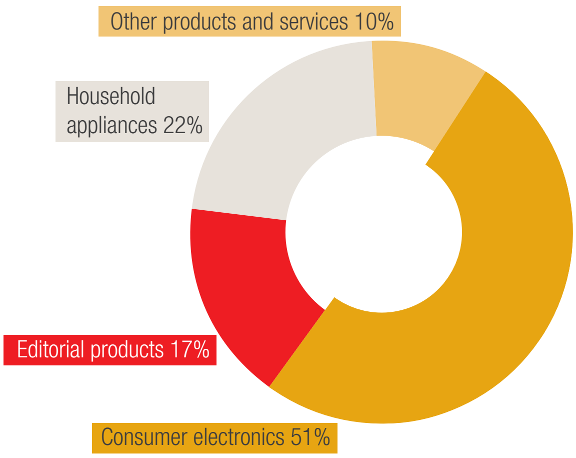
- Consumer Electronics (representing 51% of the Group's revenue in the financial year ended December 31, 2018): Brown Goods (*e.g.*, TVs, photography, sound systems and headsets) and Grey Goods (*e.g.*, telecommunications and multimedia products such as personal computers, tablets, printers and scanners);

- Editorial Products (representing 17% of the Group's revenue in the financial year ended December 31, 2018): physical products (music, video, books and gaming products) and digital products (digital reading solutions and content offerings);

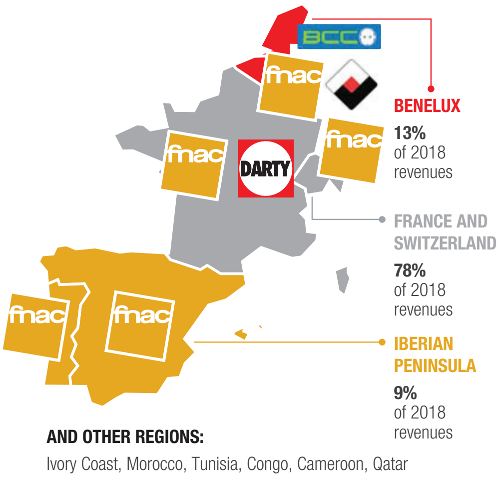
- Household Appliances (representing 22% of the Group's revenue in the financial year ended December 31, 2018): Large Household Appliances (*e.g.*, refrigerators, washing machines and dishwashers) and Small Household Appliances (*e.g.*, microwaves, coffee machines, irons, hair dryers, electric razors and other small household appliances); and

- Other Products and Services (representing 10% of the Group's revenue in the financial year ended December 31, 2018): other products (*e.g.*, kitchen equipment, home & design products, games & toys and stationery) and "services" and "other revenue" items (*e.g.*, sale of extended warranties, after-sales service, deliveries and installations, rental services for Consumer Electronics and delivery services, ticketing, gift boxes, sales of membership cards for Fnac's loyalty programs, invoicing of shipping costs to Internet customers and royalties from stores operated under franchise).

The following diagram presents the breakdown of the Group's revenue by product and service category for the financial year ended December 31, 2018:



The Group operates internationally, primarily in Europe, and divides its activities between three regions: France-Switzerland, Benelux and the Iberian Peninsula. The France-Switzerland region covers the Group's French and Swiss activities and also its franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast, and represented 78% of the Group's revenue in the financial year ended December 31, 2018. The Benelux region covers the activities of Fnac and Vanden Borre in Belgium and BCC in the Netherlands, and represented 13% of the Group's revenue in the financial year ended December 31, 2018. The Iberian Peninsula region covers Fnac activities in Spain and Portugal, and represented 9% of the Group's revenue in the financial year ended December 31, 2018. The Group's revenue by region as of December 31, 2018 is reflected in the following map:



Group history

The Group is a result of the merger of two leading companies in September 2016: Fnac and Darty. The merger brought together two leading banners, with complementary positions in the market, to create a larger scale leading omnichannel retailer. This combination changed the competitive environment considerably, particularly in France, by putting pressure on both brick-and-mortar retailers and Internet pure players through the offering of a wide range of products and services.

The aim of the Acquisition was to combine two major players who were of a similar size, had a similar analysis of their markets and had complementary strategies. In particular, since the early 2000s, the Consumer Electronics retail landscape has been materially reshaped by the rise of e-commerce and the arrival of new Internet pure player competitors who have exerted strong competitive pressure. In this context, consolidation was driven by a need to achieve the necessary scale and leverage the complementary features of the two banners' e-commerce platforms to remain competitive in the sector. The various actions taken by the Group since the completion of the Acquisition allowed the Group to deploy €131 million in synergies by the end of 2018, one year ahead of the original plan (which was to deliver €130 million by the end of 2019).

Confiance+ strategic plan

At the end of 2017, the Group launched its *Confiance+* strategic plan, which it successfully started deploying in the financial year ended December 31, 2018. The strategic plan relies on the strengths of the Fnac and Darty banners, and the strong progress achieved from their integration. The aim is to make the Group a leader in the era of ''Retail as a Service'', which demands being able to offer innovative services throughout the buying experience. To achieve this aim, the *Confiance+* strategic plan rests on two pillars. Firstly, an enriched ecosystem for its customers, most notably by (i) developing levers for growth, diversifying its product and service range and developing new fast-growing product lines, (ii) expanding the offering of services, relying on Fnac's client advice expertise, and Darty's after-sales knowhow, and (iii) enhancing the loyalty programs via the ramp-up of the enriched subscription programs Fnac+, Darty+ and other loyalty programs. Secondly, the Group's strategy relies on the strength of its omnichannel platform, which will be reinforced by (i) further expanding the Group's territorial coverage through an ambitious development of franchises, (ii) reinforcing the Group's digital footprint with an optimized online user experience and (iii) developing marketplaces. This strategy is supported by the development of strategic partnerships in order to provide an open platform for customers and partners alike. Since its inception, the *Confiance+* strategic plan has been deployed rapidly.

Under the *Confiance+* strategic plan, the Group seeks to (i) reach a medium-term objective of a current operating margin between 4.5% and 5% and (ii) have a faster growth than the markets in which it operates.

Competitive Strengths

Leading positions in the markets in which the Group operates

In the Group's largest market, France, it is the market leader for its main product categories of Consumer Electronics, Editorial Products and Household Appliances. In addition, the Group is the largest bookseller with approximately 45 million books sold in 2018 and the leader in event ticket sales. According to GfK, the Group has a 21% combined market share in France for its main product categories. In premium segments, defined by the highest two quartiles of prices, the Group has a 29% market share, reflecting its position as a key player in new, innovative and value-creating products. Internationally, the Group has a strong presence in both the Iberian Peninsula, through its 62 Fnac stores, and in Benelux, where it has 147 stores under the Fnac and Vanden Borre banners in Belgium and BCC in the Netherlands.

Since the Acquisition, the Group has benefitted from its increased scale and from stronger positions in the markets in which it operates. This increased scale has been critical to improving profitability and to maintaining a competitive advantage. As a market leader, the Group believes it has greater leverage when negotiating pricing terms with suppliers and has the opportunity to build stronger brand recognition with existing and potential customers. In France, the Group has steadily improved its market position in recent years, demonstrating the resilience of the business. The Group continued to gain market share in France in 2018.

Overall the Group believes that large chain omnichannel retailers, such as the Group, will continue to gain market share and effectively compete with Internet pure players, whilst putting pressure on traditional stores and hypermarkets, which have continued to lose market share over the past several years. In 2018, 19% of the Group's sales were Internet sales, and the Group's omnichannel sales represented 49% of Internet sales. As a result, the Group believes it is one of the top three omnichannel retailers in Europe by revenue.

Iconic and complementary brands with strong loyalty programs

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

The Fnac banner, founded in 1954, benefits from its strong reputation as a retailer of cultural, leisure, and Consumer Electronics products in France and its other geographic markets. The Group believes this recognition is attributable to Fnac's multi-specialist positioning and the banner's three core values: expertise, independence, and cultural promotion. Among specialty retail brands, Fnac is known for its expertise in the products it sells, with the banner maintaining its reputation for expertise by focusing on three main areas: laboratory testing (with over 1,000 tests in 2018), the quality of its sales force, and its customer relations. Since its inception, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to the banner's recommendations to customers and enables it to develop closer ties with them. Beginning in 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating. Fnac is a major cultural player and a company committed to artists, not just through its extensive cultural products offering, but also through the events (7,000 events in 2018) organized in-store or externally.

The Darty banner, founded in 1957, has built an equally powerful brand. The Darty banner has built its reputation on the quality of its after-sales service, especially through the promotion of its "Contrat de Confiance" beginning in 1973, which is built on the model "best price, best choice, best service". The banner guarantees low prices by issuing a gift card for a limited time period for the difference between the price paid and the price found elsewhere. The Darty philosophy is to offer its customers a very wide range of products and services to meet their specific needs. Darty looks to offer the best service before, during and after the sale. Thanks to the quality of the Darty banner's service offering, the Group is perceived as the leader in terms of "service included" prices, value for money, and having the most effective after-sales and delivery services.

The Group's large customer base offers the possibility of cross-selling thanks to the loyalty of its customers and loyalty programs. The Fnac banner has a strong customer loyalty program, with more than 8 million members, of which 5.9 million are in France, as of December 31, 2018. In 2018, revenue generated by Fnac's loyalty program members accounted for nearly 60% of the Fnac network revenue. The customer loyalty program is designed as a customer loyalty and retention tool for targeted and effective sales promotions. Members are an asset providing the Fnac banner with a high level of differentiation. Members visit the stores four times more often than other customers, and on average they spend double the amount of a non-member in-store. At the same time, the Darty banner has focused on developing its after-sales service, which is in itself an effective customer loyalty tool. Darty has built a database of several million households for the purpose of personalizing customers' experience with tailored recommendations, automated offers and "One Click" solutions. Since the Acquisition, the Group has launched loyalty programs on a shared basis to help consumers make an educated choice through each banner's unique delivery and after-sales expertise. The Group's premium loyalty programs, Fnac+ and Darty+, together have a cumulative total of 1.5 million subscribers, offering unlimited deliveries from both banners and allowing both banners to benefit from the resulting expansion of their customer bases and offer a unique service to customers.

A balanced and resilient product offering with highly distinctive services

The Group is able to propose a balanced offering, built around product categories with complementary growth and margin profiles. The Group's product offering is diversified, with both the Fnac and Darty banners distributing Consumer Electronics (51% of the Group's revenue in 2018), a sector whose growth consists of short innovation cycles. This shared offer, with strong positioning by both banners, is enhanced both by Fnac's strength in traffic building Editorial Products (17% of the Group's revenue in 2018), and by Darty's leading position in the Household Appliances market (22% of the Group's revenue in 2018), a market that is largely replacement-driven and is more resilient to economic conditions. The sale of Other Products and Services (over 10% of the Group's revenue in 2018) complements the Group's offering, with both product offerings (*e.g.*, kitchen equipment, home & design products, games & toys and stationery) and services and other revenue items (*e.g.*, sale of extended warranties, after-sales service, deliveries and installations, rental services for Consumer Electronics and delivery services, ticketing, gift boxes, sales of membership cards for Fnac's loyalty programs, invoicing of shipping costs to Internet customers and royalties from stores operated under franchise), which generate higher margins.

The Group differentiates itself from Internet pure players by providing one of the widest services offering in the market. This is a clear distinctive competitive advantage embedded in the DNA of both banners and covers the entire customer experience from pre-sales to after-sales services. This enhances the Group's product range with offers that are unique to the market and personalized to meet and anticipate customer's needs. Darty's experience is mainly built around its celebrated ''Contrat de Confiance'' and built on the model of ''best price, best choice, best service''. The after-sales service differentiates the offering of the Group from the offering of Internet pure players and is enhanced by Darty's expertise, allowing the Group to be a leader in this area. The Group's offering was strengthened following the acquisition of WeFix in October 2018, the French leader in express smartphone repair. To promote its in-store services, the Fnac banner has created dedicated ''Service Area'' sections where customers can get advice on after-sales service, home delivery, warranties or at-home training. The Fnac banner also offers multimedia assistance over the phone, available seven days a week. Furthermore, the two banners also offer in-store or at-home training services, and installation of equipment at home.

Customers appreciate the knowledge of the in-store sales staff, and suppliers recognize the Group as one of the distributors providing the best in-store sales experience. To achieve its goal of putting products at the heart of its relationships with customers, the Group has developed an open ecosystem of partnerships with suppliers in order to offer customers an optimal shopping experience. The Group has agreements with some of its major product suppliers; such as Apple, Microsoft, Google and Samsung to have dedicated areas in its stores (''shop-in-shop'') where the suppliers provide, and assume the cost of, merchandising and demonstrating their products. For example, as part of the partnership with Google, the Google offering is now available in dedicated spaces for all Group stores, including 50 corners. At the same time, the ''Bouton Darty'' has been integrated into the Google Home ecosystem, allowing customers direct access to voice-activated product support. The Group is continuing to expand into the digital space with a digital reading solution, Kobo by Fnac, to position itself in the digitized book market, and with an exclusive strategic partnership with Deezer to provide customers a free three-month subscription when buying any audio product. The Group has also signed an industrial partnership with Carrefour, to conduct shared purchases for Consumer Electronics and Household Appliances in France, showcasing the Group's expertise in building product ranges. This partnership was further strengthened in 2018 with the testing of two Darty shop-in-shops in Carrefour hypermarkets, under a franchise format. In 2018, the Group signed an agreement with Wehkamp in the Netherlands, which will allow the Dutch subsidiary, BCC, to provide Wehkamp with its entire product ranges and manage purchases of the two banners. In return, the Group benefits from the digital expertise of its partner, as well as its logistical capacity for small parcels.

The Group has also continued its efforts to enrich its products and services offering. In 2018, the Darty banner opened its first standalone store dedicated to kitchens. The rollout accelerated in 2018 with the opening of 25 new spaces in France, including the three stores dedicated solely to this offering. As of the end of 2018, the Group had over 130 kitchen points of sale, mostly in dedicated spaces in stores. Darty's kitchen offering complements the Household Appliances offering and allows it to capitalize on the Group's expertise and brand image. The Fnac banner also has a ticketing and box office services division, with the company France Billet, which is the leading French business-to-consumer ticketing and box office seller for shows and events, and the companies Tick&Live and Eazieer in business-to-business activities. This activity has been reinforced by the acquisition of Billetreduc.com in the first quarter of 2019.

Since the Acquisition, the Group has expanded its offering of cross-banner products and services. In France, at the end of 2018, 31 Fnac stores hosted a Darty shop-in-shop, while two Darty stores hosted Fnac shop-in-shops. Outside France, the Small Household Appliances offering has been rolled out under the Fnac Home banner, with more than 30 stores in the Iberian Peninsula now providing this service. A first point of sale combining both a Fnac and a Darty store was also opened in 2017. In terms of services, the numerous exchanges of expertise between banners have helped develop and optimize the services strategy, particularly around insurance and information security. Around 40 spaces dedicated to photo works were also opened within the Darty network, capitalizing on Fnac's experience in this area.

An agile omnichannel business model supported by a dense multi-format store network, an integrated e-commerce platform and best-in-class logistics capabilities

In a retail sector undergoing profound transformation, the Group has focused on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. The two banners have anticipated new consumer behavior trending towards communicating and interacting with sellers through a dual sales channel approach (both in-store and web-based), and have therefore invested heavily in offering a unique proposition to their customers (with Fnac starting in 2011 and Darty in 2013). This includes offering a seamless buying experience, by providing strong digital standards to support the customers buying experience both online and in-store. The Group's omnichannel platform is based on key assets: an extensive network of multi-format stores, an innovative digital platform, and a logistics tool allowing each banner to offer the Group's inventory, designed to first-rate standards. In 2018, 49% of Internet sales were omnichannel.

The Group benefits from a dense network of stores with different formats. The Group's stores are either directly owned or franchises, and are located in city centers, shopping malls, retail parks outside large cities, train stations and airports. This variety allows for the Group to adapt to the traffic in each area served. The Group's strengthened international exposure stretches across 12 countries, with a pronounced European presence. At the end of December 2018, the Group had a network of 780 stores, of which 571 were in the France-Switzerland region, which allow the Group to be closer to its customers. The Group operates 520 directly owned stores and 260 stores under franchise. In 2018, the Group opened 66 stores (60 in France), 55 of which are franchises.

In Europe, the Group has 11 main warehouses totaling over 350,000 square meters of floor space, processing more than 200 million orders a year. This network serves both banners' stores, as well as customers, through the processing of every product order. At the center of key consumer zones, the Group also has 80 delivery platforms and over 1,000 delivery drivers, ensuring a home-delivery service that is one-of-a-kind in the market. The complementarity of the two banners' expertise in this field ensures the processing of more than 12 million parcels and two million home deliveries each year. In 2018, same-day and next-day deliveries of Consumer Electronics represented approximately 70% of total deliveries, compared to only 30% in 2014. Similarly, 50% of Consumer Electronics purchased online are now collected in-store, double the percentage in 2014. The Group's logistics network and delivery network work together to strengthen the Group's operational efficiency. They also enhance the Group's omnichannel ecosystem by enabling it to offer collection and home delivery services for a wide range of products, including: "Click & Collect", "Click & Mag", "1hr Click & Collect", "D+1 Delivery", "2H Chrono Delivery", "Retrait Colis gratuit", "Same-day delivery", "Evening deliveries", and "Delivery by appointment".

The Group's omnichannel offering was enhanced following the Acquisition with initiatives permitting customers to get the most from both banners. The Group's customers can pick up their fnac.com purchases in 320 stores of the Darty network, and their darty.com purchases in 30 stores of the Fnac network, thus expanding the strength of the Group's geographical coverage. Thanks to the continuous development of its store network, the Group believes that 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home. The Darty banner's logistical expertise in delivering bulky products has also been leveraged by the Fnac banner, as the Darty banner now delivers TVs for the Group.

The Group is able to provide its customers with a website by banner and by country of operation, with nine websites in total. The Group's e-commerce offering is also enhanced by its Marketplaces, which position the Group as an intermediation platform between consumers and third party vendors, increasing the choice available on the Group's sites and the number of items available to online shoppers, helping to increase website traffic and visibility. The Group is focused on its m-commerce offering and is working to constantly improve its apps available to customers. In 2018, mobile phones represented 56.1% of the traffic on its websites (an increase of 5.5% of the proportion of total traffic compared to 2017), and the conversion rate also improved in 2018 following work carried out on the Group's apps.

In order to further enrich the store experience for customers, the Group aims to optimize the in-store shopping experience by making it simpler and more streamlined, with product labels scanned prior to purchase to make all product information available. As at the end of 2018, the Group had over 250 digitalized stores. The Group has also launched its first tests for "Pay&Go", an innovative solution that allows customers to pay via their mobile phones, without going through the traditional cash register.

Strong focus on operational performance, profitability and maintaining a solid financial structure

In 2018, the Group generated €7,475 million of revenue, an increase of 0.3% (like-for-like) compared to 2017, and current operating income of €296 million, an increase of 9.6% compared to 2017. The solid performance was achieved despite a market environment marked by exceptional events that have repeatedly impacted business activities, mainly in France. These events included unfavorable weather conditions in the first quarter, strikes in the second quarter and the ''Yellow Vests'' movement at the end of the year. The Group's solid performance, despite these events, demonstrates the Group's agility, together with its ability to finalize the integration of both banners, realize the planned synergies, roll out its *Confiance+* strategic plan, and deliver controlled performance in a lackluster consumption environment.

The integration of the Fnac and Darty banners, following the Acquisition, was successfully completed in 2018. The Group had announced an objective of €130 million of deployed synergies before the end of 2019. The numerous initiatives implemented by the Group since 2016 have allowed it to deploy €131 million of synergies by the end of 2018, one year ahead of the original plan. This result confirms the high value creation of the Acquisition, which has enabled the creation of a leader in the specialized retail of Consumer Electronics, Editorial Products and Household Appliances. In terms of cost synergies, savings stem mainly from synergies related to indirect purchasing and goods, as the Group has been able to capitalize on its new size to reinforce relationships with its suppliers, specifically allowing it to take advantage of better purchasing conditions and improve its gross margin rate. The Group achieved a gross margin rate of 30.3% in 2018, compared to 30.4% in 2017, thus improving when excluding the dilutive effect of the franchise network expansion (-0.3%). The implementation of a new logistics structure generated significant savings through the redefinition of logistics centers and the revamping of the transport plan across the whole of France. The convergence of the Group's information technology (''*IT*'') systems is being completed in accordance with the business plan, with a launch of a shared inventory management system that allows each banner to offer the inventory of the whole Group. The new organizational structure for headquarters is in place, and the relocation of teams was finalized in 2018. The Darty banner's London headquarter was closed in 2016, and the Belgian Fnac and Vanden Borre teams were moved to a single site in 2017. The Group has also generated commercial synergies between banners, benefitting from the opening of shops-in-shops (Fnac at Darty and Darty at Fnac), from expanding the cross banner ''Click & Collect'' offer, and from the cross banner benefits for loyalty program members. In addition to achieving synergies, the Group carries out annual performance reviews focused on cost savings, the objective of which is to offset natural cost inflation.

The Group aims to continue to focus on cash flow generation, prudent working capital management, controlled capital expenditure requirements, and the continued roll out of the *Confiance+* strategic plan, all of which are expected to contribute to a high level of cash generation. The Group generated significant free cash flow from operations with €173 million achieved in 2018 (excluding the impact of the €20 million fine from the Competition Authority), and an aggregate amount of €523 million between the financial years ended December 31, 2016 and December 31, 2018. As of December 31, 2018, the Group has achieved a net cash position, only two years after the Acquisition. In the future, the Group expects to prioritize ongoing growth over distributions to shareholders.

A strong management team with significant industry knowledge

The Group has a strong management team with significant industry and technical knowledge. The Group's Chief Executive Officer, Enrique Martinez, joined Fnac in 1998 and has held various positions in the Group since, contributing to its growth. Since July 2016, he was entrusted with overseeing the efforts to integrate the Fnac and Darty banners in France, and the supervision of the implementation of synergies between the two banners. He has been Chief Executive Officer of the Group since July 2017, and has been responsible for successfully realizing the targeted synergies from the Acquisition one year earlier than initially planned, and is also overseeing the roll out of the *Confiance+* strategic plan. The Chief Executive Officer is assisted by an Executive Committee responsible for the functional and operational departments. The Executive Committee has significant industry knowledge,n is well balanced between Fnac and Darty executives and includes new appointments since the Acquisition. The Group believes the leadership of the Group's management team will continue to help improve the Group's result of operations, product offer and competitive position in the markets where the Group operates.

Strategy

While operating in a retail sector undergoing profound transformation, the Group has focused on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. The two banners have anticipated new consumer behavior trending towards communicating and interacting with sellers through a dual sales channel approach (both in-store and web based) and have therefore invested heavily in offering a unique proposition to their customers (with Fnac starting in 2011 and Darty in 2013). This includes offering a seamless buying process, by providing strong digital standards to support the customer's buying experience both online and in-store.

At the end of 2017, the Group launched its *Confiance+* strategic plan, which it successfully started deploying in the financial year ended December 31, 2018. The plan aims to create the reference omnichannel service platform in Europe by drawing on two pillars: an ecosystem enriched by both banners and an open omnichannel platform.

An enriched customer ecosystem

A wide product range at the leading edge of innovation

Today the Group boasts a balanced product offering, built around product family categories with complementary growth and margin profiles, marked by a spirit of continuous innovation. The Group is now a key operator both in its markets and with regard to its suppliers, which means its customers benefit from a wide range of products both online and in-store. The Group intends to continue diversifying its product offering while ramping up certain existing categories and developing new segments connected with the Group's offering. Diversification is an advantage that allows the Group to establish its presence in response to new consumer behaviors, as well as anticipate major technological developments (*e.g.*, urban mobility, robotics and drones). Since 2011, the Group has introduced more than 10 new activities within these two banners, representing 40,000 additional products in these new categories.

A first-rate, enhanced range of services

The Group's ecosystem is now enhanced by one of the widest services offering in the market, a clear and distinctive competitive advantage embedded in the DNA of both banners. The Group intends to continue expanding its services offering to seize new market opportunities and to adapt to the expectations of customers, who want increased speed, a more simple process and more personalization. In line with its development of the digital services offering, the Group wants to offer an optimized online service experience to respond to new consumer behaviors and the increasing digitization of retail. The Group is also launching significant innovations in product-related services, through new remote after-sales service initiatives. This involves the extension of the connected "Bouton Darty", which was integrated in the Google Home ecosystem in 2018. Lastly, the Group aims to position itself in booming innovative segments, such as the smart home, with the launch of dedicated connected services to offer users and customers real support for their use of the products of tomorrow.

Powerful and complementary brands leveraging the Group's loyalty programs

The Group intends to continue leveraging its strong reputation and the loyalty programs of both its banners. In particular, the complementary nature of its banners provides significant opportunities for cross-selling and access for customers to the services of both banners. The Group intends to expand its loyalty programs offered on a shared basis to help consumers make an educated choice through each banner's unique delivery and after-sales expertise. In addition, the Group intends to continue to broaden its content offering as part of these loyalty programs. In 2018, the Group launched the "Pass Partenaires", allowing loyal customers of both banners to take advantage of attractive discounts from over 50 partner banners, which can also be used in conjunction with other promotions.

An open omnichannel platform

Optimized and digitized multi-format stores

With a network of 780 stores, the Group's goal is to increase the density of its store network in different formats. Stores under the Fnac banner were traditionally developed for city centers and have been adapted to reflect the shopping needs of outer areas (with a broader range of Consumer Electronics products, more entry-level products and greater use of self-service).

The Group is also developing new store formats for the Fnac banner, aimed at diversifying its range and adjusting to changing consumer trends. These new formats include:

- the Travel format (railway stations, airports and duty-free) with 26 stores as of December 31, 2018, including 24 in France;
- the Proximity format (smaller stores with the entire product offering) with 67 stores as of December 31, 2018; and
- the Connect format (small stores dedicated to telephony and connected devices) with eight stores as of December 31, 2018.

These smaller-format stores strengthen the Group's omnichannel operations by offering complete access to the online catalogue, thereby permitting customers to benefit from a wide choice of products and the vendors' expertise in those products. In France, Darty stores are mostly located in very populated areas and have a strong presence within or are situated close to big cities, such as Paris, Lyon and Marseille. In order to extend its presence to less populated regions in France, particularly those with fewer than 100,000 inhabitants, the Group has also put a franchise network into place for the Darty banner.

As of the end of 2018, 260 stores were franchises, with a medium-term objective of over 400 franchises across all the countries in which the Group operates. Thanks to the continuous development of its store network, the Group believes that 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home.

The in-store experience is also being enhanced with new services, thanks to innovative digitized solutions. The Group hopes to optimize the in-store buying experience by making it simpler and more streamlined. In the medium-term, nearly all Group stores will be digitized. As of December 31, 2018, the Group had over 250 digitalized stores, and customers in those stores benefit from a fully digitized purchasing experience when shopping.

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

Going forward, the Group intends to continue expanding its coverage to strengthen its presence. The Group's geographical expansion will rely mainly on franchising. This is an asset-light model that enables the company to benefit from the operating know-how of partners and their knowledge of the local market.

The Group also capitalized on the respective partnerships created with Intermarché and Vindemia for the Proximity format, with Lagardère Travel Retail for the Travel format, and with Sedadi and Bouygues for the Connect format. Backed by the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the strategy.

In 2018, the opening of new spaces dedicated to Small Household Appliances in Fnac bannered stores in Spain, Portugal, Switzerland and France helped strengthen the customer offering. Finally, development of the kitchen offering has continued at Darty bannered stores with the opening of 25 new retail areas throughout the year, including the first three stores dedicated solely to this offering. The Group aims to double its network with respect to kitchen offerings in the mid-term to achieve nearly 200 dedicated points of sale.

First-rate operational efficiency

Logistics is one of the Group's key strengths, and is central to the omnichannel platform to be able to meet consumers' new expectations. In pursuing this objective, the Group has considerable advantages due to the complementarity between its two integrated banners, to offer customers a comprehensive and efficient range of services across its regions. This platform is a major advantage over Internet pure players.

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

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

An undisputed leader in e-commerce

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

The increasing personalization of products and content, which both the Fnac and Darty banners have been involved in for several years, constitutes an indispensable asset in offering users a buying experience tailored to their needs. The relevance of the proposal, optimized by analyzing a set of data using innovative marketing tools, serves to steer traffic onto the Group's websites. Therefore, in 2018 the Group started to build its own personalization algorithms using Google Cloud. Ultimately, this will mean it can offer customers targeted recommendations based on their buying behavior. In 2017, the Group also formed an advertising team to improve the use of customer data generated by the Group's websites through its partners. This business activity saw strong growth in 2018.

In addition to the digitization of stores, the Group is also focused on developing its e-commerce platform for new uses, notably the use of mobile phones, which are now central to the buying experience. The continued development of mobile apps is a major focus of the Group's digital strategy, as they are valuable for securing customer loyalty.

A strategy also implemented outside France

The Group seeks to reproduce strategies that have worked in France abroad, while adapting to the local environment. The Group does so mainly through a strong network of directly-owned stores, as well as franchise development. The Group is developing its franchise business internationally and now has 11 stores in Africa and the Middle East. In 2018, the Group opened two stores in Tunisia, making it the Group's 12th country of operation. As such, the Group plans to open 10 points of sale as franchises in Tunisia, five per banner, by 2023.

The Group's network remains a priority, with dynamic expansion expected to continue in Spain and with the ongoing development of the network in Belgium. Digital technology also remains a key element of the Group's strategy, with the Marketplaces expected to grow strongly in all geographic regions. Diversification also remains a major factor, in Belgium, as well as in Spain, where the deployment of corners dedicated to Small Household Appliances continued in 2018.

Along with these initiatives, the Group is rolling out a single platform for all sellers in its countries of operation so they can connect to the countries that interest them without leaving the Marketplaces ecosystem. On fnac.com, a single web frontend has been deployed to harmonize the various countries' interfaces. Utilizing the Group's expertise in France, services have been launched that are adapted to local markets.

Financial trajectory

The Group expects neutral growth in the Consumer Electronics market in the medium term. While the market is stimulated by the continuing development of telephony and connected devices, its growth is offset by a deceleration in other Consumer Electronics categories.

The Household Appliances market is a solid and resilient market. The acceleration of innovation and the development of new trends in consumer behavior are transforming this market. The shift to a connected universe is driving the emergence of new solutions, such as products relating to the smart home. Small Household Appliances have also seen considerable innovation. This has been evident in recent years. The Group expects this market will grow slightly in the medium term.

The Editorial Products market is undergoing structural changes, due in part to digitization. The CD and DVD market has been in decline in recent years and is driving retailers to envisage new modes of consumption for this segment. The books market is showing resilience and remains relatively stable. As a result of these trends, the Group expects the Editorial Products market to decline over the next few years.

The Group has a medium-term objective for higher growth than its markets and has key strategic tools to continue its market share gains. The Group aims to continue to improve its omnichannel platform in order to offer a first-rate standard of services to its partners and customers. With this objective in mind, the opening of more than 200 franchised stores and 100 additional points of sale dedicated to kitchens, compared to the levels at the end of 2017, as well as the roll-out of the shop-in-shop concept, is expected to expand the Group's geographical coverage and attract new customers. The development of innovative subscription-based loyalty programs is expected to attract and retain more customers and expand the Group's customer base.

The Group intends to maintain a dynamic and reactive, yet controlled, commercial policy compared to its competitors. The Group's gross margin will be impacted by the dilutive effect of the growth of franchising and by the product mix, including an expected decline in Editorial Products. The gross margin rate is expected to decline over the duration of the plan.

The Group has also been driven by a strong culture of cost optimization for a number of years, and will continue its efforts at all levels to make operations as efficient as possible. The achievement of synergies from the consolidation of the two banners also contributes positively to the Group's operating margin, as well as the accretive effect related to the development of franchises and the deployment of partnerships. The medium-term target for the Group's current operating margin is 4.5% to 5%. To continue the development of its logistics and digital tools over the course of the next few years, the Group also intends to increase its annual capital expenditures to between €120 million and €150 million. However, these investments will be subject to strict financial criteria. These forward-looking statements are based on management's current beliefs, expectations, assumptions and business plan and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from the trends and objectives described. No assurance can be given that the aforementioned trends and objectives will occur or be achieved. These forward-looking statements involve assessments about matters that are inherently uncertain and actual results may differ for a variety of reasons including those described in "*Forward-Looking Statements*" and "*Risk Factors*". No assurance can be given that actual results will track those described in the aforementioned forward-looking statements.

As part of its strategic plan, the Group will also be attentive to opportunities for small bolt-on acquisitions, with synergy potential and complementary to the Group's DNA. The acquisitions of WeFix (French leader in express smartphone repair) at the end of 2018, and of Billetreduc.com (specialist online player in last minute discount ticketing) at the beginning of 2019, are good examples of this strategy.

Recent Developments

On April 16, 2019, the Group announced that it had entered into exclusive negotiations in relation to a potential acquisition of Nature & Découvertes, a leader in the omnichannel distribution of natural and well-being products. Founded in 1990, Nature & Découvertes has a network of 97 stores in Europe (as of December 31, 2018) and a website with more than 17 million visitors per year. The Group sees this potential acquisition as an opportunity to further diversify its product range by offering natural and well-being products.

On April 18, 2019, the Group released its revenue for the three months ended March 31, 2019. Revenue amounted to €1,715 million in the three months ended March 31, 2019, an increase of €29 million, or 1.7%, compared to revenue of €1,686 million in the three months ended March 31, 2018. This increase was driven by the continued development of the Group's omnichannel platform (with a sustained growth in e-commerce and an acceleration in mobile). The increase was achieved despite a negative calendar effect over the three-month period relating to the timing of Easter and promotional periods, and a sluggish economic climate.

Excluding Editorial Products, the Group's other product and service categories recorded an increase in revenue. The growth in Consumer Electronics was driven by the sound and telephony segments and a more favorable line-up of innovative products in the hardware segment. The increase in revenue from Household Appliances was mainly driven by market share gains. Editorial Products were impacted by the continuing "Yellow Vests" movement in France, which had a negative impact on store traffic. The Group saw growth in the games & toys, home & design and urban mobility categories.

The following table presents the Group's revenue in the three months ended March 31, 2019 compared to the same period in 2018 split by geographic region:

	For the three months ended March 31,	
(€ in millions)	**2018**	**2019**
France-Switzerland[(1)]	1,303	1,318
Iberian Peninsula[(2)]	152	151
Benelux[(3)]	231	245
Total	**1,686**	**1,715**

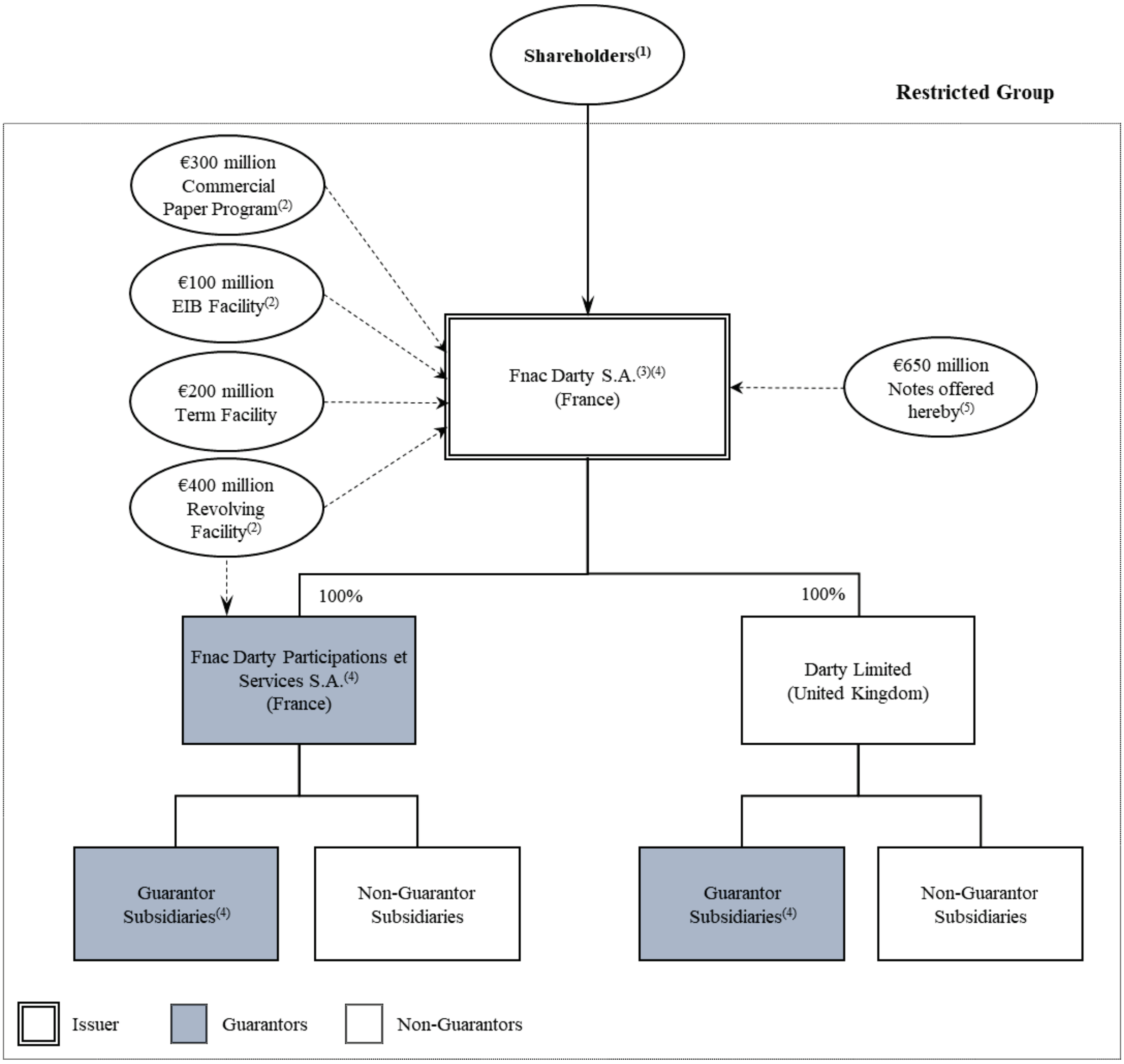
(1) France-Switzerland includes revenue from the Group's French and Switzerland activities, together with revenue from its franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast.
(2) Iberian Peninsula includes Spain and Portugal.
(3) Benelux includes revenue from Belgium and the Netherlands.

The France-Switzerland region experienced like-for-like revenue growth of 1.1%, despite continued social movements in the three months ended March 31, 2019. Like-for-like revenue fall in the Iberian Peninsula of 1.2% was due to negative calendar effects, timing differences in promotional periods and a sluggish consumption environment. Benelux experienced like-for-like revenue growth of 7.3% despite an unfavorable calendar effect, thanks mainly to the integration with Wehkamp.

In the three months ended March 31, 2019, the Group opened nine new stores, including eight under franchise.

Corporate and Financing Structure

The following diagram summarizes the corporate structure and principal outstanding financing arrangements of the Issuer and its subsidiaries after giving effect to the Offering and the Redemption. The diagram below does not include all of the subsidiaries nor does it show all of the debt obligations of the Group. See "*Description of the Notes*" and "*Description of Other Indebtedness*" for more information.



(1) Please refer to "*Principal Shareholders*" for more information about the Issuer's shareholders. The Issuer's ordinary share capital is listed on Euronext Paris.

(2) As of the date of this offering memorandum, outstanding borrowings under the Commercial Paper Program amounted to €120 million, and both the Revolving Facility and EIB Facility were undrawn. The Group expects to draw on the EIB Facility within six months from the Issue Date. See "*Use of Proceeds*" and "*Description of Other Indebtedness*".

(3) The Issuer is a *société anonyme* organized under the laws of France.

(4) The Notes will be guaranteed on a senior basis within 90 days of the Issue Date by Fnac Darty Participations et Services, Fnac Direct, Établissements Darty & Fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre. As of, and for the financial year ended December 31, 2018, the Issuer and the Guarantors, based on their historical financial statements (excluding intercompany transactions), together represented 55% of the consolidated revenue, 91% of the consolidated assets and 104% of the consolidated EBITDA of the Group. The Guarantors are also guarantors under the Senior Facilities Agreement. On the Issue Date, the Issuer and all the Guarantors will be parties to cash pooling arrangements of the Group. The Guarantees will be subject to contractual and legal limitations, as described under "*Risk Factors—Risks Related to the Notes and the Guarantees—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*". They may also be released in certain circumstances. Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Due to these laws and defenses, a Guarantor may have no liability or decreased liability under its Guarantee.

(5) The Notes offered hereby will be senior unsecured obligations of the Issuer.

THE OFFERING

The following summary of the Offering contains basic information about the Notes and the Guarantees. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this summary, please see "*Description of the Notes*".

Issuer	The Notes will be issued by Fnac Darty S.A., a *société anonyme* organized under the laws of France.
Notes Offered	€300 million aggregate principal amount of 1.875% senior notes due May 30, 2024. €350 million aggregate principal amount of 2.625% senior notes due May 30, 2026. The Issuer may issue additional Notes from time to time, subject to compliance with the covenants in the Indentures.
Issue Date	May 14, 2019.
Issue Prices	The issue price for the 2024 Notes is 100% (plus accrued and unpaid interest from the Issue Date). The issue price for the 2026 Notes is 100% (plus accrued and unpaid interest from the Issue Date).
Maturity Dates	The 2024 Notes will mature on May 30, 2024. The 2026 Notes will mature on May 30, 2026.
Interest Rates	The 2024 Notes will bear interest at a rate of 1.875% per annum. The 2026 Notes will bear interest at a rate of 2.625% per annum.
Interest Payment Dates	The interest on the Notes will accrue from the Issue Date. Interest on the Notes will be payable semi-annually in arrears on May 30 and November 30 of each year, commencing on November 30, 2019.
Form and Denomination	Global Notes in denominations of €100,000 and any integral multiple of €1,000 in excess of €100,000. Notes in denominations less than €100,000 will not be available.
Ranking of the Notes	The Notes will be general senior unsecured obligations of the Issuer. Accordingly, the Notes will: • rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated to the Notes (including the borrowings under the Bank Facility Agreements); • be senior in right of payment to all existing and future subordinated obligations of the Issuer; • be effectively subordinated to any existing and future secured indebtedness and other secured obligations of the Issuer to the extent of the value of the assets securing such indebtedness or other obligations; and • be structurally subordinated to existing and future liabilities (including trade payables) of each subsidiary of the Issuer that is not a Guarantor.

Guarantors	The Issuer's obligations under the Notes and the Indentures will be guaranteed on a senior unsecured basis by Fnac Darty Participations et Services, Fnac Direct, Établissements Darty & Fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre, within 90 days of the Issue Date.
Ranking of the Guarantees	Each Guarantee will be a general senior unsecured obligation of the relevant Guarantor. Accordingly, subject to certain limitations under applicable law, each Guarantee will: • rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated to such Guarantee (including guarantees under the Bank Facility Agreements); • be senior in right of payment to all existing and future subordinated obligations of such Guarantor; • be effectively subordinated to any existing and future secured indebtedness and other secured obligations of such Guarantor to the extent of the value of the assets securing such indebtedness or other obligations; and • be structurally subordinated to any existing and future liabilities (including trade payables) of each subsidiary of such Guarantor that is not itself a Guarantor. The Guarantees will be subject to significant contractual and legal limitations and may be released under certain circumstances, including in case of a release of the guarantees under the Senior Facilities Agreement. See "*Risk Factors—Risks Related to the Notes and the Guarantees*", "*Description of the Notes*" and "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees*". Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to the Guarantors in the relevant jurisdiction. Due to these laws and defenses, a Guarantor may have no liability or decreased liability under its Guarantee.
Additional Amounts	All payments with respect to the Notes or a Guarantee will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of countries in which the Issuer or the Guarantor is organized or resident for tax purposes, except to the extent required by law. If withholding or deduction is required by law in any relevant taxing jurisdiction, subject to certain exceptions, the Issuer and the Guarantors will pay such additional amounts as may be necessary so that the net amount received by any noteholder (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "*Description of the Notes—Additional Amounts*".
Optional Redemption of the 2024 Notes	Prior to May 30, 2021, the Issuer may, at its option, redeem all or a portion of the 2024 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*".

	In addition, at any time prior to May 30, 2021, the Issuer may, at its option, redeem up to 40% of the aggregate principal amount of the 2024 Notes with the proceeds of certain equity offerings at a redemption price equal to 101.875% of the principal amount of such 2024 Notes to be redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding immediately after the redemption. See "*Description of the Notes—Optional Redemption*". On or after May 30, 2021, the Issuer may at any time redeem all or part of the 2024 Notes at the redemption prices described under "*Description of the Notes—Optional Redemption*", plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Optional Redemption of the 2026 Notes	Prior to May 30, 2022, the Issuer may, at its option, redeem all or a portion of the 2026 Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption*". In addition, at any time prior to May 30, 2022, the Issuer may, at its option, redeem up to 40% of the aggregate principal amount of the 2026 Notes with the proceeds of certain equity offerings at a redemption price equal to 102.625% of the principal amount of such 2026 Notes to be redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the 2026 Notes remains outstanding immediately after the redemption. See "*Description of the Notes—Optional Redemption*". On or after May 30, 2022, the Issuer may at any time redeem all or part of the 2026 Notes at the redemption prices described under "*Description of the Notes—Optional Redemption*", plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Optional Redemption for Tax Reasons	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued interest and additional amounts, if any, to the date of redemption.
Change of Control	If the Issuer experiences a change of control, it may be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and additional amounts, if any. See "*Description of the Notes—Change of Control*".
Certain Covenants	The Indentures will, among other things, limit the ability of the Issuer and the restricted subsidiaries to: • incur or guarantee additional indebtedness; • create or incur certain liens;

- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or the restricted subsidiaries or repurchase or redeem its subordinated debt or equity;
- make certain investments; and
- consolidate or merge with other entities, or sell all or substantially all of its assets.

All of these limitations will be subject to a number of important qualifications and exceptions and will be suspended if and when, and for so long as, the Notes are rated investment grade. See "*Description of the Notes—Certain Covenants*".

Use of Proceeds The Group intends to use the gross proceeds from the Offering to (i) redeem in full the 2023 Notes (including payment of accrued and unpaid interest and the applicable redemption premium) and (ii) pay the costs, fees and expenses incurred in connection with the Offering and the Redemption. See "*Use of Proceeds*".

Transfer Restrictions The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or any other applicable securities laws and are subject to restrictions on transferability and resale. See "*Book-Entry, Delivery and Form—General—Transfers*" and "*Transfer Restrictions*".

Absence of a Public Market for the Notes The Notes will be new securities for which there is no existing market. The Initial Purchasers have advised the Group that they intend to make a market in the Notes. However, they are not obligated to do so, and may discontinue any market making at any time at their sole discretion and without notice. Accordingly, there is no assurance that an active trading market will develop or be maintained for the Notes.

No Registration Rights The Notes will not be registered under the U.S. federal or state securities laws or under the securities laws of any other jurisdiction.

Listing Application will be made for the Notes to be admitted to the Official List and to admit them for trading on the Exchange.

Trustee Deutsche Trustee Company Limited, as trustee under each of the 2024 Indenture and the 2026 Indenture.

Principal Paying Agent Deutsche Bank AG, London Branch, as principal paying agent under each of the 2024 Indenture and the 2026 Indenture.

Registrar and Transfer Agent Deutsche Bank Luxembourg S.A., as registrar and transfer agent under each of the 2024 Indenture and the 2026 Indenture.

Listing Agent Deutsche Bank Luxembourg S.A.

Governing Law of the Notes, the Indentures and the Guarantees New York.

Risk Factors Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in "*Risk Factors*" before making a decision on whether to invest in the Notes.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following summary financial and operating information presents historical financial data and other data of the Group as of and for the financial years ended December 31, 2016, 2017 and 2018.

You should read this summary financial and operating data in conjunction with "Presentation of Financial and Other Information", "Capitalization", "Selected Historical Financial Information", "Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations" and the Consolidated Financial Statements, English language translations of which are included elsewhere in this offering memorandum. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period.

Summary Financial and Operating Information of the Group

The tables below set forth the summary financial data for the Group as of and for the financial years ended December 31, 2016, 2017 and 2018.

The summary financial data for the financial years ended December 31, 2017 and 2018 are derived from the Consolidated Financial Statements for the respective years, which were prepared in accordance with IFRS and English language translations of which are included elsewhere in this offering memorandum.

With respect to the financial year ended December 31, 2016, the summary financial data below includes certain financial data on a historical basis. Such historical financial data for the year ended December 31, 2016 correspond to the Consolidated Financial Statements for the financial year ended December 31, 2016, including 12 months of operating activity of Fnac and five months of operating activity of Darty since August 1, 2016 (for convenience, cash flow and income statement data are recognized as of August 1, 2016 even though the date of the Acquisition was July 18, 2016). Such historical financial data for the year 2016 were restated in 2017 to reflect the valuation of identifiable Darty assets and liabilities. For more information, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Consolidated income statement data

(€ in millions unless otherwise stated)	For the financial year ended December 31, 2016 (restated)(1)	2017	2018
Revenue	5,369.2	7,448.2	7,474.7
Cost of sales	(3,793.1)	(5,187.3)	(5,209.6)
Gross margin	**1,576.1**	**2,260.9**	**2,265.1**
Personnel expenses	(785.4)	(1,093.1)	(1,105.1)
Other current operating income and expenses	(629.2)	(899.6)	(865.7)
Share of profit from equity associates	0.2	1.9	1.7
Current operating income	**161.7**	**270.1**	**296.0**
Other non-current operating income and expenses	(38.2)	(53.3)	(38.8)
Operating income	**123.5**	**216.8**	**257.2**
Net financial expense	(76.2)	(44.0)	(42.6)
Pre-tax income	**47.3**	**172.8**	**214.6**
Income tax	(23.2)	(48.3)	(65.0)
Net income from discontinued operations	(21.6)	(87.0)	0.3
Consolidated net income	**2.5**	**37.5**	**149.9**
Group share	1.9	37.2	149.5
Share attributable to non-controlling interest	0.6	0.3	0.4
Net income, Group share	**1.9**	**37.2**	**149.5**
Earnings per share (€)	0.1	1.4	5.6
Diluted earnings per share (€)	0.1	1.4	5.6
Net income from continuing operations, Group share	**23.5**	**124.2**	**149.2**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Consolidated statement of financial position

(€ in millions)	As of December 31, 2016 (restated)[(1)]	2017	2018
Non-current assets			
Goodwill	1,541.1	1,541.4	1,559.5
Intangible non-current assets	462.3	473.0	480.0
Property, plant & equipment	613.4	611.2	620.2
Equity interests	20.1	22.0	19.7
Non-current financial assets	15.6	15.9	20.6
Deferred tax assets	41.5	59.9	66.8
Other non-current assets and liabilities	0.0	0.0	0.0
Total non-current assets	**2,694.0**	**2,723.4**	**2,766.8**
Current assets			
Inventories	1,057.3	1,072.8	1,091.8
Trade receivables	208.9	265.1	271.8
Tax receivables due	19.4	50.2	41.8
Other current financial assets	25.7	22.3	14.2
Other current assets	340.1	358.0	405.6
Cash and cash equivalents	656.0	774.9	918.6
Total current assets	**2,307.4**	**2,543.3**	**2,743.8**
Assets held for sale	**64.0**	**3.1**	**0.0**
Total assets	**5,065.4**	**5,269.8**	**5,510.6**
Shareholder's equity			
Share capital	26.1	26.7	26.6
Equity-related reserves	977.5	988.8	984.4
Translation reserves	(4.4)	(5.2)	(4.5)
Other reserves and net income	43.4	85.7	247.0
Shareholders' equity, Group share	**1,042.6**	**1,096.0**	1,253.5
Shareholders' equity—Share attributable to non-controlling interests	6.8	7.0	7.5
Shareholders' equity	**1,049.4**	**1,103.0**	**1,261.0**
Non-current liabilities			
Long term-borrowings and financial debt	854.9	853.8	855.1
Provisions for pensions and other equivalent benefits	186.3	179.8	161.5
Other non-current liabilities	192.2	194.6	191.3
Deferred tax liabilities	188.8	192.7	189.9
Total non-current liabilities	**1,422.2**	**1,420.9**	**1,397.8**
Current liabilities			
Short-term borrowings and financial debt	8.2	7.2	56.1
Other current financial liabilities	10.0	18.5	15.9
Trade payables	1,597.5	1,765.6	1,876.7
Provisions	32.4	72.5	51.9
Tax liabilities payables	62.2	47.3	44.4
Other current liabilities	845.9	828.6	805.5
Total current liabilities	**2,556.2**	**2,739.7**	**2,850.5**
Liabilities relating to assets held for sale	**37.6**	**6.2**	**1.3**
Total equity and liabilities	**5,065.4**	**5,269.8**	**5,510.6**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Consolidated cash flow information

(€ in millions)	For the financial year ended December 31, 2016 (restated)[1]	2017	2018
Net income from continuing operations	24.1	124.5	149.6
Income and expense with no impact on cash	105.0	133.6	79.6
Cash flow	**129.1**	**258.1**	**229.2**
Financial interest income and expense	54.3	34.4	36.5
Dividends received	(0.1)	(0.1)	—
Net tax charge payable	16.7	60.7	75.3
Cash flow before tax, dividends and interest	**200.0**	**353.1**	**341.0**
Change in working capital requirement	84.0	56.3	1.1
Income tax paid	(37.5)	(98.3)	(71.8)
Net cash flows from operating activities	**246.5**	**311.1**	**270.3**
Purchase of non-current tangible and intangible assets	(97.6)	(113.9)	(117.9)
Disposal of non-current tangible and intangible assets	1.9	2.0	0.3
Purchase of subsidiaries net of cash acquired/ transferred	(1,020.7)	(0.3)	(11.2)
Net sales of subsidiaries	(1.3)	—	—
Acquisition of other financial assets	(0.9)	(1.5)	(2.3)
Disposal of other financial assets	1.4	—	—
Interest and dividends received	0.6	—	—
Net cash flows from investing activities	**(1,116.6)**	**(113.7)**	**(131.1)**
Increase/Decrease in capital	157.1	11.9	6.8
Other transactions with shareholders	3.9	(3.9)	—
Acquisitions or dispositions of treasury shares	—	4.2	(14.4)
Dividends paid to shareholders	—	(0.2)	—
Bonds issued	650.0	—	—
Bonds repaid	—	—	—
Increase/Decrease in other financial debt	200.0	(2.5)	50.2
Interest and equivalent payments	(18.5)	(20.9)	(32.5)
Financing of the Comet pension fund	(4.9)	(8.5)	(4.5)
Net cash flows from financing activities	**987.6**	**(19.9)**	**5.6**
Cash flows from discontinued operations	(7.6)	(56.2)	(0.6)
Impact of fluctuations in exchange rates	1.4	(2.3)	(0.5)
Net change in cash	**111.3**	**119.0**	**143.7**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Other financial and operational data of the Group

(€ in millions unless otherwise stated)	As of and for the financial year ended December 31, 2016 (restated)[(1)]	2017	2018
EBITDA[(2)]	238.8	370.2	399.0
EBITDAR[(2)]	395.7	581.8	609.1
Gross margin	1,576.1	2,260.9	2,265.1
Current operating income	161.7	270.1	296.0
Net capital expenditures[(3)]	(95.7)	(111.9)	(117.6)
Free cash flow from operations[(4)]	150.8	199.2	152.7
Number of stores[(5)]	664.0	728.0	780.0
Like-for-like revenue growth/(fall) (%)[(6)]	2.0%	0.5%	0.3%
Internet sales (%)[(7)]	16%	17%	19%
Omnichannel sales as a percentage of Internet sales (%)[(8)]	45%	47%	49%
Number of loyalty program members (millions)	6.7	7.0	8.0
Net financial debt[(9)]	207.1	86.1	(7.4)
Adjusted net financial debt[(10)]			15.9
Ratio of Adjusted net financial debt to EBITDA			0.0x

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

(2) EBITDA is defined as the Group's current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income. EBITDAR is defined as EBITDA before rental payments, excluding rental charges on operating leases. The Group's management believes that EBITDA and EBITDAR are meaningful for investors because they provide an analysis of the Group's operating results, profitability and ability to service debt and because EBITDA and EBITDAR are used by management to assess the Group's performance, establish operational and strategic targets and make important business decisions. EBITDA and EBITDAR are also measures commonly reported and widely used by analysts, investors and other interested parties in the Group's industry. Although EBITDA and EBITDAR are presented to enhance the understanding of the Group's historical operating performance, these indicators should not be considered an alternative to profit or loss for the applicable period as an indicator of the Group's operating performance, or an alternative to cash flows from operating activities as a measure of the Group's liquidity. EBITDA and EBITDAR are not measures prepared in accordance with IFRS. Furthermore, EBITDA and EBITDAR as presented by the Group in this offering memorandum may differ from and may not be comparable to similarly titled measures used by other companies. The following table presents a reconciliation of EBITDA and EBITDAR to current operating income for the periods set forth below:

(€ in millions)	For the financial year ended December 31, 2016 (restated)[(a)]	2017	2018
Current operating income	161.7	270.1	296.0
Adjusted for:			
Net expense for depreciation, amortization and provisions for fixed operating assets[(b)]	77.1	100.1	103.0
EBITDA	**238.8**	**370.2**	**399.0**
Rental payments[(c)]	156.9	211.6	210.1
EBITDAR	**395.7**	**581.8**	**609.1**

(a) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

(b) Net expense for depreciation, amortization and provisions for fixed operating assets corresponds to the net impairment and provisions on non-current operating assets recognized in current operating income.

(c) Rental payments correspond to property rental payments excluding ancillary costs and expenses incurred in connection with such operating leases.

(3) Net capital expenditures means operating investments net of disposals, excluding finance leases and mainly relate to the opening of new stores, the refurbishment of existing stores, the opening of new websites and investments in logistics.

(4) Free cash flow from operations is equal to the Group's net cash flows from operating activities minus net capital expenditures. Net capital expenditures means operating investments net of disposals, excluding finance leases. Free cash flow from operations is not a measure prepared in accordance with IFRS. Although free cash flow from operations is presented to enhance the understanding of the Group's historical liquidity, this indicator should not be considered an alternative to cash

flows from operating activities. The following table presents a reconciliation of free cash flow from operations to net cash flows from operating activities for the periods set forth below:

(€ in millions)	For the financial year ended December 31, 2016 (restated)[(a)]	2017	2018
Net cash flows from operating activities	**246.5**	**311.1**	**270.3**
Net capital expenditures	(95.7)	(111.9)	(117.6)
Free cash flow from operations	**150.8**	**199.2**	**152.7**

(a) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

(5) The following table presents the distribution of the Group's directly operated and franchised stores by geographic region as of the dates considered for the periods set forth below:

	As of December 31,					
	2016		2017		2018	
	Directly operated	Franchise	Directly operated	Franchise	Directly operated	Franchise
France–Switzerland[(a)]	313	152	312	204	316	255
Iberian Peninsula[(b)]	50	2	55	4	57	5
Benelux[(c)]	147	—	153	—	147	—
Total	**510**	**154**	**520**	**208**	**520**	**260**

(a) France-Switzerland includes France and Switzerland, together with franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast.

(b) Iberian Peninsula includes Spain and Portugal.

(c) Benelux includes Belgium and the Netherlands.

(6) Like-for-like revenue growth/(fall) means the calculation of revenue growth/(fall) between a given period and the same period in the previous financial year, as adjusted, in order to exclude changes in scope such as acquisitions or disposals of subsidiaries and opening and closure of directly operated stores, and is expressed as a percentage change between the two periods. Like-for-like revenue growth/(fall) percentages are presented at constant exchange rates with revenue in foreign currencies for year or period N and year or period N-1 converted at the average N exchange rate. Revenue of subsidiaries acquired or sold (and of directly operated stores opened or closed) since January 1 of the previous year is excluded from the calculation of Like-for-like revenue growth/(fall). Like-for-like revenue growth/(fall) is not a measure prepared in accordance with IFRS. Like-for-like revenue growth/(fall) includes revenue from franchises, as well as revenue from services.

(7) Internet sales is defined as the percentage of the Group's total consolidated revenue derived from purchases on the Group's websites. For the purpose of calculating Internet sales, purchases on the Group's websites do not include "Click & Mag", where a sales assistant in a store places an order for the customer on fnac.com or darty.com when a store does not have a product in stock. Internet sales is not a measure prepared in accordance with IFRS.

(8) Omnichannel sales as a percentage of Internet sales is defined as revenue derived from the Group's omnichannel offering, as a percentage of consolidated revenue derived from purchases on the Group's websites. Revenue derived from the Group's omnichannel offering includes purchase orders placed on the fnac.com and darty.com websites and collected in stores, such as "1hr Click & Collect" and "Click & Relais Colis". Revenue derived from its omnichannel offering also includes purchase orders placed on the fnac.com and darty.com websites and initiated in stores by a sales assistant, such as "Click & Mag". Omnichannel sales as a percentage of Internet sales is not a measure prepared in accordance with IFRS.

(9) Net financial debt consists of short and long term borrowings and financial debt less cash and cash equivalents. Gross financial debt consists of short and long term borrowings and financial debt. The Group adopted and now applies IFRS 16 in its consolidated financial statements from January 1, 2019. For more information on the impact of IFRS 16, see "*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations—Selected Critical Accounting Policies—IFRS 16*". The following table presents a calculation of net financial debt for the periods set forth below:

(€ in millions)	As of December 31, 2016 (restated)[(a)]	2017	2018
Gross financial debt	863.1	861.0	911.2
Cash and cash equivalents	(656.0)	(774.9)	(918.6)
Net financial debt	**207.1**	**86.1**	**(7.4)**

(a) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

(10) Adjusted net financial debt represents the Group's net financial debt as of December 31, 2018, as adjusted to give effect to the offering of the Notes and the Redemption.

Summary segmental and geographic information

The following table shows the consolidated revenue of the Group on a segmental and geographic basis for the periods set forth below:

(€ in millions)	For the financial year ended December 31, 2016 (restated)[(1)]	2017	2018
Consumer Electronics			
France-Switzerland[(2)]	2,134.7	2,955.9	2,881.4
Iberian Peninsula[(3)]	389.8	404.1	406.8
Benelux[(4)]	245.7	484.7	491.3
Total	**2,770.2**	**3,844.7**	**3,779.5**
Editorial Products			
France-Switzerland[(2)]	962.7	975.9	973.7
Iberian Peninsula[(3)]	219.3	215.4	220.1
Benelux[(4)]	61.9	58.5	55.9
Total	**1,243.9**	**1,249.8**	**1,249.7**
Household Appliances			
France-Switzerland[(2)]	498.2	1,325.2	1,326.4
Iberian Peninsula[(3)]	0.0	0.0	0.0
Benelux[(4)]	139.7	334.2	344.2
Total	**637.9**	**1,659.5**	**1,670.6**
Other Products and Services			
France-Switzerland[(2)]	623.0	598.9	653.7
Iberian Peninsula[(3)]	47.1	56.0	76.2
Benelux[(4)]	47.1	39.3	45.0
Total	**717.2**	**694.2**	**774.9**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

(2) France-Switzerland includes revenue from France and Switzerland, together with revenue from its franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast.

(3) Iberian Peninsula includes revenue from Spain and Portugal.

(4) Benelux includes revenue from Belgium and the Netherlands.

RISK FACTORS

You should carefully consider the risks described below as well as the other information contained in this offering memorandum before making an investment decision. Any of the following risks could materially adversely affect the Group's business, financial condition or results of operations, and as a result you may lose all or part of your original investment in the Notes. The risks described below are not the only risks the Group faces. Additional risks and uncertainties not currently known to the Group or that it currently deems to be immaterial may also materially adversely affect the Group's business, financial condition or results of operations.

This offering memorandum contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences are discussed below and elsewhere in this offering memorandum. See "Forward-Looking Statements".

Risks Related to the Group's Business and its Markets

The Group operates in markets that are rapidly evolving and may face challenges adapting to new developments in e-commerce.

The Group operates in markets that are undergoing significant change, primarily due to the expansion of the Internet and the resulting changes in consumer purchasing patterns, such as the digitalization of physical consumer media. The spread of new media has given rise to a spectacular growth in e-commerce, which has shaken up the *status quo* in every market and in every country in which the Group operates, by significantly changing modes of consumption, customer behavior, customer attraction and retention tools and distribution methods. In particular, the increased use of mobile phones and on-line shopping has made customers more independent and mobile in terms of their shopping behaviors.

The growth in e-commerce has spawned Internet pure players to the detriment of traditional retailers. They generate intense price competition and offer a wide range of products, all constituting a serious threat to traditional retailers. More generally, the development of e-commerce has reduced prices and margins in the Group's markets. Also, the increased prevalence and use of price comparison websites has amplified the general price competition in the markets in which the Group operates.

The rapid development of the Internet has also led to the phenomenon of digitalization, that is, the transition from physical media to digital media. This shift has radically altered consumer spending patterns on Editorial Products as downloading and streaming media have become more prevalent. As a result of digitalization, the CD and DVD sub-segments have been in decline for a number of years. The Group's ability to remain competitive in Editorial Products rests on its ability to position itself to take advantage of this shift in consumer purchasing patterns.

The Group's ability to adapt and, in particular, to develop its Internet sales depends on a number of factors, including the ability to successfully market its websites, the hiring, training and retention of qualified personnel, the ability to integrate its growing online operations on a profitable basis, and the capability of its existing distribution network to accommodate its growing online operations. As a result of increased competition from e-commerce providers, the Group may experience pricing pressure and loss of market share. Failure to successfully adapt to new developments in e-commerce could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's markets are subject to fierce competition.

The retail markets for Consumer Electronics, Editorial Products and Household Appliances are highly competitive, and the retail market is particularly fragmented. The Group competes in two main markets: traditional retailers (which include brick-and-mortar players such as hypermarkets and independent networks) and Internet pure players. Some of these Internet pure players are established in countries where they can benefit from more favorable tax structures, and regulatory regimes than the Group. Some Internet pure players operate globally and promote intense price rivalry to drive up their sales and market share. Their pricing can be more competitive because they have a lighter cost structure and none of the constraints associated with a store-based model. They also offer an increasingly larger product range. The Group's ability to remain competitive, consequently, will depend on its ability to constantly adapt its offering to match evolving consumer trends and expectations.

Over the past few years, new competitors such as manufacturers, Internet service providers ("*ISPs*") and digital platforms have also emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as the Group in the marketing and supply chain. In addition, piracy is undermining the attractiveness of the legitimate Editorial Products offered by the Group and constitutes a source of unfair competition. The decline in the markets in which the Group operates also tends to strengthen competition (because the revenue available for the various operators is reduced). More intense competition, as the Group is experiencing in the Netherlands under its BCC banner, could have a material adverse effect on the Group's business, results of operations and financial condition.

The difficulties facing the Group's markets have been and could continue to be exacerbated by an unfavorable macroeconomic or political environment, including risks due to economic problems in the euro zone. These unfavorable economic conditions could result in a reduction in consumer spending levels and a decline in the demand for the Group's products, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The performance of the Group's markets is closely linked to levels of disposable household income. The Group's revenue is affected by the economic conditions in the countries in which it operates, which are primarily euro zone countries. The outlook for the world economy, and particularly the French economy, remains uncertain. Any economic downturn in the euro zone may have an adverse effect on the economies of countries comprising the Group's main markets including France, Benelux and the Iberian Peninsula. Euro zone countries' policies of budget austerity, a higher tax burden and a simultaneous decrease in disposable household income for discretionary consumption of products such as those marketed by the Group, have contributed to putting pressure on the Group's markets. In addition, the vote in 2016 by the United Kingdom electorate in favor of the United Kingdom leaving the European Union ("*Brexit*") and the terms of such exit, which continue to remain uncertain, could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro or pound sterling, and therefore weaken the economic conditions in which the Group operates.

Due to an element of discretionary spending for Consumer Electronics, which comprised 51% of the Group's revenue for the financial year ended December 31, 2018, and the fact that such purchases often represent a significant expenditure, consumers are more likely to defer the purchase of, or trade down to less expensive models of, these items during periods of economic uncertainty or personal economic hardship, or in environments of constrained consumer credit. While Large Household Appliances purchases tend to be more replacement driven, they are also subject to the risk of consumers trading down to less expensive models. Any of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

If the Group does not anticipate or respond quickly enough to changing technology, content, service delivery or consumer preferences, or does not manage its inventory levels effectively or accurately forecast product returns, there could be a material adverse effect on its business, results of operations and financial condition.

The Group's success largely depends on its ability to anticipate and introduce new products, content, services and technologies to consumers, as well as on the frequency of such introductions, the level of consumer acceptance in relation to them, and the related impact on the demand for existing products, content, services and technologies. Careful management is required to avoid the risk of holding stock that has become obsolete or that is in excess of customer demand, which may result in stock write-offs and write-downs. In addition, although the Group records a reserve for product returns based on historical return trends together with current product sales performance in each reporting period, the introduction of new products, changes in product mix, changes in consumer confidence or other competitive and general economic conditions may cause actual returns to exceed product return reserves. To the extent that returned products are damaged, the Group often does not receive full retail value from the resale or liquidation of those products. Any significant increase in product returns that exceeds the Group's reserves could have a material adverse effect on the Group's business, results of operations and financial condition.

There can be no assurance that the Group will successfully anticipate consumer demands in the future or that it will be able to obtain adequate supplies of popular new products. Failure to adequately manage its product stock or predict accurately the constant changing of technology, consumer tastes, preferences, spending patterns and other lifestyle decisions could cause a significant decline in sales, and could require mark-downs to a significant number of products to sell the resulting excess inventory or write off unsold products. This could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group operates in a market which has historically seen price decreases, which can put pressure on profit margins.

After a product is introduced, the costs associated with such product and its average selling price typically decrease as the supply of such product becomes more prevalent in the market and new products are developed and introduced for sale. While price decreases may drive increased sales volume, there can be no guarantee that this will occur, which may make it harder for the Group to maintain or grow its profit margin over a product's life cycle.

Where the effect of price decrease is not countered by an increase in sales volumes, effective cost and expense management, as well as stock management, are crucial in maintaining or growing profit margins. If the Group is unable to maintain or grow its profit margins (*e.g.*, by shifting its product mix towards higher margin products by selecting and procuring products from suppliers that offer improved designs or preferred features), manage its inventory levels, manage costs or increase its sales volumes, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business is highly seasonal in nature and is also affected by weather.

The Group's business is highly seasonal and has been historically characterized by a substantial increase in store traffic and website traffic towards the end of the year, from Black Friday in late November through the Christmas and New Year holidays. The Group's revenue and EBITDA are significantly higher in the fourth quarter than in any other quarter of the year, as a result of Christmas and, increasingly, Black Friday. The Group generated one third of its revenue for the financial year ended December 31, 2018 in the fourth quarter of that year. The growing importance of Black Friday, and customers' increasing tendency to make purchases earlier in the year, has also had an impact on the Group, as sales on Black Friday tend to focus on Consumer Electronics with lower margins. As a result, the Group has and may continue to experience lower margins.

The Group's working capital requirements fluctuate during the year and are normally at their highest in the first and third quarters of each year. Additionally, the Group's results can be affected by abnormal or unforeseen circumstances or events, and such circumstances can have a disproportionately adverse effect on the Group's business if they occur during periods of high activity. For example, the "Yellow Vests" movement, which started in November 2018, negatively affected the Group's results in the fourth quarter of 2018 as a result of store closures and reduced foot traffic at stores as fewer consumers visited stores on weekends. The Group did not see a corresponding increase in Internet sales to compensate for the reduction in store traffic.

Investments in inventory typically increase for the first quarter, are stable between the first and third quarters, and decrease for the fourth quarter of a given year. During the fourth quarter, the Group undergoes a period of intense business activity that involves tight inventory management and large shifts in its liquidity, and it must therefore increase its use of external service providers, particularly in logistics, which increases the Group's exposure to issues which it may have no control over.

Given this seasonality, unforeseen circumstances can have an exacerbated effect on the Group's business if they occur during this season. Such circumstances include, for instance, unexpected events or failures that may occur at the end of the year or during the launch of products in high demand, such as natural disasters, weather events, supply delays, strikes, acts of terrorism, work stoppages, the blocking or destruction of the Group's logistics platforms, or the failure, overload or disruption of its websites. Furthermore, adverse weather (such as heavy rains or snowfall) can deter customers from shopping in the Group's stores, and unforeseen weather conditions (*e.g.*, unseasonably cold spells in summer) could render a portion of the Group's inventory (*e.g.*, fans and air-conditioning units) incompatible with such unseasonal conditions. Any of such events could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's success is partially dependent on new technologies and products being developed by third parties, including its suppliers and other manufacturers.

While the Group can select the products to be sold at its stores, it is unable to control the development of products by manufacturers, including the extent to which products include new technologies, features or designs that are attractive to customers. If the Group's suppliers or the manufacturers that serve its suppliers are unable to develop products to meet the demands of its customers, the Group's product offering will suffer, and sales values could decline as consumers shift their discretionary spending elsewhere. This was the case for Consumer Electronics in the financial year ended December 31, 2018, where IT and photography, for example, experienced low points in their respective innovation cycles, resulting in lower revenue from those sub-segments. Should such circumstances persist or occur in the future, they could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group relies on third party logistics providers for imports of its products from its suppliers and for delivery of its products to its customers.

The Group currently relies heavily upon independent third party logistics providers for shipments of its products from its suppliers and for delivery of its products to its customers' homes and other pick-up points. The utilization of their delivery services, or those of any other logistics companies the Group may elect to use, is subject to risks, including increases in fuel prices, which would increase its shipping, road and transportation costs. Any increase in shipping or other logistics costs may impact the Group's profitability margins if it does not increase the prices of its products, and any such increases may negatively affect the demand for its products. Strikes, work stoppages and inclement weather may impact the logistics providers' ability to provide delivery services that adequately meet the needs of the Group. If such a delay or interruption of delivery were to occur, the Group may not be able to meet consumer demand, which may result in fewer sales. Third parties may also take actions which impair the consumer goodwill the Group has developed, and it may not be able to mitigate such actions or to do so in a timely manner.

Any breakdown or disruption, in whole or in part, of the activities of these providers, for example resulting from IT malfunctions, equipment failure, accidents, natural disasters, acts of terrorism, vandalism, sabotage, theft and damage to products, failure to comply with applicable regulations or any other disruption, could reduce the Group's ability to supply its points of sale, make timely deliveries to customers or maintain an appropriate logistics chain and level of inventory, all of which could adversely affect the Group's revenue and reputation. Additionally, there can be no guarantee that the Group will maintain relationships with its current independent carriers, and may at any point be required to contract with other carriers on less favorable terms or at a greater cost. If the Group changes transportation providers, it could face logistical difficulties that could adversely affect its deliveries and could cause it to incur costs and expend resources in connection with such change. Any of these factors, in particular if coinciding with the peak season in the Group's sales, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group depends upon its logistics and supply chain infrastructure to distribute its products, and any interruptions at its warehouses or increase in distribution costs could have a material adverse effect on its business, results of operations and financial condition.

The Group operates internal distribution networks that collect its products from its warehouses in preparation for distribution to its stores and to end-customers. A number of factors might significantly impact the ability of the Group to distribute products to its stores and maintain an adequate product supply chain, including breakdowns or accidents at its warehouses, difficulties in recruiting delivery drivers for "last mile" deliveries or in recruiting workers to absorb year-end peak business periods, challenges in reducing carbon dioxide impacts, restricted access to town centers, labor disruptions and strikes, and natural events. Such disruptions could also have an adverse effect on its in-store inventory. Any such incidents could also result in the destruction or loss of all or a portion of the Group's inventory and fixed assets located in these warehouses, causing the Group to incur material costs and expend resources in connection with such change. There is no guarantee the Group would be able to pass on the impact of this increase in costs to customers.

Any of these risks, in isolation or in combination, could have a material adverse effect on the Group's business, results of operations and financial condition.

System failures or shortcomings, viruses or hacking could result in service interruptions in the Group's information systems or expose client data in its databases, or otherwise adversely affect the Group's operations.

The Group's websites, as well as most of the Group's operations, rely on information systems developed or administered by internal resources or outside contractors. Any fragility or failure of these systems could disrupt business operations and potentially have major repercussions on the Group's sales and financial results, particularly with regard to websites, customer ordering and payment systems, and especially during peak end-of-year business activity. These information systems are constantly changing and are difficult to address as a single entity. The growth of portable technology, cybercrime (which has become more sophisticated) and phishing scams as well as the tightening of regulations governing the personal data of customers and employees makes information system security an additional challenge.

Such systems are also subject to damage or interruption from power outages, computer and telecommunications failures, software errors, computer viruses, security breaches, natural disasters and the delayed or failed implementation of new computer systems. Damage or interruption to the Group's information systems may require a significant investment to fix or replace them, and the Group may suffer interruptions in its operations in the interim. Failures in the Group's management information systems, including the Group's failure to generate accurate and complete financial and operational reports essential for monitoring its business and making decisions at various levels of management, or general telecommunications system problems, could lead to decisions being made that have adverse results and may disrupt operations. If the Group's security procedures and controls were compromised, unintentionally or through cyber-attacks, customer data or information could be accessed by unauthorized third parties. In addition, some customer information and data is stored with third parties who may also be subject to the risk of cyber-attack or access by unauthorized third parties. Any material disruption or slowdown of the Group's systems could cause information, including data related to customer orders, to be lost or delayed, which could result in delays in the delivery of products to the Group's stores and customers or lost revenue. The Group's existing safety systems, data backup, access protection, user management and emergency planning may not be sufficient to prevent information loss or disruptions to the Group's information systems. Any material interruptions or failures in the Group's information systems could have a material adverse effect on the Group's business, results of operations and financial condition.

Additionally, if changes in technology cause the Group's information systems to become obsolete, or if its information systems are inadequate to handle its growth, the Group could lose customers. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with the maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of the Group's operations.

The Group also relies heavily on its IT staff. If the Group cannot meet its staffing needs in this area, it may not be able to fulfill its technology initiatives while continuing to provide maintenance on existing systems. The Group relies on certain software suppliers to maintain and periodically upgrade many of these systems so that they can continue to support the Group's business. The software programs supporting many of the Group's systems have been licensed to the Group by independent software developers. The inability of these developers or the Group to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of the Group's operations if it were unable to convert to alternate systems in an efficient and timely manner. Accordingly, the Group's inability to retain its IT staff and licenses with certain software suppliers could result in interruptions or failures in its information systems which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is also vulnerable to various risks and uncertainties associated with its websites and mobile applications, including changes in required technology interfaces, website downtime and other technical failures, costs and technical issues as the Group upgrades its website software, computer viruses, changes in applicable law and regulation, security breaches, legal claims related to its website operations and e-commerce fulfillment, and consumer privacy concerns. Any failure by the Group to successfully respond to these risks and uncertainties could reduce Internet sales and have a material adverse effect on the Group's business, results of operations and financial condition.

The occurrence of catastrophic events, such as terrorist attacks, could adversely affect the activities of the Group.

Catastrophic events such as terrorist attacks, war activities, floods, fires, earthquakes, pandemics or epidemics in France or elsewhere have a negative effect on retailers, particularly for retailers who sell discretionary goods. The occurrence of such an event, in particular if coinciding with the peak season in the Group's sales, could have a material adverse effect on the Group's business and operating results.

Following the Paris terrorist attacks of 2015, the subsequent state of emergency declared by French authorities (which was extended until 2017 following the terrorist attack in Nice in July 2016), the terrorist attack in Spain in 2017, the raising of the terror alert level in several other euro zone countries along with the pre-existing risk in countries where the Group is present, notably Ivory Coast, a new major critical risk was identified at the Group level. This risk concerns both the threat to the safety of the Group's employees, customers and service providers, and the threat to the goods necessary for its business to function. An unanticipated attack affecting the safety of people or goods in the Group would do great harm to its image, and its business could be severely damaged, especially through a decrease in store traffic, even if an attack did not target the Group directly. In particular, the Group organizes various public events, most notably Festival Fnac Live, where there may be a heightened risk for unexpected incidents or attacks. Preventive security measures implemented by the Group, in particular at the points of sale with high volumes of traffic, have also resulted and will continue to result in significant costs.

There can be no assurance that the Group will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist acts or other catastrophic events and any losses that could result from these acts, or that its security measures can prove effective against such acts. If there is a prolonged disruption at the Group's properties due to natural disasters, terrorist attacks or other catastrophic events, there could be a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to a risk of economic, social and political unrest.

France has recently experienced certain negative developments with respect to the general business climate, as well as social and political unrest (*e.g.*, the "Yellow Vests" movement). If the social instability intensifies, the Group may be exposed to an increased degree of risks arising from interruption of operations due to economic, political or social instability. The Group's security costs may rise as a result of any increased social unrest or violence and footfall in its stores may suffer from adjacent incidents of social unrest or violence. It is possible that any continued or resurgent social and political uncertainty or adverse impact on the French economy as a result thereof could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group might not be able to implement or adapt its business strategy effectively.

The Group's future performance is dependent on its ability to identify, develop and execute its strategies. As the Group has outlined a growth and strategic development platform on which to expand its business (*i.e.*, the *Confiance+* strategic plan that was launched in December 2017), its failure to properly deploy and utilize capital and other resources may adversely affect its planned initiatives. Misjudgments or flaws in the execution of the Group's strategy could have a material adverse effect on the Group's business, results of operations and financial condition.

As part of the Group's continuing business strategy, the Group may make acquisitions of, or investments in, companies or technologies that complement its current product range and services offering. The Group does not have specific timetables for these plans and cannot be certain that it will be able to identify suitable acquisition or investment opportunities at reasonable prices. Future acquisitions could also pose risks to the Group's operations, including (i) difficulty integrating the acquired operations, products, technologies or personnel, (ii) substantial unanticipated integration costs, (iii) diversion of significant management attention and financial resources away from existing operations and (iv) incurrence of liabilities from the acquired business (including environmental matters, infringement of intellectual property rights or other claims). These and other risks relating to acquisitions could cause the Group not to realize the anticipated benefits from such transactions and could have a material adverse effect on its business, financial condition and results of operations.

Additionally, the Group operates in a market that is affected by economic, competitive and regulatory instability, and the Group must regularly adapt its economic model in order to account for market changes, such as by developing pricing policies, adapting its cost structures, rationalizing its operational organization and adapting its commercial strategy. If the measures the Group implements do not in fact match actual consumer demands, expectations or habits, this could have an adverse effect on the returns on investments made, financial targets, market share and revenue. Consequently, any development of the Group's business strategy which is not sufficiently adapted to actual trends and consumer demands, expectations and habits in the retail markets in which it operates could have a material adverse effect on the Group's business, results of operations and financial condition.

A failure to successfully develop omnichannel activities, along with the increasing complexity of the Group's omnichannel business, may adversely affect its business.

The Group operates in a competitive market with customers making purchases from its business through many different sales channels. The Group's customers increasingly expect a seamless experience when accessing these channels and want to be able to interact with it in a variety of ways. In order to deliver such a service, the Group relies on a number of different internal systems and operating models across distribution channels, and the Group has implemented an omnichannel strategy aimed at delivering a satisfactory experience to its customers across different sales channels. The Group's ability to develop its omnichannel operations depends on a number of factors, including its ability to successfully market its products online, the hiring, training and retention of qualified personnel in both online and physical operations, and the continued development of its e-commerce distribution channels at an appropriate pace to cope with intense competition. The Group may incur unexpected costs or face technical issues in connection with developing its omnichannel offering. If a significant element of this omnichannel strategy fails, such failure could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's marketing campaigns may prove ineffective.

The Group's sales depend to a large extent on the success of its marketing campaigns. The Group uses various marketing platforms, especially Google. Any price increases imposed by Google for its services may increase the Group's marketing costs unexpectedly.

From time to time, the Group will need to refresh or reinvent its marketing campaigns, which will require additional expense. In the future, the Group may, for example, make significant marketing efforts in areas such as advertising, search engine optimization and social media presence. These initiatives may fail to attract new customers or to generate the anticipated purchase volumes. More generally, the Group cannot guarantee that its marketing efforts will generate the required degree of brand recognition, promote growth in the number of customers, or expand the volume of sales. In markets where the Group has already achieved significant penetration, acquiring additional customers could prove more difficult and costly. If a marketing campaign fails, the investments made will turn out to be ineffective and the Group could face a decrease in customer demand and a resulting decline in sales which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business may be negatively affected by changes in search engine algorithms and dynamics, or search engine disintermediation.

The Group depends in part on various Internet search engines, such as Google, to direct a significant amount of traffic to its websites, from which it derives a substantial portion of its revenue. The ability of the Group to maintain a high number of visitors to its websites is not entirely within its control. Competitors' search engine optimization efforts may result in their websites receiving a higher search result page ranking than the websites of the Group, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of the Group search result page ranking. In addition, negative online customer reviews could lead search engines to down-rank the websites of the Group. If search engine companies modify their search algorithms in ways that are detrimental to the Group, or if competitors' search engine optimization efforts are more successful than the efforts of the Group, there could be a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be able to maintain positive brand perception and recognition, and any events that negatively impact the reputation of, or value associated with, any of its banners could adversely affect the Group's business.

The Group considers there to be strong customer awareness of the Fnac and Darty banners, which it believes has contributed significantly to the success of Fnac's and Darty's respective businesses to date by driving footfall to their stores and generating unique visits to their websites. Because the Group's success depends significantly on its brand image, damage to its banners in particular would have a negative impact. There can be no assurance that the Group and its new product and service offerings will be positively received, or that it will be able to adequately and timely respond to the preferences of customers. Maintaining a positive brand perception is especially important on social media sites, which encourage customers to share their opinions, comments and experiences. The considerable expansion in the use of social media in recent years has compounded the potential scope of the negative publicity that could be generated by any negative incidents. Maintaining and enhancing the Group's brand image may also require substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics and employee training, which could adversely affect cash flow and which may not ultimately be successful.

Against a backdrop where the Group's franchise network is growing and there is increasingly intense competition, its ability to maintain positive consumer awareness and perception of the Fnac and Darty banners, and to have core customers join loyalty programs, is key to ensuring the Group's future success. The Group continues to develop customer loyalty programs through which it has strengthened the loyalty of a solid customer base that has generated a significant portion of its revenue. These programs may be imitated by the Group's competitors which would weaken its distinctiveness, or it could be perceived as less attractive than competing programs, and consequently be abandoned by certain customers.

In addition, any deterioration in labor relations within the Group, including strikes, could expose the Group to reputational risk and undermine its image or the service level within the Group's store network. The Group's image could also be tarnished by the occurrence of exceptional events, such as litigation relating to the sale of a given product or a breach of applicable law. There are also certain risks associated with the operation of the Group's Marketplaces, since the Group has limited visibility or influence on the sellers and buyers using the platforms, and limited control and visibility on the transactions taking place on the Marketplaces. Unfavorable publicity concerning the Group, its products or services, or any of its retail stores, Marketplaces or manufacturers, or a substantial erosion in the reputation of its brand could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group could be affected by a deterioration in its relations with certain suppliers, partners or service providers or by difficulties obtaining supplies.

The Group's activities depend on its relations with key partners. For example, in recent years, the Group has built strong relationships with Deezer, Orange, Kobo, Microsoft, Apple, Carrefour, Google and others. The Group has also built relations with service providers who play a key role in its operations such as IT resources, transport, delivery and payroll management. Any significant failure, deterioration, sudden termination or nonrenewal of the Group's contractual relationships with its partners and contractors could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group heavily relies on certain key suppliers. A major portion of the Group's operations depends on its capacity to negotiate favorable commercial terms and maintain contracts and business relations with its suppliers, especially those (such as Apple) which represent a significant proportion of revenue, for whose products there is no substitute and in cases where suppliers are concentrated (such as for Household Appliances). Any deterioration in the Group's relationships with its main suppliers, the imposition of stricter conditions by suppliers (especially with respect to payment terms), or the non-renewal or early termination of its main supply or service agreements may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group offers a wide range of products and is supplied by a large number of suppliers. This exposes the Group to the risk that such suppliers may fail to meet agreed deadlines, provide the Group with sufficient products or comply with the Group's specifications and quality requirements. Some of the Group's suppliers may have limited resources, production capacities and operating histories. As a result, the capacity of some of the Group's suppliers to meet the Group's supply requirements has been, and may in the future be, constrained at various times and its suppliers may be susceptible to production difficulties, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs or other factors that negatively affect the quantity or quality of their production.

If the Group experiences increases in demand or the need to replace an existing supplier (*e.g.*, because one of the suppliers of the Group decides to no longer work with it or demands higher prices or more stringent payment terms), there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to the Group. In addition, even if the Group was able to expand existing manufacturing sources or find new ones, it may encounter delays in production and added costs as a result of the time it would take to train the Group's manufacturers in its methods, products, quality control standards, labor, health and safety standards.

There is also a risk that the production by one or more manufacturers could be suspended or delayed, temporarily or permanently, due to economic or technical problems such as the insolvency of the manufacturer or its inability to access liquidity, the failure of manufacturing facilities or disruption of the production process, all of which are beyond the Group's control. Such difficulties may negatively impact the Group's ability to deliver quality products to its customers on a timely basis, which may, in turn, have a negative impact on its customer relationships and result in lower revenue and therefore may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to political and other business risks in its sourcing markets.

A significant portion of the Group's products (in particular those related to the Darty banner) are manufactured in markets outside the European Union, principally in Asia. As a result, the Group faces a variety of risks generally associated with doing business in foreign markets and importing products from these markets, including, among others, political and economic instability, increased security requirements applicable to foreign goods, imposition of taxes, other charges and restrictions on imports, currency and exchange rate risks, exchange controls, delays in shipping and increased costs of transportation, and risks related to labor practices and disputes, product safety or manufacturing safety standards, environmental matters, natural disasters such as floods and earthquakes, or other issues in the foreign countries or factories in which the Group's products are manufactured. The occurrence of any of these events can have an adverse impact on the Group's ability to source its products from its suppliers, which may in turn have a material adverse effect on the Group's business, results of operations and financial condition.

The Group generally does not have any exclusive or formal contractual arrangements with its suppliers, which could limit its ability to revisit price increases, seek damages or make other legal claims against them or to ensure the continuity of supply.

The Group generally does not have exclusive relationships with its suppliers. As a result, most of its suppliers may be able to sell similar or identical products to certain of its competitors, some of which purchase products in significantly greater volumes. Its competitors may enter into arrangements with suppliers that could impair its ability to procure those suppliers' products, including by requiring suppliers to enter into exclusive arrangements. The suppliers of the Group could also initiate or expand sales of their products through their own stores or through the Internet to the retail market and therefore compete with the Group directly or sell their products through outlet centers or discount stores, increasing the competitive pricing pressure the Group faces. The lack of a formal and comprehensive agreement may also affect the existence or scope of the warranties which the Group may benefit from in case of third party claims with regard to the sale of its suppliers' products. Any of these risks, in isolation or in combination, could have a material adverse effect on the Group's business, results of operations and financial condition.

Product defects may cause supply shortages, expose the Group to claims, damage the public perception of its banners and harm its business. The Group may not have adequate remedies against its suppliers for defective merchandise.

The Group requires its suppliers to satisfy certain standards regarding the quality, safety and specification of its products. However, if products that the Group purchases from suppliers are damaged or prove to be defective, it may not be able to return products to these suppliers and obtain refunds of its purchase price or obtain other indemnification from them. The limited capacities of some of its suppliers may result in a supplier's inability to replace any defective merchandise in a timely manner. In addition, the limited capitalization or liquidity of some of the suppliers may mean that a supplier that has supplied defective merchandise will not be able to refund the purchase price to the Group or pay it any penalties or damages associated with any defects. If a product recall is required in circumstances where the financial consequences are not satisfied by one of the suppliers, or covered by the Group's product liability insurance, it may have an adverse effect on the financial performance and reputation of the Group.

Any failure by the suppliers of the Group to adhere to product safety or manufacturing safety standards could result in serious product defects that may not be detected by quality control procedures and which may in turn lead to product recalls. The reputation of the Group's banners could be damaged by the marketing of defective products, especially in the event of serious defects, such as products containing harmful substances causing physical harm or other health problems. Such serious defects could also lead to a significant decline in its revenue. In addition, there is a risk that compliance lapses by the Group's suppliers could occur, which could lead to investigation by agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact the business of the Group. In all such cases, especially if there is a prolonged impact on product quality, there could be a material adverse effect on the Group's business, results of operations and financial condition.

Changes to, or withdrawals of, credit insurance provided to the suppliers of the Group could have a material adverse effect on its business, results of operations and financial condition.

The Group's business is dependent on the sale of goods supplied to it by third parties. The Group's working capital funding is typically a balance of funding through its credit facilities and credit from its suppliers. Credit levels remain dependent on the general economic environment and the Group's financial position. In the event of a deterioration or perceived deterioration in the Group's financial condition, there is a risk that the Group's suppliers, vendors or partners could respond to any decrease in or any concern with respect to the Group's liquidity or financial results by requiring more stringent payment terms, such as standby letters of credit, earlier or advance payment of invoices, payment upon delivery or other assurances or credit support, all of which could have a material adverse effect on the Group's business, results of operations and financial condition. One or more of the Group's suppliers may slow down or cease shipments or require or condition their sale or shipment of merchandise on more stringent payment terms. If these events were to occur and the Group did not or were not able to adequately respond, it could materially disrupt the Group's supply of merchandise. Any such developments could increase the Group's costs of sales and adversely affect its profit margins.

The Group believes that third party suppliers in the relevant markets have traditionally taken out credit insurance to protect these receivables against the risk of bad debt, insolvency or protracted default of their buyers, including the Group. If there is a significant decrease in the availability, or the withdrawal in its entirety, of credit insurance to the suppliers, and the suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to take actions to reduce their credit exposure to the Group, including seeking to change their credit terms. Any of these actions could have a material adverse impact on the cash position of the Group and lead to an increase in its indebtedness, which could have a material adverse effect on its business, trading, reputation, financial condition and results of operations.

The Group's results may be adversely affected by inflation and other factors affecting production costs, including raw materials and energy costs.

The raw materials used to manufacture the Group's products are subject to availability constraints and price volatility. Their prices may fluctuate based on a number of factors beyond the Group's control, including changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, anti-dumping duties, currency exchange rates and government regulation. Even if the Group does not directly purchase the raw materials and components used in its products, their cost is reflected in the prices the Group pays to its suppliers.

Energy costs also have fluctuated dramatically in the past and continue to fluctuate. These fluctuations may result in an increase in the Group's operating costs, such as transportation costs for distribution, utility costs for its retail stores and costs to purchase products from its suppliers. A rise in energy costs could also adversely affect consumer spending and demand for the Group's products, which could have a material adverse effect on the Group's financial condition, results of operations and financial condition.

If the Group is unable to pass such cost increases on to its customers or the higher cost of the products results in decreased demand for its products, this could reduce the Group's profits and have a material adverse effect on the Group's business, results of operations and financial condition.

Currency fluctuations and hedging risks could adversely affect the Group's earnings and cash flow.

The Group's business is subject to risks due to fluctuations in currency exchange rates. A portion of the Group's purchases from its own banners and licensed product suppliers is denominated in U.S. dollars. Substantially all of the Group's revenue is denominated in euro, however, the Group also generates revenue denominated in Swiss francs. Changes in the value of the euro or the U.S. dollar in relation to each other, or relative to foreign currencies, may increase the Group's suppliers' cost of business and ultimately the Group's cost of goods sold and its selling, general and administrative costs. The exchange rate between the U.S. dollar and the euro has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Because the Group's financial statements are presented in euro, the assets, liabilities, sales and expenses of all the Group's operations with a functional currency other than the euro must be translated into euro at the applicable exchange rates, being the spot rate for assets and liabilities at the balance sheet date, and the average rate for sales and expenses for the applicable income statement period. Consequently, increases or decreases in the value of the euro may affect the value of these items with respect to the Group's non-euro businesses in its financial statements, even if their value has not changed in their own currency, and this could have a material adverse effect on the Group's business, results of operations and financial condition.

While the Group engages in foreign exchange hedging transactions, its hedging strategies may not adequately protect the Group's results of operations from the effects of exchange rate and interest rate fluctuations or may limit any benefit that the Group might otherwise receive from favorable movements in such rates. Moreover, the Group may only have a limited ability to hedge its exposure to foreign exchange risk to reduce the sensitivity of its net profits to currency fluctuations.

A significant portion of the Group's stores are operated by franchisees, and this store ownership mix presents a number of disadvantages and risks.

As of December 31, 2018 approximately one third of the Group's stores were operated by franchisees. The Group receives revenue in the form of royalties and fees from such franchisees as well as from the sale of merchandise to franchised stores. Some franchisees are free to fix their prices and to buy products from parties other than the Group, which may have an impact on the Group's revenue. The Group has limited influence over its franchisees and a limited ability to facilitate changes in store ownership and management. Franchisees may also be unwilling or unable to implement strategic initiatives. Although the Group has certain rights to terminate franchisees for non-compliance with terms of their agreement, it may not be able to identify problems and take action quickly enough to prevent its results of operations or reputation from suffering. The Group's principal competitors may have greater influence over their respective store networks because of their ownership of stores, putting the Group at a competitive disadvantage.

In addition, there is a risk that the Group could experience a loss in net sales, as well as an interruption in the operation of one or multiple points of sale if a significant number of existing or future franchisees ceases to do business with the Group, or if a significant number of existing or future franchisees, licensees or other commercial partners experience financial difficulties and become insolvent or enter bankruptcy or analogous proceedings. The Group faces limitations on its ability to enforce franchisee obligations due to bankruptcy or insolvency proceedings, and may be unable to collect outstanding receivables, including licensee and franchise fees and royalties and payment for merchandise. In addition, merchandise at the premises of such franchisee, licensee or wholesale partner, as applicable, may be seized by creditors and sold for prices below the recommended retail sale price, thereby lowering the Group's brand equity, and this could have a material adverse effect on the Group's business, results of operations and financial condition.

Moreover, the Group could potentially face employment related litigation if, for example, a franchise agreement is converted into an employment contract. This could occur due to the franchisor's interference in the franchisee's management which would qualify as a subordinate relationship. Such litigation could result in unexpected expenses and require significant management time.

The Group does not fully control its joint venture or trading partnerships, and actions taken by its partners could materially affect its business.

The Group carries on a number of joint ventures and trading partnerships and may enter into additional similar ventures in the future as part of the *Confiance+* strategic plan or otherwise. Investments in projects and companies, such as Ménafinance, over which the Group has partial control, are subject to the risk that the other parties thereto, who may have different business or investment strategies than the Group or with whom it may have a disagreement or dispute, may reduce the Group's independence or otherwise materially adversely affect business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or the Group's investment in it, or otherwise implement initiatives which may be contrary to the Group's interests. Moreover, joint venture and other partners may be unable or unwilling to fulfill their obligations under the relevant joint venture agreements and shareholder agreements, or may experience financial or other difficulties that may adversely impact the Group's investment in a particular joint venture. In addition, the Group's joint ventures may encounter delays or not materialize on the terms initially contemplated, as the Group has encountered with the delays in its joint venture ambitions with MediaMarktSaturn Retail Group, an entity owned by Ceconomy, one of the Group's major shareholders. Any of such scenarios could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group could be affected by a deterioration of its relationships with its property owners. If the Group is unable to renew, replace or terminate its store or warehouse leases or enter into leases for new stores or warehouses on favorable terms, or if any of its current leases are terminated prior to the expiration of their stated term and the Group cannot find suitable alternate locations, its growth and profitability could be affected.

The Group's success depends on its ability to develop and manage a store network that meets its requirements, as well as its customers' expectations. As of December 31, 2018, the Group leased a majority of its store locations. The Group's current leases expire at various dates ranging from less than one year to approximately nine years. These leases provide for rent reviews, generally every year, at which time the rental rates of some or all of the Group's store locations could increase pursuant to certain indices. The ability of the Group to maintain its existing rental rates during renewals or to renew any expired lease on favorable terms will depend on many factors which are not within its control, such as applicable real estate laws and regulations, conditions in the local real estate market, competition for desirable properties, and its relationships with current and prospective landlords. If the Group is unable to renew its leases, its ability to lease a suitable replacement location on favorable terms is subject to the same factors. If the Group's lease payments increase or the Group is unable to renew existing leases or lease suitable alternate locations, its profitability may be significantly affected and could have a material adverse effect on the Group's business, results of operations and financial condition.

Additionally, in the event of a significant reduction in the profitability of some or all of the Group's stores, or in the event of a significant shift in sales to other distribution channels, the ability of the Group to reduce costs through the negotiation of lease terminations or modifications on acceptable terms or at all may be limited. If the Group is unable to terminate the leases of stores which have been underperforming or are no longer consistent with its brand positioning and which it therefore wishes to close, to the extent it remains obligated under leases or the termination or modification of leases results in significant costs, the ability of the Group to manage costs will be impacted, and this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's performance may be affected by the quality of its store portfolio.

The quality and location of the Group's store portfolio are key contributors to its performance and growth strategy. The location of the Group's stores, their design (both internally and externally), store surroundings and the types of other retailers adjacent to the store locations are among the variety of factors that impact the quality of the store portfolio in the eyes of its customers. The Group continually reviews its store portfolio, and its business is dependent on identifying and securing favorable new sites, reformatting existing stores at an acceptable return on investment and assigning, subleasing or terminating lease obligations at an acceptable cost where the Group no longer wishes to operate. The ability of the Group to secure new sites for its stores is affected by the level of competition from other retailers, local land use and zoning regulations, environmental regulations and the cost of leasing its stores. There is no guarantee that the Group will be able to secure or maintain sites for its stores in attractive areas or areas with high consumer traffic. If the Group is unable to obtain appropriate locations for its stores, as well as maintain their quality, there could be a material adverse effect on the Group's business, results of operations and financial condition.

Additionally, if the Group fails to identify and lease attractive point of sale locations, recruit qualified sales assistants or establish the required infrastructure, or if the attractiveness of the locations of its points of sale is reduced for reasons beyond its control, its expansion strategy may be slowed and its market share could decline. No guarantee can be given regarding the Group's capacity to successfully optimize its usage and allocation of its retail space (including the deployment of any new product or service range), control its rents or maintain and develop a network of stores in the best locations and on acceptable terms.

The Group may remain liable in relation to stores the Group has subleased or for which leases have been assigned.

The Group has in the past subleased, or assigned to third parties, the leases (or part of the leases) of a number of stores that it no longer wanted to occupy, and the Group may in the future enter into sublease or assignment arrangements with third parties. The Group may remain directly or contingently liable for the performance of related leasehold and other obligations under its lease arrangements in respect of stores which are subleased or where leases are assigned, including the payment of rent, which could crystallize in the event of insolvency or other default by the sublessees or assignees of those properties. In the event that any of the sublessees or assignees fail to meet their obligations under the subleases or assigned leases, the Group may become responsible for such obligations, which could have a material adverse effect on its business, results of operations and financial condition.

The Group risks the theft or the misappropriation of funds and products in its stores or in its warehouses.

In the ordinary course of its business the Group is exposed to the risk of theft of products in its stores and warehouses. Products may also be misappropriated during transportation. The Group carries insurance for the theft of its products, but there can be no guarantee that the coverage limits under its insurance will be adequate to cover future claims. In addition, the Group may from time to time experience a misappropriation of funds in its stores or at other levels of its business. If thefts or misappropriations of funds were to occur, the Group may have to invest in tighter control mechanisms or take other appropriate steps to secure funds and merchandise, and its reputation could be negatively affected. Any such theft or misappropriation could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in credit and debit card provider requirements or applicable regulations could adversely affect the Group's business.

Since a substantial portion of its revenue is generated by customers who pay for their purchases with credit or debit cards rather than cash, the Group is exposed to a variety of risks associated with credit and debit cards. For credit and debit card payments, the Group pays interchange and other fees. These fees may increase over time and therefore increase the Group's operating expenses and adversely affect its results of operations. The Group is also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for it to comply. There is also a risk that information from customers' credit or debit cards could be misappropriated. Any failure to comply with applicable requirements or regulations may subject the Group to fines and higher transaction fees, the loss of its ability to accept credit and debit card payments from its customers or the cessation of payments from credit and debit card providers to it for purchases already made. Any of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may incur liabilities that are not covered by insurance, and could be exposed to significant financial risks if its insurance coverage proves to be inadequate.

The Group is exposed to risks that are inherent to its business. Although the Group has taken out a third party liability and business interruption insurance policies, legal proceedings related to third party liability or business interruption could lead to substantial damages, some of which may not be covered by insurance. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents resulting from fires, explosions, water damage, theft, natural events causing damage to the Group's own property (*e.g.*, buildings, furniture, equipment, merchandise or computer systems) or following a business interruption at its premises, nor that it will be able to maintain this insurance on acceptable terms in the future. Furthermore, the occurrence of several events resulting in substantial claims for damages in a calendar year may have a material adverse effect on the Group's insurance premiums. The Group's insurance costs may increase over time in response to any negative development in its claims history or due to material price increases in the insurance market in general. If the Group's insurance coverage proves to be inadequate or unavailable in the future or if the Group is not able to maintain its current insurance coverage or do so at a reasonable cost, there could be a material adverse effect on the Group's business, results of operations and financial condition.

A loss of key personnel, including senior management, or difficulties in the Group's ability to attract, retain or replace skilled employees could adversely affect its business.

The Group is dependent on its senior management to operate its business and execute its strategies. If members of the Group's senior management depart, it may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Group's competitive position. The Group's business also requires it to hire and retain skilled employees, particularly purchasers and logistics personnel, as well as employees with strong digital skills, and its success depends in part on its ability to continue to attract, motivate and retain highly qualified employees.

Additionally, the majority of the Group's employees are employed in its retail stores. The turnover rate in the retail industry is relatively high, and individuals of the required quality to fill positions may be in short supply in some geographical areas. Competition to hire and retain good and dependable employees may result in higher labor costs, and there can be no assurance that the Group will be able to pass on such higher costs to its customers. Furthermore, if the Group is unable to attract, train, assimilate or retain employees in the future, it may not be able to service its customers effectively, thus reducing its ability to grow and to operate its stores as profitably as it has in the past.

There can be no assurance that any of the Group's key personnel will continue to be employed by it or that it will be able to attract and retain qualified personnel in the future. The Group's efforts to retain the commitment of its management team and key employees through performance-based remuneration systems may be ineffective in retaining talent, and these measures may need to be increased if they are not competitive with the market. The loss of services of key personnel, or a failure to attract and retain qualified new personnel, could have a material adverse effect on the Group's business, results of operations and financial condition.

A deterioration in the relationships with the Group's employees or trade unions or a failure to extend, renew or renegotiate collective bargaining agreements on favorable terms could lead to labor disputes that might interfere with the Group's operations or otherwise have an adverse impact on its business.

The Group is constantly adapting its human resources and organizational structure. Its capacity to maintain good relations with its employees, unions and employee representative bodies is crucial to successfully achieving the reorganization required to adapt to market developments. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy linked to continuous structural optimization, strikes, work stoppages or other labor disputes could have a material adverse effect on the Group's image, operations, operational efficiency, earnings, financial position and outlook. Moreover, labor unrest may arise following elections of employee representatives in the event of structural changes. Differences between the wage policies of the two banners could persist despite the completion of the integration of the two operations, which could lead to additional wage negotiations. An unfavorable economic context may generate tensions within the Group and result in labor disputes, particularly in the context of mandatory annual negotiations. Finally, organizational changes could lead to a loss of motivation among employees and expose the Group to a risk of prolonged labor disputes. Any such deterioration of the relationships with the Group's employees, unions and other employee representatives could have a material adverse effect on the Group's business, results of operations and financial condition.

Moreover, the vast majority of the Group's employees in France are covered by the national collective bargaining agreements for the audio-visual, electronics and appliances retail sector. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of the Group's employees such as maximum working hours, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and company-specific agreements also contain provisions that could affect the Group's ability to restructure its operations and facilities or terminate employees. The Group may not be able to extend existing company-specific agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. The Group may also become subject to additional company-specific agreements or amendments to its existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase the Group's operating costs and could have a material adverse effect on the Group's business, results of operations and financial condition.

Future funding requirements of defined benefit pension schemes in the United Kingdom, France and Switzerland could have a material adverse effect on the Group's business, results of operations and financial condition.

The United Kingdom pension scheme which was integrated into the Group as a result of the Acquisition is a legacy United Kingdom defined benefit pension scheme (the "*Comet Pension Scheme*"). The scheme closed to new entrants on April 1, 2004, and future service accrual ceased on September 30, 2007. The scheme is subject to the risk that the value of its assets (which move broadly in line with markets) may not fully cover the amount of its defined benefit liabilities (which are affected by changes in actuarial valuations, including life expectancy, inflation and the discount factor used by the scheme actuary to calculate the present value of future benefit payments), potentially requiring the Group to recognize an increased funding deficit on its balance sheet or contribute further amounts to the scheme. This could have an adverse impact on the Group's results of operations.

In the United Kingdom, the trustees must agree on a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, regular valuations are carried out with the plan's obligations measured using prudent assumptions (similar to those used to measure accounting liabilities). The financing of the Comet Pension Scheme was renegotiated in 2017, resulting in fixed annual payments of £4.0 million by the Group. At the end of 2018, the deficit for the Group's U.K. pension funds amounted to an equivalent of €3.4 million. Actions by the U.K. Pensions Regulator or the trustees of the pension scheme, or changes to existing pension law, could result in additional funding obligations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

In France, post-retirement benefits are primarily provided by the state system. However, the Group has supplementary funded pension plans in place for certain senior executives in France and Switzerland. As of December 31, 2018, the Group's Swiss pension plan had a net deficit of €4.6 million and as of December 31, 2018, the Group's French pension plans had a net deficit of €4.9 million.

Additionally, the Group pays its French employees end of career indemnities at the time of retirement, as lump sum payments. This payment is dependent on the time spent at the company and is defined by collective bargaining agreements or company-specific agreements. As of December 31, 2018, these indemnities represented a net deficit of €140.5 million.

The total assets of the Group include intangible assets (such as goodwill), property, plant and equipment. Changes to estimates or projections used to assess the fair value of these assets, or operating results that are lower than the current estimates at certain store locations, may cause a depreciation of these assets that could have a material adverse effect on the Group's business, results of operations and financial condition.

As of December 31, 2018, non-current assets (including goodwill) totaling €2,766.8 million were carried on the Group's consolidated balance sheet. Partly as a result of the Acquisition, goodwill (representing the excess value paid by Fnac compared to the net book value of the net identifiable assets of Darty) carried on the Group's consolidated balance sheet is significant, with €1,559.5 million of goodwill recorded as of December 31, 2018. The Group makes certain estimates and projections in connection with impairment analyses for non-current assets. These calculations require it to make a number of estimates and projections of future results. If these estimates or projections were to change in the future, the Group may be required to record additional impairment charges on certain of these assets, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's main shareholders hold a significant percentage of the Group's shares and can influence decisions made by the Group.

The interests of the Group's various shareholders, and in particular Ceconomy Retail International, could conflict with the interests of the noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. As of December 31, 2018, Ceconomy Retail International held 24.2% of the Group's share capital and voting rights, and Groupe SFAM held 11.4% of the Group's share capital and voting rights. As such, Ceconomy Retail International and Groupe SFAM could influence the adoption or rejection of resolutions with respect to authorizing dividend distributions, capital increases, mergers, contributions, incurrence of indebtedness, or any other decision requiring shareholder approval. See "*Principal Shareholders*".

The Group's principal shareholders could cause the Group to pursue acquisitions, divestitures, financings, dividend distributions or other transactions (subject to the limitations set forth in the Indentures) that, in their judgment, could enhance their equity investments, although such transactions might involve risks to noteholders. Furthermore, no assurance can be given that the Group's principal shareholders will not sell all or any part of their respective shareholdings at any time nor that they will not look to reduce their holding by means of a sale to a strategic investor, an equity offering or otherwise. Such divestitures may not trigger a change of control under the Indentures. There can be no assurance that the Group's principal shareholders will not take actions that may not be in the interest of noteholders.

Legal, Regulatory and Tax Risks

There are claims made against the Group or its management from time to time that can result in litigation, arbitration, tax or regulatory proceedings which could distract management from the Group's business activities and result in significant liability.

From time to time the Group or its management are involved in litigation, tax audits, claims and other proceedings relating to the conduct of its business, including, but not limited to, claims from its employees, claims of intellectual property infringement (including with respect to trademarks), and claims asserting unfair competition and unfair business practices by third parties. In addition, from time to time, the Group is subject to product liability and personal injury claims for the products it sells and the stores it operates. In particular, French law provides specific protection for consumers in the area of liability for defective products (see "*Regulation—Consumer*

Protection"). Subject to certain exceptions, the Group's purchase agreements generally require the supplier to indemnify it against any product liability claims. However, if the supplier does not have insurance or becomes insolvent, the Group may not be indemnified. Moreover, the Group is from time to time subject to tax audits.

In addition, the Group could face a wide variety of employee claims against it, including general discrimination, privacy, labor and employment, and disability claims. Any claims could result in litigation against the Group and could also result in regulatory proceedings being brought against it by various governmental agencies. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time and legal expenses. Litigation and other claims and regulatory proceedings against the Group or its management could result in unexpected expenses and liability and could also have a material adverse effect on the Group's business, results of operations and financial condition. For example, the Group was fined €20.0 million by the French competition regulator (*i.e.*, *Autorité de la concurrence*) in July 2018 after it failed to sell three stores following the Acquisition. Further, under certain French commercial urban planning laws, companies operating stores of a certain size that are open to the public must obtain regular licenses and authorizations to do so. Any failure by the Group to comply with these laws and regulations may have a material adverse effect on its ability to operate certain stores and accordingly, could have a material adverse effect on the Group's business, results of operations and financial condition.

Even if the Group were successful in defending such proceedings, it could still suffer from the distraction of management resources to such proceedings, incur certain expenses and possibly face harm to its reputation from case-related publicity. The involvement in litigation and arbitration proceedings could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to tax and social contribution risks and could have to bear the costs and obligations related to current or future tax and social contribution inspections, which could result in substantial additional payments. New tax and social contribution laws, changes in existing tax and social contribution laws or challenges to the tax and social contribution position of the Group could increase its tax and social contribution burden and could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to complex tax and social contribution laws. New tax and social contribution laws or changes in existing tax and social contribution laws could adversely affect its tax position, including its effective tax rate or the amount of its tax payments (prospectively or retrospectively). The Group often relies on generally available interpretations of applicable tax and social contribution laws and regulations. The Group cannot be certain that the relevant tax and social contributions authorities are in agreement with its interpretation of these laws. If the Group's tax and social contribution positions are challenged by relevant tax and social contributions authorities, the imposition of additional taxes and social contributions could require it to pay taxes that it currently does not collect or pay or increase the costs of its services to track and collect such taxes and social contribution, which could increase its costs of operations or its effective tax rate and have a material adverse effect on the Group's business, results of operations and financial condition. As a result of tax and social contributions audits or other review actions of the relevant financial or tax authorities, additional taxes and social contributions could be identified. For example, the Group is currently subject to five on-going tax and social contributions audits in France. Any such additional taxes could lead to an increase in the Group's tax obligations that could exceed the amount of the existing provisions, either as a result of the relevant tax payment being levied directly on it or as result of it becoming liable for tax as a secondary obligor due to a primary obligor's (such as, for example, an employee's) failure to pay.

Value-Added Tax ("*VAT*") rates could increase in the future in the countries in which the Group operates. If it does not increase the prices of its products to match the increase in VAT, the Group's profitability margins will be negatively impacted. If it passes the increase in VAT on to its customers by raising the prices of its products, the demand for the Group's products may decline, which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, the Group has VAT risks arising out of its operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be obliged to split its subsidiaries into two tax integration structures.

As a result of Brexit or if Darty Ltd. is otherwise considered to be outside of the European Union, the Group may be obliged to split its subsidiaries into two tax integration structures: one for Darty Limited's subsidiaries and the other for Fnac Darty Participations et Services S.A.'s subsidiaries. This may result in higher taxation of dividends from the subsidiaries because dividends from the subsidiaries would be taxed at a higher rate than if they were part of the same integrated tax group. In addition, the Group may no longer be able to offset the losses of certain subsidiaries against the profits generated by others. This could have a material adverse effect on the Group's business, results of operations and financial condition.

Transactions in the Notes could be subject to the European financial transaction tax, if adopted.

On February 14, 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a directive on a common financial transaction tax (the "*FTT*") to be implemented under the enhanced cooperation procedure by 11 Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain) (the "*Participating Member States*"). However, Estonia formally announced its withdrawal from the negotiations.

The Commission's Proposal has a very broad scope and could, if introduced in its current form, apply to certain transactions relating to the Notes (including secondary market transactions but excluding primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006) in certain circumstances. It would call for the Participating Member States to impose a tax of generally at least 0.1% on all such transactions, generally determined by reference to the amount of consideration paid. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is established or deemed established in a Participating Member State and at least one party is a financial institution established or deemed established in a Participating Member State which is party to the transaction, acting either for its own account or for the account of another person, or acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Commission's Proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

Prospective investors are advised to seek their own professional advice in relation to the FTT.

Payments under a French guarantee may be subject to French withholding tax.

In the absence of provision in the French tax code, statement of practice published by the French tax authorities or judicial precedent addressing specifically the French tax treatment applicable to payments made under a guarantee agreement, there is an uncertainty as to whether the payments made by a French Guarantor under a guarantee could be subject to withholding tax in France pursuant to French tax law (subject to the provisions of applicable tax treaties). Should a withholding tax be due, there are certain specific circumstances under which no additional amounts would be payable in this respect by the French Guarantor.

The Group qualified for the French employment incentive tax credit. However, the extent to which it benefits may be materially adversely affected by changes in the law or in the application of related accounting rules.

In December 2012, the French government enacted a competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*, or the "*CICE*"), as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. Pursuant to the CICE, French corporations received a subsidy equal to 6.0% or 7.0% (depending on the year) of the gross salaries paid to certain employees between 2014 and 2018.

From January 1, 2019, the CICE no longer applies. It has been abolished (except for Mayotte where the CICE has been maintained) and replaced by a reduction in employer contributions. The net impact of such replacement for the group still remains to be assessed.

French tax legislation may restrict the Group's ability to use French tax loss carry-forwards.

The Group may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from the Group's entities. The actual realization of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits and the future results of the relevant entities. In particular, pursuant to Article 209, I, paragraph 3 of the French Tax Code (*Code general des impôts*), the fraction of French tax loss carry-forwards that may be used to offset the taxable profit with respect to a given fiscal year is limited to €1.0 million plus 50.0% of the portion of taxable profit exceeding €1.0 million. Any reduction in the Group's ability to use these assets due to changes in laws and regulations, potential tax reassessment or lower than expected results could have a material adverse effect on the Group's business, results of operations and financial condition.

French tax legislation may restrict the deductibility, for French tax purposes, of indebtedness incurred in France, thus reducing the cash flow available to service the Group's indebtedness.

To comply with the EU Anti-Tax Avoidance Directive ("*ATAD 1*"), the Finance Bill for 2019 provides for new interest deductibility limitation rules in France.

From January 1, 2019, under Article 212 bis § II of the French Tax Code, net interest expenses are deductible from the taxable income of a company only to the extent that they do not exceed the higher of the two following thresholds: (i) €3.0 million or (ii) 30.0% of the adjusted taxable income of the company (*i.e.*, taxable income before the offset of tax losses and without taking into consideration net financial expenses and — to some extent — depreciation, provisions and capital gains/losses).

75.0% of the net financial expenses exceeding the higher of the abovementioned thresholds would still be tax deductible provided that the equity-to-asset ratio of the company is at least equal to or is not lower by more than 2.0% than the equity-to-asset ratio of the consolidated group to which it belongs.

Should the company be thinly capitalized and exceed a specific 1.5x debt-to-equity ratio, this provision would not apply and the net interest expenses related to debt towards related entities exceeding 1.5 times the equity would only be tax deductible to the extent that they do not exceed the higher of the two following thresholds: (i) €1.0 million or (ii) 10.0% of the abovementioned adjusted taxable income (collectively, the "*Revised Thresholds*").

Interest expenses that would be excluded from the deductible expenses of a given fiscal year could be carried forward indefinitely subject to the abovementioned limitations. If the company is thinly capitalized, interest subject to the Revised Thresholds can be carried forward only up to 1/3 of its amount.

When, for a given fiscal year, a company does not fully use its deduction capacity (*i.e.*, the amount of net interest expense is lower than the abovementioned thresholds), the unused portion of deduction capacity (*i.e.*, amounting to the positive difference between the applicable thresholds and the net interest expenses) can be carried forward for the five following fiscal years. However, this deduction capacity carry-forward cannot be used to deduct non-deductible interest expenses that have been carried forward.

These new limitation rules also apply at the level of French tax consolidation groups, subject to certain conditions.

In addition, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the French Tax Code is subject to a limitation pursuant to Article 212 § 1, b of the French Tax Code. Interest deduction will be subject to an additional requirement: if the lender is a related party to the borrower within the meaning of Article 39.12 of the French Tax Code, the French borrower shall demonstrate, at the French tax authorities' request, that the lender is, for the current financial year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25.0% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes or an Undertakings for Collective Investment in Transferable Securities or a similar entity. Pursuant to the provisions of the 2017 directive amending ATAD 1 as regards to hybrid mismatches, ATAD 2, this limitation pursuant to Article 212 § 1, b of the French Tax Code is likely to be modified as from 2020. Modifications are unknown at this stage. It cannot be excluded that they will limit the Group's ability to deduct interest.

These tax rules may limit the Group's ability to deduct interest accrued on its indebtedness incurred in France and, as a consequence, may increase its tax burden and reduce the cash flow available to service its indebtedness, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's intellectual and industrial property rights may be challenged. Intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights could diminish the value of its banners and weaken its competitive position.

The Group owns or uses intellectual and industrial property rights, including trademarks, logos and domain names. The Group cannot be certain that third parties will not infringe, misappropriate or terminate its intellectual or industrial property rights. Over the past few years, the Group has set up a monitoring system for its portfolio of intellectual and industrial property rights in order to defend its rights. However, the Group cannot be certain that the measures undertaken to protect its intellectual and industrial property rights will be effective. Additionally, the Group does not own all the intellectual and industrial property rights over the trademarks, trade signs, designs, copyrights, software and technologies that it uses or offers for sale, and such use may be challenged by third parties. If the Group is unable to protect and maintain its own intellectual property rights or its use of the intellectual property rights owned by others, the value of its banners could be diminished and its competitive position could suffer.

In addition, the Group's products, services, websites, or other acts conducted over its ordinary course of business may violate (or be perceived to violate) intellectual property rights (in particular copyrights, trademarks, design rights, patents and software) of third parties, and the Group may be subject to infringement claims. The Group may also be involved in claims raised by third parties against its licensors, suppliers, licensees or franchisees. For instance, it may be involved in claims regarding products or services supplied by its suppliers or franchisees that are perceived as infringing intellectual property rights of third parties.

Third parties have in the past, and may in the future, assert intellectual property claims against the Group, particularly as it expands its business to include new products and services. The Group may also face claims from its suppliers or licensors if they consider that their intellectual property rights are being misused, especially where those suppliers or licensors have a strong brand image and reputation. The Group's defense of any claim, regardless of its merit, could be expensive and time consuming, and could divert management resources. Successful infringement claims against the Group could result in significant monetary liability and prevent it from selling some of its products or services. In addition, the resolution of claims may require it to abandon the sale or provision of the litigious product or service or seek redesign of its own-label products, or acquire license rights from third parties, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The legal and regulatory environment applicable to the Group's markets or to its products and services in the countries where it operates may develop in ways that are unfavorable to the Group and expose it to compliance risk.

Because of its in-store and online retail activities, the Group is exposed to changes in the legal and regulatory environment in the countries in which it operates. In particular, the Group's activities are subject to controls, investigations and regulations relating to consumer protection, competition, e-commerce, intermediation in consumer credit and insurance, IT, book prices (digital and physical), contractual warranties for customers, and store safety and accessibility. For example, with some exceptions (such as books), under the terms of Article L. 441-6 of the French Commercial Code (*Code de commerce*), in the absence of an agreement between the parties, the payment terms cannot exceed 30 days from receipt of the goods or performance of the services. In the event of an agreement between the parties the payment terms may not exceed, in principle, 60 days from the invoice issue date or, by way of exception, 45 days from month-end if such terms (i) are expressly stipulated in the contract and (ii) are not grossly unfair to the creditors. The Group's operations in France are also subject to the Fixed Book Price Act (*Loi relative au prix du livre*) which regulates pricing of books in order to protect small booksellers against competition from large stores. The Fixed Book Price Act requires publishers to decide on a price for its book and to print it on the back of each book. Booksellers are not allowed to sell a book for a discount of more than 5.0% below the price set by the publisher (see "*Regulation*"). Furthermore, the French anti-corruption law addressing transparency, anti-corruption and economic modernization, known as the Sapin II law, entered force on June 1, 2017 and places a heavier burden on the Group to put in place anti-corruption and influence peddling measures in each of the markets in which the Group operates. The Group is also subject to environmental regulations that may have an adverse impact on the Group or increase the restrictions that apply to the products distributed by the Group (*e.g.*, obligations to dispose of or recycle consumer electronics) or to the methods and cost of transporting products distributed. Changes in the legal and regulatory environment in the countries in which the Group operates may result in risk of its non-compliance which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's operations expose it to the risk of material health and safety liabilities.

The nature of the Group's operations subjects it to various statutory compliance and litigation risks under health, safety and employment laws and regulations. While the Group believes it is in material compliance with all applicable laws and regulations, it cannot guarantee that there will be no accidents or incidents suffered by its employees, its contractors or other third parties on its sites. For example, the Group organizes various public events, most notably Festival Fnac Live, where there may be a heightened risk for unexpected accidents or incidents impacting the Group's employees as organizers but also third parties. If any of these accidents or incidents occur, the Group could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed on it and cause damage to its reputation. Such events could have a material adverse effect on the Group's business, results of operations and financial condition.

Compliance with privacy and information security laws and requirements is increasingly costly, and any data security incident could adversely affect the Group's business.

The activities of the Group require the processing of various categories of personal data, such as payment card information, customer address and contact details, order history, marketing preferences and employee data. Secure processing and transmission of such data is essential to the proper functioning of the Group's business. Any type of data security incident, whether in the form of a malicious cyber-security breach or accidental loss could negatively impact the Group's reputation, relationships with its customers, suppliers or partners, increase its operating expenses in order to remedy the incident and resolve identified security flaws, expose it to uninsured liability, increase its risk of regulatory scrutiny, subject it to legal claims, result in the imposition of material penalties or fines under French, European Union or other applicable international laws or regulations, and adversely affect its continued participation in credit card schemes.

The regulatory environment governing the processing of personal data by the Group is complex. Compliance with evolving European Union and international privacy, data protection and information security laws and requirements may require the Group to incur costs to make necessary systems changes, engage suitably qualified personnel and implement new administrative processes. In particular, in May 2016 the European Union adopted the General Data Protection

Regulation (Regulation (EU) 2016/679) ("*GDPR*") with the aim to, among other things, strengthen and unify data protection for all individuals within the European Union. The GDPR became effective in each EU Member State on May 25, 2018, replacing the former European data protection regulatory framework. The GDPR increases the Group's regulatory burden, in terms of compliance with the new rules, as well as the maximum level of fines for non-compliance. The new regulation provides for more stringent consumer data privacy legislation compared to the prior regulatory framework, including in connection with the solicitation, collection, processing and use of consumer data. The Group has undertaken a process to conform its internal policies and procedures on the collection, processing and use of personal data to the GDPR. The Group may be exposed to increased liability under the new laws, including in the form of larger pecuniary sanctions in the event of breach of such laws. Under the GDPR, breaches of data protection rules may result in maximum fines equal to the greater of €20.0 million and 4.0% of the annual global turnover of the sanctioned company. Even technical violations of these laws can result in penalties that are assessed for each non-compliant transaction.

Even if the Group complies with such laws and requirements, the Group still may not be able to prevent the occurrence of a security breach involving protected data. Any such breach could reduce consumer confidence in the Group's web and mobile data security processes, which could, in turn, result in a decline in the Group's e-commerce activity. Additionally, the Group's reputation may be damaged and it could experience lost sales, fines or lawsuits that may individually or in the aggregate have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business could be negatively affected as a result of the threat of takeover or actions of activist stockholders.

As a publicly listed company, the Group may be subject to the threat of takeover or shareholder activism. Responding to the threat of takeover or actions by activist stockholders can generate negative press and be costly and time-consuming, disrupting the Group's operations and diverting the attention of management and the Group's employees. In the case of shareholder activism, the Group may be required to meet activist demands and make asset disposals. Such activities could interfere with the Group's ability to execute the Group's strategic plan. In addition, a proxy contest for the election of directors at the Group's annual meeting would require the Group to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and the board of directors of the Issuer (the "*Board of Directors*").

Changes to accounting standards may have a material adverse effect on the Group's business, results of operations and financial condition.

The Consolidated Financial Statements are prepared and presented in accordance with IFRS. As a result, any changes in these accounting standards may have a significant impact on how it records and reports its results, which may, in turn, have a material adverse effect on the Group's business, results of operations and financial condition. In recent years, the International Accounting Standards Board ("*IASB*") has issued and revised a number of IFRS standards. In particular, the IASB developed a new leases standard, IFRS 16 *Lease Agreements* ("*IFRS 16*"), which supersedes IAS 17 *Lease Agreements*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and is effective for fiscal years commencing on or after January 1, 2019. As a result, the Group has adopted IFRS 16 as at January 1, 2019 and will apply IFRS 16 in its consolidated financial statements from January 1, 2019.

IFRS 16 requires that the Group adopt a "right-of-use" approach in accounting for the Group's lease contracts and that the Group recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value (*i.e.*, less than $5,000). The Group has more than 4,000 leases that fall within the scope of IFRS 16, of which approximately 630 are real estate leases. The Group estimates that its adoption of IFRS 16 will lead to the recognition of a rental liability on the Group's balance sheet of between €0.9 billion and €1.1 billion, as well as an increase in fixed assets through the recognition of a right of use. This change to the presentation of its balance sheet will affect the comparability of its assets and liabilities from year to year, especially the comparison of assets and liabilities as of December 31, 2018 and as of December 31, 2019. Additionally, the adoption of IFRS 16 will lead to an increase in EBITDA, depreciation and financial expenses.

The IASB may, in the future, develop new, or revise existing, accounting standards, which may have a material adverse effect on the Group's business, results of operations and financial condition.

Risks Related to the Group's Indebtedness

The Group's significant leverage may make it difficult for it to operate its businesses.

The Group currently has and, after the issuance of the Notes, will continue to have a significant amount of outstanding and associated debt with substantial debt service requirements. As of December 31, 2018, on an as adjusted basis to give effect to the offering of the Notes and the Redemption, the Group's total long-term borrowings and financial debt would have been €855.1 million. The terms of the Indentures will permit the Group and the restricted subsidiaries of the Group to incur substantial additional indebtedness, including in respect of committed borrowings of up to €400.0 million under the Revolving Facility, which, as of the date of this offering memorandum, is undrawn. See "*Capitalization*".

The Group's significant leverage could have important consequences for its business and operations, including, but not limited to:

- making it more difficult for the Group to satisfy its obligations with respect to the Notes and its other debt and liabilities;
- requiring the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing the availability of the Group's cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing the Group's vulnerability to a downturn in its business or general economic or industry conditions;
- placing the Group at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than it has;
- limiting the Group's flexibility in planning for or reacting to competition or changes in its business and industry;
- negatively impacting credit terms with the Group's creditors;
- restricting the Group from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, the Group's and its subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy its debt obligations, including the Notes. The Group's ability to make payments on and refinance its indebtedness and to fund working capital expenditures and other expenses will depend on the Group's future operating performance and ability to generate cash from operations. The Group's ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond its control. The Group may not be able to generate sufficient cash flow from operations or obtain enough capital to service its debt or fund its planned capital expenditures.

Despite its current level of indebtedness, the Group may still be able to incur substantially more debt in the future, which may make it difficult for the Group to service its debt, including the Notes, and impair its ability to operate its businesses.

The Group may incur substantial additional debt in the future. Any debt that the Group's subsidiaries incur will be structurally senior to the Notes if such subsidiaries do not guarantee the Notes, and could be secured or could mature prior to the Notes. Although the Bank Facility Agreements contain, and the Indentures will contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. See "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*". Borrowings under debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, may, as a result, also be accelerated and become due and payable. The Group may be unable to pay these debts in such circumstances. The incurrence of additional debt would increase the leverage related risks described above. In addition, the Bank Facility Agreements do not, and the Indentures will not, prevent the Group from incurring obligations or entering into other arrangements that do not constitute indebtedness under those agreements, such as receivables securitization financings.

The Group is subject to covenants, which limit its operating and financial flexibility and, if the Group defaults under its debt covenants, it may not be able to meet its payment obligations.

The Bank Facility Agreements contain, and the Indentures will contain, covenants that impose significant restrictions on the way the Group can operate, including restrictions on its ability to:

- incur or guarantee additional debt and issue preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participating in joint ventures;
- create unrestricted subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Group or any restricted subsidiary;
- sell assets, consolidate or merge with or into other companies;
- sell or transfer all or substantially all of the Group's assets or those of its subsidiaries on a consolidated basis; and
- issue or sell share capital of certain subsidiaries.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*". Nonetheless, these covenants could limit the Group's ability to finance future operations and capital needs and its ability to pursue acquisitions and other business activities that may be in the Group's interest. The Group's ability to comply with these covenants and restrictions may be affected by events beyond its control. These include prevailing economic, financial and industry conditions. If the Group breaches any of these covenants or restrictions under the Term Facility, the Revolving Facility or the EIB Facility, it could be in default under the terms of the Senior Facilities Agreement or the EIB Facility Agreement, as applicable, and the relevant lenders could elect to terminate their commitments and declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable. This would also result in an event of default under the Indentures and the Bank Facility Agreements, even if they are not directly affected by such breach. If the debt under the Term Facility, the Revolving Facility, the EIB Facility, the Notes or the Guarantees or any other material financing arrangement that the Group enters into were to be accelerated, the Group's assets may be insufficient to repay in full the Notes and its other then outstanding debt.

The Bank Facility Agreements also require the Group to maintain specified financial ratios. The ability to meet these ratios could be affected by a deterioration in the Group's operating results, as well as by events beyond its control, including unfavorable economic conditions, and the Group cannot assure you that these ratios will be met. If an event of default occurs under the Term Facility, the Revolving Facility or the EIB Facility, the lenders thereunder could terminate their commitments and declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under other debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand. In these circumstances, the Group's assets may not be sufficient to repay in full that indebtedness and its other indebtedness then outstanding, including the Notes.

See "*Description of Other Indebtedness—Senior Facilities Agreement*" and "*Description of Other Indebtedness—EIB Facility Agreement*".

The Group may not be able to generate sufficient cash to service its indebtedness, including due to factors outside its control, and may be forced to take other actions to satisfy its obligations under the Group's indebtedness, which may not be successful.

The Group's businesses may not generate sufficient cash flows from operations to make payments on its debt obligations, and additional debt and equity financing may not be available to the Group in an amount sufficient to enable it to pay its debts when due, or to refinance such debts, including the Notes. If its future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund its liquidity needs, the Group may be forced to:

- reduce or delay the Group's business activities, planned acquisitions and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of the Group's debt, including the Notes, on or before maturity. The Group can make no assurance that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

The Group's ability to restructure or refinance its debt will depend in part on its financial condition at such time. Any refinancing of the Group's debt could be at higher interest rates than its current debt and may require the Group to comply with more onerous covenants, which could further restrict its business operations. The terms of existing or future debt instruments and the Indentures may restrict the Group from adopting some of these alternatives. Furthermore, the Group may be unable to find alternative financing, and even if the Group could obtain alternative financing, it might not be on terms that are favorable or acceptable to the Group. If the Group is not able to refinance any of its debt, obtain additional financing or sell assets on commercially reasonable terms or at all, it may not be able to satisfy its debt obligations, including under the Notes. In these circumstances, borrowings under other debt agreement or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and the Group may not have sufficient funds to repay all its debts, including the Notes.

In addition, any failure to make payments of interest or principal on the Group's outstanding indebtedness on a timely basis would likely result in a reduction of its credit rating, which could harm the Group's ability to incur additional indebtedness. In the absence of such operating results and resources, the Group could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The terms of some of the Group's indebtedness, including under the Bank Facility Agreements, restrict its ability to transfer or sell assets and to use the proceeds from any such disposition. The Group may not be able to consummate certain dispositions or to obtain the funds that it could have realized from the proceeds of such dispositions, and any proceeds the Group does realize from asset dispositions may not be adequate to meet any of its debt service obligations then due.

The loans under the Bank Facility Agreements could rise significantly if interest rates rise, increasing the Group's costs and reducing its cash flow.

The loans under the Senior Facilities Agreement bear interest at floating rates of interest per annum equal to EURIBOR, as adjusted periodically, plus a margin. The EIB Facility Agreement also provides for a floating rate option. These interest rates could rise significantly in the future. The Group may enter into certain interest rate hedging arrangements designed to fix a portion of these rates but is not required to do so. In addition, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, the Group's interest expense would correspondingly increase, reducing its cash flow.

The Group's hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of foreign exchange rate fluctuations and may expose it to potential losses if its hedging counterparties fall into bankruptcy.

The Group uses a combination of natural hedging techniques and financial derivatives to protect against certain foreign currency exchange rate risks. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities also may negatively impact operating results. In addition, if one (or more) of the Group's counterparties falls into bankruptcy, the claims the Group have under any such hedging arrangements may be impaired or become worthless. In addition, in the event that the Group refinances its debt or otherwise terminates its hedging agreements, the Group may be required to make termination payments, which would result in a loss.

Risks Related to the Notes and the Guarantees

The Issuer is a holding company dependent upon cash flows from the operating companies of the Group to meet its obligations under the Notes.

The Issuer is a holding company that conducts no or limited business operations of its own and has no significant assets other than the equity interests and the intercompany receivables it holds in each of its subsidiaries. The Issuer is dependent upon the cash flow from its operating subsidiaries available to it, by dividend, interest payments on intercompany loans or other distributions to meet its obligations, including under the Notes. The amounts of such payments, dividends and other distributions available to the Issuer will depend on the profitability and cash flows of its subsidiaries as well as the ability of those subsidiaries to declare dividends under applicable law. The subsidiaries of the Issuer, however, may not be able to, or may not be permitted under applicable law to, make distributions, make interest payments on, or otherwise advance upstream loans to the Issuer to make payments in respect of its debt, including the Notes. While the Bank Facility Agreements restrict the ability of the Issuer's subsidiaries to incur contractual restrictions on their ability to pay dividends or make other intercompany payments to the Issuer, these restrictions are subject to certain significant qualifications and exceptions. Moreover, the Indentures do not contain such restrictions. The Group cannot assure you that arrangements with the Issuer's subsidiaries, the funding permitted by the agreements governing existing and future indebtedness of its subsidiaries and its results of operations and cash flow generally will provide it with sufficient dividends, distributions or loans to fund payments on the Notes. In the event that the Issuer does not receive distributions or other payments from its subsidiaries, it may be unable to make required principal and interest payments on the Notes.

There are circumstances other than repayment or discharge of the Notes under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees will be released automatically, including but not limited to, the following:

- so long as no event of default has occurred and is continuing, to the extent that the relevant Guarantor (i) is unconditionally released and discharged from its liability with respect to its guarantee under the Senior Facilities Agreement and (ii) is not otherwise required to provide a Guarantee pursuant to the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*";
- as described under "*Description of the Notes—Amendments and Waivers*";
- in connection with any sale or other disposition of all or substantially all of the assets of the relevant Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Issuer or a restricted subsidiary of the Issuer;
- in connection with any sale or other disposition of capital stock of the relevant Guarantor or its parent company to a person that is not (either before or after giving effect to such transaction) the Issuer or a restricted subsidiary of the Issuer; and

- if the Issuer designates any restricted subsidiary of the Issuer that is a Guarantor to be an unrestricted subsidiary in accordance with the applicable provisions of the Indentures.

The Group may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indentures and the change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control", the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101.0% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, the Group cannot assure you that it would have sufficient funds available at such time to pay the purchase price of the outstanding Notes, or that the restrictions in the Bank Facility Agreements or its other then-existing contractual obligations would allow it to make such required repurchases. A change of control may also result in the Group being required to mandatorily prepay the Term Facility, the Revolving Facility, the EIB Facility and other indebtedness. The repurchase of the Notes could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from other members of the Group to allow it to pay cash to the noteholders, following the occurrence of a change of control, may be limited by the Group's then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Group is contractually prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, the Group may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, the Group expects that it would require third party financing to make an offer to repurchase the Notes upon the occurrence of a change of control. The Group cannot assure you that it would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indentures, which would, in turn, constitute a default under the Senior Facilities Agreement. See "*Description of the Notes—Change of Control*".

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving the Group that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indentures. Except as described under "*Description of the Notes—Change of Control*", the Indentures will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The Notes and each of the Guarantees will each be structurally subordinated to the liabilities of the Group's non-Guarantor subsidiaries.

Some, but not all, of the subsidiaries of the Issuer will guarantee the Notes. Unless a subsidiary is a Guarantor, such subsidiary will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer or any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the noteholders) and the Guarantors will have no right to proceed against the assets of such subsidiary; and

- creditors of such non-Guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or any Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Guarantee will be structurally subordinated to the claims of the creditors (including trade creditors) and any preferred stockholders of the Issuer's non-Guarantor subsidiaries. As of and for the financial year ended December 31, 2018, the revenue, assets and EBITDA of the Group's non-Guarantor subsidiaries, based on their historical financial statements (excluding intercompany transactions), together represented 45% of the consolidated revenue of the Group, 9% of the consolidated assets of the Group and minus 4% of the consolidated EBITDA of the Group. As of December 31, 2018 on an adjusted basis after giving effect to the Offering and the use of proceeds therefrom and the Redemption, as described in "*Use of Proceeds*", indebtedness of the non-Guarantor subsidiaries consisted mainly of inter-company balances, trade payables and finance leases.

The claims of the holders of the Notes will be effectively subordinated to the rights of any existing and future secured creditors to the extent of the value of the assets securing such indebtedness.

The Notes and the Guarantees will be general unsecured senior obligations of the Issuer and the Guarantors and will be effectively subordinated to any existing and future secured indebtedness of the Issuer and the Guarantors, to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of the Group's assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any indebtedness will be available to pay obligations on the Notes or the Guarantees only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.

Each Guarantee provides the noteholders with a direct claim against the relevant Guarantor. However, the Indentures will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law, and enforcement of each Guarantee would be subject to certain generally available defenses.

Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in French or Belgian courts or in such other applicable jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the noteholders return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or the creditor was aware that the Guarantor was insolvent when the relevant Guarantee was given;

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objectives of the Guarantor or not to be in the best interest or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future Guarantee granted by any of the Issuer's subsidiaries pursuant to the Indentures.

The Group cannot assure you of which standard a court would apply in determining whether a Guarantor was ''insolvent'' at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to noteholders constituted preferences, fraudulent transfers or conveyances on other grounds. The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, financial assistance, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished. If a court decided that a Guarantee was a preference, financial assistance, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and of any other Guarantor under the relevant Guarantee which has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor.

The following French subsidiaries of the Issuer will act as Guarantors of the Issuer's obligations under the Notes and the Indentures: Fnac Darty Participations et Services, Fnac Direct, Établissements Darty & Fils, Darty Grand Est and Darty Grand Ouest. The enforcement of each Guarantee of a French Guarantor, each of which is incorporated in France, will be limited to the maximum amount that can be guaranteed under the applicable laws of France, including limitations to the extent that the granting of such a Guarantee is not in the French Guarantor's corporate interests, or such guarantee would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws and would cause the directors of such French Guarantor to contravene their fiduciary duties and incur civil or criminal liability.

In France, the liabilities and obligations under the Guarantee granted by any French Guarantor are subject to (i) certain exceptions, including any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or infringement of the provisions of Articles L. 242-6, L. 241-3 or L. 244-1 of the French Commercial Code; and (ii) a financial limitation corresponding to an amount that equals the payment obligations of the Issuer up to an amount equal to (A) the proceeds from the Offering which the Issuer has applied for the direct or indirect benefit of that French Guarantor through intercompany loans and cash pooling arrangements (if any) and (B) any other intercompany debt arrangements owed by such French Guarantor to the Issuer, in each case to the extent outstanding at the time a payment is made by such French Guarantor (the ''*Maximum Guaranteed Amount*''), provided that any payment made by a French Guarantor under its Guarantee in respect of the obligations of the Issuer shall reduce *pro tanto* the outstanding amount of the intercompany debt due by such French Guarantor to the Issuer under the intercompany debt arrangements referred to above and as a result shall reduce the Maximum Guaranteed Amount. By virtue of this limitation, each French Guarantor's obligations under the Guarantees could be significantly less than amounts payable with respect to the Notes or a French Guarantor may have effectively no obligation under its Guarantee.

French law requires that, when a French company grants a guarantee of third party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor company. Under French corporate benefit rules, a court could declare any guarantee unenforceable and void, and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French Guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance. Based on current case law certain inter-group transactions (including upstream guarantees) can be in the corporate interest of the relevant company, in particular, where the following five criteria are fulfilled:

- existence of a genuine group of companies to which the guarantor and the person whose obligations are being guaranteed operate under a common strategy aimed at a common objective and the guarantee and the transaction to which it relates must be entered into in furtherance of the common economic interest of the group as a whole;
- the risk assumed by a French Guarantor must be proportionate to the benefit;
- the transaction must maintain a balance between the financial commitments of the relevant affiliates;
- the French Guarantor must receive an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee which is commensurate with the liability which it takes on under the guarantee; and
- the obligations of the French Guarantor under the guarantee or security interest must not exceed its financial capability.

The following Belgian subsidiaries of the Issuer will act as Guarantors of the Issuer's obligations under the Notes and the Indentures: Fnac Belgium SA and Fnac Vanden Borre NV. Belgian law requires that a guarantee granted by a Belgian company for the obligations of a group company meets the following conditions: (i) it must be part of the corporate purpose of the guarantor, as provided in its by-laws (*statuten/statuts*); (ii) it must be for the corporate benefit of the granting company, and (iii) it must comply with any applicable financial assistance rules. Corporate benefit is not a well-defined term under Belgian law and its interpretation is left to the courts. The corporate benefit rules and their application in the context of guarantees granted for the benefit of a group company are not clearly established under Belgian law and there is only limited case law on the subject. The question of corporate benefit must be determined on a case-by-case basis at the time of the granting of the guarantees, in anticipation of their enforcement, and at the moment of the enforcement, and consideration has to be given to any direct and/or indirect benefit that the company would derive from the transaction. Two principles apply to this evaluation: (i) the risk taken by the company in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction; and (ii) the financial support granted by the company should not exceed its financial capabilities. The presence of an actual benefit to a Belgian Guarantor is a matter of fact, which must be assessed by the board of directors of the company granting the guarantee and is ultimately subject to the appreciation of the court.

If a court in Belgium determined that actual benefit is not established, then the guarantee by the Belgian Guarantors could be declared null and void and, under certain circumstances, a creditor that has benefitted from the guarantee could be held liable for up to the amount of any payments it has received under the guarantee. Alternatively, the guarantee could be reduced to an amount corresponding to the corporate benefit or the creditor may be held liable for any guarantee amount in excess of such amount. If the corporate benefit requirement is not met, the directors of the Belgian Guarantors may also be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee to guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to such subsidiaries. Accordingly, the Guarantee of the Belgian Guarantors will contain such limitation language and will be limited to reflect the corporate benefit position of the Belgian Guarantors taking into account its financial capabilities at the time of any enforcement of the Guarantee. Including such limitation language is, however, not conclusive in determining the corporate benefit. The grant of a guarantee by the Belgian Guarantors must further be within or serve the corporate purpose of the Belgian Guarantors as described in its by-laws, and the guarantee may not include any liability that would result in unlawful financial assistance within the meaning of Article 629 of the Belgian Companies Code (and Article 7:227 of the new Belgian Companies and Associations Code expected to enter into force on May 1, 2019). See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees*".

The Notes may be declared unenforceable against third parties under fraudulent conveyance laws.

French and Belgian laws contain specific provisions dealing with fraudulent conveyance both in and outside bankruptcy, the "*action paulienne*" provisions. The action paulienne provisions offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which such person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of such person by the bankruptcy trustee or receiver in a bankruptcy of the relevant person or by any of the creditors of such person outside bankruptcy, and may be declared unenforceable against third parties if: (i) such person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of such person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both such person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*) in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance.

If a court found that the issuance of the Notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes or the granting of such guarantee could be declared unenforceable against third parties under French and Belgian law. As a result, noteholders may not enjoy the benefit of the Notes and the value of any consideration that noteholders received with respect to the Notes could also be subject to recovery from the noteholders and, possibly, from subsequent transferees. In addition, under such circumstances, noteholders might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

The insolvency and administrative laws of France and other countries where the Guarantors are located, as the case maybe, may not be favorable to creditors, including investors in the Notes, and may limit your ability to enforce your rights under the Notes and the Guarantees.

The Notes will be issued by the Issuer, a *société anonyme* formed under the laws of France, and will be guaranteed by the Guarantors, which are incorporated under the laws of France or Belgium, within 90 days of the Issue Date. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in France or Belgium. Such multijurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. There can also be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Guarantors' jurisdiction of organization may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in those jurisdictions or limit any amounts that you may receive.

Finally, pursuant to the EU Regulation No. 2015/848 on insolvency proceedings, the court that shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company has its "center of main interests". Therefore, to the extent that the "center of main interests" of the Issuer is deemed to be in France, courts of France may have jurisdiction over the insolvency proceedings of the Issuer (although this could be challenged and secondary/ancillary proceedings could be opened in other jurisdictions). For a brief description of certain aspects of insolvency law in France, and as required, the EU Insolvency Regulation, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees*".

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer, the Guarantors and their respective subsidiaries are organized outside the United States, and the Group's business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. As a result, although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process in the United States on the Issuer, the Guarantors and their respective directors and executive officers. In addition, because all of the assets of the Issuer, the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with France or Belgium. There is, therefore, doubt as to the enforceability in France and Belgium of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France or Belgium. In addition, the enforcement in France or Belgium of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French or a Belgian court would have the requisite power or authority to grant remedies sought in an original action brought in France or in Belgium on the basis of U.S. securities laws violations. For further information, see "*Enforceability of Judgments*".

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than the euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which the investor measures the return on his or her investments because of economic, political and other factors over which the Group has no control. Depreciation of the euro against the currency by reference to which an investor measures the return on his or her investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investor measures the return on his or her investments.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost, terms and conditions of the Group's financings, may adversely affect its ability to raise further finance or refinance its then existing indebtedness and could adversely affect the value and trading of the Notes.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes and the Guarantees have not or will not have been, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may only be offered or sold in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. For further information, see "*Notice to Investors*".

The Notes will initially be held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes (as defined herein) will trade in book-entry form only, and Notes in definitive registered form, or the Definitive Registered Notes (as defined herein), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a noteholder under the Indentures.

Unlike the noteholders themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from noteholders. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an "Event of Default" under the Indentures, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

The Notes are new issues of securities for which there is currently no established trading market. The Group cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among others, prevailing interest rates, the Group's operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment-grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a noteholder, regardless of the Group's prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market-making activities at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes may not become, or remain, listed on the Exchange.

Although the Issuer will, in the Indentures, agree to use its commercially reasonable efforts to have the Notes listed on the Official List and admitted to trading on the Exchange within a reasonable period after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become, or remain listed. If the Issuer cannot maintain the listing on the Official List and the admission to trading on the Exchange or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List or another recognized listing exchange for comparable issuers in accordance with the Indentures, failure to be approved for listing or the delisting of the Notes from the Official List or another listing exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

Prospective investors should consult their tax advisers regarding the tax consequences of an investment in the Notes.

In view of the number of different jurisdictions where tax laws may apply to a holder, except as described in "*Taxation*", this offering memorandum does not discuss all of the tax consequences to prospective investors of the purchase, ownership and disposition of the Notes. Prospective investors should consult their tax advisers regarding the tax consequences to them of purchasing, owning and disposing of the Notes, as well as the uncertainties with respect thereto, and should carefully consider those consequences and uncertainties before making a decision to invest.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes offered hereby will be €650 million. The Group intends to use the gross proceeds from the Offering, together with cash on hand, to (i) redeem the 2023 Notes in full (including payment of accrued and unpaid interest and the applicable redemption premium) and (ii) pay the costs, commissions, fees and expenses incurred in connection with the Offering and the Redemption.

The following table sets forth the expected and approximate estimated sources and uses of funds in connection with the Offering:

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby	650.0	Redemption of 2023 Notes	650.0
		Redemption Costs[1]	18.8
Cash	23.3	Offering Costs[2]	4.5
Total Sources	673.3	**Total Uses**	673.3

(1) Represents an estimate of the premium and accrued interest and costs, commissions, fees and expenses incurred in connection with the redemption of the 2023 Notes. Actual premium, costs, commissions, fees and expenses may vary, and additional costs, commissions, fees and expenses may be incurred after the Issue Date.

(2) Represents an estimate of the costs, commissions, fees and expenses incurred in connection with the Offering. Actual costs, commissions, fees and expenses may vary and additional costs, commissions, fees and expenses may be payable after the Issue Date.

CAPITALIZATION

The following table sets forth on a consolidated basis the cash and cash equivalents and the capitalization of:

- the Group, on a historical basis, derived from the Group's Consolidated Financial Statements as of December 31, 2018 included elsewhere in this offering memorandum; and
- the Group, as adjusted to give effect to the Offering and the use of proceeds therefrom, as described in "*Use of Proceeds*", as if they had occurred on December 31, 2018.

You should read this table in conjunction with the information in "*Use of Proceeds*", "*Description of Other Indebtedness*", "*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations*" and the Consolidated Financial Statements included elsewhere in this offering memorandum.

On February 15, 2019, the Issuer entered into the EIB Facility Agreement as borrower for a €100 million term facility. As of the date of this offering memorandum, the EIB Facility was undrawn. The Group expects to draw on the EIB Facility within six months from the Issue Date. See "*Description of Other Indebtedness—EIB Facility*" for more information.

	As of December 31, 2018		
(€ in millions)	**Actual**	**Adjustments(1)**	**As Adjusted(1)**
Cash and cash equivalents	**918.6**	(23.3)	895.3
Commercial Paper Program(2)	50.0	—	50.0
Other short-term borrowings and financial debt(3)	6.1	—	6.1
Short term borrowings and financial debt	**56.1**	—	**56.1**
Non-current borrowings:			
Notes offered hereby	—	650.0	650.0
2023 Notes(4)	650.0	(650.0)	—
Term Facility(5)	200.0	—	200.0
Revolving Facility(6)	—	—	—
Finance lease liabilities(7)	2.5	—	2.5
Other long-term borrowings(8)	2.6	—	2.6
Total long-term borrowings and financial debt	**855.1**	—	**855.1**
Total borrowings	**911.2**	—	**911.2**
Total equity (deficit)	**1,261.0**	(27.1)(9)	**1,233.9**
Total capitalization(10)	**2,172.2**	(27.1)	**2,145.1**

(1) As adjusted to give effect to the Offering and the use of proceeds therefrom and the Redemption, as described in "*Use of Proceeds*", as if they had occurred on December 31, 2018.

(2) On the date of this offering memorandum, outstanding borrowings under the Commercial Paper Program amounted to €120 million.

(3) Other short term borrowings and financial debt include financial leases and accrued and unpaid interest on the 2023 Notes as of December 31, 2018.

(4) Represents the 2023 Notes, which are intended to be fully redeemed with the proceeds of the Offering. See "*Description of Other Indebtedness—The 2023 Notes*" for more information.

(5) Represents the Term Facility, which was drawn in full in 2016. The Term Facility matures in April 2023. See "*Description of Other Indebtedness—Term Facility*" for more information.

(6) Represents the Revolving Facility, which as of the date of this offering memorandum was undrawn. The Group expects the Revolving Facility to remain undrawn on the Issue Date. The Revolving Facility matures in April 2023. See "*Description of Other Indebtedness—Revolving Facility*" for more information.

(7) The Group adopted and now applies IFRS 16 in its consolidated financial statements from January 1, 2019. For more information on the impact of IFRS 16, see "*Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations—Selected Critical Accounting Policies—IFRS 16*".

(8) Represents medium-term financial liabilities related to WeFix.

(9) Includes redemption premium and write-off of deferred financing costs in respect of the Redemption.

(10) Total capitalization represents the sum of total equity and total borrowings.

SELECTED HISTORICAL FINANCIAL INFORMATION

Consolidated income statement data

(€ in millions unless otherwise stated)	For the financial year ended December 31, 2016 (restated)[(1)]	2017	2018
Revenue	5,369.2	7,448.2	7,474.7
Cost of sales	(3,793.1)	(5,187.3)	(5,209.6)
Gross margin	**1,576.1**	**2,260.9**	**2,265.1**
Personnel expenses	(785.4)	(1,093.1)	(1,105.1)
Other current operating income and expenses	(629.2)	(899.6)	(865.7)
Share of profit from equity associates	0.2	1.9	1.7
Current operating income	**161.7**	**270.1**	**296.0**
Other non-current operating income and expenses	(38.2)	(53.3)	(38.8)
Operating income	**123.5**	**216.8**	**257.2**
Net financial expense	(76.2)	(44.0)	(42.6)
Pre-tax income	**47.3**	**172.8**	**214.6**
Income tax	(23.2)	(48.3)	(65.0)
Net income from discontinued operations	(21.6)	(87.0)	0.3
Consolidated net income	**2.5**	**37.5**	**149.9**
Group share	1.9	37.2	149.5
Share attributable to non-controlling interest	0.6	0.3	0.4
Net income, Group share	**1.9**	**37.2**	**149.5**
Earnings per share (€)	0.1	1.4	5.6
Diluted earnings per share (€)	0.1	1.4	5.6
Net income from continuing operations, Group share	**23.5**	**124.2**	**149.2**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Consolidated statement of financial position

	As of December 31,		
(€ in millions)	**2016 (restated)[1]**	**2017**	**2018**
Non-current assets			
Goodwill	1,541.1	1,541.4	1,559.5
Intangible non-current assets	462.3	473.0	480.0
Property, plant & equipment	613.4	611.2	620.2
Equity interests	20.1	22.0	19.7
Non-current financial assets	15.6	15.9	20.6
Deferred tax assets	41.5	59.9	66.8
Other non-current assets and liabilities	0.0	0.0	0.0
Total non-current assets	**2,694.0**	**2,723.4**	**2,766.8**
Current assets			
Inventories	1,057.3	1,072.8	1,091.8
Trade receivables	208.9	265.1	271.8
Tax receivables due	19.4	50.2	41.8
Other current financial assets	25.7	22.3	14.2
Other current assets	340.1	358.0	405.6
Cash and cash equivalents	656.0	774.9	918.6
Total current assets	**2,307.4**	**2,543.3**	**2,743.8**
Assets held for sale	**64.0**	**3.1**	**0.0**
Total assets	**5,065.4**	**5,269.8**	**5,510.6**
Shareholder's equity			
Share capital	26.1	26.7	26.6
Equity-related reserves	977.5	988.8	984.4
Translation reserves	(4.4)	(5.2)	(4.5)
Other reserves and net income	43.4	85.7	247.0
Shareholders' equity, Group share	**1,042.6**	**1,096.0**	1,253.5
Shareholders' equity—Share attributable to non-controlling interests	6.8	7.0	7.5
Shareholders' equity	**1,049.4**	**1,103.0**	**1,261.0**
Non-current liabilities			
Long term-borrowings and financial debt	854.9	853.8	855.1
Provisions for pensions and other equivalent benefits	186.3	179.8	161.5
Other non-current liabilities	192.2	194.6	191.3
Deferred tax liabilities	188.8	192.7	189.9
Total non-current liabilities	**1,422.2**	**1,420.9**	**1,397.8**
Current liabilities			
Short-term borrowings and financial debt	8.2	7.2	56.1
Other current financial liabilities	10.0	18.5	15.9
Trade payables	1,597.5	1,765.6	1,876.7
Provisions	32.4	72.5	51.9
Tax liabilities payables	62.2	47.3	44.4
Other current liabilities	845.9	828.6	805.5
Total current liabilities	**2,556.2**	**2,739.7**	**2,850.5**
Liabilities relating to assets held for sale	**37.6**	**6.2**	**1.3**
Total equity and liabilities	**5,065.4**	**5,269.8**	**5,510.6**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

Consolidated cash flow information

(€ in millions)	For the financial year ended December 31, 2016 (restated)[(1)]	2017	2018
Net income from continuing operations	24.1	124.5	149.6
Income and expense with no impact on cash	105.0	133.6	79.6
Cash flow	**129.1**	**258.1**	**229.2**
Financial interest income and expense	54.3	34.4	36.5
Dividends received	(0.1)	(0.1)	—
Net tax charge payable	16.7	60.7	75.3
Cash flow before tax, dividends and interest	**200.0**	**353.1**	**341.0**
Change in working capital requirement	84.0	56.3	1.1
Income tax paid	(37.5)	(98.3)	(71.8)
Net cash flows from operating activities	**246.5**	**311.1**	**270.3**
Purchase of non-current tangible and intangible assets	(97.6)	(113.9)	(117.9)
Disposal of non-current tangible and intangible assets	1.9	2.0	0.3
Purchase of subsidiaries net of cash acquired/ transferred	(1,020.7)	(0.3)	(11.2)
Net sales of subsidiaries	(1.3)	—	—
Acquisition of other financial assets	(0.9)	(1.5)	(2.3)
Disposal of other financial assets	1.4	—	—
Interest and dividends received	0.6	—	—
Net cash flows from investing activities	**(1,116.6)**	**(113.7)**	**(131.1)**
Increase/Decrease in capital	157.1	11.9	6.8
Other transactions with shareholders	3.9	(3.9)	—
Acquisitions or dispositions of treasury shares	—	4.2	(14.4)
Dividends paid to shareholders	—	(0.2)	—
Bonds issued	650.0	—	—
Bonds repaid	—	—	—
Increase/Decrease in other financial debt	200.0	(2.5)	50.2
Interest and equivalent payments	(18.5)	(20.9)	(32.5)
Financing of the Comet pension fund	(4.9)	(8.5)	(4.5)
Net cash flows from financing activities	**987.6**	**(19.9)**	**5.6**
Cash flows from discontinued operations	(7.6)	(56.2)	(0.6)
Impact of fluctuations in exchange rates	1.4	(2.3)	(0.5)
Net change in cash	**111.3**	**119.0**	**143.7**

(1) Restated to reflect the valuation of identifiable Darty assets and liabilities. Presented as comparative data in the Consolidated Financial Statements for the financial year ended December 31, 2017. For more information on the restatement, please see note 15 (goodwill) in the Consolidated Financial Statements for the financial year ended December 31, 2017 included elsewhere in this offering memorandum.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with, and is qualified in its entirety by reference to the Group's financial statements, and the related notes thereto, included elsewhere in this offering memorandum. You should read this discussion in conjunction with the Group's historical Consolidated Financial Statements, English language translations of which are included elsewhere in this offering memorandum, as well as the sections entitled "Presentation of Financial and Other Information" and "Summary Financial and Operating Information". The following presentation and analysis contains forward-looking statements that involve risks and uncertainties. For the reasons explained under "Forward-Looking Statements", under "Risk Factors" and elsewhere in this offering memorandum, the Group's future results may differ materially from those expected or implied in these forward-looking statements.

Overview

Fnac Darty is a leading European retailer of Consumer Electronics, Editorial Products, Household Appliances and ancillary services. The Group combines two iconic and complementary banners, Fnac and Darty, providing customers with a wide range of products and services. The Group believes it is one of the top three omnichannel retailers in Europe by revenue, operating through its multi-format network of 780 stores in 12 countries (as of December 31, 2018), including France, Belgium, the Netherlands, Spain and Portugal, supported by strong logistics capabilities. As of the end of 2018, the Group was France's second-largest e-commerce retailer in terms of audience, reaching customers through its physical stores and its two retail websites, fnac.com and darty.com. The Group's position as a leader is based in particular on a high volume of customer traffic, with approximately 258 million store visits across the Group in 2018 and approximately 28 million unique online visitors per month in France. The Group generated revenue of €7,474.7 million (19% of which were Internet sales), EBITDA of €399.0 million and EBITDAR of €609.1 million in the financial year ended December 31, 2018.

The Group's main product and service categories are:

- Consumer Electronics (representing 51% of the Group's revenue in the financial year ended December 31, 2018): Brown Goods (*e.g.*, TVs, photography, sound systems and headsets) and Grey Goods (*e.g.*, telecommunications and multimedia products such as personal computers, tablets, printers and scanners);
- Editorial Products (representing 17% of the Group's revenue in the financial year ended December 31, 2018): physical products (music, video, books and gaming products) and digital products (digital reading solutions and content offerings);
- Household Appliances (representing 22% of the Group's revenue in the financial year ended December 31, 2018): Large Household Appliances (*e.g.*, refrigerators, washing machines and dishwashers) and Small Household Appliances (*e.g.*, microwaves, coffee machines and irons, hair dryers, electric razors and other small household appliances); and
- Other Products and Services (representing 10% of the Group's revenue in the financial year ended December 31, 2018): other products (*e.g.*, kitchen equipment, home & design products, games & toys and stationery) and "services" and "other revenue" items (*e.g.*, sale of extended warranties, after-sales service, deliveries and installations, rental services for Consumer Electronics and delivery services, ticketing, gift boxes, sales of membership cards for Fnac's loyalty programs, invoicing of shipping costs to Internet customers and royalties from stores operated under franchise).

Key Factors Affecting the Group's Results of Operations and the Group's Profitability

The Group's results of operations, financial condition and liquidity have been influenced in the periods discussed in this offering memorandum by the following events, facts, circumstances, developments and market characteristics. The Group believes that these factors are likely to continue to influence the Group's operations in the future.

Competitive environment

The Group's results of operations are affected by the competitive pressures it faces with respect to certain of its products and services. The Group operates in markets that are undergoing significant change, primarily as the result of the increasing reach of the Internet and the resulting changes in consumer purchasing behavior. The rapid expansion of e-commerce has transformed the markets in each country in which the Group operates by significantly changing the modes of consumption, customer behavior, customer attraction and retention tools and distribution methods. The Group's ability to remain competitive will depend on its ability to constantly adapt its offering to match evolving consumer trends and expectations.

The retail market in the Group's main markets, particularly France, is fragmented and the Group's competitors are broadly divided into traditional retailers (which include brick-and-mortar players such as hypermarkets and independent networks), on the one hand, and Internet pure players, on the other hand. Given its size, its brand name and the breadth of its omnichannel capabilities, the Group believes that it has a strong competitive advantage compared to traditional retailers. Internet pure players mainly compete on the basis of price and an increasingly broad product and service offering, as well as on delivery time, return policy and customer service. The competitive pressure the Group faces from Internet pure players mainly relates to books and Consumer Electronics, with less competition in the Household Appliances sector. In recent years the Group has also seen new forms of competition emerge, such as competition from manufacturers, ISPs and digital platforms, which are fueling a phenomenon of disintermediation in the sector.

In certain instances, applicable regulation limits price competition. In particular, the Group's operations in France are subject to the Fixed Book Price Act (*Loi relative au prix du livre*), which regulates pricing of books in order to protect small booksellers against competition from large stores. Booksellers are not allowed to sell a book for a discount of more than 5% below the price set by the publisher. As the Group has physical stores, it is permitted to discount books up to 5%, which represents a competitive advantage over Internet pure players.

The rapid development of the Internet has led to the phenomenon of digitalization, that is, the transition from physical media to digital media. This shift has altered consumer spending behavior on Editorial Products as downloading and streaming media have become more prevalent. As a result of digitalization, the CD and DVD sub-segments have been in decline for a number of years. The Group's ability to remain competitive in Editorial Products rests on its ability to position itself to take advantage of this shift in consumer purchasing patterns.

General economic conditions in the countries where the Group operates

The Group's results of operations are affected by global economic conditions as well as specific economic conditions in the markets in which the Group operates. Such conditions include levels of employment, inflation, growth in gross domestic product, real disposable income, currency exchange rates, the availability of consumer credit, consumer confidence and consumer willingness to spend. Given that most of the products the Group offers are discretionary items, and given the fact that economic conditions influence consumer spending for discretionary items, demand for the products and services the Group sells and offers can be heavily affected, either positively or negatively, by general economic conditions in the regions and countries in which the Group operates.

The Group believes that the increasing geographic diversification of the Group's business as a result of its expansion and opening of new stores helps to mitigate the impact of changes in local and regional economic conditions. However, all of the markets in which the Group operates, including France, the Group's main market, have been adversely impacted in recent years by a difficult economic environment, and high tax burdens, which have reduced the disposable income available to purchase products and services such as those offered by the Group.

If the difficult economic conditions in France or in other countries in which the Group operates prove to be pronounced or long-lasting, they can significantly affect the Group's business and results of operations. See "*Risk Factors—Risks Related to the Group's Business and its Markets—The difficulties facing the Group's markets have been and could continue to be exacerbated by an unfavorable macroeconomic or political environment, including risks due to economic problems in the euro zone. These unfavorable economic conditions could result in a reduction in consumer* *spending levels and a decline in the demand for the Group's products, which could have a material adverse effect on the Group's business, results of operations and financial condition*".

Number of stores

A significant portion of the evolution of the Group's revenue during the periods under review is attributable to the Group's net openings of new stores. As of December 31, 2018, the Group operated 520 stores directly and had 260 stores under franchise across seven different store formats: (i) the Traditional format, with 146 stores, which operates in city centers and shopping malls, (ii) the Outskirts format, with 14 stores in the outskirts of main cities, (iii) the Proximity format, with 67 stores, which stocks the full range of Fnac products, (iv) the Travel format, with 26 stores in railway stations and airports with a tailored product range, (v) the Connect format, with eight stores, which provides a dedicated offering in the telephony and connected devices segments, (vi) the Darty format, with 518 stores, which stocks the full range of Darty products in stores operated directly and a narrower range of products in stores under franchise, and (vii) the Fnac Darty format, with one store, which sells products from the Fnac and Darty banners within a single space.

The following table shows the Group's store network by store format as of the dates presented:

	As of December 31,	
	2017	**2018**
Traditional format	138	146
Outskirts format	14	14
Proximity format	56	67
Travel format	21	26
Connect format	7	8
Darty format	491	518
Fnac Darty format	1	1
Total Stores	**728**	**780**

The following table shows the Group's store network by country, distinguishing between directly operated stores and stores under franchise:

	As of December 31,			
	2017		**2018**	
	Directly operated	**Franchise**	**Directly operated**	**Franchise**
France-Switzerland(1)	312	204	316	255
Iberian Peninsula	55	4	57	5
Benelux	153	—	147	—
Total Stores	**520**	**208**	**520**	**260**

(1) Includes, as of December 31, 2018, one store in Cameroon, one store in the Congo, two stores in Ivory Coast, three stores in Morocco, two stores in Qatar, two stores in Tunisia and 15 stores in French overseas departments and territories.

The financial results of directly operated stores are fully consolidated in the Group's financial statements. In addition, goods sold to stores operated under franchise are recognized as product revenue, and royalties on revenue generated by franchise stores through business with their clients are recognized as services revenue.

As part of the *Confiance+* strategic plan, the Group continuously monitors opportunities for the expansion of the Group's store network, particularly through the development of the Group's franchise network. The pace of its store network expansion remained strong in the financial year ended December 31, 2018 with a total of 66 new stores opened. Additionally, the Group opened two stores in a new geography, Tunisia, and intends to open a store in Luxembourg in the near future.

Seasonality and Innovation Cycle

The Group's business is subject to seasonality and has been historically characterized by a substantial increase in store traffic and website traffic towards the end of the year, from Black Friday in late November through the Christmas and New Year holidays. The Group's revenue and EBITDA are significantly higher in the fourth quarter than in any other quarter of the year, as a result of Christmas and, increasingly, Black Friday. The Group generated one third of its revenue for the financial year ended December 31, 2018 in the fourth quarter of that year. As a result of the seasonality of the business, the Group's working capital requirements fluctuate during the year and are normally at their highest in the first and third quarter of each year. The growing importance of Black Friday, and customers' increasing tendency to make purchases earlier in the year, has also had an impact on the Group, as sales on Black Friday tend to focus on Consumer Electronics with lower margins.

The Group's results can be affected by abnormal or unforeseen circumstances or events and such circumstances can have a disproportionately adverse effect on the Group's business if they occur during periods of high activity. For example, the ''Yellow Vests'' movement, which started in November 2018, negatively affected the Group's results in the fourth quarter of 2018 as a result of store closures and reduced foot traffic at stores as fewer consumers visited stores on weekends. This reduction in foot traffic since the start of the ''Yellow Vests'' movement has not translated into Internet sales.

Furthermore, adverse weather (such as heavy rains or snowfall) can deter customers from shopping in the Group's stores, and unforeseen weather conditions (for example unseasonably cold spells in summer) could render a portion of our inventory (for example fans and air-conditioning units) incompatible with such unseasonal conditions. See ''*Risk Factors—Risks Related to the Group's Business and its Markets—The Group's business is highly seasonal in nature and is also affected by weather*''.

The Group's results of operations are also impacted by the pace of innovation. In particular, sales of Consumer Electronics, such as mobile phones and tablets, are affected by the release of innovative products by suppliers. For example, sales in the Group's telephony sub-segment have been positively impacted in 2018 as a result of new product releases by key suppliers and by phone brands from China. Similarly, sales of Editorial Products can be affected by the rate at which new books, gaming products or music are released, and the popularity of such releases. Additionally, the Group's sales of Household Appliances have seen the rise of small domestic appliances, including upscale, cordless vacuum cleaners and air-water treatment systems.

Traffic, average checkout value, checkout transactions and number of loyalty program members

The Group's revenue is a function of the number of transactions and average checkout values. The number of transactions depends on customer traffic (visits to a store or website) and the sales conversion rate (proportion of visitors, who make a purchase).

Customer traffic, in turn, can be affected by a number of factors. In 2018, for example, customer traffic was negatively impacted by the bad weather in the first quarter, strikes in the second quarter, and the ''Yellow Vests'' movement at the end of the year.

Customers who are members of the Group's loyalty programs (including the Fnac card, Fnac+, Fnac One and Darty+ programs) tend to make purchases more often and generate higher checkout values than non-members. Loyalty programs of the Group are more prevalent under the Fnac banner, while the Darty banner continues to focus on developing its after-sales service, which is in itself an effective customer loyalty tool. Members of the loyalty programs receive promotional offers that create a strong incentive to make purchases from the Group. The customer loyalty programs are also designed as a retention tool that allows the Group to carry out better-targeted and more effective sales promotions. The number of members of the Fnac banner's loyalty programs across Europe has increased in recent years, from approximately seven million as of December 31, 2017 to close to eight million as of December 31, 2018.

In France in 2018, Fnac loyalty program members visited the Group's stores four times more often than customers in general and on average spent double the amount that non-members did on each visit. As a result, the average yearly expenditure of a customer loyalty program member on the Group's products and services in France was eight times higher than a non-member's in 2018. The Group believes that Fnac's loyalty program members in countries other than France also tend to generate higher yearly expenditures than non-members.

Factors Influencing the Group's Gross Profit Margin

The Group's gross profit margin is impacted by a number of factors. These factors include:

- the consolidation of Fnac and Darty, which started after the Acquisition in 2016, and progressed rapidly in the following years. The actions taken by the Group since 2016 have allowed the Group to improve its gross profit margin since the Acquisition (for more information on the consolidation, see "*Business—The Group's History—The Acquisition*");
- the development of franchising, which, as the proportion of the Group's franchised stores increases, disproportionately lowers gross profit margins because the Group invoices products to its franchisees at lower margins than those on direct sales to customers;
- the average cost of goods purchased from suppliers, which represents the largest component of cost of sales. To optimize the Group's costs in this area, the Group uses pooled purchasing arrangements under which purchases of some products sold in Belgium, Netherlands and Switzerland are pooled with purchases for the Group's stores in France;
- the Group's pricing policy, which may result in lower margins on certain products in order to offer lower prices or discounts to customers, whether in response to competition, to drive traffic by offering popular products at attractive prices, or in the context of promotional offers for loyalty program members or the entire customer base;
- the relative contributions of different product and service categories, some of which generate higher gross profit margins than others. For example, Editorial Products and Household Appliances generally have higher gross profit margins than Consumer Electronics, and in the Consumer Electronics segment, the sale of accessories (which have relatively higher margins) allows the Group to partially offset the lower gross profit margins realized on the Group's main products;
- the relative contributions of the Group's different geographical regions, some of which generate higher margins than others, as purchasing terms are primarily a function of sales volumes. In particular, the Netherlands is a challenging market, and the Group started a restructuring of the BCC banner in 2017 in order to increase its competitiveness in that market. The restructuring of BCC involved the optimization of IT systems, store closures and the development of partnerships with other brands. In particular, the Group's partnership with Wehkamp allows BCC to benefit from Wehkamp's strong digital expertise and logistics platform, but due to the product sales mix results in lower margins for BCC, as sales tend to focus on Consumer Electronics with lower margins; and
- the product/service mix, because the gross profit margin for services is generally higher than that for products. For most services, the Group acts as an agent and records the full commission in both revenue and gross margin.

Confiance+ Strategic Plan and the Group's Omnichannel Strategy

In 2017, the Group launched its *Confiance+* strategic plan, which the Group successfully started deploying in the financial year ended December 31, 2018. The plan relies on the strengths of the two banners, and the strong progress of the integration. In addition to the €131 million in synergies deployed as of December 31, 2018, the Group's goal is to create the reference omnichannel platform in Europe. The aim is to make the Group a leader in the era of "Retail as a Service", which demands being able to offer innovative services throughout the buying experience. To achieve this aim, the *Confiance+* strategic plan rests on two pillars. Firstly, an enriched ecosystem for its customers, most notably through (i) developing levers for growth, through diversifying its product and service range and developing new fast-growing product lines, (ii) expanding the offering of services, relying on Fnac's product expertise, and Darty's after-sales knowhow, and (iii) enhancing the customer loyalty programs via the ramp-up of the enriched subscription programs Fnac+, Darty+ and other loyalty programs. Secondly, the Group's strategy relies on the strength of its omnichannel platform, which will be reinforced by (i) further expanding the Group's territorial coverage through an ambitious development of the franchise network, (ii) reinforcing the Group's digital footprint with optimized online user experiences and (iii) developing marketplaces. This strategy is supported by the development of strategic partnerships in order to provide an open platform for customers and partners alike. Since its inception, the *Confiance+* strategic plan has been deployed rapidly. Outlined below are some of the highlights resulting from its implementation:

- the Group continued to build up its franchise network, opening 55 franchised stores (54 in the France-Switzerland region and one in the Iberian Peninsula region) in the financial year ended December 31, 2018;
- the Group is also an active online player and the second-largest e-commerce retailer in France. As revenue growth is higher online than offline, it is important for the Group to maintain an active and best in class digital presence. As a result of its digital initiatives, Internet sales as a percentage of total revenue have grown to 19% in the financial year ended December 31, 2018, compared to 17% in the previous year. Marketplaces also play an important part of the Group's digital strategy, and business volume has grown 20% in the financial year ended December 31, 2018;
- new product and service offerings contributed to revenue growth. For example, the Group has seen a lot of demand for its offering of urban mobility products and double digit growth for its games & toys sub-segment. The Group also reinforced its services offering to be a go-to player in the smartphone repair market and acquired WeFix, a leader in the express repair of smartphones in France, in October 2018. More generally, the Group expects new products and services to be key drivers in the growth of the Group's revenue in future years;
- the Group uses a customer satisfaction measurement tool to regularly measure customer satisfaction and uses personalized services for dissatisfied customers to try and improve their experience;
- the Group expanded its omnichannel strategy in 2018 by establishing D+1 Delivery (as defined herein) for its entire range of large items, including services (installation and removal of the product), covering approximately 80% of the French territory. Last year, the Group also rolled out test stores for the reservation of gaming products and books from in-store inventory, giving the Group's customers an option to pick up their purchases in one hour. In-store omnichannel initiatives also continued, with over 250 digitalized stores at the end of 2018. At the end of 2018, the Group also launched its first tests for "Pay&Go", an innovative solution that allows customers to pay via their phones, without having to pay at the cash register; and
- the Group signed an agreement with Carrefour to conduct shared purchases for Consumer Electronics and Household Appliances in France. This partnership was further strengthened in 2018 with the testing of two Darty shop-in-shops in Carrefour hypermarkets, under a franchise format, in Limoges and La Ville-du-Bois. The Group also entered into strategic partnerships with Deezer, Google, Bouygues, Orange and Wehkamp.

Disposal of Operations in Brazil

In 2017, the Group sold Fnac Brazil (which had a network of 12 stores and a website) to the Livraria Cultura Group.

Key Performance and Financial Measures

In evaluating the Group's results of operations, the Group refers to key financial and non-financial measures relating to the performance of the Group's business. In addition to the key line items of the Group's consolidated income statement (which the Group considers to be revenue, gross profit and operating profit), the principal measures used to evaluate the Group's performance include:

- EBITDA;
- EBITDAR;
- Free cash flow from operations;
- Like-for-like revenue growth/(fall);
- Internet sales; and
- Omnichannel sales as a percentage of Internet sales.

The Group's key performance indicators have not been prepared on the basis of IFRS. The Group has presented these non-IFRS financial measures (i) as they are used by the Group's management to monitor and report to the Group's directors on its financial performance and (ii) to represent similar measures that are used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity.

However, these non-IFRS financial measures are not measures determined based on IFRS, or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or other indicators of the Group's cash flow or performance based on IFRS. The non-IFRS financial measures, as defined by the Group, may not be comparable to similarly titled measures presented by other companies due to differences in the way the Group's non-IFRS financial measures are calculated. Even though the non-IFRS financial measures are used by management to assess the Group's financial position and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Group's position or results as reported under IFRS.

EBITDA and EBITDAR

The Group defines EBITDA as the Group's current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income. EBITDAR is defined as EBITDA before rental payments, excluding rental charges on operating leases. For a reconciliation of EBITDA and EBITDAR to current operating income, see "*Summary Financial and Operating Information*".

Free cash flow from operations

The Group defines free cash flow from operations as net cash flows from operating activities minus net capital expenditures. Net capital expenditures means operating investments net of disposals, excluding finance leases. For a reconciliation of free cash flow from operations to net cash flows from operating activities, see "*Summary Financial and Operating Information*".

Like-for-like revenue growth/(fall)

The Group defines Like-for-like revenue growth/(fall) as the calculation of revenue growth/(fall) between a given period and the same period in the previous financial year, as adjusted, in order to exclude changes in scope such as acquisitions or disposals of subsidiaries and opening and closure of directly operated stores, and is expressed as a percentage change between the two periods. Like-for-like revenue growth/(fall) percentages are presented at constant exchange rates with revenue in foreign currencies for year or period N and year or period N-1 converted at the average N exchange rate. Revenue of subsidiaries acquired or sold (and of directly operated stores opened or closed) since January 1 of the previous year is excluded from the calculation of Like-for-like revenue growth/(fall). The Group believes that Like-for-like revenue growth/(fall) assists in understanding the Group's performance because they demonstrate underlying sales growth on a comparable basis.

Internet sales

The Group defines Internet sales as the percentage of the Group's consolidated revenue derived from purchases on the Group's websites. For the purpose of calculating Internet sales, purchases on its websites do not include "Click & Mag", where a sales assistant in a store places an order for the customer on fnac.com or darty.com when a store does not have a product in stock.

Omnichannel sales as a percentage of Internet sales

The Group defines Omnichannel sales as a percentage of Internet sales as revenue derived from its omnichannel offering, as a percentage of consolidated revenue derived from purchases on its websites. Revenue derived from the Group's omnichannel offering includes purchase orders placed on the fnac.com and darty.com websites and collected in stores, such as "1hr Click & Collect" and "Click & Relais Colis". Revenue derived from the Group's omnichannel offering also includes purchase orders placed on the fnac.com and darty.com websites and initiated in stores by a sales assistant, such as "Click & Mag".

Key Line Items in The Group's Income Statement

Revenue

Revenue consists of sales of goods, sales of services and other revenue.

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected to loyalty programs, and also include sales of goods to stores operated under franchise as well as franchise fees.

Sales of services include sales of loyalty cards, services related directly to the sale of goods or certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include royalties on revenue generated by franchised stores and commissions received on the sale of goods and services for which the Group has acted as an agent, specifically, ticket sales and gift boxes. In addition, they include commissions received on the sale of extended warranties by NES (an external provider providing extended warranties to the Group's customers), commissions received on the sale of credit, insurance and subscriptions as well as Marketplace commissions.

Other revenue mainly includes reinvoicing of shipping costs, and the proceeds from unused loyalty cards and gift vouchers. Expected proceeds from non-use of loyalty cards and gift vouchers are recognized as income from ordinary activities at the time that the cards and vouchers are issued.

Gross margin

Gross margin consists of revenue minus cost of sales. Cost of sales consists of the cost of goods purchased from suppliers, inventory impairments, guarantee costs, as well as yearly rebates and cooperation fees obtained from suppliers.

Personnel expenses

Personnel expenses consist of fixed and variable remuneration paid to employees, social security contributions, expenses related to employee profit-sharing and other incentives, the cost of training, as well as expenses related to certain employee benefits.

Other current operating income and expenses

Other current operating income and expenses consist of rental payments, marketing and IT costs, logistics costs and amortization and depreciation.

Share of profit from equity associates

Share of profit from equity associates primarily represents the Group's share of profit from Ménafinance, a finance company that offers credit solutions via the Darty card, and Izneo, which offers an online French comics reading service in the form of a website and mobile applications. The Group has a 50% stake in each of these companies.

Current Operating Income

Current operating income is one of the main indicators used by the Group to monitor its performance. It is an intermediate line item defined as the difference between the operating income and "other non-current operating income and expenses". The Group also uses current operating margin as an indicator to assess its performance. Current operating margin represents the ratio of current operating income to revenue, expressed as a percentage.

Other non-current operating income and expenses

Other non-current operating expenses consist of restructuring costs and other expenses not connected with current operating risks (such as net costs from litigation and disputes and assets/goodwill impairment write-offs). Such expenses also include gains and losses linked to changes in the scope of consolidation. In 2017 and 2018, other non-current operating expenses also included costs incurred in connection with the Acquisition.

Net financial expense

Net financial expense consists of the cost of net financial debt (which includes financial expenses at amortized cost, net of income from cash and cash equivalents) and other financial income and expenses (which includes origination and unused line of credit fees, impact of discounting net debt related to defined benefit plans, cost of consumer credit (including premiums paid to the Group's partner, Crédit Agricole Consumer Finance, which provides certain financing options to the Group's customers) and certain other net financial expenses such as financial costs related to employee benefits).

Income tax

Income tax consists of corporate income tax and other taxes and expenses, such as CVAE (*cotisation sur la valeur ajoutée des entreprises*) and deferred taxes.

Comparison of the Financial Years Ended December 31, 2017 and 2018

The following table shows the Group's consolidated income statement for the financial year ended December 31, 2017 and the financial year ended December 31, 2018:

Consolidated income statement

	For the financial year ended December 31,	
(€ in millions)	**2017**	**2018**
Revenue	7,448.2	7,474.7
Cost of sales	(5,187.3)	(5,209.6)
Gross margin	**2,260.9**	**2,265.1**
Personnel expenses	(1,093.1)	(1,105.1)
Other current operating income and expenses	(899.6)	(865.7)
Share of profit from equity associates	1.9	1.7
Current operating income	**270.1**	**296.0**
Other non-current operating income and expenses	(53.3)	(38.8)
Operating income	**216.8**	**257.2**
Net financial expense	(44.0)	(42.6)
Pre-tax income	**172.8**	**214.6**
Income tax	(48.3)	(65.0)
Net income from discontinued operations	(87.0)	0.3
Consolidated net income	**37.5**	**149.9**
Group share	37.2	149.5
Share attributable to non-controlling interest	0.3	0.4
Net income, Group share	**37.2**	**149.5**

Revenue

The Group's revenue remained relatively stable, increasing slightly by €26.5 million or 0.4% from €7,448.2 million for the financial year ended December 31, 2017 to €7,474.7 million for the financial year ended December 31, 2018. This slight increase is a result of the Group's efforts to continue the consolidation of the Fnac and Darty banners as well as the implementation of its new *Confiance+* strategic plan. This stronger performance occurred in a challenging commercial environment, especially in France, marked by bad weather conditions in the first quarter of the year, social movements in the second, and the ''Yellow Vests'' movement at the end of the year.

Revenue by product and service segment

	For the financial year ended December 31,	
(€ in millions)	**2017**	**2018**
Consumer Electronics	3,844.7	3,779.5
Editorial Products	1,249.8	1,249.7
Household Appliances	1,659.5	1,670.6
Other Products and Services	694.2	774.9
Total	**7,448.2**	**7,474.7**

The Group's revenue from Consumer Electronics decreased by €65.2 million or 1.7% from €3,844.7 million for the financial year ended December 31, 2017 to €3,779.5 million for the financial year ended December 31, 2018. This decrease was primarily due to the low point of the innovation cycle of the IT and photography sub-segments, impacted by a slow phase in the innovation cycle. This was partially offset by growth in the sound sub-segment, driven by a strong performance of headphones and smart speakers, together with the steady growth of the telephony sub-segment.

The Group's revenue from Editorial Products remained relatively stable, decreasing slightly by €0.1 million from €1,249.8 million for the financial year ended December 31, 2017 to €1,249.7 million for the financial year ended December 31, 2018. This slight decrease was mainly due to the continuing decrease in sales of video and audio products (a consequence of the digitalization phenomenon), together with the decrease in sales in the books sub-segment impacted by a literary season with a poor offering coupled with a difficult month of December (due to the ''Yellow Vests'' movement), a month traditionally favorable to this product segment.

The Group's revenue from Household Appliances increased slightly by €11.1 million or 0.7% from €1,659.5 million for the financial year ended December 31, 2017 to €1,670.6 million for the financial year ended December 31, 2018. This slight increase was driven equally by the growth in Small Household Appliances, as a result of the release of increasingly innovative vacuum cleaners, and the growth in Large Household Appliances, driven by premium products sales.

The Group's revenue from Other Products and Services increased by €80.7 million or 11.6% from €694.2 million for the financial year ended December 31, 2017 to €774.9 million for the financial year ended December 31, 2018. This increase was mainly driven by the home & design and games & toys sub-segments and the development of services, which showed a strong growth over the financial year.

Internet sales amounted to 18.7% of Group sales in the financial year ended December 31, 2018, an increase of 1.4% compared to the financial year ended December 31, 2017. This increase was primarily due to the continued development of the omnichannel strategy, Marketplaces and mobile traffic.

Revenue by geographical segment

(€ in millions)	For the financial year ended December 31, 2017	2018
France-Switzerland[1]	5,855.9	5,835.2
Iberian Peninsula[2]	675.5	703.1
Benelux[3]	916.8	936.4
Total	**7,448.2**	**7,474.7**

(1) France-Switzerland includes revenue from France and Switzerland, together with revenue from its franchised stores in Qatar, Morocco, Congo, Cameroon, Ivory Coast and (in 2018) Tunisia.

(2) Iberian Peninsula includes revenue from Spain and Portugal.

(3) Benelux includes revenue from Belgium and the Netherlands.

France-Switzerland

The Group's revenue in the France-Switzerland region remained relatively stable, declining by €20.7 million or 0.4% from €5,855.9 million for the financial year ended December 31, 2017 to €5,835.2 million for the financial year ended December 31, 2018. This slight decrease was mainly due to external factors having impacted store visits during the year, such as bad weather conditions in the first quarter and the "Yellow Vests" movement during the last quarter. The France-Switzerland segment opened eight directly operated stores (while four were closed in the same period) and 54 new franchises. On a like-for-like basis, revenue decreased by 0.1%.

Revenue generated by Consumer Electronics decreased between the financial years ended December 31, 2017 and 2018.

Revenue generated by Editorial Products remained relatively stable between the financial years ended December 31, 2017 and 2018.

Revenue generated by Household Appliances increased slightly between the financial years ended December 31, 2017 and 2018.

Revenue generated by Other Products and Services increased between the financial years ended December 31, 2017 and 2018.

The drivers of these changes in the performance of our product and service segments in France-Switzerland were the same as the drivers impacting the product and service segments at the Group level.

Internet sales in the France-Switzerland region represented 19.2% of the Group's revenue in the France-Switzerland region for the financial year ended December 31, 2018, a 0.7% increase compared to the financial year ended December 31, 2017.

Iberian Peninsula

The Group's revenue in the Iberian Peninsula increased by €27.6 million or 4.1% from €675.5 million for the financial year ended December 31, 2017 to €703.1 million for the financial year ended December 31, 2018. Both Portugal and Spain showed steady growth in 2018. The Group opened three new stores in Spain (two directly owned and one franchise), and closed one store in Spain. On a like-for-like basis, revenue increased by 1.4% in the financial year ended December 31, 2018.

Revenue generated by Consumer Electronics in the Iberian Peninsula increased between the financial years ended December 31, 2017 and 2018. The retail electronics sub-segment increased due to strong performance in the photography and audio departments. Additionally, revenue in the IT sub-segment was up, benefitting from strong growth of the telephony sub-segment.

Revenue generated by Editorial Products in the Iberian Peninsula increased between the financial years ended December 31, 2017 and 2018. This increase was due to strong performances posted by the gaming and books sub-segments, which offset the natural decline in the video and audio markets.

The positive development in revenue from appliances was driven by the growth in the Small Household Appliances and Large Household Appliances sub-segments.

Revenue generated by Other Products and Services in the Iberian Peninsula increased between the financial years ended December 31, 2017 and 2018. This increase was due to the deployment of new product categories, including small domestic appliances with the launch of the "Fnac Home" brand in the Iberian Peninsula, and the strong development of Services, such as monthly insurance for Consumer Electronics in the Iberian Peninsula.

Internet sales in the Iberian Peninsula represented 12.6% of the Group's revenue in the Iberian Peninsula for the financial year ended December 31, 2018, a 1.8% increase compared to the financial year ended December 31, 2017.

Benelux

The Group's revenue in the Benelux region increased by €19.6 million or 2.1% from €916.8 million for the financial year ended December 31, 2017 to €936.4 million for the financial year ended December 31, 2018. The Group opened one new directly operated store in Belgium and closed seven in the Netherlands. On a like-for-like basis, revenue increased by 2.1% in the financial year ended December 31, 2018. Belgium benefitted from the increasing visibility of its website and the progressive development of omnichannel functionalities. The Netherlands showed steady growth due to the strategic partnership with Wehkamp.

Revenue generated by Consumer Electronics in the Benelux region slightly increased between the financial years ended December 31, 2017 and 2018. This increase was due to a dynamic TV-video sub-segment and the growth of the telephony sub-segment.

Revenue generated by Editorial Products in the Benelux region decreased between the financial years ended December 31, 2017 and 2018. This decrease was due to the natural decline in the video and audio markets, together with a drop in revenue from the books sub-segment due to a literary season with a poorer offering than the previous year.

Revenue generated by Household Appliances increased between the financial years ended December 31, 2017 and 2018. This growth was due to growth in both Small Household Appliances and Large Household Appliances.

Revenue generated by Other Products and Services in the Benelux region increased between the financial years ended December 31, 2017 and 2018. This increase was due to the deployment of new product categories and the strong development of services.

Internet sales in the Benelux region represented 19.8% of the Group's revenue in the Benelux region for the financial year ended December 31, 2018, a 5.1% increase compared to the financial year ended December 31, 2017. This increase is primarily attributable to the Group's partnership with Wehkamp.

Gross margin and gross profit margin

The Group's gross margin remained relatively stable, increasing slightly by €4.2 million or 0.2% from €2,260.9 million for the financial year ended December 31, 2017 to €2,265.1 million for the financial year ended December 31, 2018. The Group's gross profit margin was 30.3% for the financial year ended December 31, 2018 compared to 30.4% for the financial year ended December 31, 2017. The gross profit margin decreased by 0.1% in the financial year ended December 31, 2018, mainly due to the effect of an unfavorable product mix (with an increasing proportion of Consumer Electronics, which traditionally has lower margins) and the diluting effect of the growth in franchises. These negative effects were partially offset by synergies in purchasing and increased service revenue.

Personnel expenses

The Group's personnel expenses increased by €12.0 million or 1.1% from €1,093.1 million (14.7% of revenue) for the financial year ended December 31, 2017 to €1,105.1 million (14.8% of revenue) for the financial year ended December 31, 2018. Despite the increase in expenses, the

Personnel expenses to revenue ratio remained stable. The increase is mainly related to perimeter changes with the WeFix integration in France and new store openings in Belgium and the Iberian Peninsula.

Other current operating income and expenses

The Group's other current operating income and expenses decreased by €33.9 million or 3.8% from an expense of €899.6 million (12.1% of revenue) for the financial year ended December 31, 2017 to an expense of €865.7 million (11.6% of revenue) for the financial year ended December 31, 2018. The decrease in operating expenses is mainly explained by the Group's savings and costs control plan, especially relating to logistics, IT, after-sales service and rental costs. Rental payments decreased by 0.7% from €211.6 million for the financial year ended December 31, 2017 to €210.1 million for the financial year ended December 31, 2018.

Current operating income

The Group's current operating income increased by €25.9 million or 9.6% from €270.1 million for the financial year ended December 31, 2017 to €296.0 million for the financial year ended December 31, 2018. The current operating margin was 4.0% in the financial year ended December 31, 2018 up from 3.6% in the financial year ended December 31, 2017.

France-Switzerland

The Group's current operating income in the France-Switzerland region increased by €31.0 million or 13.2% from €234.4 million for the financial year ended December 31, 2017 to €265.4 million for the financial year ended December 31, 2018. This increase was due in part to strong sales performance on Black Friday and effective cost control. The current operating margin rose from 4.0% for the financial year ended December 31, 2017 to 4.5% for the financial year ended December 31, 2018.

Iberian Peninsula

The Group's current operating income in the Iberian Peninsula increased by €1.8 million or 7.6% from €23.6 million for the financial year ended December 31, 2017 to €25.4 million for the financial year ended December 31, 2018. This increase was due to growth in activity levels, particularly relating to Other Products and Services. The current operating margin remained relatively stable, rising slightly from 3.5% for the financial year ended December 31, 2017 to 3.6% for the financial year ended December 31, 2018.

Benelux

The Group's current operating income in the Benelux region decreased by €6.9 million or 57.0% from €12.1 million for the financial year ended December 31, 2017 to €5.2 million for the financial year ended December 31, 2018. This decrease reflects the increased costs associated with logistics, headquarters and other technical elements, as well as the growing competitive pressure that the BCC platform is facing in the Netherlands. Performance in Belgium remained strong. The current operating margin decreased from 1.3% for the financial year ended December 31, 2017 to 0.6% for the financial year ended December 31, 2018.

Other non-current operating income and expenses

The Group's other non-current operating income and expenses decreased by €14.5 million or 27.2% from an expense of €53.3 million for the financial year ended December 31, 2017 to an expense of €38.8 million for the financial year ended December 31, 2018.

The net expense of €38.8 million for the financial year ended December 31, 2018 consisted of (i) €20.0 million payable in respect of the fine imposed by the French competition authority on the Group relating to the stores disposal process following the Acquisition, (ii) €1.4 million in respect of post-closing fees relating to the Acquisition, (iii) €9.7 million in restructuring costs related to the implementation of the new Group organization (which mainly consisted of measures aimed at optimizing after-sales service), (iv) €1.0 million in costs relating to the acquisition of WeFix, and (v) €6.4 million in costs linked to employee and structural adaptation plans in France and abroad not directly related to the Acquisition (including the termination of the Fnac Tourisme business). The net expense of €53.3 million for the financial year ended December 31, 2017 consisted mainly of (i) €46.7 million of restructuring costs in France and abroad, (ii) €1.4 million in costs incurred in connection with the consolidation of Darty and (iii) €5.1 million of restructuring costs in France and abroad not directly related to the Acquisition or consolidation of Darty.

Net financial expense

The Group's net changes in financial expense decreased by €1.4 million or 3.2% from €44.0 million for the financial year ended December 31, 2017 to €42.6 million for the financial year ended December 31, 2018. Financial expense related to the Group's indebtedness was mainly comprised of the interest payable on the 2023 Notes and the Term Facility. The decrease in net financial expense is primarily due to a cost reduction in consumer credit and a fair value revaluation of the Group's interest in Daphni, a venture capital investment fund dedicated to start-ups, pursuant to IFRS 9, partially offset by a non-recurring €5.9 million charge relating to the renegotiation of the financial conditions of the Group's Term Facility.

Income tax

The Group's income tax increased by €16.7 million or 34.6% from €48.3 million for the financial year ended December 31, 2017 to €65.0 million for the financial year ended December 31, 2018 primarily due to the increase an operating income.

Consolidated net income

The Group's consolidated net income increased by €112.4 million from €37.5 million for the financial year ended December 31, 2017 to €149.9 million for the financial year ended December 31, 2018 for the reasons described above.

Liquidity and Capital Resources

Capital resources

The Group's principal sources of liquidity on an ongoing basis have been, and following the Redemption are expected to be, the Group's current balances of cash and cash equivalents, cash flows from operating activities, borrowings under the Group's Term Facility, the Revolving Facility and the EIB Facility as well as funds received from the issuance of short-term marketable securities (including the Commercial Paper Program). The Group expects its primary uses of cash will be to fund working capital requirements, meet debt service requirements under the Group's indebtedness, including the Notes, the Bank Facilities (if and when drawn), the Commercial Paper Program and ancillary facilities, as well as capital expenditures.

As of December 31, 2018, on an adjusted basis after giving effect to the issuance of the Notes and the use of proceeds therefrom (including the Redemption), the Group would have had €855.1 million of long-term borrowings and financial debt. See "*—Contractual Commitments, Borrowings and Financial Debt—Borrowings and financial debt*" for more information.

The Group anticipates that cash generated from operations, the available drawings under its Revolving Facility and any other ancillary facilities that the Group may obtain in the future, funds received from the issuance of short-term marketable securities and existing cash and cash equivalents will be sufficient to meet working capital requirements, service the Group's indebtedness (including the Notes) and to finance capital expenditures for the next twelve months.

Cash flows

The following table shows the Group's cash flows for the periods indicated:

(€ in millions)	For the financial year ended December 31, 2017	2018
Net cash flow from operating activities	**311.1**	**270.3**
Net cash flow (used in)/from investing activities	**(113.7)**	**(131.1)**
Net cash flow (used in)/from financing activities	**(19.9)**	**5.6**
Cash flows from discontinued operations	(56.2)	(0.6)
Impact of fluctuations in foreign exchange rates	(2.3)	(0.5)
Net changes in cash	**119.0**	**143.7**

Net cash flow from operating activities

The Group's net cash inflow from operating activities decreased by €40.8 million or 13.1% from an inflow of €311.1 million for the financial year ended December 31, 2017 compared to an inflow of €270.3 million for the financial year ended December 31, 2018. This decrease was mainly due to the impact of the €20 million fine the Group received from the competition authorities in 2018, and the increase in other non-current operating expenses related to the restructuring of the Group.

The change in working capital decreased by €55.2 million from €56.3 million for the financial year ended December 31, 2017 to €1.1 million for the financial year ended December 31, 2018. Change in working capital stabilized at a more normative level in the financial year ended December 31, 2018 after two years of strong increases following the integration of the Fnac and Darty banners including the alignment of payment terms between Fnac and Darty.

Net cash flow used in/from investing activities

The Group's net cash flows from investing activities include net capital expenditures, 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). Capital expenditures predominantly relate to the opening of new stores, the refurbishment of existing stores, the opening of new websites and investments in logistics. In the financial years ended December 31, 2017 and 2018, the Group has aimed to keep a tight control over capital expenditure spending, with net capital expenditures amounting to €111.9 million and €117.6 million, respectively, in these periods.

The Group's net cash used in investing activities increased by €17.4 million or 15.3% from €113.7 million for the financial year ended December 31, 2017 to €131.1 million for the financial year ended December 31, 2018. The majority of the net outflows in both years was attributable to capital expenditure related to store openings (in France, Switzerland, Spain and Belgium), the automation of the Group's logistics warehouses, the creation of Darty spaces in Fnac stores, the establishment of kitchen spaces in the Darty network, increased investment in IT services to support the generation of synergies within the Group and the digitalization of existing stores in order to improve customer experience, as well website maintenance and development.

Net cash flow used in/from financing activities

The Group's net cash from financing activities increased by €25.5 million from a net cash outflow of €19.9 million for the financial year ended December 31, 2017 to a net cash inflow of €5.6 million for the financial year ended December 31, 2018. Net cash inflows in 2018 are mainly attributable to the issuance of €50 million of short-term marketable securities through the Group's Commercial Paper Program, partially offset by interest payments and share buy-backs under the Group's share buy-back program. The net cash outflow from financing activities in the financial year ended December 31, 2017 was mainly due to interest paid related to Group indebtedness, and Comet pension fund financing, partially offset by the acquisition refund of treasury shares from the redemption of Darty shares that UBS held and the reduction of finance lease liabilities.

Free cash flow from operations

Free cash flow from operations is equal to net cash flows from operating activities minus net capital expenditures. Net capital expenditures means operating investments net of disposals, excluding finance leases. See "*—Net cash flow from operating activities*" and "*—Net cash flow used in/from investing activities*" for more information.

(€ in millions)	For the financial year ended December 31, 2017	2018
Net cash flow from operating activities	**311.1**	**270.3**
Net capital expenditures	(111.9)	(117.6)
Free cash flow from operations	**199.2**	**152.7**

Contractual Commitments, Borrowings and Financial Debt

Contractual Commitments

The following table presents the Group's contractual commitments as of December 31, 2018:

	As of December 31, 2018			
(€ in millions)	Up to 1 year	1 to 5 years	More than 5 years	Total
Obligations from operating leases(1)	211.0	260.8	48.0	**519.8**
Purchase commitments(2)	27.0	7.0	—	**34.0**
Total contractual obligations	**238.0**	**267.8**	**48.0**	**553.8**

(1) Represents the amount of future minimum payments due under operating lease agreements that cannot be cancelled by the lessee. These primarily relate to non-cancellable lease payments for stores, logistics platforms and other buildings (*e.g.*, head offices and administrative buildings). The Group has adopted IFRS 16 as at January 1, 2019 and will apply IFRS 16 in its consolidated financial statements from January 1, 2019. For more information on the impact of IFRS 16, see "*—Selected Critical Accounting Policies—IFRS 16*".

(2) Represents the costs associated with supply contracts.

Borrowings and financial debt

The following table presents the maturities of the Group's borrowings and financial debt as of December 31, 2018, on an adjusted basis after giving effect to the issuance of the Notes and the use of proceeds therefrom (including the Redemption). The Group intends to redeem the 2023 Notes with the proceeds from the Offering.

On February 15, 2019, the Issuer entered into the EIB Facility Agreement as borrower for a €100.0 million term facility. The Group expects to draw on the EIB Facility within six months from the Issue Date.

(€ in millions)	As of December 31, 2018 Up to 1 year	1 to 5 years	More than 5 years	Total
Notes offered hereby(1)	—	—	650.0	**650.0**
2023 Notes(2)	—	—	—	**—**
Term Facility(3)	—	200.0	—	**200.0**
Revolving Facility(4)	—	—	—	**—**
Finance lease liabilities(5)	—	2.5	—	**2.5**
Other financial liabilities(6)	—	1.6	1.0	**2.6**
Total Long-term borrowings and financial debt	**0.0**	**204.1**	**651.0**	**855.1**
Accrued and unpaid interest on 2023 Notes	5.3	—	—	**5.3**
Finance lease liabilities(5)	0.8	—	—	**0.8**
Commercial Paper Program(7)	50.0	—	—	**50.0**
Total short-term borrowings and financial debt	**56.1**	**0.0**	**0.0**	**56.1**
Total Borrowings and Financial Debt	**56.1**	**204.1**	**651.0**	**911.2**

(1) Represents €650 million of the Notes offered hereby.

(2) Represents the redemption of the 2023 Notes from the proceeds of the Offering.

(3) In April 2018, the Group extended its existing Term Facility (originally maturing in April 2021) by two years to mature in April 2023.

(4) In April 2018, the Group extended its existing Revolving Facility (originally maturing in April 2021) by two years to mature in April 2023. As at the date of this offering memorandum, the Revolving Facility is undrawn.

(5) The Group has adopted IFRS 16 as at January 1, 2019 and will apply IFRS 16 in its consolidated financial statements from January 1, 2019. For more information on IFRS 16, see "*—Selected Critical Accounting Policies—IFRS 16*".

(6) Represents medium term financial liabilities related to WeFix.

(7) As of the date of this offering memorandum, outstanding borrowings under the Commercial Paper Program amounted to €120 million.

Off-Balance Sheet Commitments

As of December 31, 2018, the Group's off-balance sheet commitments were comparable in nature and amount to the commitments presented under "Obligations from operating leases" and "Purchase commitments" in the table set out in "*—Contractual Commitments, Borrowings and Financial Debt—Contractual Commitments*" above. The Group has adopted IFRS 16 as at January 1, 2019 and will apply IFRS 16 in its consolidated financial statements from January 1, 2019. For more information on the impact of IFRS 16, see "*—Selected Critical Accounting Policies—IFRS 16".*

In addition, the Group has granted certain rent guarantees and real estate guarantees, in an aggregate amount of €41.8 million as of December 31, 2018. The Group has also made other off-balance sheet commitments in an aggregate amount of €205.6 million as of December 31, 2018, which include guarantees to suppliers, guarantees to Comet, a now defunct electrical retail chain that traded in the United Kingdom (including a guarantee of £23.0 million given by Darty in 2012, during the disposal of Comet, and extended on June 23, 2017 until February 2022) and guarantees in relation to the British Comet pension fund (including a guarantee of £60.0 million, for a term of 20 years, given on June 23, 2017 by the Group to cover its obligations in respect of the British Comet pension fund).

Quantitative and Qualitative Disclosure of Market Risks

The Group is exposed to various market risks as part of the Group's business activities. Several of these risks are described in detail in the "*Risk Factors*" section. The main risk areas that may have a material influence on the Group's business performance as well as the Group's financial position and results of operations are set out below.

Currency risk

Currency exposure arises from commercial transactions undertaken in currencies other than the euro, from financial assets and liabilities denominated in currencies other than the euro and from the Group's investments in foreign operations. For instance, the Group generated a small portion of the Group's revenue for the financial year ended December 31, 2018 in currencies other than the euro, in particular Swiss francs. In addition, a portion of the Group's purchases from its own brand and licensed product suppliers is denominated in U.S. dollars. Changes in the value of the euro or the U.S. dollar in relation to each other, or relative to foreign currencies, may increase the Group's suppliers' cost of business and ultimately the Group's cost of goods sold and its selling, general and administrative costs.

Management policy consists of the mitigation of currency risk inherent to the Group's business activities through fixing pricing policies and gross margins on the Group's imports and exports at the latest when an entity makes a commitment, and by prohibiting any currency speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified. The Group makes the vast majority of its sales and incurs the vast majority of its costs in the accounting currency of each country in which it operates.

Interest rate risk

Following the Redemption, the Group will continue to have significant levels of floating rate borrowings, and thus the Group will be exposed to risks related to fluctuations in the levels of interest rates. The loans under the Senior Facilities Agreement bear interest at floating rates. The EIB Facility Agreement also provides for a floating rate option. These interest rates could rise significantly in the future. See "*Description of Other Indebtedness*" for more information.

Credit risk

Credit risk is the risk of financial loss arising from a counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness, as well as concentration risks. Given the large number of customers of the Group, there is no concentrated credit risk on the receivables the Group holds.

Liquidity risk

Liquidity risk is the risk that the Group fails to fulfill present or future obligations due to insufficient funds available to meet such obligations. Liquidity risk arises mostly in relation to cash flows generated and used in financing activities, and particularly by servicing the Group's debt, in terms of both interest and principal, and the Group's payment obligations relating to the Group's ordinary business activities. The Group manages liquidity risk by monitoring the maturity schedule of its financial debt to ensure that the Group has sufficient available funds for operations and planned expenditures.

Selected Critical Accounting Policies

The preparation of the Group's financial statements requires management to make estimates and assumptions, based on historical experience and various other factors that are considered to be reasonable under the circumstances, and that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these 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 Group's management in preparing its financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill, the amount of the provisions for contingencies and other provisions relating to the Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long term assets and liabilities.

For more discussion of the Group's critical accounting policies, please see note 2 and the related notes in the Group's financial statements for the financial years ended December 31, 2017 and 2018 included elsewhere in this offering memorandum.

IFRS 16

IFRS 16 applies to financial years commencing on or after January 1, 2019. The Group has adopted IFRS 16 as at January 1, 2019 and will apply IFRS 16 in its consolidated financial statements from January 1, 2019. IFRS 16 requires that the Group adopt a "right-of-use" approach in accounting for the Group's lease contracts and that the Group recognize assets and liabilities for all leases unless the lease has a term of 12 months or less or the underlying asset has a low value (*i.e.*, less than $5,000). The Group has more than 4,000 leases that fall within the scope of IFRS 16, of which approximately 630 are real estate leases. The Group estimates that its adoption of IFRS 16 will lead to the recognition of a rental liability on the Group's balance sheet of between €0.9 billion and €1.1 billion as well as an increase in fixed assets through the recognition of a right of use. This change to the presentation of its balance sheet will affect the comparability of its assets and liabilities from year to year, especially the comparison of assets and liabilities as of December 31, 2018 and as of December 31, 2019. Additionally, the adoption of IFRS 16 will lead to an increase in EBITDA, depreciation and financial expenses.

INDUSTRY

In this offering memorandum, the Group refers to information regarding the Group's business and the markets in which the Group operates and competes. The Group has generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third party sources, including the sources referred to in "Industry and Market Data". The Group believes that these industry publications, survey and studies are reliable. However, there can be no assurance of the accuracy and completeness of such information and the Group has not independently verified such industry and market data.

In many cases, the Group has made statements in this offering memorandum regarding the Group's industry and the Group's position in the industry based on the Group's experience and the Group's own investigation of market conditions. The Group cannot assure you that any of these assumptions are accurate or correctly reflect the Group's position in the industry, and none of the Group's internal surveys or information have been verified by any independent sources.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements".

Overview

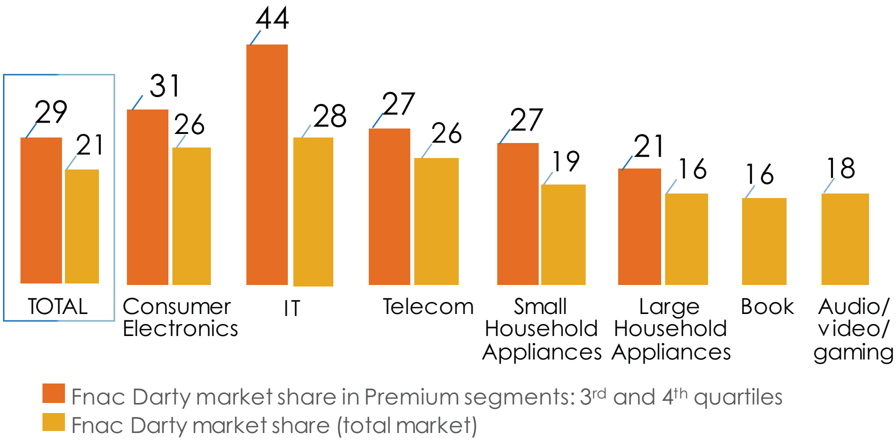
Fnac Darty is a leading European retailer of Consumer Electronics, Editorial Products, Household Appliances and ancillary services. The Group combines two iconic and complementary banners, Fnac and Darty, providing customers with a wide range of products and services. The Group believes it is one of the top three omnichannel retailers in Europe by revenue, operating through its multi-format network of 780 stores in 12 countries (as of December 31, 2018), including France, Belgium, the Netherlands, Spain and Portugal, supported by strong logistics capabilities. As of the end of 2018, the Group was France's second-largest e-commerce retailer in terms of audience, reaching customers through its physical stores and its two retail websites, fnac.com and darty.com. The Group's position as a leader is based in particular on a high volume of customer traffic, with approximately 258 million store visits across the Group in 2018 and approximately 28 million unique online visitors per month in France.

The size of the main markets in France in terms of revenue where the Group operates is detailed in the table below:

Consumer Electronics	**2018 (in millions of €)**	**Household Appliances**	**2018 (in millions of €)**	**Editorial Products**	**2018 (in millions of €)**
TV (Video)	1,959	Small Household Appliances	3,247	Books	3,302
Sound	1,043	Large Household Appliances	5,712	Audio	331
Photo	686			Video	357
IT	4,586			Games & Toys	2,097
Telephony	3,515			Stationery	1,291
Connected devices	1,443				
Gaming	1,633				
Total	**14,865**	**Total**	**8,959**	**Total**	**7,378**

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

In 2018, the Group had the largest market share in the Consumer Electronics and Household Appliances markets in France and a leading market share in the Editorial Products markets in France according to GfK data. The following graph shows the Group's market share in France, divided between premium segments and total market:



Market Trends

The expansion of the Internet over the last 20 years has significantly changed the Group's markets. The rise and success of e-commerce and the digitalization of editorial content have resulted in the emergence of new specialized online competitors, known as Internet pure players, who focus on competitive prices and large product ranges. Some of these Internet pure players, such as Amazon, have an international presence, while others, such as Cdiscount or Rue du Commerce in France, are primarily focused on national or local markets. International competitors tend to focus on a high level of service (high-quality websites, logistics, transport, and customer service). The increased competition has led to the disappearance of some leading retail operators (such as RadioShack, Circuit City, Comet and Surcouf), or the exit of some of their key markets (such as Amazon leaving the Large Household Appliances segment in France). The market has also experienced a consolidation in recent years, initiated by traditional retailers aiming to achieve the necessary scale to remain competitive in the sector (*e.g.*, Dixons/Carphone, Darty/ Mistergooddeal, Carrefour/Rue du Commerce, Ldlc/materiel.net and including the Acquisition). However the market remains highly fragmented in most countries, including France.

The evolution of the Internet and the emergence of Internet pure players have changed consumer purchasing behavior. The development of e-commerce websites has enabled retailers to expand the range of available products. Consumers now have access to instant price comparisons, and are able to research and compare product features via technical factsheets and consumer reviews, influencing their purchase decisions. Consequently, consumers are becoming more demanding in-store in terms of price, advice and product ranges. Moreover, consumers are increasingly using mobile devices (smartphones and tablets), in addition to computers and laptops when researching and making purchases. According to Fevad, in France, Internet sales in the cultural products market increased from €1.5 billion in 2012 to €3.8 billion in 2017, representing an increase in market share from 18% to 45%, and in the home equipment market (high-tech and appliances) increased from €3.2 billion to €4.2 billion. In France, 60% of shoppers use their mobile phone to search for products; 28% of shoppers check the price of the product in other stores when shopping in-store; and 61% track their orders on the Internet, according to Fevad.

The rapid development of the Internet has also led to the phenomenon of digitalization, *i.e.*, the transition from physical media to digital media, which has altered consumer spending patterns on Editorial Products in favor of downloading and streaming. New competitors have emerged in the form of ISPs and digital platforms (*i.e.* Spotify, Deezer and iTunes) that offer music, video on demand (*i.e.,* Netflix) and online gaming (*i.e.,* Steam, and Origin). Consumers increasingly prefer digital Editorial Products, partly because they are cheaper than their physical counterparts, but also because of such advantages as saved space, accessibility and immediate consumption. However, this digitalization phenomenon affects each segment of Editorial Products differently. The segments that have been most digitalized are audio CD, DVD and gaming, with penetration of the digital sector of 59%, 60% and 69%, respectively. Although the e-book market is growing in France, the rate of penetration remains low at 3% of the book market in 2018.

Key Market Drivers

Disposable household income and economic growth

Growth in the Consumer Electronics, Editorial Products and Household Appliances markets is sensitive to changes in disposable household income, which in turn is based on changes in gross domestic product, the tax burden on households and their rate of savings. During the financial crisis that began in 2008, the downturn in macroeconomic conditions led to reduced non-essential household spending, and the Editorial Products and Consumer Electronics markets in France and the Iberian Peninsula experienced significant declines. Consumer Electronics, Household Appliances (with the exception of Large Household Appliances) and Editorial Products markets have historically been discretionary purchases. While sales of Large Household Appliances tend to be less sensitive to variations in disposable household income as demand for these products is mostly driven by replacement purchases, consumers will tend to buy lower cost products when replacing Large Household Appliances during an economic downturn. However, the increasing use of digital technology in the home has also made purchases of Consumer Electronics less discretionary as consumers tend to upgrade these products with more frequency.

The disposable household income that may be spent on Consumer Electronics, Editorial Products and Household Appliances is also dependent on primary household consumption, *i.e.*, goods and services that are essential to every household. An increase in the cost of such goods and services (*i.e.*, expenses relating to accommodation, health, food, drink and transport) reduces the proportion of household income available to spend on non-essential goods and services, which includes Consumer Electronics, Editorial Products and Household Appliances.

Product development and innovation

The Consumer Electronics market depends heavily on the product innovation cycles and household equipment renewal frequency.

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

Innovation can disrupt this cycle, producing strong acceleration or deceleration effects. For example, the widespread use of tablets in recent years has created a new cycle of growth in the IT market, and households have added a tablet to the multimedia devices they own. However, with the recent appearance of smartphones with large screens, consumers are now turning more to telephones rather than tablets. This phenomenon of substitution and cannibalization has also affected existing devices such as MP3 players, GPS systems and cameras. In addition, consumers are placing increasing importance on the services related to Consumer Electronics (*e.g.*, phone insurance), as well as delivery and after-sales service.

The Editorial Products market depends on the publishing schedule for new items. Overall, the Editorial Products market is experiencing a slowdown, which is a sign of the changing times, with the rise of the digital economy. The CD and DVD market has been in decline in recent years and is driving retailers to envisage new modes of consumption for this segment. The books market is showing more resilience.

The Household Appliances market depends primarily on the renewal of household equipment. Small Household Appliances benefit from increased innovation (in particular for kitchen appliances, and health and beauty products), which, along with changing lifestyle trends, has caused an increase in sales volumes and in the value of the Small Household Appliances category, especially with an upscale in vacuum cleaners, coffee makers and multi-function kitchen robots. Consumers pay attention to the services associated with these products (*e.g.*, warranties), including the delivery and collection of equipment, particularly in the large goods sector.

Replacement cycle

Sales of Large Household Appliances, in particular, are driven mainly by the product replacement cycle. The Group believes the market for Large Household Appliances is well established with a high household penetration rate and that sales are primarily non-discretionary and are largely driven by a customer's need to replace a particular product. Due to the potentially high costs of repair, the Group believes it often makes economic sense for consumers to replace Household Appliances outright rather than to arrange for their repair. As a result, the Household Appliances market is particularly stable and resilient in economic downturns; however, consumers will tend to buy lower cost products when replacing Large Household Appliances during an economic downturn. The sale of Household Appliances can also be driven by the dynamics of the housing market, as new construction, rising home sales and refurbishment of existing homes often triggers new purchases.

The Group believes that the replacement cycle in Consumer Electronics is typically shorter than Household Appliances, driven by a higher level and frequency of product innovation.

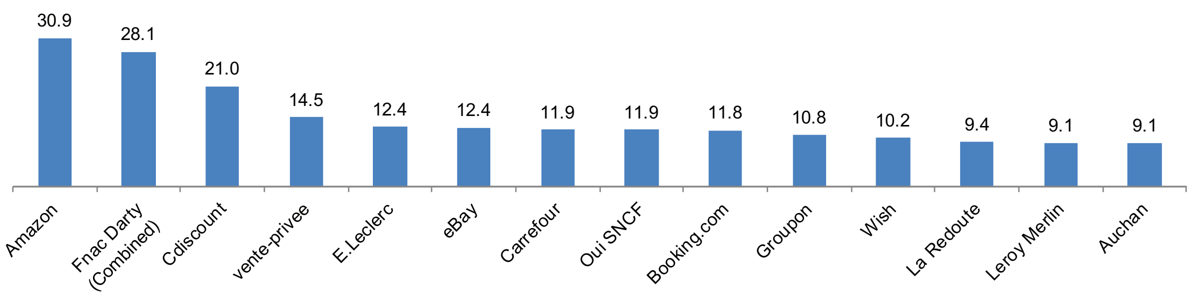
Pricing evolution

The rapid innovation cycle can lead to price declines in certain segments in Consumer Electronics and Small Household Appliances, but drives volume as products become more affordable when replacement cycles accelerate. For larger ticket items, the low frequency of purchases limits the impact of price declines on total market sales as consumers typically trade up.

Online presence

The Group's core European markets represent a maturing Internet sales environment. The increase in online shopping provides retailers with the opportunity to increase both the range of products and services on offer and the availability of product information. It also increases the number of points of contact for retailers with customers, whether in-store, online from home, or through mobile web access using smartphones and other devices, and provides opportunities for multichannel retailers to exploit synergies between Internet and store-based retailing.

According to Médiamétrie / NetRatings for Fevad, on average 42.1 million users each viewed at least one of the sites of the top 15 e-commerce retailers in France during the fourth quarter of 2018. According to Médiamétrie / NetRatings for Fevad, the top 15 most visited e-commerce sites visited in France, including average number of unique visitors per month (in millions, for the fourth quarter of 2018) are as below:



Source: Médiamétrie / NetRatings for Fevad - Computer users - Average Q4 2018

Retail Channels

Retail channels in the European Consumer Electronics, Editorial Products and Household Appliances markets include single channel players such as traditional brick-and-mortar stores and retail websites, as well as omnichannel players with "Click & Collect" or "Click & Mag" features. Although the Group believes that traditional brick-and-mortar stores are still often preferred by consumers who like to speak with sales representatives, preview a variety of goods, and make purchases in person, retail websites are increasingly popular with European consumers because of their convenience and their ability to compete on pricing. "Click & Collect" is a hybrid of the traditional store and website model. With "Click & Collect", consumers shop online and the items can be collected from stock in a store, if available, or are delivered to a store or pickup location, where they are held until the customer collects them. "Click & Mag" involves a sales assistant in a store placing an order for a customer on the store website when a store does not have a product in stock to be delivered to a place of the customer's choice.

Competitive Environment

The Group's main competitors in France are:

- specialist Internet retailers, known as Internet pure players, who account for the majority of Internet sales. They rely on competitive pricing and services and a large product range. The Group's main competitors in France are Amazon, Cdiscount, and Rue du Commerce;
- specialist retailers who offer products to their customers through a network of physical retail outlets (brick-and-mortar) and, where applicable, omnichannel players. These players usually have an established reputation among the general public because they have been around for a long time and offer a basic range of products. In France the most well-known are HTM Boulanger, Cultura, BUT and Conforama;
- mass-market retailers (in France these consist of mainly hypermarket chains such as Carrefour, Auchan, Leclerc, Géant Casino and Cora) also offer Consumer Electronics, Editorial Products and Household Appliances;
- ISPs and digital platforms (Spotify, Deezer, iTunes) that offer music, VOD (Netflix) and online gaming (Steam, Origin);
- mobile-phone operators; and
- suppliers selling their goods directly such as Apple or Bosch.

BUSINESS

Overview

Fnac Darty is a leading European retailer of Consumer Electronics, Editorial Products, Household Appliances and ancillary services. The Group combines two iconic and complementary banners, Fnac and Darty, providing customers with a wide range of products and services. The Group believes it is one of the top three omnichannel retailers in Europe by revenue, operating through its multi-format network of 780 stores in 12 countries (as of December 31, 2018), including France, Belgium, the Netherlands, Spain and Portugal, supported by strong logistics capabilities. As of the end of 2018, the Group was France's second-largest e-commerce retailer in terms of audience, reaching customers through its physical stores and its two retail websites, fnac.com and darty.com. The Group's position as a leader is based in particular on a high volume of customer traffic, with approximately 258 million store visits across the Group in 2018 and approximately 28 million unique online visitors per month in France.

Competitive Strengths

Leading positions in the markets in which the Group operates

In the Group's largest market, France, it is the market leader for its main product categories of Consumer Electronics, Editorial Products and Household Appliances. In addition, the Group is the largest bookseller with approximately 45 million books sold in 2018 and the leader in event ticket sales. According to GfK, the Group has a 21% combined market share in France for its main product categories. In premium segments, defined by the highest two quartiles of prices, the Group has a 29% market share, reflecting its position as a key player in new, innovative and value-creating products. Internationally, the Group has a strong presence in both the Iberian Peninsula, through its 62 Fnac stores, and in Benelux, where it has 147 stores under the Fnac and Vanden Borre banners in Belgium and BCC in the Netherlands.

Since the Acquisition, the Group has benefitted from its increased scale and from stronger positions in the markets in which it operates. This increased scale has been critical to improving profitability and to maintaining a competitive advantage. As a market leader, the Group believes it has greater leverage when negotiating pricing terms with suppliers and has the opportunity to build stronger brand recognition with existing and potential customers. In France, the Group has steadily improved its market position in recent years, demonstrating the resilience of the business. The Group continued to gain market share in France in 2018.

Overall the Group believes that large chain omnichannel retailers, such as the Group, will continue to gain market share and effectively compete with Internet pure players, whilst putting pressure on traditional stores and hypermarkets, which have continued to lose market share over the past several years. In 2018, 19% of the Group's sales were Internet sales, and the Group's omnichannel sales represented 49% of Internet sales. As a result, the Group believes it is one of the top three omnichannel retailers in Europe by revenue.

Iconic and complementary brands with strong loyalty programs

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

The Fnac banner, founded in 1954, benefits from its strong reputation as a retailer of cultural, leisure, and Consumer Electronics products in France and its other geographic markets. The Group believes this recognition is attributable to Fnac's multi-specialist positioning and the banner's three core values: expertise, independence, and cultural promotion. Among specialty retail brands, Fnac is known for its expertise in the products it sells, with the banner maintaining its reputation for expertise by focusing on three main areas: laboratory testing (with over 1,000 tests in 2018), the quality of its sales force, and its customer relations. Since its inception, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to the banner's recommendations to customers and enables it to develop closer ties with them. Beginning in 2013, this image was enhanced by an environmental dimension thanks to the publication of an environmental rating. Fnac is a major cultural player and a company committed to artists, not just through its extensive cultural products offering, but also through the events (7,000 events in 2018) organized in-store or externally.

The Darty banner, founded in 1957, has built an equally powerful brand. The Darty banner has built its reputation on the quality of its after-sales service, especially through the promotion of its ''Contrat de Confiance'' beginning in 1973, which is built on the model ''best price, best choice, best service''. The banner guarantees low prices by issuing a gift card for a limited time period for the difference between the price paid and the price found elsewhere. The Darty philosophy is to offer its customers a very wide range of products and services to meet their specific needs. Darty looks to offer the best service before, during and after the sale. Thanks to the quality of the Darty banner's service offering, the Group is perceived as the leader in terms of ''service included'' prices, value for money, and having the most effective after-sales and delivery services.

The Group's large customer base offers the possibility of cross-selling, thanks to the loyalty of its customers and loyalty programs. The Fnac banner has a strong customer loyalty program, with more than 8 million members, of which 5.9 million are in France, as of December 31, 2018. In 2018, revenue generated by Fnac's loyalty program members accounted for nearly 60% of the Fnac network revenue. The customer loyalty program is designed as a customer loyalty and retention tool for targeted and effective sales promotions. Members are an asset providing the Fnac banner with a high level of differentiation. Members visit the stores four times more often than other customers, and on average they spend double the amount of a non-member in-store. At the same time, the Darty banner has focused on developing its after-sales service, which is in itself an effective customer loyalty tool. Darty has built a database of several million households for the purpose of personalizing customers' experience with tailored recommendations, automated offers and ''One Click'' solutions. Since the Acquisition, the Group has launched loyalty programs on a shared basis to help consumers make an educated choice through each banner's unique delivery and after-sales expertise. The Group's premium loyalty programs, Fnac+ and Darty+, together have a cumulative total of 1.5 million subscribers, offering unlimited deliveries from both banners and allowing both banners to benefit from the resulting expansion of their customer bases and offer a unique service to customers.

A balanced and resilient product offering with highly distinctive services

The Group is able to propose a balanced offering, built around product categories with complementary growth and margin profiles. The Group's product offering is diversified, with both the Fnac and Darty banners distributing Consumer Electronics (51% of the Group's revenue in 2018), a sector whose growth consists of short innovation cycles. This shared offer, with strong positioning by both banners, is enhanced both by Fnac's strength in traffic building Editorial Products (17% of the Group's revenue in 2018), and by Darty's leading position in the Household Appliances market (22% of the Group's revenue in 2018), a market that is largely replacement-driven and is more resilient to economic conditions. The sale of Other Products and Services (over 10% of the Group's revenue in 2018) complements the Group's offering, with both product offerings (*e.g.*, kitchen equipment, home & design products, games & toys and stationery) and services and other revenue items (*e.g.*, sale of extended warranties, after-sales service, deliveries and installations, rental services for Consumer Electronics and delivery services, ticketing, gift boxes, sales of membership cards for Fnac's loyalty programs, invoicing of shipping costs to Internet customers and royalties from stores operated under franchise), which generate higher margins.

The Group differentiates itself from Internet pure players by providing one of the widest services offering in the market. This is a clear distinctive competitive advantage embedded in the DNA of both banners and covers the entire customer experience from pre-sales to after-sales services. This enhances the Group's product range with offers that are unique to the market and personalized to meet and anticipate customer's needs. Darty's experience is mainly built around its celebrated ''Contrat de Confiance'' and built on the model of ''best price, best choice, best service''. The after-sales service differentiates the offering of the Group from the offering of Internet pure players and is enhanced by Darty's expertise, allowing the Group to be a leader in this area. The Group's offering was strengthened following the acquisition of WeFix in October 2018, the French leader in express smartphone repair. To promote its in-store services, the Fnac banner has created dedicated ''Service Area'' sections where customers can get advice on after-sales service, home delivery, warranties or at-home training. The Fnac banner also offers multimedia assistance over the phone, available seven days a week. Furthermore, the two banners also offer in-store or at-home training services, and installation of equipment at home.

Customers appreciate the knowledge of the in-store sales staff, and suppliers recognize the Group as one of the distributors providing the best in-store sales experience. To achieve its goal of putting products at the heart of its relationships with customers, the Group has developed an open ecosystem of partnerships with suppliers in order to offer customers an optimal shopping experience. The Group has agreements with some of its major product suppliers; such as Apple, Microsoft, Google and Samsung to have dedicated areas in its stores (''shop-in-shop'') where the suppliers provide, and assume the cost of, merchandising and demonstrating their products. For example, as part of the partnership with Google, the Google offering is now available in dedicated spaces for all Group stores, including 50 corners. At the same time, the ''Bouton Darty'' has been integrated into the Google Home ecosystem, allowing customers direct access to voice-activated product support. The Group is continuing to expand into the digital space with a digital reading solution, Kobo by Fnac, to position itself in the digitized book market, and with an exclusive strategic partnership with Deezer to provide customers a free three-month subscription when buying any audio product. The Group has also signed an industrial partnership with Carrefour, to conduct shared purchases for Consumer Electronics and Household Appliances in France, showcasing the Group's expertise in building product ranges. This partnership was further strengthened in 2018 with the testing of two Darty shop-in-shops in Carrefour hypermarkets, under a franchise format. In 2018, the Group signed an agreement with Wehkamp in the Netherlands, which will allow the Dutch subsidiary, BCC, to provide Wehkamp with its entire product ranges and manage purchases of the two banners. In return, the Group benefits from the digital expertise of its partner, as well as its logistical capacity for small parcels.

The Group has also continued its efforts to enrich its products and services offering. In 2018, the Darty banner opened its first standalone store dedicated to kitchens. The rollout accelerated in 2018 with the opening of 25 new spaces in France, including three stores dedicated solely to this offering. As of the end of 2018, the Group had over 130 kitchen points of sale, mostly in dedicated spaces in stores. Darty's kitchen offering complements the Household Appliances offering and allows it to capitalize on the Group's expertise and brand image. The Fnac banner also has a ticketing and box office services division, with the company France Billet, which is the leading French business-to-consumer ticketing and box office seller for shows and events, and the companies Tick&Live and Eazieer in business-to-business activities. This activity has been reinforced by the acquisition of Billetreduc.com in the first quarter of 2019.

Since the Acquisition, the Group has expanded its offering of cross-banner products and services. In France, at the end of 2018, 31 Fnac stores hosted a Darty shop-in-shop, while two Darty stores hosted Fnac shop-in-shops. Outside France, the Small Household Appliances offering has been rolled out under the Fnac Home banner, with more than 30 stores in the Iberian Peninsula now providing this service. A first point of sale combining both a Fnac and a Darty store was also opened in 2017. In terms of services, the numerous exchanges of expertise between banners have helped develop and optimize the services strategy, particularly around insurance and information security. Around 40 spaces dedicated to photo works were also opened within the Darty network, capitalizing on Fnac's experience in this area.

An agile omnichannel business model supported by a dense multi-format store network, an integrated e-commerce platform and best-in-class logistics capabilities

In a retail sector undergoing profound transformation, the Group has focused on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. The two banners have anticipated new consumer behavior trending towards communicating and interacting with sellers through a dual sales channel approach (both in-store and web-based), and have therefore invested heavily in offering a unique proposition to their customers (with Fnac starting in 2011 and Darty in 2013). This includes offering a seamless buying experience, by providing strong digital standards to support the customers buying experience both online and in-store. The Group's omnichannel platform is based on key assets: an extensive network of multi-format stores, an innovative digital platform, and a logistics tool allowing each banner to offer the Group's inventory, designed to first-rate standards. In 2018, 49% of Internet sales were omnichannel.

The Group benefits from a dense network of stores with different formats. The Group's stores are either directly owned or franchises, and are located in city centers, shopping malls, retail parks outside large cities, train stations and airports. This variety allows for the Group to adapt to the traffic in each area served. The Group's strengthened international exposure stretches across 12 countries, with a pronounced European presence. At the end of December 2018, the Group had a network of 780 stores, of which 571 were in the France-Switzerland region, which allow the Group to be closer to its customers. The Group operates 520 directly owned stores and 260 stores under franchise. In 2018, the Group opened 66 stores (60 in France), 55 of which are franchises.

In Europe, the Group has 11 main warehouses totaling over 350,000 square meters of floor space, processing more than 200 million orders a year. This network serves both banners' stores, as well as customers, through the processing of every product order. At the center of key consumer zones, the Group also has 80 delivery platforms and over 1,000 delivery drivers, ensuring a home-delivery service that is one-of-a-kind in the market. The complementarity of the two banners expertise in this field ensures the processing of more than 12 million parcels and two million home deliveries each year. In 2018, same-day and next-day deliveries of Consumer Electronics represented approximately 70% of total deliveries, compared to only 30% in 2014. Similarly, 50% of Consumer Electronics purchased online are now collected in-store, double the percentage in 2014. The Group's logistics network and delivery network work together to strengthen the Group's operational efficiency. They also enhance the Group's omnichannel ecosystem by enabling it to offer collection and home delivery services for a wide range of products, including: "Click & Collect", "Click & Mag", "1hr Click & Collect", "D+1 Delivery", "2H Chrono Delivery", "Retrait Colis gratuit", "Same-day delivery", "Evening deliveries", and "Delivery by appointment".

The Group's omnichannel offering was enhanced following the Acquisition with initiatives permitting customers to get the most from both banners. The Group's customers can pick up their fnac.com purchases in 320 stores of the darty network, and their Darty.com purchases in 30 stores of the Fnac network, thus expanding the strength of the Group's geographical coverage. Thanks to the continuous development of its store network, the Group believes that 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home. The Darty banner's logistical expertise in delivering bulky products has also been leveraged by the Fnac banner, as the Darty banner now delivers TVs for the Group.

The Group is able to provide its customers with a website by banner and by country of operation, with nine websites in total. The Group's e-commerce offering is also enhanced by its Marketplaces, which position the Group as an intermediation platform between consumers and third party vendors, increasing the choice available on the Group's sites and the number of items available to online shoppers, helping to increase website traffic and visibility. The Group is focused on its m-commerce offering and is working to constantly improve its apps available to customers. In 2018, mobile phones represented 56.1% of the traffic on its websites (an increase of 5.5% of the proportion of total traffic compared to 2017), and the conversion rate also improved in 2018 following work carried out on the Group's apps.

In order to further enrich the store experience for customers, the Group aims to optimize the in-store shopping experience by making it simpler and more streamlined, with product labels scanned prior to purchase to make all product information available. As at the end of 2018, the Group had over 250 digitalized stores. The Group has also launched its first tests for "Pay&Go", an innovative solution that allows customers to pay via their mobile phones, without going through the traditional cash register.

Strong focus on operational performance, profitability and maintaining a solid financial structure

In 2018, the Group generated €7,475 million of revenue, an increase of 0.3% (like-for-like) compared to 2017, and current operating income of €296 million, an increase of 9.6% compared to 2017. The solid performance was achieved despite a market environment marked by exceptional events that have repeatedly impacted business activities, mainly in France. These events included unfavorable weather conditions in the first quarter, strikes in the second quarter and the "Yellow Vests" movement at the end of the year. The Group's solid performance, despite these events, demonstrates the Group's agility, together with its ability to finalize the integration of both banners, realize the planned synergies, roll out its *Confiance+* strategic plan, and deliver controlled performance in a lackluster consumption environment.

The integration of the Fnac and Darty banners, following the Acquisition, was successfully completed in 2018. The Group had announced an objective of €130 million of deployed synergies before the end of 2019. The numerous initiatives implemented by the Group since 2016 have allowed it to deploy €131 million of synergies by the end of 2018, one year ahead of the original plan. This result confirms the high value creation of the Acquisition, which has enabled the creation of a leader in the specialized retail of Consumer Electronics, Editorial Products and Household Appliances. In terms of cost synergies, savings stem mainly from synergies related to indirect purchasing and goods, as the Group has been able to capitalize on its new size to reinforce relationships with its suppliers, specifically allowing it to take advantage of better purchasing conditions and improve its gross margin rate. The Group achieved a gross margin rate of 30.3% in 2018, compared to 30.4% in 2017, thus improving when excluding the dilutive effect of the franchise network expansion (-0.3%). The implementation of a new logistics structure generated significant savings through the redefinition of logistics centers and the revamping of the transport plan across the whole of France. The convergence of the Group's information technology ("*IT*") systems is being completed in accordance with the business plan, with a launch of a shared inventory management system that allows each banner to offer the inventory of the whole Group. The new organizational structure for headquarters is in place, and the relocation of teams was finalized in 2018. The Darty banner's London headquarter was closed in 2016, and the Belgian Fnac and Vanden Borre teams were moved to a single site in 2017. The Group has also generated commercial synergies between banners, benefitting from the opening of shops-in-shops (Fnac at Darty and Darty at Fnac) from expanding the cross banner "Click & Collect" offer, and from the cross banner benefits for loyalty program members. In addition to achieving synergies, the Group carries out annual performance reviews focused on cost savings, the objective of which is to offset natural cost inflation.

The Group aims to continue to focus on cash flow generation, prudent working capital management, controlled capital expenditure requirements, and the continued roll out of the *Confiance+* strategic plan, all of which are expected to contribute to a high level of cash generation. The Group generated significant free cash flow from operations with €173 million achieved in 2018 (excluding the impact of the €20 million fine from the Competition Authority), and an aggregate amount of €523 million between the financial years ended December 31, 2016 and December 31, 2018. As of December 31, 2018, the Group has achieved a net cash position, only two years after the Acquisition. In the future, the Group expects to prioritize ongoing growth over distributions to shareholders.

A strong management team with significant industry knowledge

The Group has a strong management team with significant industry and technical knowledge. The Group's Chief Executive Officer, Enrique Martinez, joined Fnac in 1998 and has held various positions in the Group since, contributing to its growth. Since July 2016, he was entrusted with overseeing the efforts to integrate the Fnac and Darty banners in France, and the supervision of the implementation of synergies between the two banners. He has been Chief Executive Officer of the Group since July 2017, and has been responsible for successfully realizing the targeted synergies from the Acquisition one year earlier than initially planned, and is also overseeing the roll out of the *Confiance+* strategic plan. The Chief Executive Officer is assisted by an Executive Committee responsible for the functional and operational departments. The Executive Committee has significant industry knowledge, is well balanced between Fnac and Darty executives and includes new appointments since the Acquisition. The Group believes the leadership of the Group's management team will continue to help improve the Group's result of operations, product offer and competitive position in the markets where the Group operates.

Strategy

While operating in a retail sector undergoing profound transformation, the Group has focused on moving to an omnichannel model to be able to offer its customers a unique purchasing experience. The two banners have anticipated new consumer behavior trending towards communicating and interacting with sellers through a dual sales channel approach (both in-store and web based) and have therefore invested heavily in offering a unique proposition to their customers (with Fnac starting in 2011 and Darty in 2013). This includes offering a seamless buying process, by providing strong digital standards to support the customer's buying experience both online and in-store.

At the end of 2017, the Group launched its *Confiance+* strategic plan, which it successfully started deploying in the financial year ended December 31, 2018. The plan aims to create the reference omnichannel service platform in Europe by drawing on two pillars: an ecosystem enriched by both banners and an open omnichannel platform.

An enriched customer ecosystem

A wide product range at the leading edge of innovation

Today the Group boasts a balanced product offering, built around product family categories with complementary growth and margin profiles, marked by a spirit of continuous innovation. The Group is now a key operator both in its markets and with regard to its suppliers, which means its customers benefit from a wide range of products both online and in-store. The Group intends to continue diversifying its product offering while ramping up certain existing categories and developing new segments connected with the Group's offering. Diversification is an advantage that allows the Group to establish its presence in response to new consumer behaviors, as well as anticipate major technological developments (*e.g.*, urban mobility, robotics and drones). Since 2011, the Group has introduced more than 10 new activities within these two banners, representing 40,000 additional products in these new categories.

A first-rate, enhanced range of services

The Group's ecosystem is now enhanced by one of the widest services offering in the market, a clear and distinctive competitive advantage embedded in the DNA of both banners. The Group intends to continue expanding its services offering to seize new market opportunities and to adapt to the expectations of customers, who want increased speed, a more simple process and more personalization. In line with its development of the digital services offering, the Group wants to offer an optimized online service experience to respond to new consumer behaviors and the increasing digitization of retail. The Group is also launching significant innovations in product-related services, through new remote after-sales service initiatives. This involves the extension of the connected ''Bouton Darty'', which was integrated in the Google Home ecosystem in 2018. Lastly, the Group aims to position itself in booming innovative segments, such as the smart home, with the launch of dedicated connected services to offer users and customers real support for their use of the products of tomorrow.

Powerful and complementary brands leveraging the Group's loyalty programs

The Group intends to continue leveraging its strong reputation and the loyalty programs of both its banners. In particular, the complementary nature of its banners provides significant opportunities for cross-selling and access for customers to the services of both banners. The Group intends to expand its loyalty programs offered on a shared basis to help consumers make an educated choice through each banner's unique delivery and after-sales expertise. In addition, the Group intends to continue to broaden its content offering as part of these loyalty programs. In 2018, the Group launched the ''Pass Partenaires'', allowing loyal customers of both banners to take advantage of attractive discounts from over 50 partner banners, which can also be used in conjunction with other promotions.

An open omnichannel platform

Optimized and digitized multi-format stores

With a network of 780 stores, the Group's goal is to increase the density of its store network in different formats. Stores under the Fnac banner were traditionally developed for city centers and have been adapted to reflect the shopping needs of outer areas (with a broader range of Consumer Electronics products, more entry-level products and greater use of self-service).

The Group is also developing new store formats for the Fnac banner, aimed at diversifying its range and adjusting to changing consumer trends. These new formats include:

- the Travel format (railway stations, airports and duty-free) with 26 stores as of December 31, 2018, including 24 in France;
- the Proximity format (smaller stores with the entire product offering) with 67 stores as of December 31, 2018; and

- the Connect format (small stores dedicated to telephony and connected devices) with eight stores as of December 31, 2018.

These smaller-format stores strengthen the Group's omnichannel operations by offering complete access to the online catalogue, thereby permitting customers to benefit from a wide choice of products and the vendors' expertise in those products. In France, Darty stores are mostly located in very populated areas and have a strong presence within or are situated close to big cities, such as Paris, Lyon and Marseille. In order to extend its presence to less populated regions in France, particularly those with fewer than 100,000 inhabitants, the Group has also put a franchise network into place for the Darty banner.

As of the end of 2018, 260 stores were franchises, with a medium-term objective of over 400 franchises across all the countries in which the Group operates. Thanks to the continuous development of its store network, the Group believes that 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home.

The in-store experience is also being enhanced with new services, thanks to innovative digitized solutions. The Group hopes to optimize the in-store buying experience by making it simpler and more streamlined. In the medium-term, nearly all Group stores will be digitized. As of December 31, 2018, the Group had over 250 digitalized stores, and customers in those stores benefit from a fully digitized purchasing experience when shopping.

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

Going forward, the Group intends to continue expanding its coverage to strengthen its presence. The Group's geographical expansion will rely mainly on franchising. This is an asset-light model that enables the company to benefit from the operating know-how of partners and their knowledge of the local market.

The Group also capitalized on the respective partnerships created with Intermarché and Vindemia for the Proximity format, with Lagardère Travel Retail for the Travel format, and with Sedadi and Bouygues for the Connect format. Backed by the omnichannel functionalities, these new formats (Travel, Proximity and Connect) contribute to the development of the Group's websites and help to strengthen the strategy.

In 2018, the opening of new spaces dedicated to Small Household Appliances in Fnac bannered stores in Spain, Portugal, Switzerland and France helped strengthen the customer offering. Finally, development of the kitchen offering has continued at Darty bannered stores with the opening of 25 new retail areas throughout the year, including the first three stores dedicated solely to this offering. The Group aims to double its network with respect to kitchen offerings in the mid-term to achieve nearly 200 dedicated points of sale.

First-rate operational efficiency

Logistics is one of the Group's key strengths, and is central to the omnichannel platform to be able to meet consumers' new expectations. In pursuing this objective, the Group has considerable advantages due to the complementarity between its two integrated banners, to offer customers a comprehensive and efficient range of services across its regions. This platform is a major advantage over Internet pure players.

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

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

An undisputed leader in e-commerce

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

The increasing personalization of products and content, which both the Fnac and Darty banners have been involved in for several years, constitutes an indispensable asset in offering users a buying experience tailored to their needs. The relevance of the proposal, optimized by analyzing a set of data using innovative marketing tools, serves to steer traffic onto the Group's websites. Therefore, in 2018 the Group started to build its own personalization algorithms using Google Cloud. Ultimately, this will mean it can offer customers targeted recommendations based on their buying behavior. In 2017, the Group also formed an advertising team to improve the use of customer data generated by the Group's websites through its partners. This business activity saw strong growth in 2018.

In addition to the digitization of stores, the Group is also focused on developing its e-commerce platform for new uses, notably the use of mobile phones, which are now central to the buying experience. The continued development of mobile apps is a major focus of the Group's digital strategy, as they are valuable for securing customer loyalty.

A strategy also implemented outside France

The Group seeks to reproduce strategies that have worked in France abroad, while adapting to the local environment. The Group does so mainly through a strong network of directly-owned stores, as well as franchise development. The Group is developing its franchise business internationally and now has 11 stores in Africa and the Middle East. In 2018, the Group opened two stores in Tunisia, making it the Group's 12th country of operation. As such, the Group plans to open 10 points of sale as franchises in Tunisia, five per banner, by 2023.

The Group's network remains a priority, with dynamic expansion expected to continue in Spain and with the ongoing development of the network in Belgium. Digital technology also remains a key element of the Group's strategy, with the Marketplaces expected to grow strongly in all geographic regions. Diversification also remains a major factor, in Belgium, as well as in Spain, where the deployment of corners dedicated to Small Household Appliances continued in 2018.

Along with these initiatives, the Group is rolling out a single platform for all sellers in its countries of operation so they can connect to the countries that interest them without leaving the Marketplaces ecosystem. On fnac.com, a single web frontend has been deployed to harmonize the various countries' interfaces. Utilizing the Group's expertise in France, services have been launched that are adapted to local markets.

Financial trajectory

The Group expects neutral growth in the Consumer Electronics market in the medium term. While the market is stimulated by the continuing development of telephony and connected devices, its growth is offset by a deceleration in other Consumer Electronics categories.

The Household Appliances market is a solid and resilient market. The acceleration of innovation and the development of new trends in consumer behavior are transforming this market. The shift to a connected universe is driving the emergence of new solutions, such as products relating to the smart home. Small Household Appliances have also seen considerable innovation. This has been evident in recent years. The Group expects this market will grow slightly in the medium term.

The Editorial Products market is undergoing structural changes, due in part to digitization. The CD and DVD market has been in decline in recent years and is driving retailers to envisage new modes of consumption for this segment. The books market is showing resilience and remains relatively stable. As a result of these trends, the Group expects the Editorial Products market to decline over the next few years.

The Group has a medium-term objective for higher growth than its markets and has key strategic tools to continue its market share gains. The Group aims to continue to improve its omnichannel platform in order to offer a first-rate standard of services to its partners and customers. With this objective in mind, the opening of more than 200 franchised stores and 100 additional points of sale dedicated to kitchens, compared to the levels at the end of 2017, as well as the roll-out of the shop-in-shop concept, is expected to expand the Group's geographical coverage and attract new customers. The development of innovative subscription-based loyalty programs is expected to attract and retain more customers and expand the Group's customer base.

The Group intends to maintain a dynamic and reactive, yet controlled, commercial policy compared to its competitors. The Group's gross margin will be impacted by the dilutive effect of the growth of franchising and by the product mix, including an expected decline in Editorial Products. The gross margin rate is expected to decline over the duration of the plan.

The Group has also been driven by a strong culture of cost optimization for a number of years, and will continue its efforts at all levels to make operations as efficient as possible. The achievement of synergies from the consolidation of the two banners also contributes positively to the Group's operating margin, as well as the accretive effect related to the development of franchises and the deployment of partnerships. The medium-term target for the Group's current operating margin is 4.5% to 5%. To continue the development of its logistics and digital tools over the course of the next few years, the Group also intends to increase its annual capital expenditures to between €120 million and €150 million. However, these investments will be subject to strict financial criteria.

As part of its strategic plan, the Group will also be attentive to opportunities for small bolt-on acquisitions, with synergy potential and complementary to the Group's DNA. The acquisitions of WeFix (French leader in express smartphone repair) at the end of 2018, and of Billetreduc.com (specialist online player in last minute discount ticketing) at the beginning of 2019, are good examples of this strategy.

The Group's History

History of Fnac

Fnac was founded in 1954 by André Essel and Max Théret, who from the start focused on adapting their business to consumption patterns, with their enterprise based on consumer protection. When it was created, "Fnac" was an acronym for the "*Fédération Nationale d'Achats des Cadres*" (National Federation for Purchases by Executives). At that time, it was set up to enable executives to buy photographic and cinematographic equipment at attractive prices. Subsequently, Fnac broadened its customer base by expanding its product range to include new products such as books and music. Fnac opened its first store, which specialized in photography and audio equipment, on the Boulevard Sébastopol in the 4th arrondissement of Paris in 1957. A few years later, the store expanded its product offering with the introduction of a section dedicated to vinyl records.

In 1960, Fnac's first laboratory tests comparing various Consumer Electronics products were published in Contact magazine. The introduction of a testing laboratory forged Fnac's enduring image as a specialist, independent and innovative banner in the Consumer Electronics market.

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

Fnac opened a second store in 1969, on Avenue de Wagram in the 17th arrondissement of Paris, and three years later Fnac opened its first store outside Paris, in Lyon.

In 1974, Fnac began selling books, with the opening of the Fnac store at Montparnasse (in Paris) and the creation of *Forums de Rencontre* cultural spaces. These areas inside the stores were entirely devoted to culture and to interaction with artists, through events such as concerts, book signings and discussions with leading figures. In 1979, Fnac's Forum des Halles store opened its doors and quickly became the largest store in terms of both size and revenue.

Fnac's stock was first traded on the Paris Bourse (now Euronext Paris) in 1980. A year later, Fnac began to diversify internationally through store openings in Brussels (Belgium). Geographical and product diversification continued in the following years, with the launch of its own travel business, Fnac Voyages, in 1980, and further store openings in Berlin (Germany) in 1991 (which was disposed of in 1995), Madrid (Spain) in 1993, Lisbon (Portugal) in 1998, São Paulo (Brazil) in 1999 and the initiation of operations in Italy (which were disposed of in 2012) and Switzerland in 2000.

In 1999, Fnac began its omnichannel development by launching a website (fnac.com) and continued to strengthen its network with the opening of new store formats operated directly or via franchise.

Crédit Lyonnais Group became Fnac's majority shareholder in 1993, and remained the majority shareholder until December 1994, when Fnac was acquired by Kering, and it was delisted from the Paris Bourse (now Euronext Paris).

In 2006, Fnac diversified its store formats and introduced its Outskirts format, operating stores in the outskirts of main cities, in contrast to its Traditional store format of operating stores in city centers and shopping malls. The first Outskirts format store was located in Bordeaux Lac with a new one-story store format.

In 2013, Kering decided to spin off Fnac by listing it on the Euronext Paris.

History of Darty

Darty was established by the Darty family in 1957 as a business specializing in the sale of radio and TV products. In the early 1970s, Darty launched the "Contrat de Confiance" (or "*Contract of trust*") on which its reputation for price, quality and service was established and built. In 1976, Darty was listed on the Paris Bourse (now Euronext Paris). Darty expanded into Belgium in 1988, the Netherlands in 1997, and the Czech Republic and Slovakia in 2000. It was acquired by the Kingfisher Group in 1993, which had previously acquired Comet, a U.K. retailer.

In 2003, Darty was demerged from Kingfisher plc and between 2005 and 2007 embarked upon an organic and acquisition growth strategy into a number of new markets, including Switzerland, Italy, Spain and Turkey (which were disposed of in 2009, 2013, 2013 and 2014, respectively).

This process of expansion began to unwind in 2011, when the decision was taken to dispose of Comet, which became effective on February 3, 2012.

The process of refocusing on core markets was also implemented through the sale of the Italian operations and the closure of the Spanish business in 2013, the sale of the business in Turkey in 2014 and the sale of the shareholding in Datart (which operated the business in the Czech Republic and Slovakia) in 2014. As of December 31, 2018, Darty had operations in France under the Darty banner, in Belgium under the Vanden Borre banner and in the Netherlands, under the BCC banner.

The Acquisition

The aim of the Acquisition was to combine two major players who were of a similar size, had a similar analysis of their markets and had complementary strategies. In particular, since the early 2000s, the Consumer Electronics retail landscape has been materially reshaped by the rise of e-commerce and the arrival of new Internet pure players who have exerted strong competitive pressure. In this context, consolidation was driven by a need to achieve the necessary scale and leverage the complementary features of the two banners' e-commerce platforms to remain competitive in the sector.

The Acquisition and the creation of the Group through the merger brought together two leading banners, with complementary positions and missions in the market, to create a larger scale leading omnichannel retailer. This combination changed the competitive environment considerably, particularly in France, by putting pressure on both brick-and-mortar retailers and Internet pure players, through the offering of a wide range of products and services.

In connection with the Acquisition, Fnac agreed to divest five physical sale outlets located in Paris and in the Paris suburbs. Fnac also carried out an analysis and review of Darty and developed synergy targets of approximately €130 million of synergies by the financial year ended December 31, 2019. The various actions taken by the Group since the completion of the Acquisition allowed the Group to deploy €131 million of synergies by the end of 2018, one year ahead of the original plan.

Geographic Footprint

The Group benefits from the complementary nature of the networks associated with the Fnac and Darty banners in France, with stores in different formats based in city centers, shopping malls, retail parks outside of large cities, train stations and airports, in order to adapt to the traffic in each area. Both the Fnac and Darty banners conduct their business through a network of stores and e-commerce websites, making it a "click & mortar" group.

The Group's international exposure stretches across 12 countries, with a pronounced European presence. The Group relies on the complementary aspects of Fnac and Darty in France and Belgium, as well as the local presence of Fnac in the Iberian Peninsula (both Portugal and Spain) and Darty's presence in the Netherlands through the BCC banner. The Group also maintains operations in seven other countries, the revenue of which are accounted for as part of the France-Switzerland region; Switzerland through a combination of directly operated stores and franchises and Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast through franchises. In addition, the Group anticipates opening of a directly-owned store in Luxembourg in 2019. In 2017, the Group sold its activities in Brazil. Within each country, the stores under each banner are laid out according to an identical format and market the same range of products, subject to local market adaptations. The table below presents the Group's revenue by geography for the financial year ended December 31, 2018:

(€ in millions)	For the financial year ended December 31, 2018
France-Switzerland[(1)]	5,835.2
Iberian Peninsula[(2)]	703.1
Benelux[(3)]	936.4
Total	**7,474.7**

(1) France-Switzerland includes revenue from the Group's French and Switzerland activities, together with revenue from its franchised stores in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast.

(2) Iberian Peninsula includes Spain and Portugal.

(3) Benelux includes revenue from Belgium and the Netherlands.

France-Switzerland

The France-Switzerland region, in which the Group had a network of 571 stores as of December 31, 2018 (including 255 franchised stores), represented 78% of the Group's revenue. The network of stores expanded in the financial year ended December 31, 2018 with the opening of 62 stores, of which 54 stores opened as franchises (including 33 Darty stores and 21 Fnac stores in mainland France and the overseas departments and territories).

Managed from France, the Fnac banner also includes franchises in international markets such as the Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast. In addition, in the financial year ended December 31, 2018 the Group expanded in Tunisia with the opening of one Fnac store and one Darty store.

The Group's stores for the France-Switzerland region received approximately 168 million visits in the financial year ended December 31, 2018. The Group, with a total of approximately 28 million unique online visitors per month, is positioned as France's second-largest e-commerce retailer, according to Fevad. The Fnac Switzerland subsidiary successfully launched its own e-commerce site in 2016.

The following table presents the Group's key performance indicators for the France-Switzerland region for the financial year ended December 31, 2018:

	For the financial year ended December 31, 2018
Revenue	€5,835.2m
Operating Margin	4.5%
Current operating income	€265.4m

Iberian Peninsula

As of December 31, 2018, the Group had 62 Fnac stores in the Iberian Peninsula and opened three new stores in Spain (two directly-owned and one franchise) during the same year. The region represented 9% of the Group's revenue in the financial year ended December 31, 2018.

The Group's stores for the Iberian Peninsula received approximately 66 million visits in the financial year ended December 31, 2018. Both the Fnac Spain and Fnac Portugal subsidiaries have an e-commerce site (fnac.es and fnac.pt, respectively).

The following table presents the Group's key performance indicators for the Iberian Peninsula for the financial year ended December 31, 2018:

	For the financial year ended December 31, 2018
Revenue	€703.1m
Operating Margin	3.6%
Current operating income	€25.4m

Benelux

As of December 31, 2018, the Group had a total network of 147 stores under the Fnac banner in Belgium, the Vanden Borre banner in Belgium, and the BCC banner in the Netherlands. The Group closed seven stores in the Netherlands during the course of 2018 and anticipates opening of a directly-owned store under the Fnac banner in Luxembourg in 2019. The region represented 13% of the Group's revenue in the financial year ended December 31, 2018.

The Group's stores for the Benelux region received approximately 24 million visits in the financial year ended December 31, 2018, and each banner has its own website (fr.fnac.be, nl.fnac.be, and vandenborre.be for Belgium, and bcc.nl for the Netherlands, respectively).

The following table presents the Group's key performance indicators for the Benelux region for the financial year ended December 31, 2018:

	For the financial year ended December 31, 2018
Revenue	€936.4m
Operating Margin	0.6%
Current operating income	€5.2m

Product and Service Range

The Group aims to deliver a balanced product offering, built around several key product categories. The Fnac and Darty banners each distribute Consumer Electronics (51% of the Group's revenue in the financial year ended December 31, 2018), a sector with short innovation cycles. This shared offer, with strong positioning by both banners, is enhanced on the one hand by Fnac's strength in Editorial Products (17% of the Group's revenue in the financial year ended December 31, 2018), and on the other hand, by Darty's leading position in the Household Appliances market (22% of the Group's revenue in the financial year ended December 31, 2018). Other Products and Services (10% of the Group's revenue in the financial year ended December 31, 2018) supplement the Group's product and service range with categories such as home & design, games & toys, stationery after-sales service, marketplace and franchise fees, insurance and warranties.

According to GfK, the Group's combined market share in France for its main product categories was 21% for the financial year ended December 31, 2018. The Group intends to continue to diversify its product and service range while ramping up certain existing segments and developing new segments connected with the Group's existing products and services. The Group believes that diversification is an advantage that will allow the Group to establish its presence in response to new consumer behaviors, as well as anticipate major technological developments (*e.g.,* urban mobility, robotics and drones). Since 2011, the Group has introduced more than a dozen new product categories, representing approximately 40,000 additional products in these new categories.

Consumer Electronics

Both the Fnac and Darty banners are key players in the retail market for Consumer Electronics, which includes Brown Goods (*e.g.*, TVs, photography, sound systems and headsets) and Grey Goods (*e.g.*, telecommunications and multimedia products such as personal computers, tablets, printers and scanners). In the financial year ended December 31, 2018, the Group generated revenue of €3,779.5 million from the sale of Consumer Electronics, representing 51% of its revenue.

The Group believes that customers appreciate the knowledge of the in-store sales staff and after-sales service, and on the other hand, that suppliers recognize the Group as one of the distributors providing the best in-store sales experience.

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

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

This method of collaboration, which was extended to other strategic suppliers such as Google and Samsung, means that the suppliers assume the merchandising or promotional costs at the point of sale. In particular, the Group entered into an agreement with Google to distribute its flagship product, the Google Home smart speaker, in all Fnac and Darty stores and on the Group's websites, at launch, with a three-month exclusivity period. This partnership has been reinforced in 2018 and more recently with the integration of the "Bouton Darty" into the Google Home ecosystem, the display of the Google offer in dedicated areas in all the Group's stores, including 50 corners and the distribution of the Group's offer on the Google Shopping Actions platform from the first quarter of 2019.

Editorial Products

Editorial Products include both physical products (music, video, books and gaming products) and digital products (digital reading solutions and content offerings). In the financial year ended December 31, 2018, the Group generated revenue of €1,249.7 million from Editorial Products, representing 17% of its revenue.

Physical products

Physical products include music (CD and vinyl), video (DVD and Blu-ray), books and new and used games and consoles. Fnac aims to be a trendsetter in its markets and maintain a constantly changing and diversified catalogue of physical Editorial Products to meet the consumers' changing preferences.

Fnac is a leading music store in France with a product list of around 200,000 titles. Fnac also offers a list of 40,000 video, DVD and Blu-ray titles.

The Fnac banner offers a very large range of books in the market with over 500,000 titles. In the financial year ended December 31, 2018, Fnac sold almost 45 million books in France.

With respect to gaming products, Fnac has a catalogue of over 11,000 titles in France, including 5,000 second-hand video game titles.

Digital products

Digital products include digital reading solutions (e-books) and content offerings for music, video and gaming products.

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

In 2017, the Group entered into an exclusive strategic partnership with Deezer, allowing all Fnac and Darty customers, in-store and online, to receive a three-month subscription to Deezer Premium+ when buying any audio product (*e.g.*, speakers and headsets). This exclusive offer is also available to Fnac+ cardholders. Furthermore, customers buying a CD, vinyl, or who are Fnac loyalty members, also benefit from a Deezer Premium+ subscription.

Household Appliances

Household Appliances include Small and Large Household Appliances. Large Household Appliances include products such as refrigerators, washing machines and dishwashers. Small Household Appliances include kitchen appliances and accessories, such as microwave ovens and coffee makers, irons, and beauty and health products, such as hair dryers and electric razors. In the financial year ended December 31, 2018, the Group generated revenue of €1,670.6 million from Household Appliances, amounting to 22% of its revenue.

Large Household Appliances are mainly sold as replacements of existing goods. Small Household Appliances benefit from increased innovation (particularly kitchen appliances and health and beauty products), which, along with changing lifestyle trends, has caused an increase in sales volumes and in the value of the Small Household Appliances, such as upscale vacuum cleaners, coffee makers and multi-function kitchen robots.

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

The Group aims to ensure a strong product quality, and conducted 99 audits of the factories of its suppliers in 2018.

Other Products and Services

In order to further diversify its product offering and to enable the Group to meet client expectations in terms of product and service range, the Group has launched and intends to continue to launch new product segments and enrich services across all of the countries where the Group operates. The Group's ecosystem is now enhanced by a wide range of services built around the historic expertise of both banners. The Group believes that the portfolio of services, covering a spectrum from pre-sales to after-sales service, significantly enhances its product and service range.

After-sales service

The Darty banner is positioned as a leader in France in after-sales service. The banner offers an in-store repair and support service at designated counters and workshops which provide customers with immediate repairs, rather than sending the products to a repair center. This new in-store service concept was launched at three locations in 2017, and its rollout was continued in 2018, with the service concept offered at 10 new sites in the financial year ended December 31, 2018.

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

Darty also launched an offer called "Bouton Darty". It uses video technology, allowing customers to use the video function on their smartphones to have a visual connection with a customer service agent and speak with the agent by telephone, which in turn facilitates the diagnostic process for Darty employees. Fnac also offers multimedia assistance over the phone, available seven days a week. Both Fnac and Darty also offer in-store or at-home training services and installation of equipment at home.

In 2018, the Group expanded its after-sales service offering by creating sav.darty.com, an information sharing platform on repairs which aims to allow clients to extend their products lifetime. In addition, the acquisition of WeFix, a leader in the express repair of smartphones in France, in October 2018, aims to position the Group as a go-to player in the smartphones repairs market.

Marketplace

Marketplaces, which are intermediation platforms linking buyers and sellers, support the Group's online strategy by increasing the choice available on the websites and the number of items available to online shoppers. This helps increase the websites' traffic and visibility and contributes to customer loyalty.

The platforms on fnac.com and darty.com allow more than 3,500 professional sellers and several hundred thousand private sellers, who meet the Group's service quality criteria and are managed by dedicated teams, to be listed and to use the site as a sales interface, making the most of the Group's visibility, reputation and transaction security in all the countries in which the Group operates. The Group generates revenue by taking a percentage on sales of Marketplace sellers as a commission.

The Group's strategy is aimed at tripling its business volume on marketplaces compared to its level at the end of 2016 in order to benefit from this fast-growing market, in particular by increasing the number of sales personnel and through new product and service initiatives.

Financing and rental

Fnac offers a number of financing options in partnership with Crédit Agricole Consumer Finance. Through its Mastercard credit card launched in 2017, Fnac offers the option of postponing payment at no charge for up to two months after the purchase date and ongoing financing in several monthly instalments. Spending with the card also entitles customers to additional loyalty rewards.

Darty also offers financing solutions and instalment payments. The banner offers a Darty Visa card, providing added value to the client. The payments made with this card allow clients to take advantage of gift cards for their future purchases and other benefits such as free subscription to the connected service offer "Bouton Darty", access to special product offers, VIP shopping nights and flexible financing offers, along with credit free of charge.

In 2018, the Group also launched a unified rental program. Under this program, customers can lease hundreds of electronic products and benefit from various after-sales services, including repurchase solutions, for the entire duration of the agreement.

Membership cards and loyalty programs

The Group, as part of strengthening its own customer ecosystem, offers membership and loyalty programs that combine premium delivery, and exclusive offers and services.

In particular, the loyalty programs include: the Fnac card, Fnac +, Darty +, and the "One" program for VIP Fnac customers. There are almost 8 million members across the loyalty programs in Europe, 5.9 million of whom are in France (as of December 31, 2018). The number of members almost doubled between 2010 and 2018.

Darty initially focused on developing its after-sales service, which is in itself an effective customer loyalty tool. In 2007, Darty launched a customer loyalty card allowing the user to look up all of the products he or she has purchased, their warranties, their indications for use and a selection of similar products on darty.com. In order to strengthen customer loyalty, the banner improved its existing credit offer with the Darty-connected Visa card.

Since the Acquisition, the Group launched loyalty programs offering cross-banner benefits to allow customers to benefit from each banner's unique delivery and after-sales expertise.

Fnac+, launched in 2016 to complete the Fnac card, gives customers unlimited free access to all Fnac and Darty delivery services: next-business day delivery, at chosen place and time slot, with 2-hour same day delivery in 11 cities in France for fnac.com orders. They also have access to priority in-store check-outs to streamline the buying experience.

Darty+, launched in 2017 mirroring the Fnac+ experience, also offers customers unlimited delivery at both banners as well as unlimited daily technical support for all its products whether bought from Darty or not. It is accessible by phone and prioritized via videoconferencing with the "Bouton Darty" included. Darty+ customers can also benefit from exclusive rates for repair service for all their devices not covered by a Darty warranty.

Both programs combined had approximately 1.5 million members in total in 2018, an increase of 40% compared to 2017.

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

Franchises

In recent years, the Group has been prioritizing expansion through a franchise model. This is an asset-light model that enables the Group to benefit from the operating know-how of partners and their knowledge of the local market. This mode of operation limits investment costs while furthering the goal of increasing the Group's visibility at a rapid rate. The franchisee then pays a fee for the use of the banner's distinctive features based on a percentage of revenue at the relevant sales point, and must comply with strict rules to maintain the banner's integrity in the eyes of consumers. As of December 31, 2018, the Group operated 260 stores as franchises, with a medium-term objective of over 400 franchises across all the countries in which the Group operates.

Insurance and warranty

Both Fnac and Darty market warranty extensions beyond the one or two years typically offered free of charge. There are also special insurance policies for portable devices. Fnac also offers a special immediate warranty, which allows a customer to be reimbursed immediately if a product breaks down.

Subscriptions

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

Leasing

In 2018, the Group continued the development of its leasing offering, by offering a single long-term leasing service for electronic products across the Fnac and Darty banners, including after-sales service during the entire duration of the leasing contract. The Group also put in place a subscription service allowing customers to subscribe to the Group's leasing service in ten minutes in store. Smartphones, tablets and computers are offered with a 12 months, 24 months or 36 months leasing period, and with monthly payments starting as low as €8 per month (after the payment of an entry fee), including warranty.

Kitchen

In 2007, Darty opened its first store space dedicated to kitchens, which complements Darty's offering of Household Appliances. Darty's kitchen offering increased in 2018 with the opening of 25 new dedicated spaces in France, including Darty's first three stores exclusively dedicated to kitchens. By the end of 2018, the Group had more than 130 sales points with a kitchen offering.

Ticketing

The Group has a ticketing and box office services division, known as "France Billet", which the Group believes is a leading ticket distributor for shows and events in France in terms of volume of tickets sold.

France Billet also operates third party ticketing sites under a white label (which means the sites use solutions and resources provided by the Group without mentioning the Group's name), and it has long-term partnerships with major distribution banners for which it manages ticketing solutions.

In the business-to-business space, the France Billet subsidiary Tick&Live (the result of the merger of Datasport with Kyro), held in partnership with the Fimalac group, provides venues and event coordination with a complete ticketing solution, and operates ticketing management for sporting events.

At the beginning of 2019, the Group acquired Billetreduc.com via its subsidiary France Billet, in order to reinforce its ticketing presence in France.

Games & toys

Since 2011, the Group has developed new sections for 0-12 year olds. These sections provide a dedicated space for toys, games, books, DVDs, CDs, Consumer Electronics and gaming for children, and have a special layout built around accommodating very young children.

Stationery

To supplement the Group's book offering, the Group has added a stationery product offering including premium stationery brands in all Fnac stores.

Omnichannel Distribution

The Group's omnichannel platform has been designed to give customers a unique buying experience, via a unique value proposition. In the financial year ended December 31, 2018, 49% of Internet sales were omnichannel sales.

The Group's omnichannel platform relies on the following key assets: an extensive network of multi-format stores, an innovative digital platform, and a logistics tool allowing each banner to offer the inventory of the Group, designed to the highest standards.

Store network and formats

With a network of over 780 stores worldwide as of December 31, 2018, the Group's goal is to increase the density of its store network in different formats. As a result of the continuous development of its store network, the Group believes that approximately 90% of French consumers now have a Fnac or Darty store less than 15 minutes from their home.

The Group benefits from the complementary nature of the networks associated with the Fnac and Darty banners in France, with stores in different formats based in city centers, shopping malls, retail parks outside of large cities, train stations and airports, in order to adapt to the traffic in each area.

Fnac stores

Fnac stores, which were originally developed for city centers, have been adapted to reflect the shopping needs of outer areas (with a broader range of Consumer Electronics products, greater use of self-service and more entry-level products). In Fnac stores with more than 2,000 square meters of retail space, customers are offered a wide range of increasingly diverse product categories. These stores also have enough space to install ''corners'' for premium brands such as Devialet, Samsung, Google or Apple.

Fnac has also been developing new store formats, aimed at diversifying its range and adjusting to changing consumer trends. These new formats include:

- the Travel format (railway stations, airports and duty-free) with 26 stores as of December 31, 2018, including 24 in France. Fnac signed a strategic partnership with Lagardère Services via Aelia and MRW to develop Travel stores in France under a franchise operation;

- the Proximity format (smaller stores with the entire product offering) with 67 stores as of December 31, 2018. The Group opened, in the financial year ended December 31, 2018 alone, 11 stores in France and was able to capitalize on partnerships with Intermarché and Vindemia for the Proximity format; and

- the Connect format (small stores dedicated to telephony and connected devices) with eight stores as of December 31, 2018. For this new concept, Fnac received the prestigious Janus Award in the Business category from the French Institute of Design. In 2018, this store format benefitted from the Group's partnership with Bouygues Telecom and the Group envisages the opening of 50 additional stores in the ''Connect'' format in five years offering Bouygues Telecom products and services.

These smaller-format stores rely on the Group's omnichannel operations to offer complete access to the Group's online catalogue, thereby allowing customers to benefit from a wide choice of products and the sellers' expertise in those products.

As of December 31, 2018, Fnac had 261 stores in total, including 180 stores in France. Of these 261 stores, Fnac opened 26 stores in the financial year ended December 31, 2018 (compared to 28 stores in the financial year ended December 31, 2017), five of which were located outside of France.

Darty stores

In France, Darty stores are mostly located in very populated areas and have a strong presence within or are situated close to big cities, such as Paris, Lyon and Marseille. The other Darty stores are generally situated outside of big cities, in shopping malls and retail parks. Darty benefits from a strong presence in large shopping malls on the outskirts of big cities and in regional areas. In order to extend its presence to less populated French regions, particularly those with fewer than 100,000 inhabitants, Darty has also put a franchise network into place. This network has allowed it to expand its store network with limited levels of investment, and enter small hubs where a classic large-format store would be too expensive to operate. The first franchise Darty store opened in Challans in March 2014. Darty opened 40 stores (33 of which were franchised stores) in the financial year ended December 31, 2018 (39 of which are in France) and one directly-owned Vanden Borre store in Belgium.

The following table presents the Group's different store formats as of December 31, 2018. In addition, as of December 31, 2018, the Group had one store under the Fnac Darty format, which sells products from the Fnac and Darty banners within a single space.

Format	Average Surface Area	Location	Offering	Number of stores (as of December 31, 2018)
Fnac Network				
Traditional	2,400 square meters	City center—Shopping malls	Entire range	146
Outskirts	2,000 square meters	City outskirts	Entire range	14
Proximity	300 to 1,000 square meters	Towns and smaller cities Large cities to supplement the store network	Entire range	67
Travel	60 to 300 square meters	Airports and railway stations	Topical Editorial Products Consumer Electronics focused on mobility	26
Connect	80 to 100 square meters	City center shop-in-shop	Telephony and connected devices	8
Darty Network				
Traditionally directly-owned	1,500 square meters	Proximity larger cities—Shopping malls	Entire range	356
Franchise	600 square meters	Medium-sized city proximity	Minimum range	163

In-store experience

The density of the Group's store network offers a real competitive advantage and is central to the Group's omnichannel platform. E-commerce is taking on an increasingly important strategic role, and the Group is strengthening its omnichannel presence by offering customers flexible cross-platform shopping options through services such as "Click & Collect" and "Click & Mag". These services offer the possibility of taking advantage of the complementary nature of the Group's stores network and its online presence.

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

In 2017, the Group developed the shop-in-shop concept, namely Darty corners in Fnac stores and vice-versa, a central aspect of the integration of the two banners. As of December 31, 2018, more than 30 shop-in-shop corners were opened on a trial basis. A Fnac Darty format store was opened in 2017.

In 2018, the Group developed a closer partnership with Carrefour, with the trial of two shop-in-shops of Household Appliances, Grey Goods and Brown Goods under a Darty franchise format, in Carrefour hypermarkets in Limoges and La Ville-du-Bois.

The deployment of the kitchen offering at Darty is also accelerating, with more than 130 points of sale as of December 31, 2018.

In terms of in-store customer experience, the Group aims to digitize all of its stores (approximately 250 stores of its stores were digitalized as of December 31, 2018). In particular, this will allow customers to pay for the product with the sales agent. It will also permit customers to scan barcodes, providing them access to all the product information available and, in some cases, a product demonstration. It will also enhance the customers buying experience by making the full digital offering available digitally in-store.

In addition, the Group intends to increasingly rely on self-checkout machines in order to reduce any in-store friction (such as waiting times, queuing to speak to a shop clerk or at the cashier) and make use of other digitalized payment solutions.

In 2018, the Group and MediaMarktSaturn, as founding members, announced the launch of the European Retail Alliance, with the aim, among other things, of developing strategic agreements with suppliers, creating a joint venture for sourcing of own brand products, and cooperating around innovation and data. The implementation is currently on hold and no further binding agreements have been concluded.

The Group's digital platform

Both the Fnac and Darty banners conduct their business through a network of stores and e-commerce websites, making it a "Click & Mortar" group. With a total of approximately 28 million unique visitors on average per month, the Group is positioned as France's second-largest e-commerce retailer, according to Fevad.

Websites

The Group provides its customers with websites by brand and by country of operation, with nine websites in total. The strong development of the Group's online presence enables it to offer customers a wide, solid range with more than 30 million products online. In certain countries, the Group also enters into partnerships with e-commerce players, such as Bol.com and Wehkamp in the Netherlands.

The Group has progressively strengthened its online offering through the launch or purchase of the following sites:

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

Marketplaces

The Group's e-commerce offering is also enhanced by its Marketplaces. Marketplaces have developed steadily in recent years, not only in France but also in relation to Fnac Spain, Fnac Portugal and Fnac Belgium. The darty.com Marketplace, launched in 2016, is also growing. In 2017, a Darty page was opened on the fnac.com Marketplace.

Mobile applications

Support for new uses, notably the use of mobile phones, now central to the buying experience, is a major focus of the Group's digital strategy. In the financial year ended December 31, 2018, mobile phones represented 56.1% of the traffic on its websites, an increase of 5.5% of the proportion of total traffic compared to the financial year ended December 31, 2017. In this context, apps are valuable tools for securing customer loyalty.

User experience

In recent years, the Group focused on increasing the personalization of products and content in order to offer users a buying experience tailored to their needs. In 2018, the Group started using its own personalization algorithms, through Google Cloud, with the aim of providing clients with targeted recommendations based on their purchasing habits. In 2017, the Group also formed an advertising team to improve the use of customer data generated by the Group's websites.

The Group's logistics platform

The Group believes that logistics is one of the Group's key strengths and that it is central to the Group's omnichannel platform. In Europe, the Group has 11 main warehouses totaling over 350,000 square meters of floor space, processing more than 200 million orders a year. The Group also has 80 local delivery platforms, ensuring a strong home-delivery service. The complementarity of the two banners' expertise in this field enables the Group to make more than 2 million home deliveries each year.

In the financial year ended December 31, 2018, same-day and next-day deliveries of Consumer Electronics represented approximately 70% of total deliveries, compared to only 30% in 2014. Similarly, 50% of Consumer Electronics purchased online are now collected in-store, double the percentage in 2014.

The Group offers the following collection and home delivery services for a wide range of products:

- "Click & Collect": purchases made on fnac.com or darty.com can be collected in-store, free of charge. All fnac.com orders are available not just in Fnac stores, but also in Darty stores as a result of the first business synergies initiated in 2016. At the end of 2018, 320 Darty stores allowed in-store collection of purchases made on fnac.com and 30 Fnac stores allowed in-store collection of purchases made on darty.com;
- "Click & Mag": a sales assistant places an order for the customer on fnac.com for a product not available in-store, which is then delivered to the customer's chosen store. This allows every store in the Group's network, regardless of size or format, to offer the full range of Fnac products;
- "1hr Click & Collect": the customer orders a product on fnac.com or darty.com that is in stock in a nearby Fnac retail store and collects it from that store within the hour, free of charge. This allows customers to obtain their products quickly and at the same time to ensure the product will be available before making the trip to the store;
- "D+1 Delivery": the Group offers next-day home delivery everywhere in France for orders placed before 6:00 P.M. on fnac.com and 3:00 P.M. on darty.com. Fnac customers in the greater Paris metropolitan area can order up to midnight and also benefit from this delivery offer. The Group expanded this D+1 Delivery offering to its entire product range, including large items (covering 80% of France's territory) and inclusive of services (installation and trade-in);
- "2H Chrono Delivery": this fast delivery offer gives customers the option to order their electronics online and to have them delivered to their home within the next two hours. This service is available for darty.com in the greater Paris metropolitan as well as in 20 other major metropolitan areas, and in 15 metropolitan areas for fnac.com;
- "Retrait Colis gratuit" (free parcel collection): this supplements Fnac's "free in-store delivery" service. Customers living over 30 km from a Fnac store can have their purchase delivered for free to a Relais Colis pick-up point near their home;
- "Same day delivery": Darty provides same day delivery in the Paris region and in Lyon for Household Appliances and TVs for any order placed before 3:00 P.M.;
- "Evening delivery": same-day delivery between 7:00 P.M. and 9:00 P.M. for any order placed with Fnac before 3:00 P.M.;
- "Delivery by appointment": delivery of bulky items is offered by Darty within a 2-hour or 5-hour time slot, seven days a week, depending on the geographic region, and by Fnac for Consumer Electronics (excluding TVs) and cultural products.

The Group also benefits from a strong after-sales service network with more than 100 repair and technical centers enabling it to offer an efficient repair and maintenance service. More than 1.5 million requests are handled every year.

In 2018, the Group continued to expand its omnichannel platform by implementing cross-banner operations aimed at offering an enriched and personalized experience to customers. The "Click & Collect" service across the two banners has been strengthened. The delivery on "D+1 Delivery" has been extended to the entirety of the large items offering, in 80% of France's territory, and includes the Darty service offer (installation and return of old equipment). Darty's expertise and know-how in delivery and installation services have also been available to Fnac customers on TVs since 2017.

The consolidation of the two banners also opens up new possibilities for optimizing the Group's logistics chain. To achieve greater operational efficiency, some warehouses are shared by the two banners, with an aim to be specialized per product family and to offer a single inventory for both companies. After-sales service is also expected to benefit from the consolidation of the two banners, with the deployment of in-store repair services for customers. Darty can now carry out the after-sale service for small domestic appliances of Fnac.

Brand Recognition

With a history spanning over 60 years, the Fnac banner benefits in France and in its other geographic markets from its strong reputation as a retail distributor of cultural, leisure and Consumer Electronics products for the general public. The Fnac name has strong recognition, which the Group believes is largely attributable to Fnac's three core pillars: expertise, independence and cultural promotion.

- Expertise: Among specialty retail brands, Fnac is known for its expertise in the products it sells. The banner maintains its reputation for expertise by focusing on three main areas: laboratory testing of consumer appliances, with more than 1,000 tests in the financial year ended December 31, 2018, the quality of its sales force, and its advertising.

- Independence: Since its inception, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to Fnac's recommendations to customers and enables it to develop closer ties with them. Beginning in 2013, this image was enhanced by an environmental dimension as Fnac started to display environmental information labels on televisions.

- Cultural promotion: Fnac strives to be a major cultural player and a company committed to artists, not just through the Group's extensive range of cultural products, but also through the events (7,000 events in the financial year ended December 31, 2018 alone) organized in-store or externally:

    - in the literary field: the Prix Goncourt des Lycéens (for high school students), the Prix du Roman Fnac (for novels) and the Prix de la BD Fnac (for graphic novels);

    - in the music field: the Festival Fnac Live free annual music festival at the Hôtel de Ville in Paris (formerly the Fnac Indétendances festival) during the month of July;

    - in the photographic and film field: photo marathons, photo exhibitions in-store or on external walls and master classes with celebrated film directors;

    - in the video games field: gaming trophies and a presence at major trade fairs; and

    - contribution to cultural access and education mainly via the charitable schemes Grande Collecte and Braderie Solidaire in Dijon.

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

- best price: low prices guaranteed by issuing a gift card for a limited period for the difference between the Darty price and a lower price found elsewhere;

- best choice: large choice of brands, lines and products. The Darty philosophy is to offer its customers a very wide range of products and services to meet their specific needs; and
- best service: Darty aims to provide the best service before, during and after the sale.

As a result of the quality of the Darty service offer, the banner is perceived as having a strong after-sales service and as a leader in terms of price of purchases with "service included".

Pricing Strategy

The Group differentiates its pricing strategy between the Fnac and Darty banners as well as between directly-owned stores and franchises, while broadly applying the same prices across the various countries in which it operates.

For the Group's directly-owned stores, each of the Fnac and the Darty banners maintains its own pricing policies. Within each banner, the Group applies equal prices across the respective store networks within a country for products available through both physical markets and online channels. Some web-only products not available in-store will be available at specific price points to attract certain customers and the Group carries out a selective alignment of prices for web-only products with Internet pure player competitors.

Overall, if discounts given to loyalty program members are taken into account, the Group believes that its pricing is competitive in comparison to the Group's Internet pure player competitors.

The Group's franchises are independent and are therefore able to apply independent pricing strategies.

In addition, the Group has promotional periods of markdowns to clear stock which is typically limited to two periods in the year (January and July). The Group monitors the pricing of key products that its competitors (including Internet pure players) are selling on a continuous basis and uses this information alongside other parameters to set its prices.

Suppliers and Purchasing Strategy

The Group has a large network of suppliers and, given the Group's market position, it provides an important channel for these suppliers to access customers.

The Group has adopted a centralized purchasing strategy, which aims to generate large volumes and optimize purchase price. Relations with suppliers are typically set out in framework agreements with a legal duration of one year. Return clauses are systematically included in book purchasing agreements (which permits the Group to manage its inventory and working capital requirements more efficiently, given that certain books in its stores are owned by the suppliers until the moment a customer buys them), and to a lesser extent, in sound and video purchasing agreements, which allow the Group to return to suppliers, subject to conditions, unsold products.

Property

Most of the Group's real estate assets are leased. However, the Group owns 55 stores, two warehouses and 15 other facilities, which together are valued at approximately €320 million.

Rental fees under the Group's store leases generally have a fixed and a variable component, depending on revenue generated by the store. As lessee, the Group has the right to terminate the leases every three years with early termination fees in certain jurisdictions and, at the end of the term, an entitlement to have the lease renewed unless the lessor can show a serious and legitimate cause not to (in which case the lessor must indemnify the Group except in limited cases such as force majeure).

The following tables summarize the areas occupied by the Group (including franchises) as of December 31, 2018, in the various countries where the Group maintains operations (excluding discontinued operations):

Stores (including franchises)	Number of sites	Customer retail area (in square meters)
France and Switzerland[(1)]	571	697,000
Iberian Peninsula	62	95,000
Benelux	147	162,000
Total:	**780**	**954,000**

(1) Includes one store in Cameroon, one store in the Congo, two stores in Ivory Coast, three stores in Morocco, two stores in Tunisia, two stores in Qatar, and 15 stores in overseas departments and territories.

Warehouses/Offices (excluding franchises)		Number of sites	Surface area occupied (in square meters)
France and Switzerland[(1)]	Warehouses	10	322,000
	Offices and other	70	180,000
Iberian Peninsula	Warehouses	3	26,000
	Offices and other	2	5,000
Benelux	Warehouses	10	65,000
	Offices	3	12,000
Total:		**98**	**610,000**

(1) Includes facilities in Qatar, Morocco, Tunisia, Congo, Cameroon and Ivory Coast

Insurance

The Group maintains insurance policies, that are consistent with customary industry practices to cover risks associated with the ordinary operation of its business. The Group's insurance policies are coordinated by its Legal and Insurance Department and includes insurance coverage related to:

- third parties, including personal injury or damage to property caused to third parties due to products, installations and equipment;
- property damage resulting from fire, explosion, water damage, theft, natural catastrophes affecting the Group's assets (buildings, furniture, equipment, goods or IT), riots, terrorism, war or other causes;
- operating losses following direct damage; and
- cyber-risks.

In the financial year ended December 31, 2018, insurance costs amounted to €4 million. The Group believes that its insurance coverage is sufficient for the risks associated with its operations.

Workforce

Employees

The table below shows the workforce of the Group over the last three years by geographic region.

	As of December 31,		
	2016[(1)]	2017	2018
France–Switzerland	18,944	18,561	17,985
Iberian Peninsula	3,872	4,022	4,017
Benelux	3,202	3,236	3,145
Total	**26,018**	**25,819**	**25,147**

(1) Restated to exclude employees in Brazil. Fnac Brazil was sold in 2017.

The number of employees shown above includes employees hired by the Group through an employment contract and who are on the Group's payroll, regardless of whether such contracts are suspended. The figures presented in the table above do not include temporary hires, student interns or external service providers.

Most of the Group's employees are manual workers, office workers or technicians (17,281 compared to 4,758 executives and supervisors for the financial year ended December 31, 2018), 88.3% of which have open-ended employment contracts (compared to 11.7% with fixed-term employment contracts). In addition, the Group had 17,762 full-time workers and 4,277 part-time workers over the same period.

In the financial year ended December 31, 2018, the Group recorded an average of 15.1% temporary staff, an increase of 1.7% compared to the financial year ended December 31, 2017. This increase was due in part to the decision to hire temporary staff for busy periods rather than employees on fixed-term contracts.

Remuneration

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

Remuneration is composed of the base salary, individual or collective variable compensation, and employment benefits.

The base salary is determined by reference to minimum salary levels corresponding to each level of job. Ensuring that a balance is maintained in terms of who is employed (*e.g.*, men/women, seniors, part-time) is an important component of the Group's human resource strategy.

As of December 31, 2018, approximately 95% of employees, including managers and non-managers, benefit from variable remuneration systems linked to economic indicators and the achievement of individual targets. For example, the variable element for store employees in France factors in individual and collective performance and customer satisfaction.

Profit sharing and incentive plans enable Group employees to benefit collectively from a share of profits. During the financial year ended December 31, 2018, the Group implemented an employee stock ownership plan in six countries to involve employees more closely in the Group's future success. Under this plan, employees can elect to become indirect shareholders of the Group through a corporate mutual fund. The plan also includes a matching component, whereby the Group matches 100% of each employee's contribution up to €700. As of December 31, 2018, approximately 4,500 employees have participated, increasing the Group's share capital by over 90,000 shares and representing a net matching contribution of €2,442,000.

All employees in France are covered by health insurance plans, providing a high level of coverage. In the other countries, where applicable, employees have additional coverage in compliance with the legal obligations of the country. In addition, the Group's managers in France benefit from a defined contribution occupational pension plan.

Training to support strategic goals

As part of the Group's focus on building a stronger organization following the Acquisition, the Group continues to prioritize training to promote a culture of diversity and equal opportunity. The programs to date reflect three main objectives:

- Strengthen the Group's agility: As part of the Group's *Confiance+* strategic plan, the Group offered 24 group training programs in the financial year ended December 31, 2018 for approximately 600 of the Group's executive officers, managers and other employees to collaborate and participate in team-building activities. In addition, the Group implemented the Fnac Darty Academy to promote multiculturalism, harmonization and integration, using a variety of interfaces and other forms of blended learning that adapt to employees' unique skillsets, work hours and goals. Over 400 modules have been offered online and, in the financial year ended December 31, 2018, 108,877 training sessions were completed, compared to 82,774 sessions in the financial year ended December 31, 2017.

- Develop the required skills for today's and tomorrow's needs: The Group believes that investing in its workforce will help build a stronger organization. As a reflection of this "promotion from within" mentality, all employees in France can use a shared job vacancies platform and apply online for positions across the organization. Consequently, 74.6% of store manager promotions in the financial year ended December 31, 2018 were internal hires.

- Promote employee commitment: The Group is constantly looking for innovative ways to maintain engagement across the workforce both internally and externally. During the Christmas and Black Friday periods, for instance, around 500 head-office employees helped fellow colleagues in Fnac and Darty stores and logistics centers to respond to higher volumes. In addition, the Group seeks to foster employee commitment through its training app called NAPS. This training app allows participants to learn about the Group's products and services, consult product news, take quizzes and converse with the sales community through gamification and rewarding progress. Since 2016, more than 5,000 members of the Group's workforce have participated, and the Group expects the number to increase. Likewise, in the financial year ended December 31, 2018, the Group implemented Client+, a program that focuses on learning about, and responding to, clients' individual needs to enhance client relations. This program builds on the Manager 2020 program that the Group implemented in 2016, pursuant to which local managers and directors of store operations develop skills to improve client-relations through a series of classroom, e-learning and on-site courses. These courses allow registered trainees to develop their knowledge and skills in human and managerial, financial, customer and marketing management applied to the retail sector.

In the financial year ended December 31, 2018, the Group devoted a total budget of approximately €6.6 million to employee training, representing 0.6% of the Group's personnel expenses.

Information Technology

The Group's business depends on the ability of its employees to process transactions on secure information systems and its capacity to store, retrieve, process and manage information. The Group's IT systems are managed by its Information Systems Department, which ensures all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents and arrange emergency plans, supported by country IT managers.

Its core IT applications include the omnichannel sales system, a customer relationship management system, a purchase order IT system, a logistics IT system, a product and offer management system, an after-sales system, a financial IT system, a business intelligence system and a human resources IT system. Its key front office IT systems are used to manage, track and deliver orders, monitor stock and quality control and interface with suppliers and other business partners. The Group also relies on various software packages such as Oracle Siebel, Oracle RMS, Bext and SAP for both front and back office systems. The Group uses well known hosting companies such as IBM, LinkByNet, ITS and Verizon to monitor its IT systems. Its databases are systematically backed up every day and for core databases they are replicated in real time in two sites. Business continuity plans have been created to respond to possible future incidents. These plans are regularly reviewed, tested and updated.

Health and Safety

The Group is vigilant in the area of preventive health care for all its employees and intends to continue to implement all actions necessary so that it can meet its prevention obligation in the workplace.

Pursuant to its legal obligations, management annually updates a single document for each site to identify the risks for the physical and psychological health of employees and attaches an action plan to each identified risk.

Moreover, in recent years, the Group unilaterally implemented a number of initiatives, such as a violence and a harassment alert system that can be triggered by any employee to end any situation that places the employee's health at risk.

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

For the logistics and after-sale service segments, the Group continues to invest in improving employee working conditions and, in particular, to reduce their workload. Logistics has thus obtained new equipment to create stacks of bins to store products for better service. In addition, the Group for many years has used specialist external providers to create ergonomic workstations and to automate and mechanize operations (limiting the weight of loads carried, systems for moving merchandise, and others).

Research and Development, Patents and Licenses

Given the nature of the Group's activities, the Group does not conduct any research and development. The Group therefore does not own any patents or licenses. The Group owns a portfolio of over 700 trademarks registered across the world primarily under the names ''Fnac'' and ''Darty'' and their derivatives used in the context of commercial promotions. The Group also owns a portfolio of over 1,200 domain names.

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

Legal Proceedings and Tax Audits

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their advisers.

The Group is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at year-end. There is no outstanding material litigation as at the date of this offering memorandum at the Group level, when considered on a stand-alone basis.

Corporate Social Responsibility

The Group believes that purchasing behavior is changing and responsible consumption, which incorporates ethical, environmental and social considerations, has risen significantly.

Each year, the Group asks its customers about their level of responsible consumption and their expectations of the Group in terms of actions to support the environment and society in general. The 2018 survey confirmed that customers have high expectations on the subject of responsible consumption. Specifically, they want to see information and action from the Group on prolonging the lifespan of products.

The Group has two strategies to respond to these expectations:

- a commitment to promote an informed choice; and
- developing a more circular economy.

The Group believes that the ratings from environmental social governance rating agencies and awards it has received to date reflect the success of the Group's strategies. In particular, in 2018, based on the analysis of three main criteria: environment (*e.g.*, business ethics and environmental policy), social aspects (*e.g.*, community engagement, respect of human rights and human resources) and governance (*e.g.*, corporate governance), the Group received a score of 35/100 from the Vigeo rating agency, putting the Group in the top 25% of the Specialised Retail Europe sector. The Group also achieved a score of 61 out of 100 from the Sustainalytics rating agency, placing it 36th in its sector.

The Group's commitment to promote an informed choice

Labo Fnac

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

The test results are published each month on fnac.com, and, since December 2016, on labofnac.com, a new high-tech product information site that publishes the laboratory's tests along with editorial comments, all with the aim of helping consumers make informed choices.

In 2018, Labo Fnac conducted 1,038 tests on 492 products (compared to 868 tests on 382 products in 2017), with comparisons drawn on the basis of performance criteria that are not always easy to assess at the point of sale. Some products, such as multimedia products (*e.g.*, personal computers, tablets and smartphones) require three to five different tests (*e.g.*, screen, photo, radio, audio and battery life).

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

Environmental impact rating

Since 2013, Fnac has displayed environmental information labels on TVs. In 2015, it extended this initiative to personal computers, tablets and cell phones, both in-store and on fnac.com. This gives customers additional criteria when choosing a product, as they receive additional information about a product's impact on climate and non-renewable natural resources throughout its lifespan, from manufacture to waste, including transport and use.

In 2017 and 2018 the Group, together with the French Ministry for Ecological and Inclusive Transition and several other entities, helped develop a benchmark environmental information label.

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

In 2018, around 69% of TVs, personal computers, tablets and cell phones (amounting to 3,002 products) for sale in Fnac stores or on fnac.com had an environmental impact rating. The Group anticipates rolling out the initiative to Darty during the financial year ending December 31, 2019.

After-sales service indicator

In June 2018, the Group launched its first after-sales service indicator to provide customers with information about the lifespan of 15 categories of Household Appliances and multimedia equipment, by brand. Data from this indicator are published on labofnac.com and are updated annually.

For this indicator, the Group drew on the analysis of 591,271 repair operations and a survey of 27,543 Darty customers, before issuing its conclusions. This work was carried out in partnership with an external partner to ensure the reliability and objectivity of the results.

The Group believes that the information learned from the indicator (such as the causes of breakdowns, the availability of parts or usage periods) provides customers with new valuable information to help them make more informed choices and better use of their equipment.

Reparability index

At a time when companies are being held accountable for their role in the planned obsolescence of their products, the Group is taking the opposite approach by providing information on product reparability.

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

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

The Group's commitment to a more circular economy

Consumer electronics have a significant impact on the environment, including, among other things, extraction of natural resources, pollution, greenhouse gas emissions and production of waste.

Recognizing the need to make its business model more environmentally friendly, the Group is committed to a more circular economy. This commitment relies on the deployment of four key strategies:

- providing customers with information to help them make more informed choices,
- promoting repairs,
- giving products a second life and
- developing waste collection for recycling.

Public recognition of the Group's efforts in improving sustainability

The French Ministry for Ecological and Inclusive Transition recognized the innovative and proactive nature of the Group's actions to provide information on the reparability and lifespan of its products by implementing the after-sales service indicator as well as the reparability index and awarded the Group the *Entreprises et Environnement* (business and environment) prize in the ''Circular Economy'' category at the Pollutec trade show in November 2018.

Encouragement of repair over replacement

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

The Group is a major player in the repair of Household Appliances in France, offering its customers repair services that are either included under warranties, or invoiced when the appliance is no longer covered by warranty. The Group believes that these services help increase product lifespans by encouraging repair over replacement.

In 2017, the Group launched ''Darty+'', a €59 annual subscription for premium assistance service. It aims to make repairs simpler and more accessible, demonstrating the Group's commitment to strengthening this activity. Subscribers benefit from 24-hour home service calls, excluding parts, for their appliances and electronic equipment purchased in the Group's stores or elsewhere, as well as unlimited priority access to telephone assistance, even after expiration of the warranty period.

The Group believes that developing the repair business also supports employment integration and local jobs. The Group's approximately 1,621 technicians undertake a dedicated training program that the Group believes enables them to stay up-to-date with product technical developments, continue to perform well and improve their employability. In addition, in the absence of a specialist repair curriculum, each year the Group's teams train new technicians "in the field", specifically through apprenticeships. The Group is also continuing to digitize its after-sales service, for example by launching the "Bouton Darty" application in 2017. This offers the customers fully digitized technical support, and in 2018 it was integrated in the Google Home ecosystem.

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

The Group further encourages user repair of out-of-warranty products through the after-sales service platform launched in 2018. This platform allows customers to help each other and order spare parts needed to repair products on their own. The Group intends to gradually publish the technical knowledge base that the Darty after-sales service has been building for over 20 years.

Finally, the Group has further strengthened its repair activity with the acquisition of WeFix in 2018. Founded in 2012, WeFix has a network of 59 points of sale in France and Belgium, with a team of experts offering a quick repair service (20 minutes on average) for the leading models of smartphones. All repairs come with a one-year guarantee. WeFix performs more than 12,000 repairs a month.

"Second-life" business for all customer returns and unsold items

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

- resale of products through Fnac or Darty Occasion pre-owned product sites, or to discounters: in the financial year ended December 31, 2018, more than 44,000 products were resold in this way by Fnac and Darty Occasion, an increase of 34% compared to the previous period;
- donations to agents in the social and solidarity economy: the Group donated to the solidarity network ENVIE, Secours Populaire for a sidewalk sale for unsold items, Bibliothèques sans Frontières and other organizations; and
- technical inspection of products to encourage their resale between private parties: in 2017, Darty launched the "Smartphone technical inspection" service, which allows individuals selling their smartphone on a customer-to-customer basis (for example on fnac.com) to have their device checked by the Darty service prior to sale.

Collection and recycling of waste to limit the Group's environmental impact

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

For more than 10 years, customers have been able to return up to two appliances to delivery personnel during home delivery of bulky equipment. The delivery personnel then take these items to the non-profit eco-organization, Eco-Systèmes. This organization is an approved waste electrical and electronic equipment ("*WEEE*") recycler and undertakes to extract dangerous substances and recycle up to 89% of an appliance on average (81% turned into secondary raw materials and 8% used in other forms (including energy and ballast)).

For small equipment, whether or not it was purchased from the Group, customers can deposit items in the collection terminals in all stores. Eco-Systèmes then recycles them.

In France, the Group collected and handed 45,188 metric tons over to Eco-Systèmes in 2018. This volume of recycled equipment makes the Group the principal retail contributor to Eco-Systèmes.

Elsewhere in Europe, the Group collects WEEE for suppliers who handle the recycling of this equipment. The Group has collected 12,164 metric tons of WEEE in other countries it maintains stores.

The Group also collects other waste for approved recycling organizations (*e.g.*, batteries, bulbs and fluorescent lights, and ink cartridges). This waste comes from the Group's consumption and customers, who can place their waste in the collection bins available in all stores in France. As a result, in France more than 150,000 ink cartridges were handed to Ateliers du Bocage, part of the Emmaüs network, which uses recycling as a means of employment integration.

REGULATION

The Group's business is subject to a number of laws and regulations relating to real estate, labor and security.

Commercial Lease Law

General

Commercial leases are regulated by Decree No. 53-960 of September 30, 1953 (''*Decree 53-960*''), codified in part in Articles L. 145-1 et seq. and R. 145-1 et seq. of the French Commercial Code. The aforementioned commercial leases regulation automatically applies to leases of (i) buildings or premises, (ii) when the lease is granted for commercial, industrial or handcraft activity, (iii) when the lessee is running its business (*fonds de commerce*) from the premises (irrespective of whether this business is run by a merchant or a manufacturer) and (iv) when the lessee is registered with the French trade and companies registry or with the craft directory.

Most of the Group's stores are leased under commercial lease agreements subject to Articles L. 145-1 *et seq.*, R. 145-1 *et seq.* of the French Commercial Code and the non-codified part of Decree 53-960, which give the lessee certain rights (particularly the right to renew a lease agreement or receive compensation should the lessor refuse to renew the lease).

Term of commercial leases

Pursuant to Article L. 145-4 of the French Commercial Code, the minimum term of a commercial lease is nine years. This provision of the French Commercial Code is a matter of public policy, and therefore any contractual provision providing its exclusion is void. Parties can also provide for a longer term, but commercial leases rarely exceed twelve years because in such case, they must be executed in the form of a notarial deed and must be registered (at some cost) with the French land registry.

The lessee has the right to terminate a commercial lease every three years, although this right can be waived by an agreement between the parties in certain limited cases (*i.e.*, if the contractual term of the lease agreement is longer than nine years or if the lease concerns premises used exclusively for office purposes, premises only used for a specific activity or premises used for storage activity).

The lessor may only terminate the lease in very limited circumstances at the end of each three-year period, notably if it intends to build, rebuild or raise the height of the existing premises.

At the end of the contractual term of the lease, the lessee is entitled to have the lease renewed. Pursuant to Article L. 145-8 of the French Commercial Code, the right of renewal is granted to a lessee who owns a business provided that the lessee has effectively carried on the same business in the leased premises during the three years preceding the expiry of the lease, and provided that the lessee's right has been registered with the French trade and companies registry.

If the lessor refuses to renew the lease, the lessee is entitled to receive compensation for eviction corresponding to the loss it suffers unless the lessor can show serious and legitimate cause (*un motif sérieux et légitime*) (usually the lessee's serious and repeated non-compliance with the terms of the lease agreement). This compensation must correspond to the harm suffered by the lessee due to the non-renewal of the lease agreement and includes all losses suffered and expenses incurred as a result of the loss of the premises. If the non-renewal of the lease results in the loss of clientele and thus of the lessee's business, the amount of the compensation is then assessed according to the open market value of the lessee's business or the value of the right of use.

Upon the expiration of the lease agreement, if the lessor and lessee take no action to renew or terminate the lease, the original lease is automatically extended. However, a tacitly extended lease may be terminated at any time by either the lessee or the lessor upon six month prior notice for an effective termination on the last day of a quarter.

Rent and rent revision

The parties are free to set the initial rent, generally according to the current market value of the property. The rent may be fixed, variable or composed of a fixed portion (*e.g.*, a guaranteed minimum) and a variable portion (*e.g.*, determined by reference to a certain percentage of turnover at the leased premises).

Generally, an annual rent indexation clause is provided for in the lease. The Group's commercial leases refer to the ILC (*Indice des loyers commerciaux* or commercial lease index) or the ICC (*Indice du coût de la construction* or construction cost index), both published by INSEE, the French public statistics institute. However, the indexation of the Group's rents is capped and floored in some of its leases.

Furthermore, commercial lease regulation provides for the possibility of a judicial rent review (a public order regulation, which cannot be carved out) every three years as from the date on which the amount of the rent had been previously agreed or determined by a judge, so as to correspond to the rental value, but without exceeding the variation in the ILC or ILAT (the tertiary activities rent index ("*Indice des loyers des activités tertiaires*")) regarding offices published since the last rent review, unless a material change in local economic factors has modified the rental value of the leased premises by more than 10%. Moreover, if the lease provides for annual rent indexation (as in most of the Group's commercial leases), the rent may be subject to review by a judge if it increases or decreases by more than 25% compared to the amount previously agreed to by the parties or determined by the court, by reason of such indexation. Either party can apply to the court to assess the reviewed rent if the parties fail to agree on it.

Rent of renewed leases

According to Article L. 145-33 of the French Commercial Code, the renewed rent shall, in principle, correspond to the market value determined by the court, taking into account the nature and the possible uses of the premises, the parties' obligations under the lease and commercial factors such as location, neighboring businesses, proximity to transport routes and comparable local rents.

However, pursuant to Article L. 145-34 of the French Commercial Code, the increase in rent upon renewal of the lease may be limited, depending upon the activity carried out in the rented premises and the duration of the lease. In such case, the renewed rent cannot be higher than the original rent, as adjusted according to the variation of the ILC (or, as the case may be, the ILAT) since the date on which the rent in the original lease was set. This cap will not apply if there have been significant changes to the parties' obligations or the nature, use or environment of the premises in the interim. The cap will also not apply to: (i) leases for office use only; (ii) leases of premises built for a specific single purpose (*i.e.*, those built or altered for a specialized purpose rendering them unsuitable for another use without alteration); (iii) leases of an initial term exceeding nine years; (iv) leases of an initial term of nine years but which, due to automatic extension, have an effective term exceeding a twelve year duration; and (v) unless the parties have agreed otherwise, leases that provide that the rent is variable or is comprised of a fixed portion and a variable portion. Since June 20, 2014 and according to Article L. 145-34 of the French Commercial Code, the resulting variation in the rent may generally not lead to an increase, in any given year, of more than 10% of the rent paid over the past year.

In the absence of any agreement between the parties on the amount of the renewed rent, and except for leases providing for a variable rent, the new rent of the renewed lease will be determined by a competent court by applying Articles L. 145-33 *et seq.* and R. 145-2 *et seq.* of the French Commercial Code.

Subleases

Article L. 145-31 of the French Commercial Code states that, unless otherwise provided in the lease, any subleasing whether of the whole or parts of the premises, is prohibited.

Some of Darty's premises are sublet to lessees through commercial subleases. The sublessee has the right to request the lessee to renew its commercial sublease, but only for the remaining duration of the principal lease.

The termination of the principal lease at the end of its term automatically triggers the termination of the sublease, without any compensation by the lessee for the sublessee. The sublessee may be entitled to damages by the lessee only in the case of an early termination of the principal lease or misconduct by the lessee. However, some of Darty's commercial subleases contain specific provisions on the right of renewal of the sublessee, allowing, for instance, the sublessee to assume the position of Darty under the respective principal lease.

Labor and Employment Laws and Regulations

Labor and employment laws and regulations have a significant impact on the Group's operations due to the Group's significant headcount. As of December 31, 2018, the Group employed approximately 25,000 employees worldwide, including 18,000 employees in France and Switzerland.

Collective bargaining agreements

Under French law, the relationship between an employer and an employee is not only regulated by applicable legislation and the employment contract executed between both parties, but also by relevant national collective bargaining agreements ("*CBAs*") and local CBAs (*i.e.*, at the company or group of companies level).

CBAs are agreements entered into between one or several trade union organizations representing employees, on the one hand, and an employer, or group of employers, on the other hand. The French Labor Code (*Code du travail*) and CBAs constitute important sources of obligations relating to working conditions for each industry they govern and relate to the individual and collective relationships between employers and employees.

The scope of each national CBA is defined by reference to a given industry or type of business. Therefore, the applicable national CBA for a company depends on the main activity undertaken by such company. The national CBA for audiovisual, electronics and household equipment retailers and service providers (*commerces et services de l'audiovisuel, de l'électronique et de l'équipement ménager*) applies to the businesses and employees of both Darty and Fnac in France. In addition, there are three other national CBAs applicable to Fnac's businesses and employees in France:

- the CBA for tourism organizations (*organismes de tourisme*);
- the CBA for wholesale businesses (*commerces de gros*); and
- the CBA for consulting activities (*Syntec*).

Minimum conventional wages

The wage of an employee cannot be below the minimum national wage set by the French government (*salaire minimum interprofessionnel de croissance* or the "SMIC"). In addition, national CBAs generally provide for minimum wages that vary according to the classification of the employee on the applicable pay scale, but cannot be lower than the SMIC. Trade unions renegotiate the terms of the national CBAs almost every year, including the terms of any increase in the minimum wages for each specified level of employee. Companies to which such national CBA applies have an obligation to implement these provisions by granting at least a corresponding salary increase, failing which employees may bring legal claims for the enforcement of the relevant national CBA, back pay and damages.

Working time

General rules and regulations

French working time regulations generally provide for a statutory weekly average working time of 35 hours. Overtime is paid according to an increased hourly rate, set out by national or local CBAs or, in the absence of it, by the French Labor Code.

An employer (both the company and its management) may be prosecuted for offences of "undeclared work" (*travail dissimulé*) in connection with the failure to properly declare the time worked beyond 35 hours per week, which may result in fines and imprisonment. As a result of undeclared work, an employer may also be liable to employees for the payment of a fixed penalty representing six months of salary, in the event of the termination of the employee's contract. In addition, non- compliance with legal provisions regarding overtime may expose the company or its legal representative to additional fines. Moreover, because any compensation paid to an employee is subject to the payment of social security contributions, social security contributions related to overtime hours may be reassessed, which may result in the payment of additional social security contributions as well as additional charges for the late payment of contributions, penalties for late declarations and fines.

The French Labor Code, however, provides for a certain degree of flexibility in applying the statutory weekly average working time of 35 hours per week for certain categories of employees.

Supervisory employees (cadres)

Supervisory employees who have a certain amount of discretion in determining when and how they carry out their work and for whom the working time cannot be predetermined and for whom the 35-hour weekly average may therefore not be suitable, may be subject to working time clauses providing for a fixed number of maximum working days per year (*forfait jour annuel*) (a ''per diem agreement''). Generally, under French law, such clauses are implemented pursuant to the provisions of the applicable national CBA or local CBA. The rules relating to minimum time off (a minimum of 11 consecutive hours per day of time off and a maximum of six days of work per week, with Sunday off as a general rule) remain applicable, however, to employees on per diem contracts. Employers must be certain, therefore, that tasks given to an employee paid on a per diem basis can be performed within the maximum work periods, minimum time-off periods and a reasonable workload. If not, an employee working on a per diem basis can claim that his or her per diem employment contract is unenforceable, and can assert a claim for overtime pay for the preceding three years. Similarly, an employer may be subject to claims by employees for the payment of overtime corresponding to the hours worked that exceed 35 hours per week, if their per diem arrangements do not comply with applicable legal requirements.

Senior management team (cadres dirigeants)

The provisions in the French Labor Code in relation to working time do not apply to senior management.

''Senior management'' is understood to mean executives and managers (i) under employment contract, (ii) who participate in the management of the company with significant responsibilities, (iii) with a significant independence in the way their working time is organized, (iv) who are authorized to make decisions autonomously and (v) who receive compensation in the highest brackets of the employer's compensation schemes. These criteria are cumulative. If a manager or executive believes that such criteria have not been met, he or she may assert a claim in court for payment, in the form of overtime pay, for any work performed beyond 35 hours per week, over the past three years.

Work on Sundays

Given the nature of the Group's services, some of its employees at certain of its locations are required to work on Sundays. Under French law, the general rule is that Sunday should not be a work day. French law provides limited exceptions to this general rule, which may, as the case may be, permanent or temporary, be subject or not to authorization, applicable to the whole territory or to certain precisely delineated areas.

The applicable provisions were last amended by the ''Macron Law'' for growth, activity and equal economic opportunity (*loi du 6 août 2015 pour la croissance, l'activité et l'égalité des chances économiques*) that extended the possibilities of opening shops on Sundays in the international tourist areas and commercial areas defined by the national or local authorities.

In such case, a specific collective agreement must be negotiated with employee representatives, setting forth, among other things, the specific compensation granted to employees who work on Sundays. A specific authorization from the office of the Prefect is no longer required. French employees may work on Sundays only on a voluntary basis. Fnac and Darty have negotiated collective agreements related to work on Sundays and hence comply with legal requirements

Fixed-term employment contracts and temporary work

Under French law, an employer wishing to hire non-permanent workers may either (i) hire an employee under a fixed-term employment contract or (ii) engage temporary workers through an agency.

French law only allows employers to use fixed-term employment contracts to perform specifically defined and temporary tasks in specific circumstances provided by law (such as to replace an employee on a temporary leave of absence or whose employment contract is suspended, to temporarily fill a position before an employee can be hired under a permanent employment contract or, after a permanent employee has left and before the position is eliminated, or for a temporary increase in the company's business). Fixed-term employment contracts may also be put in place for seasonal jobs, which are subject to seasonal variations of activity. To be qualified as "seasonal", variations in a business activity must be regular, predictable, cyclical and, in any case, independent from employers and employees. The Group puts in place numerous seasonal, fixed-term employment contracts, particularly to prepare for the holiday selling season.

Fixed-term and temporary contracts are strictly regulated. A written contract is mandatory and a fixed-term contract must include certain provisions (such as the grounds for resorting to such a fixed- term contract) and be limited by time (i.e., a maximum of 18 months, or 24 months in certain cases). Termination and renewal of such contracts are also subject to mandatory statutory conditions. If the employer does not comply with the mandatory provisions in respect of fixed-term employment contracts, employees may seek to recharacterize fixed-term contracts as indefinite-term employment contracts, in which case the employer may be obligated to make certain additional payments (such as back pay) to employees, provide various indemnities, including in respect of unserved notice periods, make severance payments and pay damages for unfair dismissal. Non-compliance may result in fines and even, in the event of a repeated infringement, imprisonment.

El Khomri Law

The "El Khomri Law" concerning work, modernizing employee dialog and safeguarding professional careers (*loi n° 2016-1088 du 8 août 2016 relative au travail, à la modernisation du dialogue social et à la sécurisation des parcours professionnels*), which impacts the Group, contains various employer-friendly measures and has been voted by the French Parliament in 2016.

It provides that, among others:

- In terms of working hours, local CBAs will prevail over national CBAs (with legal exceptions);
- From December 2016, the assessment of economic difficulties will be based on legal criteria (significant alteration of at least one economic indicator such as a decline in orders or in turnover, operating losses, a deterioration of cash flow or EBITDA). The law quantifies the duration of the decline in orders or sales which the employer will have to report to justify dismissal; and
- The rules on validity and revision of collective agreements are modified. To be valid, local CBAs have to be signed by one or more trade unions who received more than 50% of votes cast, in the last professional elections (instead of previous 30%).

Gender equality

The French Labor Code provides for the obligation for companies with a union section (*section syndicale*) to negotiate on a periodic basis about gender equality.

Since March 1, 2019, companies with at least 1000 employees shall also implement a 100-point index based on five criteria as follows: (i) gap of remuneration, (ii) gap of individual increases, (iii) gap of the career progression between men and women, (iv) percentage of employees whose remuneration has been increased at the end of their maternity leave and (v) number of persons whose gender is underrepresented within the 10 highest remunerations of the company. The distribution of the points between these categories is provided by the French Labor Code. If the company obtains less than 75 points after the application of the criteria, it shall adopt corrective measures to reach at least 75 points. The company shall publish the results of its index on its website. A company that does not publish such results or reach the threshold of 75 points, may be liable for the payment of a fine, which could amount up to 1% of the wage bill.

Employee representative bodies

Pursuant to the French Labor Code, companies which headcount reached at least 11 employees during the 12 consecutive previous months shall set up a social and economic committee ("*SEC*"), which is the new combined employee representative body created by the September 22, 2017 ordinances (*ordonnances Macron*), that replaces the staff delegates (*délégués du personnel*), works council (*comité d'entreprise*) and health and safety committee (*comité d'hygiène, de sécurité et des conditions de travail*). On January 1, 2020 at the latest, all the concerned companies shall have set up a SEC. In companies with at least 50 employees, the SEC will have the same powers as the works council, the health and safety committee and the staff delegates.

Until the earlier of December 31, 2019 or the setting up of the SEC, and subject to the regular organization of professional elections according to the election calendar, the employee representative bodies currently implemented (*i.e.*, works council, health and safety committee and staff delegates) remain in force and keep their respective roles.

Trade unions and negotiation of local CBAs

A trade union delegate (*délégué syndical*) or a representative of a trade union section (*représentant de la section syndicale*) can be appointed within any company with a workforce of at least 50 employees (by exception, a staff delegate or a member of the social and economic committee can be appointed as a union delegate).

There are currently five trade unions that are recognized by the French government as being representative of workers at a national level and, as such, are eligible to negotiate national collective bargaining agreements: *Force ouvrière (FO), Confédération générale du travail (CGT), Confédération française de l'encadrement – Confédération générale des cadres (CFE-CGC), Confédération française démocratique du travail (CFDT)* and *Confédération française des travailleurs chrétiens (CFTC)*. Representative trade unions may negotiate company and Group-wide collective agreements.

Since May 1, 2018, local CBAs must be approved by trade unions representing more than 50% of the votes casts during the last works council elections (as compared to 30% previously).

Pursuant to the September 22, 2017 ordinance n°2017-1385, local CBAs can provide for less favorable provisions than those provided by national CBAs, except for certain specific matters (such as employee job classification, minimum wage and benefits, and fixed-term employment agreements).

Certain Evolutions of the Tax Treatment Applicable to Employers

Minimum and low wage employees

The Group is required to pay social security contributions for its employees which covers illness, maternity leave, incapacity, retirement and death. Pursuant to the "Fillon Law" (*loi n° 2008-1258 en faveur des revenus du travail*), the Group benefits from reductions in such social security contributions in respect of wages that amount to less than 160% of the SMIC. The amount of this reduction is limited to 26% of gross salary, and it increases in inverse proportion to the amount of gross salary (*i.e.*, the reduction is lowest for a gross salary that is just under 160% of the statutory minimum wage, but highest for a gross salary that is equal to the statutory minimum wage).

Pursuant to a January 2011 amendment of the "Fillon Law", gross salary is calculated on a full- year basis (instead of the monthly statutory minimum wage, as it had been previously calculated). Pursuant to a January 2012 amendment of the "Fillon Law", gross salary is deemed to include overtime, bonuses and supplementary working hours.

Supplementary training contribution (contribution supplémentaire à l'apprentissage)

Pursuant to Article 1609 *quinvicies* of the French Tax Code, companies that are subject to the training tax and have at least 250 employees may also be subject to the payment of a supplementary training contribution if employees or trainees benefiting from specific training contracts (*e.g.*, apprenticeship or professional training contract, volunteer for international experience program) represent less than 5% of the workforce (subject to certain exceptions). The rate of this supplementary training contribution depends in particular on the number of such employees or trainees working for the company.

Social package (forfait social)

For compensation not subject to social security contributions (*e.g.*, amounts paid pursuant to profit-sharing agreements), employers must pay to the French tax authorities a flat social package, computed as a percentage of the compensation paid to employees.

CICE

In December 2012, the CICE was adopted as part of an overall French government policy to improve the competitive position of companies in France. Pursuant to the CICE, French companies receive a tax credit of 6.0% or 7.0% (depending on the year) of the gross salaries paid to certain employees between 2014 and 2018. The amount of the tax credit is calculated on the basis of gross salaries paid in the course of the calendar year, whose wages are below 2.5 times the SMIC. Pursuant to the terms of the CICE, an employee's gross salary is calculated on the basis of such employee's normal working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime). The amounts paid under profit-sharing agreements are also not included in the employee's gross salary for the purpose of computing the tax credit.

As from January 1, 2019, the CICE is abolished and replaced by a reduction in employer contributions, except for Mayotte whether the CICE is maintained.

Fixed Book Price Act

The Fixed Book Price Act (*loi n° 81-766 du 10 août 1981 relative au prix du livre*) regulates pricing of books in order to protect small booksellers against competition from large stores. The Fixed Book Price Act requires publishers or importers that edit or import books to fix a unique price for their books that has to be printed on the back of each book. Booksellers are not allowed to sell a book for a discount of more than 5% below the price set by the publisher, unless the books are used or, under specific conditions, subject to sales. The regime of fixed price applies to books regardless of physical media: paper, audio or digital (download, CD, CD-ROM or USB key). The Law on Digital Book Price (*loi n° 2011-590 du 26 mai 2011 relative au prix du livre numérique*) provides specifications related to digital books. The price of digital books is set by the publisher and must be made known to the public. It can be different depending on the contents of the offer and its access or usage conditions. In addition, Fnac signed a charter dated June 27, 2017 related to the implementation of the Fixed Book Price Act (*Charte relative à l'application de la loi n°81-766 du 10 août 1981 sur le prix du livre*). Under the terms of this charter, Fnac committed to ensure full compliance of its marketplace with the Fixed Book Price Act.

Security Standards

Certain premises of the Group may fall under the safety standards applicable to buildings open to the public (*établissements recevant du public*), as set forth in Articles L. 123-1 to L. 123-4 and Articles R. 123-1 to R. 123-55 of the French Construction and Housing Code (*Code de la construction et de l'habitation*). These provisions include the safety rules for such buildings and, in particular, the protective measures required to minimize the risk of fire and panic. Buildings open to the public include any building, premise or closed space where people are admitted, either free of charge or in consideration of a fee or other payment, or where meetings are held that are open to all, or upon invitation, whether for a fee or otherwise. Builders, owners and operators of buildings open to the public are required, both during construction and operation, to comply with certain preventive and protective measures to ensure safety, and must also ensure that the facilities and equipment are maintained and repaired in accordance with applicable regulations.

A specific authorization is required for premises open to public, classified on a scale of 1 to 5 depending on how many persons can simultaneously be in the premises at any given time. If a building is classified in categories 1 to 4, the relevant mayor must issue an order (*arrêté*) authorizing the opening of the premises after receiving a positive assessment from the competent safety commission once he or she has carried out an inspection visit. The safety commission will visit the building regularly to check its safety standards.

Consumer Protection

The Group must comply with various consumer protection laws and regulations with respect to the marketing and sale of products to customers both in-store and online. In France, the requirements arise under, in particular, the French Consumer Protection Code (*Code de la consommation*) and also the Law for Trust in the Digital Economy (*loi n°2004-575 du 21 juin 2004 pour la confiance en l'économie numérique*), which defines e-commerce and sets out specific obligations applicable to online retailers. A government agency, the Authority for Competition, Consumer Protection, and Anti-Fraud Enforcement (*Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes*) is specifically responsible for protecting consumers and their safety. From time to time it conducts audits of the Group's operations on-site and through document reviews. In addition, the "Hamon Law" (*loi n° 2014-344 du 17 mars 2014 relative à la consommation*) that transposes into French law the provisions of Directive 2011/83/EU of 25 October 2011 on consumer rights was implemented on March 17, 2014. It introduced a number of changes related to the quality of pre-contractual information to be provided to consumers, extended the cancellation period for distance contracts to fourteen days, introduced the possibility for group actions, forbade additional payments as default option and prohibited retailers to have loyalty card offerings that are subject to payment on credit. Additional pre-contractual transparency obligations for certain operators of online platforms were introduced by the Law for a Digital Republic (*loi n°2016-1321 du 7 octobre 2016 pour une République numérique*), which became effective in 2018.

Consumer Credit

The Group offers various forms of consumer loans and consumer credit to its customers. Darty provides these loans and credits through its joint venture in Ménafinance and Fnac provides this service through Crédit Agricole Center France. Therefore, the Group does not hold any regulatory permit, license or authorization to act as a lending institution.

Certain obligations, however, introduced by Law 2010-737, dated July 1, 2010, reforming consumer credit and lending, apply not only to lending institutions but also to retailers. The purpose of this statute is to regulate more strictly the availability and use of consumer credit.

The law requires that, before making a loan, lenders must (i) verify the solvency of, and provide an explanation and information to, borrowers, (ii) deliver a precontractual information sheet to the borrower, (iii) consult the credit rating reports showing any incidents of failure to repay a debt and (iv) extend the length of the retraction period which is now 14 days. Furthermore, specific provisions apply to loans made at the point of sale: the law provides for (i) an obligation to specifically train sellers in retail outlets in making consumer loans, (ii) the regulation of commissions paid to sellers and (iii) an obligation on retailers to deliver a questionnaire and information sheet to be completed by the seller and the borrower. For loans exceeding €3,000, the questionnaire must be supplemented by supporting documents.

Classified Facilities

The Group's warehouses in France are considered to be classified facilities for environmental protection purposes, under Article L. 511-1 of the French Environment Code (*Code de l'environnement*). Three main types of administrative procedures may apply to classified facilities, depending on the risks involved in operating them: declaration or reporting, registration, and authorization. The type of classified facility is defined in a nomenclature of classified facilities, which is annexed to Article R. 511-9 of the French Environment Code.

Therefore, before commencing any operations in the Group's warehouses, a governmental authorization must be obtained. Technical and operating standards must be followed and applied.

Any conversion of a classified facility or any change in its operator must be reported to the authorities. In addition, when a classified facility is closed down, its operator must secure the site and potentially undertake decontamination measures, in compliance with the requirements of local authorities, which are delivered on a case-by-case basis.

Take-Back Requirements

Based on requirements set out by the WEEE Directive and by Article L. 541-10-2 of the French Environment Code, the distributor of electrical and electronic equipment listed in Annex III and Annex IV of the WEEE Directive must organize or contribute to the take-back and treatment of such equipment when they reach their end-life. The equipment includes Large Household Appliances, as well as smaller appliances.

Data Protection Law and Privacy

The Group processes personal data for a variety of purposes, including customer order fulfilment, payment card processing, marketing activities, website and app optimization, and workforce management. Compliance with data protection laws must therefore be ensured. In France, the Group is subject to the requirements of the GDPR. Although the GDPR is EU legislation, it is directly applicable in each of the EU Member States and EEA European Free Trade Area States. The GDPR implements more stringent operational and accountability requirements for both controllers and processors of personal data, including increased transparency regarding processing activities, mandatory data breach notification obligations, and the introduction of new data subject rights. Crucially, the territorial scope of the GDPR now extends to entities outside the EU that target or sell to individuals in the EU, and the potential sanctions for non-compliance are significant – up to 4% of global turnover or €20 million, whichever is greater.

The GDPR is supplemented by additional national data protection legislation, including most notably the French *loi n°. 78-17, du 6 janvier 1978 relative à l'informatique, aux fichiers et aux libertés* (as amended on June 21, 2018) (the "*LIL*") and the *Code de postes et de communications électroniques* (the "*CPCE*").

The LIL sets out the national derogations from the GDPR, provides for the powers of the national Data Protection Authority (C*ommission Nationale de l'Informatique et des Libertés* or "*CNIL*") and covers other matters not addressed by the GDPR, such as implementation if the EU Law Enforcement Directive (EU 2016/680).

The CNIL has a wide range of powers, including the power to temporarily or permanently suspend data processing activities, order the deletion of data, conduct investigations and spot audits, and/or request a competent court to order the adoption of any necessary measures. The CNIL can issue the sanctions permitted by the GDPR and additional fines for non-compliance and it may also order the publication of its enforcement actions.

The CPCE (as amended by the 2004 Law for Trust in the Digital Economy) implements certain obligations of the EU Directive on privacy and electronic communications (2002/58/EC), as amended (the "*ePrivacy Directive*"), including rules relating to direct marketing by electronic means (*e.g.* email, SMS, online messaging), which are of particular relevance to the marketing activities of the Group. The ePrivacy Directive will be replaced by EU regulation some time in 2019, and like the GDPR it will be directly applicable within the Member States. The final text of the regulation has not been agreed, therefore there is uncertainty regarding the ultimate scope of the regulation and whether it will maintain existing rules regarding electronic marketing or whether such activities will be subject to additional compliance obligations. Sanctions for breach of the new regulation will be equivalent to those contained in the GDPR.

Foreign Trade and Customs Law

The Group sources some of its products from Asia. Within the European internal market, the principle of free movement of goods applies. However, with respect to the import of goods from countries that are not members of the European Union, the Group must comply with national and European foreign trade and customs regulations and, among other things, pay statutory custom duties when its products enter the territory of the European Union. At the French level, the Group may also pay specific stamp duties, such as the tax for the development of the wood and furnishing industry (*taxe pour le développement des industries de l'ameublement ainsi que des industries du bois*), currently set at 0.18% of the value of the goods imported.

MANAGEMENT

Board of Directors

The Board of Directors has 12 directors. As of December 31, 2018, all of the directors are independent. However, at the annual general shareholders' meeting scheduled for May 23, 2019, shareholders will be asked to vote on whether the Board of Directors should contain one or more directors who represent the Group's employees.

Set forth below are the names and ages of the directors, as well as the year of their first appointment and their position as of December 31, 2018:

Name	Age	First appointed effective in	Position
Jacques Veyrat	56	2013	Chairman, Independent Director
Antoine Gosset-Grainville	52	2013	Vice Chairman, Independent Director
Daniela Weber-Rey	61	2017	Independent Director
Patricia Barbizet(1)	63	2013	Independent Director
Sandra Lagumina	51	2017	Independent Director
Carole Ferrand	48	2013	Independent Director
Simon Gillham(2)	62	2016	Independent Director / Permanent representative of Compagnie Financière du 42 avenue de Friedland
Delphine Mousseau	47	2017	Independent Director
Nonce Paolini	69	2013	Independent Director
Stéphane Roussel(3)	57	2016	Independent Director / Permanent representative of Vivendi
Brigitte Taittinger-Jouyet	59	2013	Independent Director
Caroline Grégoire Sainte Marie	61	2018	Independent Director

(1) Patricia Barbizet's term as a director is scheduled to end at the annual general shareholders' meeting on May 23, 2019.
(2) Simon Gillham's term as a director is scheduled to end at the annual general shareholders' meeting on May 23, 2019.
(3) Stéphane Roussel's term as a director is scheduled to end at the annual general shareholders' meeting on May 23, 2019.

Jacques Veyrat was first appointed to the Board of Directors in 2013 and was appointed Chairman in 2017. He graduated from École Polytechnique (class of 1983) and the Collège des Ingénieurs (class of 1989), and he also holds an engineering degree from Ponts et Chaussées (class of 1988). He was appointed to the French Treasury Department, where he served as Secretary for the Inter-Ministerial Committee on Industrial Reconstruction (*Comité Interministériel de Restructuration Industrielle*) for the period 1989-1991. From 1993 to 1995, he served as Technical Cabinet Adviser to the Ministry of Transport Equipment, Tourism and the Sea. In 1995, he joined the Louis Dreyfus group as Chief Executive Officer of Louis Dreyfus Shipbuilders (1995-1998), before becoming Chairman and Chief Executive Officer of Louis Dreyfus Communications, which was renamed Neuf Cegetel, from 1998 to 2008, and then Chairman and Chief Executive Officer of the Louis Dreyfus group from 2008 to 2011. Since 2011, he has been Chairman of the investment firm, Impala.

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

Daniela Weber-Rey was first appointed to the Board of Directors in 2017. Holding a Master's Degree in Law from Columbia University, New York, Daniela Weber-Rey was admitted to the Frankfurt, Germany Bar in 1984 and the New York Bar in 1986. For nearly 30 years, Daniela Weber-Rey was an attorney and partner with the legal firm of Pünder Volhard & Weber, and then with the law firm, Clifford Chance. She also served as counsel to various European organizations, and served for five years on the board of directors of BNP Paribas. She is a member of the Governmental Commission of the German Corporate Governance Code, a member of the board of directors of the European Corporate Governance Institute, and a nonexecutive member of the board of HSBC Trinkaus & Burkhardt AG. Between 2013 and 2016, Ms. Weber-Rey worked at Deutsche Bank AG as Chief Governance Officer and Deputy Global Head of Compliance. Daniela Weber-Rey is a member of the Economic Council to the French Embassy in Germany (Berlin). She was raised to the rank of a Knight of the French Legion of Honor in 2010 for her commitment to French-German relations.

Patricia Barbizet was first appointed to the Board of Directors in 2013. A graduate of the École Supérieure de Commerce de Paris, Ms. Barbizet began her career in the Renault Group as Treasurer of Renault Véhicules Industriels before becoming Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. In 1992, she helped found Artémis, becoming its Chief Executive Officer in that same year. In 2018, she left Artemis after 29 years. Since 2018, she has been Chairman of Temaris & associates and a member of the board of directors of Total, Axa, Pernod Ricard and the Group.

Sandra Lagumina was first appointed to the Board of Directors in 2017. A graduate of the École Nationale d'Administration and of Sciences Po, Sandra Lagumina also holds a DESS in common market law and a DESS in public law. She began her professional career with the French Council of State where she held the position of Auditor and then Master of Petitions from 1995 to 1998. Sandra Lagumina then became Technical and Legal Adviser to the President of the National Assembly. In 2000, she joined the staff of the Minister of the Economy, Finance and Industry as Technical Adviser for legal issues, public orders and competition law. She was then named Under-Director of Public and International Law in the Department of Legal Affairs in the Ministry and Treasury Judicial Agent (2002-2005). In 2005, she joined the Gaz de France group, where she held several positions in the areas of strategy and law. Between 2008 and 2013, she served as General Counsel for GDF Suez. In 2013, she was appointed Chief Executive Officer of Gaz Réseau Distribution France. In 2016, she was named Deputy Chief Executive Officer of ENGIE and, in 2017, became Chief Operating Officer of Asset Management of Meridiam. She is also President of the Conservatoire National de Musique et de Danse de Paris. She is a member of the college of the French Competition Authority.

Carole Ferrand was first appointed to the Board of Directors in 2013. A graduate of the École des Hautes Études Commerciales ("*HEC*") (class of 1992), Ms. Ferrand started her career at PricewaterhouseCoopers, where she was an Auditor and later a financial adviser in the Transaction Services Division. In 2000, she joined Sony France, the French subsidiary of the consumer and business electronics branch of the Sony Corporation Group, serving as Chief Finance Officer before becoming General Secretary in 2002. In 2011, she held the position of Chief Financial Officer of the Europacorp Group. Between 2013 and 2018, she was Financing Director at Artémis Group, in charge of managing strategic and financial support for certain investments. In June 2018, she became Chief Financial Officer of Capgemini Group.

Simon Gillham was first appointed to the Board of Directors (permanent representative of La Compagnie Financière du 42 avenue de Friedland) in 2016. Simon Gillham holds a Bachelor of Arts degree (Bristol and Sussex Universities). He began his career in 1981 at Thomson where he was responsible for training. In 1985, he formed his own training and communications company. In 1991, he was appointed Vice President, Communications of Thomson Consumer Electronics. In 1994, he joined the Carnaud Metalbox Group. In early 1999, he took over as head of communications for the Valeo Group before becoming Vice President of Communications at Havas in 2001. He joined Vivendi in 2007 as Head of Communications and Sustainable Development. He is Chairman of Vivendi Village and in this capacity oversees the operations of Vivendi Ticketing, MyBestPro, Watchever, Radionomy, L'Olympia and the Théâtre de l'Œuvre. He has been a member of the management board of Vivendi since November 2015.

Delphine Mousseau was first appointed to the Board of Directors in 2017. A graduate of HEC with a Master's degree in Business Administration, Ms. Mousseau began her career in 1995 as Project Head with the Boston Consulting Group. In 1999, she joined Plantes-et-Jardins.com as Director of Operations. From 2007 to 2011, she served as Director of E-Commerce Europe with Tommy Hilfiger. She then worked as an Independent Consultant, primarily for the former Primondo Group. From 2014 to 2018, Delphine Mousseau was VP of Markets at Zalando. She is now an independent consultant.

Nonce Paolini was first appointed to the Board of Directors in 2013. Mr. Paolini holds a Master's degree in literature and is a graduate of the Sciences Po (class of 1972). Mr. Paolini began his career with EDF-GDF, where he held operational and management positions. In 1998, he joined the Bouygues Group, where he successively held the positions of Director of Development and Director of Human Resources, before becoming Director of Communications in 1990. In 1993, he joined TF1 as Director of Human Resources, and in 1999, he was appointed Chief Operating Officer. In 2002 he was appointed Chief Operating Officer of Bouygues Telecom and then Managing Director and director in April 2004. In 2007, he was appointed Chief Executive Officer of TF1 Group, then Chairman & Chief Executive Officer of the group from 2008 until 2016.

Stéphane Roussel was appointed to the Board of Directors (as the permanent representative of Vivendi) in 2016. A graduate of École des Psychologues Praticiens de Paris, Mr. Roussel began his career in the Xerox Group in 1985. Between 1997 and 2004, he held various HR positions in the Carrefour Group. Between 2004 and 2009, he was Director of Human Resources at SFR. Between 2009 and 2012, he was Director of Human Resources at Vivendi. In May 2013, he joined the executive management team at the Vivendi Group. He has been a member of the management board of Vivendi since June 2014 and Chief Executive Officer of Vivendi since 2015.

Brigitte Taittinger-Jouyet was first appointed to the Board of Directors in 2013. She is a graduate of Sciences Po with a master's degree in history from the Université des Sciences Humaines. Head of Advertising at Publicis (1984-1988), in 1988 Ms. Taittinger-Jouyet became Mission Head in the Marketing Department of the Louvre Group responsible for industrial and economic hospitality products. From 1991 to 2012, she was Chair of the Société des Parfums Annick Goutal. Since 2013, she has been Director of Strategy and Development at Sciences Po.

Caroline Grégoire Sainte Marie was first appointed to the Board of Directors in 2018. A graduate of Sciences Po, she also holds a degree in Commercial Law from Université Paris I. She began her professional career in 1981 at Xerox France as Financial Controller. In 1984, she joined Hoechst pharmaceutical group where she successively held several positions in the financial field at Roussel Uclaf S.A. before being appointed in 1994 as Chief Financial Officer of Albert Roussel Pharma GmbH. In 1996, she joined Volkswagen France before moving to Lafarge Group in 1997 as Chief Financial Officer of Lafarge Specialty Products. In 2000, she was appointed Senior Vice President Mergers & Acquisitions at the Group's Cement Division. In 2004, she became Chief Executive Officer for Germany and Czech Republic. In 2007, she was appointed Chair and Chief Executive Officer of Tarmac France and Belgium, before becoming in 2009 the Chair and Chief Executive Officer of Frans Bonhomme. She was a member of the boards of directors of Eramet (from 2012 to 2016) and Safran (from 2011 to 2015). Since 2011, Caroline Grégoire Sainte Marie has been a member of the boards of directors of Groupama, FLSMIDTH, Wienerberger and Elkem. She is also a Director as an investor in Calyos, the founding partner of DefInnov (a collaborative innovation platform in the defence and security field), and Senior Adviser at HIG European Capital Partners. She is a Knight of the French Legion of Honor.

Executive Committee

The Issuer's executive committee has 11 members. Set forth below are the names and ages of the members of the executive committee as well as the year of their first appointment and their position as of December 31, 2018.

Name	Age	First appointed effective in	Position
Enrique Martinez	48	2013	Chief Executive Officer (appointed Chief Executive Officer in 2017)
Vincent Gufflet	44	2016	Commercial Director, Products and Services
Annabel Chaussat	44	2018	Director of Marketing and E-Commerce
Frédérique Giavarini	46	2014	Human Resources Director
Olivier Theulle	46	2013	Operations and Operating Systems Director
Benoît Jaubert	49	2016	Store Network Director
Benjamin Perret	39	2017	Director of Communications and Public Affairs
Jean-Brieuc Le Tinier	47	2017	Group Chief Financial Officer and General Secretary
Marcos Ruao	47	2013	Chief Executive Officer of Fnac Spain
Charles-Henri de Maleissye	47	2016	Chief Executive Officer of Fnac Vanden Borre in Belgium
Anne-Laure Feldkircher	35	2019	Executive committee secretary, the Group's Strategy and M&A Director

Enrique Martinez joined the Group in 1998. With a degree in Economics and having graduated from the IESE Business School in Madrid, Enrique Martinez started his career at Toys "R" Us. When he joined the Group in 1998, he was tasked with establishing and developing the banner in Portugal. He then held various positions within the Group in both Spain and Portugal. In 2004, he joined the Executive Committee as Chief Executive Officer for the Iberian Peninsula. In 2012, he was invited to France to lead the France and Northern Europe region (France, Belgium and Switzerland). Since July 2016, he was entrusted with overseeing the efforts to integrate the Fnac and Darty banners in France, and the supervision of the implementation of synergies between the two banners. He has been Chief Executive Officer of the Group since July 2017.

Vincent Gufflet was first appointed as an executive officer in 2015. He now serves as Commercial Director, Products and Services. After graduating from ISAE-SUPAERO, Mr. Gufflet launched his career in 1995 as a consultant and analyst at Arthur D. Little. In 2000, he joined the Kingfisher Group as Strategy Director in the DIY division. From there he held various positions of responsibility within the Group: Development Director from 2003 to 2006, Development and Organization Director at Darty Box from 2006 to 2011, Marketing Director of the Services Department from 2011 to 2013, Customer Services and Assistance Director of Darty from 2013 to 2014, followed by Sales and Marketing Director of all Darty Group departments up to 2015. Since 2014 he has served as a member of the Ménafinance board of directors.

Annabel Chaussat joined the Group in 2018. She now serves as Director of Marketing and E-Commerce. A graduate of the EDHEC Business School in Lille, Annabel has over 20 years of experience in the business-to-customer retail sector. She began her career at Printemps Group. From 2008 to 2012, she was Director of Customer and Internet Marketing at Lapeyre (Saint-Gobain Group) and then Director of Marketing, Communication and Digital from 2012 to 2015. Annabel has been Marketing, Digital and Operations Director at Morgan (Beaumanoir Group) since 2015.

Frédérique Giavarini joined the Group in 2007. Ms. Giavarini has been the Group's Human Resources Director since 2014. Previously, she held the positions of Director for Organization, Strategy and Public Affairs from 2013, Public Affairs and Strategy Director from 2011, Studies and Offer Marketing Director from 2010 and Project Manager in the Fnac strategy department from 2007. Ms. Giavarini started her career in the public domain consultancy, before moving on to the Organization and Strategy team of BearingPoint (subsequently renamed Arthur Andersen). Ms. Giavarini is an alumna of the Paris Institute of Political Studies and holds a Master's Degree in Applied Economics.

Olivier Theulle joined the Group in 2013. He serves as Operations Director and is responsible for logistics, supply, after-sales service management, call centers and project management. Previously, he served successively as Chief Executive Officer of Relais Colis and Group Operations Director of Redcats (Kering) between 2010 and 2013. Between 2006 and 2009, he managed the Le Chameau brand for the Lafuma Group. A former consultant at McKinsey & Company, Mr. Theulle is a graduate of ESSEC.

Benoît Jaubert has been the Managing Director of Darty since 2016. He serves as Store Network Director, in charge of the franchised and directly-owned stores network, business-to-business activities, and kitchen operations. He is also responsible for supervising Fnac in Switzerland and BCC in the Netherlands. After graduating from ESSEC, Mr. Jaubert started his career at the time of Eurostar's launch, as Director of Distribution from 1993 to 1996. He then joined France Telecom Multimédia as Director of Operations from 1996 to 1998. He joined Groupe Darty in 1998 as part of its Development Department. Mr. Jaubert went on to serve in a series of operational leadership roles before becoming head of the Darty Spain subsidiary, before becoming commercial director of Groupe Darty from 2013 to June 2016.

Benjamin Perret joined the Group in 2017. He serves as Director of Communications and Public Affairs. He graduated from the IEP in Paris and holds a DEA in Applied Economics in Business and Finance. He joined Ogilvy Public Relations in July 2003 and joined Euro RSCG C & O in April 2006 as a Consulting Director. In October 2010, he joined the Caisse des Dépôts group Communications Department as Head of the Press Office. From September 2012 to the end of April 2013, he was in charge of Press and Communication at the Ministry of Budgets. In May 2013 he joined the Executive Committee of the ADP Group as head of the Communication Department, in charge of Influence Communication, Brand, Commercial Communication, Operational Communication and Internal Communication.

Jean-Brieuc Le Tinier joined the Group in 2017. He serves as Group Chief Financial Officer and General Secretary. After graduating from HEC, he began his career at PwC. After serving as Management Control Officer at Vogica, he joined Carrefour Group where he successively held positions as Financial Controller for France and European countries, then as Group Financial Control Director. In 2005, he became the Treasury and Financing Director for Carrefour Group, before being promoted to Financial Director of Carrefour Property in 2007. In 2009, he was appointed Financial Director at Brico Dépôt (Kingfisher Group). In 2013, he joined Korian Group as Chief Financial Officer and member of its Executive Committee.

Marcos Ruao joined the Group in 2007. He is Managing Director of Fnac Spain since 2013, in charge of coordination for the Iberian Peninsula. Between 2007 and 2013, Mr. Ruao managed several of Fnac Portugal's departments, including logistics, supply chain and e-commerce. He previously served in several management positions at DHL. From 1995 he was a researcher in the Lisbon University of Engineering's I&D department. Mr. Ruao is a mechanical engineer and holds a Master's Degree in Combustion from the Instituto Superior Técnico in Lisbon and a diploma in Supply Chain Management and Leadership from the Instituto Superior de Economia e Gestao based in Lisbon, Portugal.

Charles-Henri de Maleissye has been the Managing Director of Fnac Vanden Borre since February 2015. With an MBA from the University of Paris Pantheon-Sorbonne, Mr. Maleissye joined Fnac Vanden Borre in 2008 as Sales Director in charge of the multi-channel commercial approach and supply. Prior to that, he had worked for 13 years at Groupe Darty, serving in various capacities. This included developing supply relationships in Asia in addition to several Europe-wide product categories. He has a strong experience in developed markets and in the distribution sector in the countries in which Groupe Darty operates.

Anne-Laure Feldkircher joined the Group in January 2018. She serves as the Executive Committee Secretary, as well as the Group's Strategy and M&A Director. A graduate from Sciences-Po and ESSEC, Anne-Laure Feldkircher started her career in 2009 as a consultant for the Boston Consulting Group. In 2013, she joined the Strategy Department of Hermès, and then that of the Casino Group. From 2015 to 2017, she was involved in the turnaround of a business unit of Casino Group as Strategy Director, and also oversaw the Concept and Store Organization departments.

Board Committees

As of December 31, 2018, the Board of Directors had established the following permanent committees: the Audit Committee, the Nomination and Remuneration Committee and the Corporate, Environmental and Social Responsibility Committee.

Audit Committee

The Audit Committee meets at least four times a year. The Audit Committee is responsible for monitoring the preparation of financial information, monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and accounting information, monitoring the legal control of the parent company and the Consolidated Financial Statements by the Group's statutory auditors and monitoring the independence of the Group's statutory auditors. The Audit Committee is composed of Ms. Ferrand (Chairman), Ms. Weber-Rey and Ms. Lagumina.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a specialized committee of the Board of Directors whose main function is to assist the Board of Directors in appointing members of the executive committees of the Group, as well as in determining and regularly reviewing the compensation and benefits awarded to the Group's corporate officers and executive directors or senior executives, including any deferred benefits and/or voluntary or compulsory redundancy payments awarded by the Group. The Nomination and Remuneration Committee is composed of Mr. Gosset-Grainville (Chairman), Ms. Barbizet and Mr. Paolini.

Corporate, Environmental and Social Responsibility Committee

The responsibilities of the Corporate, Environmental and Social Responsibility Committee include examining the social, environmental and corporate policies conducted by the Group and the principal social, environmental and corporate risks and opportunities for the Group, promoting diversity, equity and equality in the Group's activities, assessing the impact of the Group's activities on the environment, establishing a social sustainability focus within the Group and inclusion of employees in the Group's corporate, environmental and social policies. The Corporate Social and Environmental Responsibility Committee is composed of Ms. Taittinger-Jouyet (Chairman), Ms. Mousseau, Mr. Gillham and Ms. Grégoire Sainte Marie.

Remuneration, Other Benefits, Share Ownership

The total compensation paid to Mr. Veyrat, Chairman of the Issuer amounted to €200,000 for the financial year ended December 31, 2018. In addition, Mr. Veyrat's attendance fees due in respect of the financial year ended December 31, 2017 and paid in March 2018 amounted to €25,622.

The total compensation paid to Mr. Martinez, Chief Executive Officer of the Issuer, amounted to €835,662 in respect of the financial year ended December 31, 2018, consisting of a fixed compensation in an amount of €550,000, an annual variable compensation in an amount of €248,617, provident insurance plan contributions in an amount of €9,357, supplemental defined-contribution pension plan contributions in an amount of €10,938 and in-kind benefits in an amount of €16,750. In addition, the amounts due in 2017 and paid in 2017 to Mr. Martinez as a sum of elements falling under the same categories as above totaled €241,419. In respect of the financial year ended December 31, 2018, Mr. Martinez was granted 9,983 instruments equivalent to bonus shares and 41,766 instruments equivalent to stock options under the long term incentive plan.

Mr. Bompard's duties as Chairman and Chief Executive Officer of the Issuer terminated on July 17, 2017, therefore Mr. Bompard did not receive any remuneration in respect of the financial year ended December 31, 2018. The amounts due in 2017 (until the date of termination of his duties as Chairman and Chief Executive Officer) and paid in 2018 to Mr. Bompard as annual variable compensation and attendance fees were €578,195 and €26,920, respectively.

The members of the Board of Directors (including Mr. Veyrat until July 17, 2017) received €307,646 in attendance fees in respect of the financial year ended December 31, 2017 (paid in 2018). With the exception of Mr. Bompard and Mr. Veyrat, as indicated above, the directors did not receive any other compensation. In addition, an amount of €387,937 corresponding to the attendance fees in respect of the financial year ended December 31, 2018 has been allocated to the directors by decision of the Board of Directors dated February 20, 2019. With the exception of Mr. Veyrat, as indicated above, the directors did not receive any other compensation.

The principles and implementation of a long term incentive plan designed for the principal executives of the Group (excluding directors) were approved by the Board of Directors on July 31, 2013, October 22, 2013, February 26, 2014 and February 26, 2015 respectively on the recommendation of the Nomination and Remuneration Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013 (the "*2013 Plan*"). The 2013 Plan consists of an award of stock options (which following vesting entitle the beneficiaries to subscribe for shares) to the executives who are not directors and an allotment of bonus shares to the principal executives, members of the leadership group, and high potential executives and managers, in order to align them to the Group's performance through the appreciation of its share price. In addition, the 2013 Plan provides for the granting of value units to the executives other than directors as well as the granting of instruments equivalent to stock options and instruments equivalent to bonus shares to the chief executive officer which will be settled in cash depending on the share price and do not entitle the beneficiaries to subscribe for shares. Subject to the relevant beneficiary's continuing employment with the Group at the end of the relevant period and subject to an Issuer's share performance condition defined for each vesting period the stock options, the instruments equivalent to stock options and the value units will vest by tranche at the end of successive vesting periods, and the bonus shares and the instruments equivalent to bonus shares will vest fully on the maturity date.

Subsequent to the 2013 Plan, the principles and implementation of a long term incentive plan designed for the principal executives of the Group (including directors) were approved by the Board of Directors on April 28, 2017, December 15, 2017 and May 18, 2018, respectively, on the recommendation of the Nomination and Remuneration Committee, in accordance with the authorization granted by the General Meeting of June 17, 2016 (the "*2016 Plan*"). The 2016 Plan consists of an award of stock options (which following vesting entitle the beneficiaries to subscribe for shares) to the executives who are directors and an allotment of bonus shares to the principal executives, members of the leadership group, and high potential executives and managers, in order to align them to the Group's performance through the appreciation of its share price. Subject to the relevant beneficiary's continuing employment with the Group at the end of the relevant period and subject to an Issuer's share performance condition defined for each vesting period the stock options and the bonus shares will vest by tranche at the end of successive vesting periods.

As of December 31, 2018, the directors and officers of the Group in their individual capacities (including Mr. Bompard and Mr. Martinez) held 163,775 shares, vested and unvested stock options entitling them to 184,742 ordinary shares, and vested and unvested bonus shares entitling them to 298,886 ordinary shares.

PRINCIPAL SHAREHOLDERS

As of December 31, 2018, the Issuer's share capital consisted of 26,605,439 ordinary shares of one euro par value each. For information on the share ownership of and stock options and bonus shares held by the directors and officers, see "*Management—Remuneration, Other Benefits, Share Ownership*".

The table below sets forth information with respect to shareholders known to the Issuer to hold a significant interest in the Issuer's share capital as of December 31, 2018:

Name	Number of ordinary shares	Percentage of issued share capital
Ceconomy Retail International	6,451,845	24.2
Groupe SFAM	3,026,422	11.4
Dorval Asset Management	1,334,996	5.0
Employees.	94,150	0.4
Public	15,698,026	59.0
Treasury	0	0.0
Total	**26,605,439**	**100.0**

Ceconomy Retail International is a German-based consumer electronic retailer holding company, mainly investing in European groups. Groupe SFAM is a French smartphone and multimedia insurance broker with significant operations in Europe. Dorval Asset Management, an affiliate of Natixis Investment Managers, is an asset management company headquartered in Paris.

Groupe SFAM is a French smartphone and multimedia insurance broker which also provides insurance to the Group's customers in relation to certain of the Group's Electronic Products. Groupe SFAM is a supplier of the Group's monthly insurance services and, consequently, pays the Group a commission on the sale of insurance products.

In a letter received on January 21, 2019, Dorval Asset Management declared that on January 16, 2019 it had dropped below the statutory thresholds of 5% of the Issuer's capital and voting rights and held 1,318,438 shares representing the same number of voting rights (*i.e.*, 4.96% of the capital and voting rights of the Issuer).

In a letter received on March 11, 2019, Amundi Asset Management declared that it had dropped below the statutory threshold of 3% of the Issuer's capital and voting rights and held 796,732 shares representing the same number of voting rights (*i.e.*, 2.99% of the capital and voting rights of the Issuer).

From December 31, 2018 to the date of this offering memorandum, 10,347 free shares of the Issuer have been issued; 3,209 shares of the Issuer have been issued pursuant to stock options; and 51,750 shares of the Issuer have been cancelled, bringing the total number of shares of the Issuer as of the date of this offering memorandum to 26,567,245.

RELATED PARTY TRANSACTIONS

The following relationships existed in the financial years ended December 31, 2016, 2017 and 2018 between the Group and related parties.

Transactions with Kering

Agreement for exit from the Kering tax consolidation group of the Issuer and its French subsidiaries

A related party transaction was entered into concerning the agreement to exit from the tax consolidation group formed between Kering, the Issuer and the Issuer's French subsidiaries. The agreement stated that tax losses, net long term capital losses and tax credits generated during the period of membership in the Kering consolidation group would be kept through the tax consolidation of Kering. It is also stated that in the event of a tax reassessment of a former member of the Kering consolidation group, relating to a period during which such member was a member of the Kering consolidation group and in respect of taxes concerned by the tax consolidation regime, the tax consequences of this tax reassessment shall be borne by the concerned former member of the Kering tax consolidation group, as if it had been taxable on a standalone basis. No amount was invoiced in respect of the financial year ended December 31, 2018.

Other transactions with Kering

As of December 31, 2017 the Group continued to benefit from an IT multi-service platform operated by Kering for hosting servers and applications (including messaging) and related services (*e.g.*, Internet access and storage). Under this arrangement, Kering invoiced the Group for €2.0 million (excluding tax) for the financial year ended December 31, 2017. The Issuer is no longer affiliated with Kering, and no amount was invoiced in respect of the financial year ended December 31, 2018.

Until August 24, 2017, Kering (a subsidiary of Groupe Artémis) was an affiliated party of the Issuer. Artémis sold its stake in the capital of the Group on August 24, 2017 and is no longer affiliated with the Issuer.

Transactions with the Vivendi Universal Group

In the financial year ended December 31, 2016, the main transactions between the Group's consolidated companies and the parties linked to the Vivendi Universal Group were (i) the reinvoicing by the Universal Company, a musical products supplier, for a total amount of €17.4 million excluding tax, (ii) the reinvoicing by the Universal Company for musical products, for a total amount of €1.0 million excluding tax, and (iii) the reinvoicing by l'Olympia, a ticket sales provider, for a total amount of €3.9 million excluding tax.

In the financial year ended December 31, 2017, the main transactions between all the Group's consolidated companies and the parties linked to the Vivendi Universal Group were (i) the reinvoicing by the Universal Company, a musical products supplier, for a total amount of €25.3 million excluding tax, (ii) the reinvoicing by Activision Blizzard, a digital products supplier, for a total amount of €5.9 million excluding tax, (iii) the reinvoicing by the Universal Company, a musical products customer, for a total amount of €0.2 million excluding tax, (iv) the reinvoicing by L'Olympia, a ticket sales provider, for a total amount of €5.3 million excluding tax and (v) the reinvoicing by the Canal+ Group, a subscription services provider, for a total amount of €0.2 million excluding tax.

Vivendi Universal Group sold its stake in the Group in July 2018. As of December 31, 2018 the Vivendi Universal Group has two independent members in the board of directors of the Issuer but is no longer affiliated with the Issuer.

Non-compete commitment of Enrique Martinez

In 2017, the Group entered into a non-competition agreement with its Chief Executive Officer, Mr. Enrique Martinez. This commitment, limited to a term of two years starting from the end of Mr. Enrique Martinez's term of office, covers the retail sector specializing in household appliances and cultural and electronic products for the consumer market in the countries in which the Group operates. In return for this undertaking, Mr. Enrique Martinez will receive a gross compensatory remuneration amounting to 70% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive implementation of the non-compete requirement, ending the payment of the gross compensatory remuneration to the Chief Executive Officer. This commitment was approved by the Board of Directors on July 17, 2017 and the continuation of this commitment was approved by the Board of Directors on January 24, 2019.

The Board of Directors decided on February 20, 2019 to modify the non-compete commitment of Enrique Martinez to comply with the Afep-Medef Code of Governance updated in June 2018. The compensatory remuneration will now be paid in several instalments within a period of two years, and the remuneration will not be due if Enrique Martinez retires and will not be due after the age of 65.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the provisions of the 2023 Notes, the Bank Facility Agreements and certain other financial arrangements to which entities in the Group are a party. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

The 2023 Notes

General

In September 2016, the Group issued senior notes for a principal amount of €650 million, bearing annual interest at 3.25% and maturing on September 30, 2023, unless earlier redeemed or repurchased and cancelled. The Issuer intends to use the gross proceeds from the Offering to redeem the 2023 Notes in full (including payment of accrued and unpaid interest and the applicable redemption premium).

Terms of the 2023 Notes

The 2023 Notes bear interest at a rate of 3.25%, paid semi-annually on March 30 and September 30 of each year.

The 2023 Notes rank *pari passu* with the Senior Facilities Agreement and have the same guarantees as the Senior Facilities Agreement.

Prior to September 30, 2019, the 2023 Notes are redeemable in whole or in part at any time until September 30, 2019 at a price equal to the amount of the nominal plus an early redemption premium and outstanding accrued interest. From September 30, 2019 to September 30, 2020, they will be redeemable in full or in part at a redemption price of 101.625% of the principal amount. From September 30, 2020 to September 30, 2021, they will be redeemable in full or in part at a redemption price of 100.8125% of the principal amount. Thereafter, they will be redeemable in full or in part at a redemption price of 100.0% of the principal amount.

Senior Facilities Agreement

General

On April 20, 2016, the Issuer entered into the Senior Facilities Agreement for a €950.0 million bridge to capital markets term facility (the ''*Bridge Facility*'') and the Revolving Facility with Crédit Agricole Corporate and Investment Bank, Natixis and Société Générale Corporate & Investment Banking, as coordinators, mandated lead arrangers and bookrunners (each, an ''*Arranger*'' and together, the ''*Arrangers*'') and Société Générale as facility agent of the other finance parties (the ''*Agent*''). The Senior Facilities Agreement was amended pursuant to an amendment agreement on April 24, 2016 and a consent letter on July 13, 2016. As of the date of the Offering, no loans have been drawn under the Revolving Facility (the ''*Revolving Loans*''). In addition to the Bridge Facility and the Revolving Facility, the Senior Facilities Agreement provided for an uncommitted term loan facility, the Term Facility. On June 23, 2016, certain lenders agreed in a term facility commitment notice to make commitments available in an aggregate principal amount of €200.0 million under the Term Facility and those commitments were applied to reduce and cancel on a euro-for-euro basis the Bridge Facility commitments of such lenders. A loan amounting to €200.0 million under the Term Facility (the ''*Term Loan*'') was drawn on July 26, 2016.

A portion of the commitment under the Bridge Facility in an amount of €500.0 million was drawn on August 1, 2016, and the remainder of the commitment under the Bridge Facility in an amount of €250.0 million was drawn on September 6, 2016 (the ''*Bridge Loans*''). The proceeds of the Term Loan and the Bridge Loans were applied to finance cash consideration paid pursuant to the Acquisition (including by repaying and cancelling in full all outstanding indebtedness and commitments under Fnac's revolving facility agreement dated April 13, 2013, (as amended on June 12, 2013 and as amended and restated on July 24, 2014)), the redemption in full of the €250.0 million 5.875% senior notes due 2021 issued by Darty Financements S.A.S. on February 28, 2014 and fees, costs and expenses related to the foregoing. The Bridge Loans have been refinanced in full with available cash and with the proceeds from the 2023 Notes.

On April 18, 2018, the Senior Facilities Agreement was amended and restated by an amendment and restatement agreement under which certain terms and conditions of the Senior Facilities Agreement were amended, and in particular:

(a) the final repayment date of the Term Loan was extended by two years, to April 20, 2023 with a repayment schedule also postponed by two years and the final repayment date of the Revolving Facility was also extended to April 20, 2023;

(b) certain financial definitions were amended in order to exclude the application of IFRS 16 rules from the provisions of the Senior Facilities Agreement;

(c) the margin and the margin ratchet applicable to the Term Facility and the Revolving Facility and the commitment fee and utilization fee applicable to the Revolving Facility were reduced; and

(d) the conditions of utilization of the loans, the mandatory prepayment clause relating to asset disposals and certain undertakings and events of default were amended to provide more flexibility.

Certain Initial Purchasers or their affiliates are also arrangers and lenders under the Revolving Facility and the Term Facility and will receive customary fees in such capacities. See "*Plan of Distribution*".

Borrowers and Guarantors

The Issuer is the parent, the original borrower and the original guarantor under the Senior Facilities Agreement. Fnac Darty Participations et Services acceded as an additional borrower and an additional guarantor and the other Guarantors (being Fnac Direct, Établissements Darty & Fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre) are also guarantors under the Senior Facilities Agreement. The Issuer may request that any of its wholly-owned subsidiaries be added as borrowers and/or guarantors, subject to certain conditions.

The Issuer must ensure that within 60 days of the delivery of the annual financial statements and compliance certificate to the Agent under the Senior Facilities Agreement the aggregate of earnings before interest, tax, depreciation and amortization (calculated on the same basis as consolidated EBITDA) of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the Group) represents not less than 80% of consolidated EBITDA of the Group.

Representations and warranties

The Senior Facilities Agreement contains customary representations and warranties for a facilities agreement of this type including status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, *pari passu* ranking, no filing or stamp taxes, deduction of tax, no default, no misleading information, original financial statements, financial statements, no proceedings pending, center of main interests and establishments, no breach of laws, good title to assets, security, taxation, pension, financial indebtedness, anti-bribery, anti-corruption and anti-money laundering, sanctions, acquisition documents, disclosures and other documents and subject to certain exceptions and qualifications and with certain representations and warranties being repeated at customary times.

Covenants

The Senior Facilities Agreement also contains affirmative and negative covenants customary for a facilities agreement of this type, and two financial covenants. Certain covenants under the Senior Facilities Agreement are subject to carve-outs in respect of breaches which would not impair the ability of an obligor to perform its obligations or are not reasonably likely to have a material adverse effect.

Affirmative covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual and half-year financial statements and, as the case may be, any quarterly reporting to the extent provided to the holders of the 2023 Notes or other debt capital markets instrument issued by the Group, (ii) compliance with laws and regulations including sanctions, (iii) maintaining in full force and effect certain authorizations, (iv) the maintenance of *pari passu* ranking, (v) the maintenance of assets necessary in the conduct of business, (vi) various reporting and information obligations (including an annual lender presentation, details of material litigation, proceedings or labor disputes and notification of defaults as well as any change in the credit rating of the Issuer), (vii) maintenance of insurance and preservation of material intellectual property, and (viii) further assurance provisions.

Negative covenants

The negative covenants include restrictions, with respect to, among others: (i) changing the general nature of the business, (ii) creating security interests over its assets, (iii) disposing of assets, (iv) incurring financial indebtedness, (v) effecting any merger, demerger, amalgamation, partial contribution of assets or corporate reconstruction, subject to certain exceptions, (vi) making certain acquisitions or investments, (vii) granting of loans or other credit or the granting of guarantees and (viii) in certain circumstances, declaring and paying dividends and share redemptions.

Financial covenants

The Senior Facilities Agreement contains two financial covenants requiring, respectively, the Issuer to ensure that:

(a) the ratio of total adjusted debt to consolidated EBITDAR shall not exceed certain thresholds on the relevant semi-annual test dates, the relevant thresholds being:

Testing date	Rent adjusted leverage ratio
December 31, 2016	3.46:1.00
June 30, 2017	4.36:1.00
December 31, 2017	3.06:1.00
June 30, 2018	4.01:1.00
December 31, 2018	2.76:1.00
June 30, 2019	3.76:1.00
December 31, 2019	2.66:1.00
June 30, 2020 and on each June 30 thereafter	3.66:1.00
December 31, 2020 and on each December 31 thereafter	2.66:1.00

(b) the ratio of consolidated EBITDAR to consolidated rent adjusted net interest payable shall, on the relevant semi-annual test dates, not be less than 1.50:1.00.

These financial covenants are tested on June 30 and December 31 of each year.

Events of default

The Senior Facilities Agreement contains various customary events of default, subject to customary materiality qualifications and grace periods, including but not limited to (i) non-payment, (ii) failure to comply with obligations under the Senior Facilities Agreement, (iii) breach of financial covenant, (iv) misrepresentation, (v) insolvency events and proceedings, (vi) material adverse effect, (vii) cessation of business, (viii) non-compliance with judgments, (ix) audit qualification, (x) a cross default in relation to any financial indebtedness in an aggregate amount of €20.0 million or more with respect to payment default, acceleration and suspension or cancellation of commitments and (xi) a cross default in relation to the 2023 Notes or any other debt capital markets instrument issued by the Group. At any time after the occurrence of an event of default the Agent may declare that any outstanding amounts to be immediately repaid provided that, during the certain funds period, only specified "major" events of default shall apply.

Governing law

The Senior Facilities Agreement is governed by French law.

Revolving Facility

Maturity

Subject to the terms of the Senior Facilities Agreement, the Revolving Facility may be utilized from April 20, 2016 until the date falling one week before to the final repayment date, which is April 20, 2023.

All Revolving Loans drawn shall be repaid on the last day of each interest period (of one, two, three or six months or any other period agreed with the Agent) and must be repaid in full by no later than the final repayment date, being April 20, 2023. Any part of the Revolving Facility which is prepaid or repaid may be reborrowed in accordance with the terms of the Senior Facilities Agreement.

Interest and fees

The Revolving Loans will bear interest, to be paid at the end of each interest period, at a percentage rate per annum equal to EURIBOR (subject to a floor at 0%) plus a margin. The applicable margin is within a range of 0.85% and 3.35%, based on credit ratings. Up to 30% of total commitments available under the Revolving Facility may have interest periods of one week.

Under the terms of the Senior Facilities Agreement (a) a commitment fee is payable at a rate of 35% per annum of the applicable margin on the undrawn amount of a lender's commitments under the Revolving Facility from July 19, 2016 to the last day of the availability period applicable to the Revolving Facility, and (b) a utilization fee is payable with respect to a lender's aggregate participation in drawn Revolving Loans depending on the level of utilization of the Revolving Loans, payable from July 26, 2016 to the final repayment date, which is April 20, 2023.

The commitment fee is payable every three months in arrears, on the last day of availability of the Revolving Facility and if the Revolving Facility is cancelled in full on the date on which the full cancellation is effective. The utilization fee is payable every three months in arrears and, if any lender's commitment is cancelled, on the date of cancellation of such commitment.

Default interest is calculated as an additional 2% per annum on the overdue amount.

Prepayments and cancellations

Subject to certain conditions, a borrower may voluntarily prepay its Revolving Loans and/or permanently cancel all or part of the available commitments under the Revolving Facility. Amounts repaid may be reborrowed subject to the terms of the Senior Facilities Agreement.

Mandatory prepayments

The Revolving Facility includes a clean down provision whereby the Issuer will ensure that the aggregate amounts of all Revolving Loans must be reduced to zero for a period of not less than fifteen consecutive calendar days in each successive period of twelve months (or less with respect to the period starting on July 26, 2023 which will end on April 20, 2023) starting on July 26, 2016. Not less than 60 calendar days may elapse between two such periods.

If the Agent notifies the Issuer that it has become aware that it is unlawful in any applicable jurisdiction for a lender to perform any of its obligations as contemplated by the Senior Facilities Agreement or to fund or maintain its participation in any Revolving Loan, the commitment of that lender will immediately be cancelled and each borrower will have to repay that lender's participation in the Revolving Loans made to that borrower as provided in the Senior Facilities Agreement.

If a change of control (as defined in the Senior Facilities Agreement) in relation to the Issuer or Darty occurs, the Revolving Facility will immediately be cancelled and all outstanding Revolving Loans and other amounts accrued will become immediately due and payable.

Term Facility

Maturity

The Term Loan shall be repaid in instalments on the Term Facility repayment dates indicated below:

Term Facility repayment date	Repayment instalment
The date falling 54 months after April 20, 2016	10%
The date falling 60 months after April 20, 2016	12.5%
The date falling 66 months after April 20, 2016	12.5%
The date falling 72 months after April 20, 2016	15%
The date falling 78 months after April 20, 2016	25%
The date falling 84 months after April 20, 2016	25%

The outstanding Term Loan must be repaid in full by no later than the final repayment date, being April 20, 2023.

Interest and fees

The Term Loan bears interest, to be paid at the end of each interest period (of three or six months or any other period agreed with the Agent) at a percentage rate per annum equal to EURIBOR (subject to a floor at 0%) plus a margin. The applicable margin for the Term Loan is within a range of 1.20% and 3.70% based on credit ratings.

Default interest is calculated as an additional 2% per annum on the overdue amount.

Prepayments and cancellations

Subject to certain conditions, a borrower may voluntarily prepay its Term Loan. No borrower may reborrow any part of the Term Facility which is repaid.

Mandatory prepayments

If the Agent notifies the Issuer that it has become aware that it is unlawful in any applicable jurisdiction for a lender to perform any of its obligations as contemplated by the Senior Facilities Agreement or to fund or maintain its participation in any Term Loan, the commitment of that lender will immediately be cancelled and each borrower shall repay that lender's participation in the Term Loan made to that borrower as provided in the Senior Facilities Agreement.

If a change of control (as defined in the Senior Facilities Agreement) in relation to the Issuer or Darty occurs, the Term Facility will immediately be cancelled and the outstanding Term Loan and other amounts accrued will become immediately due and payable.

If a certain disposal (being a sale, lease, license transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions)) occurs, the borrowers must prepay and cancel the outstanding Term Loan with (i) 50% of the net cash proceeds received from the disposals to the extent and for so long as the outstanding amount under the Term Loan is greater than or equal to €100.0 million and (ii) 25% of the net cash proceeds received from the disposals thereafter, in each case, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes.

EIB Facility Agreement

General

On February 15, 2019, the Issuer entered into the EIB Facility Agreement as borrower for a €100.0 million term facility. The EIB Facility is with the European Investment Bank with the backing of the European Union through the European Fund for Strategic Investments dedicated to a project relating to the financing of research and development expenditures related to the digital transformation of the Group, as well as investments related to the implementation and support of the digitalization (the "*Project*").

Subject to the terms of the EIB Facility Agreement, the EIB Facility may be drawn in up to five tranches from February 15, 2019 until September 15, 2020. The Group expects to draw on the EIB Facility within six months of the Issue Date.

The terms of the EIB Facility Agreement have been negotiated on the basis of the terms of the Senior Facilities Agreement and are therefore similar to those terms subject to certain exceptions to meet the European Investment Bank requirements, including, without limitations, in relation to the Project.

Guarantors

As a condition precedent to the drawdown of the EIB Facility, the Guarantors (being Fnac Darty Participations et Services (formerly Fnac S.A.), Fnac Direct, Établissements Darty & Fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre) shall accede to the EIB Facility Agreement as guarantors. The Issuer may request that any of its wholly-owned subsidiaries be added as guarantors, subject to certain conditions. The EIB Facility Agreement contains a guarantor coverage requirement, tested annually, as per the terms of the Senior Facilities Agreement.

The guarantee contained in the EIB Facility Agreement in respect of a guarantor will terminate and be released to the extent that such guarantor is released from its liability under the Senior Facilities Agreement and does not or no longer guarantees other financial indebtedness for a term of more than three years (save for any loan from the European Investment Bank to the Group) excluding any such financial indebtedness not exceeding €20 million per operation or €50 million during the life of the EIB Facility (a ''*Non-EIB Financing*'').

Maturity

Each tranche drawn under the EIB Facility shall be repaid in instalments on the repayment dates specified in the relevant disbursement offer from the European Investment Bank.

The first repayment date of each tranche shall be a payment date falling not earlier than 30 days from the scheduled disbursement date and not later than the first repayment date immediately following the third anniversary of the scheduled disbursement date of that tranche. The last repayment date of each tranche shall be a payment date falling not earlier than four years and not later than nine years from the scheduled disbursement date.

Interest and fees

The EIB Facility may be drawn either at a fixed rate of interest or at a floating rate of interests. If requested, the Issuer may have an option to revise or convert the interest basis of a tranche.

A fixed rate tranche bears interest, to be paid quarterly, semi-annually or annually in arrear at an annual interest rate (subject to a floor at 0%) determined by the European Investment Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the European Investment Bank for loans made at a fixed rate of interest including an applicable margin.

A floating rate tranche bears interest, to be paid quarterly or semi-annually in arrear at an annual interest rate (subject to a floor at 0%) equal to EURIBOR plus a fixed spread as determined by the European Investment Bank and which shall include an applicable margin.

Under the terms of the EIB Facility Agreement a commitment fee calculated on the daily undrawn and uncancelled balance of the EIB Facility is payable at a rate of 0.27% per annum from February 15, 2020 to September 15, 2020.

Default interest is calculated as an additional 2% per annum on the overdue amount.

Prepayments and cancellations

Subject to certain conditions, the Issuer may voluntarily prepay and/or cancel all or part of the undisbursed portion of the EIB Facility. A prepayment indemnity is payable to the European Investment Bank in respect of any fixed rate tranche which is prepaid and/or cancelled by the Issuer.

Mandatory prepayments

If the amount of the EIB Facility exceeds 50% of the total cost of the Project, the European Investment Bank may cancel or suspend the undisbursed portion of the EIB Facility and/or demand prepayment of the loan outstanding up to the amount by which the EIB Facility exceeds 50% of the total cost of the Project (plus the payment of a prepayment indemnity or a deferment indemnity, as the case may be, in respect of a fixed rate tranche).

If any member of the Group voluntarily prepays a part or the whole of any Non-EIB Financing and if certain other conditions are met (including the fact that following such prepayment the amount of the loans from the European Investment Bank to the Group under the EIB Facility or any other arrangement constitutes more than 50% of the aggregate outstanding Non-EIB Financing), the European Investment Bank may cancel or suspend the undisbursed portion of the EIB Facility and/or demand prepayment of the loan outstanding *pro rata* to the Non-EIB Financing prepaid.

If a change of control (as defined in the EIB Facility Agreement) in relation to the Issuer occurs, the European Investment Bank may cancel or suspend the undisbursed portion of the EIB Facility and/or demand prepayment of the loan outstanding (plus the payment of a prepayment indemnity or a deferment indemnity, as the case may be, in respect of a fixed rate tranche).

If a change of law which in the reasonable opinion of the European Investment Bank would materially impair the Issuer's ability to perform its obligations under the EIB Facility Agreement occurs, the European Investment Bank may cancel or suspend the undisbursed portion of the EIB Facility and/or demand prepayment of the loan (plus the payment of a prepayment indemnity or a deferment indemnity, as the case may be, in respect of a fixed rate tranche).

If it becomes unlawful in any applicable jurisdiction for the European Investment Bank to perform any of its obligations as contemplated by the EIB Facility Agreement or to fund or maintain the EIB Facility, the European Investment Bank may cancel or suspend the undisbursed portion of the EIB Facility and/or demand prepayment of the loan outstanding.

If a certain disposal (being a sale, lease, license transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions)) occurs, the Issuer must prepay and cancel the loan outstanding under the EIB Facility (and pay a prepayment indemnity in respect of a fixed rate tranche) in an amount equal to the lower of (i) 25% of the net cash proceeds received from the disposals and (ii) an amount calculated on a *pro rata* basis from the net cash proceeds applied to the prepayment of the Non-EIB Financing, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes.

The European Investment Bank may cancel or suspend the EIB Facility in whole or in part upon the occurrence of a potential event of default, material adverse change or market disruption event (and in the case of a material adverse change demand the payment of a prepayment indemnity or deferment indemnity, as the case may be, in respect of a fixed rate tranche).

Representations and warranties

The EIB Facility Agreement contains various representations and warranties including status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, *pari passu* ranking, no filing or stamp taxes, no default, original financial statements, financial statements, no proceedings pending, center of main interests and establishments, no breach of laws, good title to assets, security, taxation, pension, financial indebtedness, prepayment event, environmental claim, undertakings, clause by inclusion, integrity, illegal activities, no misleading information and subject to certain exceptions and qualifications and with certain representations and warranties being repeated at customary times.

Covenants

The EIB Facility Agreement also contains affirmative and negative covenants and two financial covenants.

Affirmative covenants

The affirmative covenants include, among others: (i) providing certain financial information, as described above in respect of the Senior Facilities Agreement, (ii) compliance with laws and regulations, (iii) the maintenance of pari passu ranking, (iv) most favored nation provisions, (v) various reporting and information obligations including in relation to the Project, (vi) maintenance and preservation of material intellectual property and (viii) various obligations in connection with the Project including, among others, in relation to the completion of the Project, funding of increased costs, procurement procedures, project assets and properties, insurances, rights and permits, environment and integrity.

Negative covenants

The negative covenants include restrictions, with respect to, among others: the items listed above in respect of the Senior Facilities Agreement.

Financial covenants

The EIB Facility Agreement contains the same two financial covenants which apply to the Senior Facilities Agreement.

Events of default

The EIB Facility Agreement contains various customary events of default, subject to customary materiality qualifications and grace periods, including but not limited to (i) non-payment, (ii) failure to comply with obligations under the EIB Facility Agreement, (iii) breach of financial covenant, (iv) misrepresentation, (v) insolvency events and proceedings, (vi) cessation of business, (vii) non-compliance with judgments, (viii) audit qualification, (ix) a cross default in relation to any financial indebtedness in an aggregate amount of €20.0 million or more with respect to payment default, acceleration and suspension or cancellation of commitments, (x) a cross default in relation to the 2023 Notes or any other debt capital markets instrument issued by the Group and (xi) a cross default in relation to any other loan made to any member of the Group by the European Investment Bank or the European Union. At any time after the occurrence of an event of default the European Investment Bank may declare that any outstanding amounts to be immediately repaid together with a repayment indemnity.

Governing law

The EIB Facility Agreement is governed by French law.

Commercial Paper Program

In 2018, the Issuer implemented a commercial paper program for a maximum amount of €300 million. The Commercial Paper Program is intended to replace the drawdowns of the Revolving Facility for the Group's seasonal working capital requirement. Maturities on the commercial paper are less than one year.

The Commercial Paper Program is governed by French law.

As of the date of this offering memorandum, outstanding borrowings under the Commercial Paper Program amounted to €120 million.

Other

The Group currently has a number of uncommitted, unsecured and unguaranteed overdraft facilities in place to meet working capital needs.

DESCRIPTION OF THE NOTES

Fnac Darty S.A. (formerly Groupe Fnac S.A.), a *société anonyme* organized under the laws of France (the "*Company*") will issue (i) €300 million aggregate principal amount of 1.875% Senior Notes due 2024 (the "*2024 Notes*") under an indenture, to be dated on or around May 14, 2019 (the "*2024 Notes Indenture*"), between, among others, the Company and Deutsche Trustee Company Limited, as trustee (the "*2024 Notes Trustee*"), and (ii) €350 million aggregate principal amount of 2.625% Senior Notes due 2026 (the "*2026 Notes*" and, together with the 2024 Notes, the "*Notes*") under an indenture, to be dated on or around May 14, 2019 (the "*2026 Notes Indenture*" and, together with the 2024 Notes Indenture, the "*Indentures*"), between, among others, the Company and Deutsche Trustee Company Limited, as trustee (the "2026 Notes Trustee" and, together with the 2024 Notes Trustee, the "*Trustee*"), in a private transaction that is not subject to the registration requirements of the Securities Act. Unless the context requires otherwise, references in this "*Description of the Notes*" to (i) a "Trustee" means the 2024 Notes Trustee or the 2026 Notes Trustee, (ii) an "Indenture" means the 2024 Notes Indenture or the 2026 Notes Indenture, (iii) the "Indentures" means, collectively, the 2024 Notes Indenture and the 2026 Notes Indenture, or means one indenture or the other, as the context may require, and (iv) the "Notes" means the 2024 Notes and the 2026 Notes, in each case, as the context may require. The 2024 Notes and the 2026 Notes each constitute a separate series of Notes.

The Indentures contain provisions that define your rights and govern the obligations of the Company and the Guarantors (as defined herein) under the Notes. The terms of the Notes include those set out in the Indentures. The Indentures are not required to be, nor will they be, qualified under, nor will they be subject to, nor will they include by incorporation by reference or otherwise any provisions of, the U.S. Trust Indenture Act of 1939, as amended.

Certain terms used in this description are defined below under the caption "*—Certain Definitions*". In this description, references to the "Company", "we", "our", and "us" refer only to Fnac Darty S.A. and not to any of its subsidiaries.

The following is only a summary of certain provisions of the Indentures and the Notes. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of those agreements, including the definitions of certain terms therein. We urge you to read the Indentures because they contain additional information and because they and not this description defines your rights as a holder of the Notes. A copy of the form of the Indentures may be obtained by requesting them from us at the address indicated under "*Listing and General Information*".

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indentures.

Overview of the Notes

The Notes will be general unsecured obligations of the Company and will:

- rank *pari passu* in right of payment with all existing and future senior Indebtedness of the Company that is not subordinated in right of payment to the Notes, including the obligations of the Company under the Senior Facilities Agreement, the EIB Facility and the Commercial Paper Program;
- be effectively subordinated to all existing and future secured Indebtedness of the Company to the extent of the value of the assets securing such secured Indebtedness;
- rank senior in right of payment to all existing and future Indebtedness of the Company that is expressly subordinated in right of payment to the Notes;
- be structurally subordinated to all existing and future Indebtedness, including obligations to trade creditors and lessors, of each non-Guarantor Subsidiary of the Company;
- be guaranteed on a senior basis on the Post-Closing Date by the following subsidiaries of the Company: Fnac Darty Participations et Services S.A., Fnac Direct SASU, Etablissements Darty & Fils SASU, Darty Grand Est SNC, Darty Grand Ouest SNC, Fnac Belgium SA and Fnac Vanden Borre NA (collectively, the "Post-Closing Guarantors"); and

- in respect of (i) the 2024 Notes, mature on May 30, 2024 and (ii) the 2026 Notes, mature on May 30, 2026.

Principal, Maturity and Interest

On the Issue Date, the Company will issue (i) the 2024 Notes in an aggregate principal amount of €300 million and (ii) the 2026 Notes in an aggregate principal amount of €350 million. The 2024 Notes will mature on May 30, 2024, and the 2026 Notes will mature on May 30, 2026. The 2024 Notes and the 2026 Notes will constitute a separate series of Notes. The Notes will be issued in fully registered form, without coupons, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the 2024 Notes will accrue at the rate of 1.875% per annum on the aggregate principal amount of 2024 Notes outstanding. Interest will be payable semi-annually to Holders of record at the close of business on May 15 or November 15 immediately preceding the interest payment date, on May 30 and November 30 of each year, commencing November 30, 2019. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the 2024 Notes.

Interest on the 2026 Notes will accrue at the rate of 2.625% per annum on the aggregate principal amount of 2026 Notes outstanding. Interest will be payable semi-annually to Holders of record at the close of business on May 15 or November 15 immediately preceding the interest payment date, on May 30 and November 30 of each year, commencing November 30, 2019. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the 2026 Notes.

Interest on the Notes will accrue from the date of original issue, or, if interest has already been paid or provided for, from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance of the Notes. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months on the aggregate nominal amount outstanding.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

From time to time, subject to the Company's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Indebtedness*", the Company is permitted to issue (i) additional 2024 Notes under the 2024 Notes Indenture (the "*Additional 2024 Notes*") and (ii) additional 2026 Notes under the 2026 Notes Indenture (the "*Additional 2026 Notes*" and, together with the Additional 2024 Notes, the "*Additional Notes*"), which shall have terms substantially identical to the Notes of such series except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

The 2024 Notes and any Additional 2024 Notes that are actually issued will be treated as a single class for all purposes of the 2024 Notes Indenture, and the 2026 Notes and any Additional 2026 Notes that are actually issued will be treated as a single class for all purposes of the 2026 Notes Indenture, in each case, including, without limitation, with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, references to the "2024 Notes", the "2026 Notes" and the "Notes" for all purposes of the 2024 Notes Indenture, the 2026 Notes Indenture and, collectively, the Indentures, respectively, include references to any Additional 2024 Notes, Additional 2026 Notes or Additional Notes, as applicable, that are actually issued. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the initial Notes, and such Additional Notes shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date as well any such Additional Notes; *provided*, however, any Additional Notes that are not fungible with the Notes offered hereunder for U.S. federal income tax purposes shall have a separate Common Code, CUSIP, ISIN, or other identifying number from such Notes.

Paying Agent and Registrar for the Notes

The Company will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes, including in London (the "*Principal Paying Agent*"). The Company will also maintain one or more registrars (each, a "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Deutsche Bank Luxembourg S.A. The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar, Paying Agent and the Transfer Agent, as applicable, will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Company.

The Company will initially appoint Deutsche Bank AG, London Branch as Principal Paying Agent.

The Company may change any Paying Agent, Registrar or Transfer Agent for any series of the Notes without prior notice to the Holders of such series of Notes. For so long as the Notes are listed on the Official List of the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*") and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin (which is expected to be The Irish Times) or, to the extent and in the manner permitted by Euronext Dublin, post such notice on the official website of Euronext Dublin (*www.ise.ie*).

Note Guarantees

The Notes will not be initially guaranteed. The Notes will benefit from Note Guarantees of the Post-Closing Guarantors commencing on the Post-Closing Date. The Guarantors will, jointly and severally, fully and unconditionally guarantee payment of the Notes of each series on a senior basis.

The Note Guarantee of each Guarantor will be a general unsecured senior obligation of such Guarantor and will:

- rank *pari passu* in right of payment with all existing and future senior Indebtedness of such Guarantor that is not subordinated in right of payment to its Note Guarantee, including its obligations under the Senior Facilities Agreement and the EIB Facility;
- be effectively subordinated to all existing and future secured Indebtedness of such Guarantor to the extent of the value of the assets securing such secured Indebtedness;
- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to its Note Guarantee; and
- be structurally subordinated to any existing and future Indebtedness, including obligations to trade creditors and lessors, of each non-Guarantor Subsidiary of such Guarantor.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law and regulation, including corporate benefit, thin capitalization and other laws and regulations.

By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*". The validity and enforceability of the Note Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees*".

Not all of the Subsidiaries of the Company will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, such non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. As of and for the financial year ended December 31, 2018, the revenue, assets and EBITDA of the Group's non-Guarantor subsidiaries, based on their historical financial statements but disregarding intercompany items, together represented 45% of the Group's consolidated revenue, 9% of the Group's consolidated assets and minus 4% of the Group's consolidated EBITDA of the Group. As of December 31, 2018 on an adjusted basis giving effect to the Transactions and applying the net proceeds in the manner described in *"Use of Proceeds"*, indebtedness of the non-Guarantor subsidiaries consisted mainly of inter-company balances, trade payables and finance leases.

Although the Indentures contain limitations on the amount of additional Indebtedness that the Company and its Restricted Subsidiaries may Incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be structurally senior Indebtedness or secured Indebtedness. See "*—Certain Covenants—Limitation on Indebtedness*" below.

As described below under the caption "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*", certain Restricted Subsidiaries of the Company that guarantee certain Indebtedness of the Company or a Guarantor will, subject to certain exceptions, also be required to become Guarantors.

Substantially all of the operations of the Company are conducted through its Subsidiaries. Claims of creditors of Subsidiaries of the Company that are not Guarantors, including trade creditors and lessors, and claims of preferred shareholders (if any) of Subsidiaries, will have priority with respect to the assets and earnings of such Subsidiaries, over the claims of creditors of the Company and the Guarantors, including holders of the Notes. The Notes, therefore, will be effectively subordinated to creditors (including trade creditors and lessors) and preferred shareholders (if any) of Subsidiaries of the Company that are not Guarantors. Although the Indentures limit the incurrence of Indebtedness by the Company and its Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. See "*—Certain Covenants—Limitation on Indebtedness*" below.

Release of Note Guarantees

The Note Guarantee of a Guarantor will terminate and be released:

(a) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary;

(b) in connection with any sale or other disposition of Capital Stock of that Guarantor or its parent company to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary such that such Guarantor ceases to be a Restricted Subsidiary;

(c) upon the release or discharge of the Guarantee by such Guarantor of the Indebtedness that resulted in the creation of such Note Guarantee pursuant to the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*", so long as no Event of Default would arise as a result thereof;

(d) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indentures;

(e) upon legal defeasance, covenant defeasance or satisfaction and discharge of the applicable Notes under the applicable Indenture with respect to such series as provided below under the captions "*Defeasance*" and "*Satisfaction and Discharge*";

(f) so long as no Event of Default has occurred and is continuing, in connection with such Guarantor (i) being unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement and (ii) not being otherwise required to provide a Note Guarantee pursuant to the covenant described under "*—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*";

(g) as provided below under the caption "*—Amendments and Waivers*"; or

(h) in connection with the solvent liquidation or winding-up of the relevant Guarantor.

None of the Company, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, all of the Company's Subsidiaries will be "*Restricted Subsidiaries*" for purposes of the Indentures. Nevertheless, under the circumstances described below under the definition of "*Unrestricted Subsidiary*", the Company will be permitted to designate certain Subsidiaries as "*Unrestricted Subsidiaries*". The Company's Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indentures. The Company's Unrestricted Subsidiaries will not guarantee the Notes.

Optional Redemption

The Notes will be redeemable, at the Company's option, at any time prior to maturity at varying redemption prices in accordance with the applicable provisions set forth below.

On and after May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes, the Company may redeem the Notes, at its option, in whole or in part and from time to time, at the applicable redemption price set forth in the table below (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date). Such redemption may be made upon notice delivered, or caused to be delivered, to each Holder, not less than 10 nor more than 60 days prior to the redemption date. The Company may provide in such notice that payment of the redemption price and the performance of the Company's obligations with respect to such redemption may be performed by another Person. The Notes will be so redeemable at the following redemption prices (expressed as a percentage of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the relevant redemption date, if redeemed during the 12-month period commencing on May 30 of the years set forth below:

2024 Notes

Year	Redemption Price
2021	100.9375%
2022	100.4688%
2023 and thereafter	100.0000%

2026 Notes

Year	Redemption Price
2022	101.3125%
2023	100.6563%
2024 and thereafter	100.0000%

At any time prior to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes the Company may redeem the Notes, at its option, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount thereof plus the relevant Applicable Premium as of, and accrued and unpaid interest, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date). Such redemption may be made upon notice delivered, or caused to be delivered to each Holder, not less than 10 nor more than 60 days prior to the redemption date. The Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person.

At any time prior to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes, the Company will be entitled, at its option, on one or more occasions to redeem Notes of each series in an aggregate principal amount not to exceed 40% of the aggregate original principal amount of each series of Notes (calculated after giving effect to the issuance of any Additional Notes) with funds in an equal aggregate amount not exceeding the aggregate proceeds of one or more Equity Offerings, at a redemption price (expressed as a percentage of principal amount) of 101.875%, in the case of the 2024 Notes, or 102.625%, in the case of the 2026 Notes, in each case, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date); *provided*, however, that after giving effect to any such redemption:

(a) an aggregate principal amount of the applicable Notes equal to at least 60% of the aggregate principal amount of the applicable series of Notes issued on the Issue Date (plus the aggregate principal amount of any applicable Additional Notes issued after the Issue Date but excluding any applicable Notes or applicable Additional Notes held by the Company and its Restricted Subsidiaries) remains outstanding immediately after the occurrence of each such redemption; and

(b) each such redemption occurs within 120 days after the date of the completion of the related Equity Offering.

Such redemption may be made upon notice provided to the Holders not less than 10 nor more than 60 days prior to the redemption date.

In connection with any tender offer for, or other offer to purchase, any series of Notes (including any Change of Control Offer (as defined below)), if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes of such series validly tender and do not validly withdraw such Notes in such tender offer or other offer to purchase, and the Company, or any third party making such tender offer or other offer to purchase in lieu of the Company, purchases all of such Notes validly tendered and not validly withdrawn by such Holders, the Company or such third party will have the right, upon not less than 10 nor more than 60 days' notice, given not more than 30 days following the expiration of such tender offer or other offer to purchase, to redeem all such Notes that remain outstanding following the expiration of such offer at a price equal to the price paid to each other Holder in such tender offer or other offer to purchase (other than any incentive payment for early tenders or similar payment), *plus*, to the extent not included in the tender offer or other offer to purchase payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including, the date of such redemption (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date). In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes of any series have been validly tendered and not validly withdrawn in a tender offer or other offer to purchase, as applicable, such Notes owned by an Affiliate of the Company or by funds controlled or managed by any Affiliate of the Company, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer to purchase, as applicable.

If the Company effects an optional redemption of Notes, it will, if and for so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, inform the Global Exchange Market of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

The Company may provide in any notice of redemption that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person. Any redemption or notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, the completion of an Equity Offering, merger, acquisition, financing or other transaction or event. If such redemption is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Company's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied or waived, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time in the Company's discretion if in the good faith judgment of the Company any or all of such conditions will not be satisfied.

Selection and Notice

For so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Company shall publish notice of any redemption in a newspaper having a general circulation in Ireland (which is expected to be The Irish Times) or, to the extent and in the manner permitted by Euronext Dublin, post such notice on the official website of Euronext Dublin (*www.ise.ie*).

In the case of any partial redemption, selection of the Notes for redemption will be made in accordance with the applicable procedures of Euroclear and/or Clearstream, as applicable, unless otherwise required by law or applicable stock exchange or depositary requirements, or if the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor or such method that most nearly approximates a *pro rata* selection as instructed by the Company.

No Note of €100,000 in aggregate principal amount or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder shall be redeemed.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase Notes as described under the caption ''—*Change of Control*''. The Company and its Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Additional Amounts

All payments required to be made by the Company under or with respect to the Notes or by any Guarantor under or with respect to a Note Guarantee (each of the Company or such Guarantor and, in each case, any successor thereof, making such payment, the ''*Payor*'') will be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed or levied by or on behalf of the government of France or any political subdivision thereof or any authority or agency therein or thereof having power to tax, or by or on behalf of any authority or agency having power to tax within any other jurisdiction in which such Payor is incorporated, organized or otherwise resident for tax purposes, or engaged in business for tax purposes, or by or on behalf of any jurisdiction from or through which payment is made by or on behalf of such Payor (each a ''*Relevant Taxing Jurisdiction*''), unless such Payor is required to withhold or deduct such Taxes by law or regulation.

If a Payor is so required to withhold or deduct any amount for or on account of Taxes imposed or levied by or on behalf of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or a Note Guarantee, as applicable, such Payor will be required to pay such additional amounts (''*Additional Amounts*'') as may be necessary so that the net amount received by any Holder (including Additional Amounts) after such withholding or deduction will not be less than the amount the Holder or beneficial owner would have received if such Taxes had not been withheld or deducted; *provided*, however, that the foregoing obligation to pay Additional Amounts does not apply to:

(a) any Taxes that would not have been (or would not be required to be) so imposed, withheld, deducted or levied but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, company or corporation) and the Relevant Taxing Jurisdiction, including, without limitation, such Holder or beneficial owner being or having been a citizen, domiciliary, national or resident thereof, or being or having been present or engaged in a trade or business therein or having had a permanent establishment, dependent agent or physical presence therein (other than any connection arising solely from the acquisition or holding of any Note, the receipt of any payments in respect of such Note or a Note Guarantee or the exercise or enforcement of rights under a Note or Note Guarantee);

(b) any Taxes that would not have been (or would not be required to be) imposed, withheld, deducted or levied if such Holder or the beneficial owner of any Note or interest therein (i) complied with all reasonable written requests by the Payor (made at a time that would enable the Holder or beneficial owner acting reasonably to comply with such request) to provide information or documentation concerning the nationality, residence or identity of such Holder or beneficial owner or (ii) made any declaration or similar claim or satisfied any certification, information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of withholding or deduction of, all or part of such Taxes;

(c) any estate, inheritance, gift, value, use, sales, excise, transfer, personal property or similar Tax;

(d) any Taxes which are payable other than by withholding or deduction from payments made under or with respect to the Notes or any Note Guarantee;

(e) any Taxes imposed on or with respect to a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent;

(f) any Taxes imposed on or with respect to a payment which could have been made without deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required) within 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Note been presented on any day during the 30-day period);

(g) any Taxes imposed on or with respect to any payment made under or with respect to such Note or Note Guarantee to any Holder who is a fiduciary or partnership (or entity treated as a partnership for applicable tax purposes) or any Person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or entity treated as a partnership for applicable tax purposes or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the sole beneficial owner of such Note;

(h) any withholding or deduction required to be made from a payment pursuant to Sections 1471 – 1474 of the U.S. Internal Revenue Code of 1986, as amended (the ''Code''), as of the Issue Date (or any amended or successor version), any regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States of America with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code;

(i) any withholding or deduction for French taxes required to be made by reason of a payment being (x) paid to a bank account opened in a financial institution established in, or (y) paid or accrued to a person established or domiciled in, a non-cooperative State or territory (*Etat ou territoire non-coopératif*) as defined in Article 238-0 A of the French Code *général des impôts*;

(j) any withholding or deduction for French taxes required to be made by reason of the Holder or the beneficial owner of the Notes concurrently being a shareholder of the Company or of any Guarantor; or

(l) any Taxes imposed or levied by reason of any combination of clauses (a) through (j) above.

The Company and the Guarantors (as the case may be) will pay and indemnify the Holders and/or beneficial owners for any present or future stamp, issue, registration, excise, property, court or documentary Taxes, or similar Taxes, charges or levies and interest, penalties and other reasonable expenses related thereto that arise in or are levied by any Relevant Taxing Jurisdiction on the execution, issuance, delivery, enforcement or registration of the Notes, the Indentures, the Note Guarantees or any other document or instrument in relation thereto (other than on a transfer or assignment of the Notes after this offering) or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (a) through (b) or (e) through (j) above or any combination thereof).

The Payor will make or cause to be made any withholding or deduction required of a Payor in respect of Taxes, and will remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction, in accordance with applicable law. Upon request, the Payor will use reasonable efforts to provide, within a reasonable time after the date the payment of any such Taxes so deducted or withheld is made, the Trustee with official receipts or other documentation evidencing the payment of the Taxes with respect to which Additional Amounts are paid. If so provided, copies thereof will be made available at the offices of the Trustee and copies will be made available by the Trustee to a Holder or beneficial owner on written request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes, the Payor will deliver to the Principal Paying Agent with a copy to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Payor shall notify the Principal Paying Agent and the Trustee promptly thereafter) a certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information reasonably necessary to enable the Principal Paying Agent to pay Additional Amounts to Holders or beneficial owners on the relevant payment date. The Trustee and Paying Agent shall be entitled to rely solely on such certificate without further inquiry, as conclusive proof that such payments are necessary.

Whenever in the Indentures there is mentioned, in any context:

(a) the payment of principal;

(b) redemption prices or purchase prices in connection with a redemption or a purchase of Notes, as applicable;

(c) the payment of interest; or

(d) any other amount payable on or with respect to any of the Notes,

such reference will be deemed to include payment of Additional Amounts as described under this heading "—*Additional Amounts*", to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The obligations described under this heading, "—*Additional Amounts*", will survive any termination, defeasance or discharge of any Indenture or any Note Guarantee and will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Payor is incorporated, organized or otherwise resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

For a discussion of certain withholding taxes applicable to payments under or with respect to the Notes, see "*Taxation*".

Optional Redemption for Changes in Withholding Taxes

The Company is entitled to redeem Notes of any series, at its option, at any time in whole but not in part, upon not less than 10 nor more than 60 days' notice to the Holders, at a redemption price equal to 100% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date occurring on or prior to the redemption date), in the event any Payor has become or would become obligated to pay under the terms of the Indentures and the Notes of such series on the next date on which any amount would be payable with respect to the Notes of such series, any Additional Amounts (but, in the case of a Guarantor, only if such amount could not be paid by the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), in each case, as a result of:

(a) a change in or an amendment to the laws or treaties (including any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction; or

(b) any change in or amendment to any official published position regarding the application, administration or interpretation of such laws (including any regulations or rulings promulgated thereunder and including the decision of any court, governmental agency or tribunal),

which change or amendment is publicly announced or becomes effective on or after the Issue Date and the Payor cannot avoid such obligation by taking reasonable measures available to it (including making payment through a Paying Agent located in another jurisdiction), *provided* that such Payor will not be required to take any measures that would result in the imposition on it of any material legal or regulatory burden or the incurrence by it of any material additional costs, or would otherwise result in any material adverse consequences. The foregoing provisions will apply *mutatis mutandis* to the laws and official positions of any jurisdiction in which any successor permitted under "*—Certain Covenants—Merger and Consolidation*" is incorporated, organized or otherwise resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

Prior to the giving of any notice of redemption described in the preceding paragraph, the Company will deliver to the Trustee and Principal Paying Agent an Officer's Certificate to the effect that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it. The Company will also deliver to the Trustee and Principal Paying Agent an opinion of independent legal counsel of recognized standing to the effect that the Payor would be obligated to pay Additional Amounts as a result of a change or amendment described above. The Trustee and Principal Paying Agent will accept such opinion as sufficient evidence of the Payor's obligations to pay such Additional Amounts, and it will be conclusive and binding on the Holders.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Company to repurchase all of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase; *provided*, however, that the Company will not be obligated to repurchase Notes pursuant to this covenant in the event that all of the Notes have been called for redemption as described under "*—Optional Redemption*".

Unless the Company has exercised its right to redeem all the Notes as described under "*—Optional Redemption*", the Company will, not later than 30 days following the date the Company obtains actual knowledge of any Change of Control having occurred, deliver, or cause to be delivered a notice (a "*Change of Control Offer*") to each Holder with a copy to the Principal Paying Agent and the Trustee stating: (1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (the "*Change of Control Payment*"); (2) the repurchase date (which will be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*"); (3) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and (4) the instructions determined by the Company, consistent with the applicable Indenture, that a Holder must follow in order to have its Notes purchased.

On the Change of Control Payment Date, if a Change of Control shall have occurred, the Company will, to the extent lawful:

(a) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(b) deposit with, or to the order of, the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered;

(c) deliver or cause to be delivered to the Principal Paying Agent for cancelation the Notes properly accepted; and

(d) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Principal Paying Agent will promptly deliver or cause to be delivered to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authentication agent approved by it) will, in the case of Definitive Registered Notes, promptly authenticate and mail to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the relevant Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in each case to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any applicable laws or regulations, including securities laws, conflict with the provisions of this covenant, the Company will comply with the applicable laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

The Company does not have any present plans to engage in a transaction involving a Change of Control, although it is possible that the Company could decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or recapitalizations, that would not constitute a Change of Control under the Indentures, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Except as described above with respect to a Change of Control, the Indentures do not contain provisions that permit the Holders to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The occurrence of certain events that constitute a Change of Control under the Notes would also be a change of control under the Senior Facilities Agreement and the EIB Facility and would (i) require immediate prepayment and cancellation of the Senior Facilities Agreement and (ii) permit the European Investment Bank, as lender, to require immediate prepayment and cancellation of the EIB Facility. Agreements governing future Indebtedness of the Company may contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Agreements governing future Indebtedness of the Company or any of its Subsidiaries may prohibit the Company from repurchasing the Notes upon a Change of Control or restrict the ability of its Subsidiaries to provide funds to the Company necessary to enable it to purchase the Notes. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under, or require repayment of Indebtedness under, such agreements, even if the Change of Control itself does not, due to the financial effect of such purchase on the Company and/or its Subsidiaries. Finally, the Company's ability to pay cash to the Holders upon a purchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

As described above under "—*Optional Redemption*" the Company also has the right to redeem the Notes at specified prices, in whole or in part, upon a Change of Control or otherwise. The provisions under the Indentures relating to the Company's obligation to make an offer to purchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the Notes.

Holders of the Notes may not be entitled to require the Company to purchase their Notes in certain circumstances involving a significant change in the composition of the Company's board of directors, including in connection with a proxy contest, where the Company's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indentures.

This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indentures.

The definition of "Change of Control" includes a phrase relating to the sale or other transfer of "all or substantially all" of the assets of the Company and its Restricted Subsidiaries. Although there is a developing body of case law interpreting the phrase "substantially all", there is no precise definition of the phrase under applicable law. Accordingly, there may be uncertainty whether a particular transaction involves a disposition of "all or substantially all" of the assets of the Company and its Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Company to make an offer to repurchase its Notes as described above.

If and for so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Company will publish a notice of any Change of Control Offer in a newspaper having a general circulation in Ireland (which is expected to be The Irish Times) or, to the extent and in the manner permitted by Euronext Dublin, post such notice on the official website of Euronext Dublin (*www.ise.ie*).

Certain Covenants

Limitation on Indebtedness

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, however, that the Company or any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of the Incurrence of such Indebtedness, on a *pro forma* basis (including *pro forma* application of the proceeds thereof), the Consolidated Fixed Charge Coverage Ratio would be at least 2.0 to 1.0; and *provided* further that the aggregate principal amount of Indebtedness incurred by Restricted Subsidiaries that are not Guarantors pursuant to this paragraph shall not exceed the greater of €200 million and 5.00% of Consolidated Tangible Assets.

(b) Notwithstanding the foregoing paragraph (a), the Company and Restricted Subsidiaries may Incur the following Indebtedness:

(i) Indebtedness Incurred pursuant to any Credit Facility in an aggregate principal amount at any time outstanding not exceeding (x) the greater of €950 million and 24.0% of Consolidated Tangible Assets *plus* (y) in the event of any refinancing of any Indebtedness permitted under this clause (i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(ii) Indebtedness (A) of any Restricted Subsidiary to the Company or (B) of the Company or any Restricted Subsidiary to any Restricted Subsidiary; *provided*, that (a) any such Indebtedness owed by the Company or a Guarantor to a Restricted Subsidiary that is not the Company or a Guarantor shall, to the extent legally permitted, be subordinated in right of payment to, in the case of Indebtedness of the Company, the Notes or, in the case of Indebtedness of a Guarantor, its Note Guarantee and (b) any subsequent issuance or transfer of any Capital Stock of such Restricted Subsidiary to which such Indebtedness is owed, or other event, that results in such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of such Indebtedness (except to the Company or a Restricted Subsidiary) will be deemed, in each case, an Incurrence of such Indebtedness by the issuer thereof not permitted by this clause (ii);

(iii) Indebtedness represented by the 2024 Notes (other than any Additional 2024 Notes), the 2026 Notes (other than any Additional 2026 Notes) or Note Guarantees and any Indebtedness (other than the Indebtedness described in clauses (i) or (iii) of this paragraph (b)) outstanding on the Issue Date after giving effect to the use of proceeds of the 2024 Notes and the 2026 Notes, and any Refinancing Indebtedness Incurred in respect of any Indebtedness described in paragraph (a) or this clause (iii) or clause (vii) of this paragraph (b);

(iv) Indebtedness represented by Purchase Money Obligations, Capitalized Lease Obligations, mortgage financings, and in each case any refinancing with respect thereto, in an aggregate principal amount, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (iv), not to exceed at any time the greater of (x) €90 million, and (y) 2.28% of Consolidated Tangible Assets;

(v) guarantees by the Company or any Restricted Subsidiary of Indebtedness or any other obligation or liability of the Company or any Restricted Subsidiary (other than any Indebtedness Incurred by the Company or such Restricted Subsidiary, as the case may be, in violation of this covenant), including any counter-indemnity obligations or guarantees of the Company or any Restricted Subsidiary in respect of guarantees, bonds, letters of credit or similar instruments issued by a bank, financial institution, insurer, insurance company or other entity providing such instruments;

(vi) Indebtedness of the Company or any Restricted Subsidiary (A) arising from the honoring of a check, draft or similar instrument of such Person drawn against insufficient funds, *provided* that such Indebtedness is extinguished within five Business Days of its Incurrence, (B) in respect of customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business, whether paid directly by the customer or by a credit card company, (C) owed on a short-term basis to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries, (D) Incurred in connection with credit card processing arrangements entered into in the ordinary course of business, (E) netting, overdraft protection and other similar arrangements arising under standard business terms of any bank at which the Company or any Restricted Subsidiary maintains an overdraft, cash pooling or other similar facility or arrangement, (F) consisting of guarantees, indemnities, obligations in respect of earnouts or other purchase price adjustments, or similar obligations, Incurred in connection with the acquisition or disposition of any business, assets or Person, or (G) that constitutes Permitted Trade Indebtedness;

(vii) Indebtedness (A) of any Person that is assumed by the Company or any Restricted Subsidiary in connection with its acquisition of assets from such Person or any Affiliate thereof or is issued by such Person and outstanding on or prior to the date on which such Person was acquired by the Company or any Restricted Subsidiary or merged or consolidated with or into the Company or any Restricted Subsidiary (including pursuant to any acquisition of assets and assumption of related liabilities), and (B) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided*, with respect to each of clauses (A) and (B) hereof, that on the date of such acquisition, merger or consolidation, after giving effect thereto, the Company could Incur at least €1.00 of additional Indebtedness pursuant to paragraph (a) above or the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition, merger or consolidation and any related transactions occurring simultaneously therewith;

(viii) Indebtedness of the Company or any Restricted Subsidiary in respect of (A) Hedging Obligations, entered into for *bona fide* hedging purposes and not for speculative purposes, (B) Management Guarantees, (C) the financing of insurance premiums in the ordinary course of business, or (D) take-or-pay obligations under supply arrangements incurred in the ordinary course of business;

(ix) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of Preferred Stock or Disqualified Stock; *provided* that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock or Disqualified Stock being held by a Person other than the Company or a Restricted Subsidiary; and

(B) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such Preferred Stock or Disqualified Stock by such Restricted Subsidiary that was not permitted by this clause (ix);

(x) (A) Indebtedness of the Company or a Restricted Subsidiary in respect of letters of credit, surety, performance or appeal bonds, completion guarantees, bank guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of import duty, self-insurance and workers compensation obligations; *provided*, however, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; and (B) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms; and

(xi) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount at any time outstanding not exceeding an amount equal to the greater of (x) €200 million, and (y) 5.00% of Consolidated Tangible Assets.

(c) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, paragraphs (a) and (b) of this covenant, (i) any other obligation of the obligor on such Indebtedness (or of any other Person who could have Incurred such Indebtedness under this covenant) arising under any guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation supporting such Indebtedness will be disregarded to the extent that such guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation secures the principal amount of such Indebtedness; (ii) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in paragraphs (a) or (b) above, including for the avoidance of doubt if such Indebtedness may constitute Refinancing Indebtedness, the Company, in its sole discretion, will classify, and, subject to the last sentence of this paragraph, may from time to time reclassify, such item of Indebtedness and may include the amount and type of such Indebtedness in one or more of such clauses of paragraph (b) (including in part under one such clause and in part under another such clause) or paragraph (a); and (iii) the amount of Indebtedness shall be calculated as described under the definition of "Indebtedness" and on the basis of IFRS. Any Indebtedness outstanding on the Issue Date under the Senior Facilities Agreement will be classified as Incurred on such date under paragraph (b)(i) of this covenant and may not be reclassified. For the purposes of determining the ability to incur any Indebtedness pursuant to paragraphs (a) and (b) of this covenant or the creation or incurrence of any Lien pursuant to the definition of "Permitted Liens" that is based on a ratio or percentage, the Company may elect, at its option at any time, to treat all or any portion of the committed amount of any Indebtedness (and the issuance and creation of letters of credit and bankers' acceptances thereunder) which may be incurred or secured by such Lien, as the case may be (any such committed amount until revoked as described below, the "*Reserved Indebtedness Amount*") as being incurred as of such election date if such ratio or percentage would be satisfied with respect thereto on such election date and any subsequent borrowing or reborrowing of such committed amount (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be deemed to be permitted under this covenant or the definition of "Permitted Liens," as applicable, whether or not the applicable ratio or percentage to Incur such Indebtedness or Lien would be met at the actual time of any subsequent borrowing or reborrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder); *provided* that for purposes of subsequent calculations of ratio or basket capacity the full Reserved Indebtedness Amount shall be deemed to be outstanding, whether or not such amount is actually outstanding, for so long as such commitments are outstanding or until the Company revokes an election of a Reserved Indebtedness Amount.

(d) For the purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness denominated in a currency other than euro, the euro-equivalent principal amount of such Indebtedness Incurred pursuant thereto will be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was Incurred, the election date in respect of a Reserved Indebtedness Amount (until the Company revokes such election) or, in the case of revolving credit Indebtedness, at the Company's option, at any time committed; *provided* that (x) the euro-equivalent principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date, (y) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, and (z) the euro-equivalent principal amount of Indebtedness denominated in a currency other than euro and Incurred pursuant to the Senior Facilities Agreement will be calculated based on the relevant currency exchange rate in effect on, at the Company's option, (i) the Issue Date, (ii) any date on which any of the respective commitments under the Senior Facilities Agreement will be reallocated between or among facilities thereunder, or on which such rate is otherwise calculated for any purpose thereunder, or (iii) the date of such Incurrence. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

(a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(i) declare or pay any dividend or make any distribution on or in respect of the Company's or any of its Restricted Subsidiaries' Equity Interests (including any such payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except (A) dividends or distributions payable solely in Equity Interests (other than Disqualified Stock) of the Company and (B) dividends or distributions payable to the Company or any Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to other holders of its Equity Interests on no more than a *pro rata* basis);

(ii) purchase, redeem, retire or otherwise acquire for value any Equity Interests of the Company held by Persons other than the Company or a Restricted Subsidiary;

(iii) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than (A) a purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligations in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such acquisition or retirement and (B) any Subordinated Obligations owed to the Company or any Restricted Subsidiary); or

(iv) make any Investment (other than a Permitted Investment) in any Person,

(any such payments and other actions set forth in these clauses (i) through (iv) above being herein referred to as a "*Restricted Payment*"), unless, at the time the Company or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

(A) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(B) the Company could at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable two consecutive fiscal semiannual periods, Incur at least an additional €1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; and

(C) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be as determined in good faith by the Board of Directors) declared or made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (iv), (v), (vii) and (xii) of paragraph (b) of this covenant but excluding all other Restricted Payments permitted by paragraph (b) of this covenant) and then outstanding would not exceed, without duplication, the sum of:

(1) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) beginning on the first day of the first semi-annual period ending after the Issue Date to the end of the most recent semi-annual period ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in case such Consolidated Net Income will be a negative number, 100% of such negative number);

(2) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets received (x) by the Company as capital contributions to the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary) of its Equity Interests (other than Disqualified Stock) after the Issue Date, or (y) by the Company or any Restricted Subsidiary from the issuance and sale (other than to the Company or a Restricted Subsidiary) by the Company or any Restricted Subsidiary after the Issue Date of Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock), plus the amount of any cash and the Fair Market Value of any property or assets, received by the Company or any Restricted Subsidiary upon such conversion or exchange;

(3) the aggregate amount equal to (x) dividends, distributions, interest payments, return of capital, repayments of Investments or other transfers of assets to the Company or any Restricted Subsidiary from any Unrestricted Subsidiary, to the extent that such transfers of assets were not otherwise included in the Consolidated Net Income of the Company for such period, or (y) the net reduction in Investments in Unrestricted Subsidiaries resulting from the redesignation of any Unrestricted Subsidiary as a Restricted Subsidiary (valued in each case as provided in the definition of "Investment"), not to exceed in the case of any such Unrestricted Subsidiary the aggregate amount of Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary after the Issue Date;

(4) in the case of any disposition or repayment of any Investment constituting a Restricted Payment (without duplication of any amount deducted in calculating the amount of Investments at any time outstanding included in the amount of Restricted Payments), an amount (to the extent not included in Consolidated Net Income) in the aggregate equal to the lesser of the return of capital, repayment or other proceeds with respect to all such Investments received by the Company or a Restricted Subsidiary and the initial amount of all such Investments constituting Restricted Payments; and

(5) €50 million.

(b) The provisions of paragraph (a) of this covenant do not prohibit any of the following (each, a "*Permitted Payment*"):

(i) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Equity Interests of the Company or Subordinated Obligations made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent issuance or sale of, Equity Interests of the Company (other than Disqualified Stock and other than Equity Interests issued or sold to a Subsidiary) or a substantially concurrent capital contribution to the Company, *provided* that the Net Cash Proceeds from such issuance, sale or capital contribution will be excluded in subsequent calculations under clause (a)(C)(2) of this covenant;

(ii) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Obligations made by exchange for, or out of the proceeds of the issuance or sale of, Refinancing Indebtedness Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(iii) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Obligations (A) with the net cash proceeds of any asset disposition at a purchase price not greater than 100% of the principal amount (plus accrued but unpaid interest) of such Subordinated Obligations and as otherwise required by the terms thereof; (B) at a price no greater than 101% following the occurrence of a Change of Control (pursuant to provisions in such Subordinated Obligations similar to those described under "*—Change of Control*"), but only if the Company will have complied with the provisions described under "*—Change of Control*" and, if required, purchased all Notes tendered pursuant to the offer to repurchase required thereby, prior to purchasing or repaying such Subordinated Obligations; or (C) constituting Acquired Indebtedness;

(iv) any dividend paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with the provisions of the Indentures;

(v) the purchase, repurchase, redemption, defeasance or other acquisition, cancelation or retirement for value of Equity Interests of the Company held by, or for the purpose of granting Equity Interests to, any current or former officer, director, consultant or employee of the Company or any Restricted Subsidiary pursuant to, or in connection with, any equity subscription agreement, stock option plan, shareholders' agreement, management or employee benefit or incentive plan or any similar compensatory arrangement (including for the avoidance of doubt, making Equity Interests available under any such plans or arrangements); *provided* that such purchases, repurchases, redemptions, defeasances, acquisitions, cancellations or retirements do not exceed an amount equal to (x) €2 million per annum (with unused amounts being carried over into succeeding years) *plus* (y) €6 million *plus* (z) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Equity Interests to a parent entity of the Company) from, or as a contribution to the equity (in each case under this clause (v), other than through the issuance of Disqualified Stock) of the Company from, the issuance or sale to officers, directors, consultants or employees of the Company or any Restricted Subsidiary of Equity Interests, to the extent such Net Cash Proceeds are not included in any calculation under clause (a)(C)(2) or clause (b)(i) of this covenant;

(vi) payments by the Company to holders of Capital Stock of the Company in lieu of issuance of fractional shares of such Capital Stock;

(vii) so long as no Default or Event of Default has occurred and is continuing (or would result from), (A) the declaration and payment by the Company of dividends on the common stock or common equity interests of the Company or (B) any purchase, redemption, repurchase, retirement or other acquisition of the common stock or common equity interests of the Company held by Persons other than the Company or a Restricted Subsidiary, in each case, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from all Equity Offerings (other than through the issuance of Disqualified Stock) taking place after the Issue Date and (b) an amount equal to the greater of (x) 7% of the Market Capitalization and (y) 7% of the Initial Market Capitalization; *provided* that, in the case of clause (x) or (y), after giving *pro forma* effect to such dividends, the Consolidated Leverage Ratio shall be equal to or less than 2.3 to 1.0;

(viii) any Restricted Payment (A) made pursuant to or in connection with the Transactions or (B) constituting or to be used for purposes of making payments in relation to: (w) the entering into, maintaining or performance of any employment contract, collective bargaining agreement, benefit plan, program or arrangement, related trust agreement or any other similar arrangement for or with any current or former employee, officer or director of or to the Company or any Restricted Subsidiary heretofore or hereafter entered into in the ordinary course of business, including vacation, health, insurance, deferred compensation, severance, retirement, savings or other similar plans, programs or arrangements, (x) the payment of compensation, performance, indemnification or contribution obligations, or any issuance, grant or award of stock, options, other equity-related interests or other securities, to employees, officers or directors in the ordinary course of business, (y) the payment of reasonable and customary fees to directors of the Company or any of its Restricted Subsidiaries (as determined in good faith by the Company or such Restricted Subsidiary), or (z) Management Advances and payments, waivers or transactions with respect thereof (or in reimbursement of any expenses referred to in the definitions of such terms);

(ix) (A) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; and (B) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;

(x) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such equity interests represent a portion of the exercise price of those stock options or warrants;

(xi) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed (net of repayments of any such loans or advances) the greater of (x) €200 million, and (y) 5.00% of Consolidated Tangible Assets; and

(xii) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payments; *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries does not exceed 2.0 to 1.0 on a *pro forma* basis after giving effect thereto.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith. The Company, in its sole discretion, may classify any Restricted Payment (or portion thereof) as being made in part under one of the provisions of this covenant (or, in the case of any Investment (or portion thereof), the clauses of the definition of "Permitted Investments") and in part under one or more other such provisions (or, as applicable, clauses). For the purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (b)(i) through (b)(xi) above, or is permitted pursuant to paragraph (a) of this covenant or one or more of the clauses contained in the definition of "Permitted Investment", the Company will be entitled, in its sole discretion, to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment and later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one or more of the clauses contained in the definition of "Permitted Investments" but (for the avoidance of doubt) excluding clause (b)(xii).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien (other than Permitted Liens) on any of its property or assets (including Capital Stock of any other Person), whether owned on the date of the Indentures or thereafter acquired, securing Indebtedness (the "*Initial Lien*"), unless contemporaneously therewith, effective provision is made to secure the Notes and the Note Guarantees, equally and ratably with (or on a senior basis to, in the case of Subordinated Obligations) such obligation for so long as such obligation is so secured by such Initial Lien.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph of this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (i) upon the release and discharge of the Initial Lien, (ii) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Indentures, (iii) with respect to any Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Note Guarantee of such Guarantor in accordance with the terms of the Indentures, (iv) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Indentures, (v) upon the effectiveness of any defeasance or satisfaction and discharge of the Notes as specified in the relevant Indenture or (vi) as provided below under the caption "—*Amendments and Waivers*".

Limitation on Issuances of Guarantees of Indebtedness

The Company will not permit any of its Restricted Subsidiaries (other than a Guarantor), directly or indirectly, to guarantee, assume or in any manner become liable with respect to any Indebtedness of the Company or a Guarantor Incurred under any Credit Facilities, unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee of the payment of the Notes by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* in right of payment with such Restricted Subsidiary's guarantee of such Credit Facilities; *provided* that no such additional Note Guarantee need be provided in respect of Indebtedness of the Company or any Restricted Subsidiary that does not exceed €30 million.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

The Company will not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in (i) a violation of applicable law which, in any case, cannot be prevented or otherwise avoided in the applicable jurisdiction through measures reasonably available to the Company or the Restricted Subsidiary; (ii) any personal liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (iii) a requirement under applicable law, rule or regulation to obtain or prepare financial statements or financial information of such Person to be included in any required filing with a legal or regulatory authority that the Company is not able to obtain or prepare without unreasonable expense; (iv) any violation of the provisions of any joint venture or other material agreement, in each case in effect on the Issue Date, governing or binding upon the Company or any Restricted Subsidiary; or (v) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filing required as a result of, or any measures pursuant to clause (i) undertaken in connection with, such Note Guarantee.

Notwithstanding the preceding paragraphs of this covenant, any Note Guarantee by a Restricted Subsidiary will provide by its terms that it will be automatically and unconditionally released and discharged when (i) the Indebtedness that gave rise to the obligation to guarantee the Notes is discharged, (ii) in the case of any Note Guarantee granted as contemplated under the first paragraph of this covenant as a result of a Restricted Subsidiary guaranteeing other Indebtedness, when such other Indebtedness is released or discharged or (iii) otherwise under the circumstances described above under the caption "—*Note Guarantees*".

Issuance of Post-Closing Guarantees

Notwithstanding the provisions of the covenant entitled "*Limitation on Issuances of Guarantees of Indebtedness*", the Company shall cause, not later than the date occurring 90 days following the Issue Date, each of the Post-Closing Guarantors (or any successor thereto) to execute and deliver to the Trustee a supplemental indenture pursuant to which each such Person will guarantee the obligations of the Company under the Indentures and the Notes on a senior basis.

Any Note Guarantee provided pursuant to the immediately preceeding paragraph may be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

Reports

From and after the Issue Date, the Company will provide to the Trustee:

(a) within 120 days after the end of the Company's financial year, the Company's annual report and accounts (including audited consolidated year-end financial statements prepared in accordance with IFRS and an explanatory statement);

(b) within 90 days after the end of the first semi-annual period of the Company's financial year, an interim report (including a condensed set of semi-annual interim financial statements prepared in accordance with IFRS and an explanatory statement); and

(c) within 15 days following its issuance, all information that is required to be provided to the holders of the ordinary shares of the Company under the stock exchange rules applicable to the listing of the ordinary shares, if any,

provided, however, that the reports set forth in clauses (a), (b) and (c) of this covenant will not be required to include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Company; and *provided* further that the Company shall be deemed to have provided the reports set forth in clauses (a), (b) and (c) of this covenant if it has posted such reports to its company website and such reports are publicly available.

All financial statements provided under this covenant shall be prepared in accordance with IFRS.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the semi-annual and annual financial information required by paragraphs (a) and (b) of this covenant will include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes or commentary thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company, or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, EBITDA, interest expense, net income, cash, total assets, total debt, shareholders equity and capital expenditures.

So long as any Notes are outstanding, the Company will (i) after providing the annual and interim reports required by clauses (a) and (b) above, hold a conference call that holders of the Notes may attend, which may be combined with any conference call for the equity investors of the Company, to discuss such reports and the results of operations for the relevant reporting period; and (ii) maintain a website to which holders of the Notes and prospective investors are given access and to which all of the reports required by this "Reports" covenant are posted.

The Company will also make available copies of all reports required by clauses (a) through (c) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, at the offices of the Principal Paying Agent.

Merger and Consolidation

(a) The Company will not, directly or indirectly, consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving, transferee or lessee Person (the "*Successor Company*") will be a Person organized and existing under the laws of England and Wales, the United Kingdom, any member state of the European Union, Norway, Switzerland, Canada or the United States of America, any State thereof or the District of Columbia, and the Successor Company (if not the Company) will expressly assume all the obligations of the Company, as the case may be, under the Notes or the Indentures by executing and delivering to the Trustee a supplemental indenture, an accession agreement and/or one or more other documents or instruments in form reasonably satisfactory to the Trustee;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(iii) immediately after giving effect to such transaction, either (A) the Company (or, if applicable, the Successor Company with respect thereto) could Incur at least €1.00 of additional Indebtedness pursuant to paragraph (a) of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" or (B) the Consolidated Fixed Charge Coverage Ratio of the Company (or, if applicable, the Successor Company with respect thereto) would equal or exceed the Consolidated Fixed Charge Coverage Ratio of the Company immediately prior to giving effect to such transaction; and

(iv) the Company delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger conveyance, transfer or lease complies with the provisions described in this paragraph and that the supplemental indenture and the Indentures constitute legal, valid and binding obligations of the Company or the Successor Company, enforceable in accordance with their terms, *provided* that (A) in giving such opinion such counsel may rely on an Officer's Certificate as to compliance with the foregoing clauses (ii) and (iii) and as to any matters of fact, and (B) no Opinion of Counsel will be required for a consolidation, merger or transfer described in paragraph (c) of this covenant.

(b) A Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indentures as described under "—*Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness*") will not, directly or indirectly, consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the Successor Company (if not the Guarantor) will expressly assume all the obligations of the Guarantor under the Note Guarantee by executing and delivering to the Trustee a supplemental indenture, an accession agreement and/or one or more other documents or instruments in form reasonably satisfactory to the Trustee;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company as a result of such transaction as having been Incurred by the Successor Company at the time of such transaction), no Default will have occurred and be continuing; and

(iii) the Company will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer complies with the provisions described in this paragraph, *provided* that (A) in giving such opinion such counsel may rely on an Officer's Certificate as to compliance with the foregoing clause (ii) and as to any matters of fact, and (B) no Opinion of Counsel will be required for a consolidation, merger or transfer described in paragraph (c) of this covenant.

(c) Clauses (ii) and (iii) of paragraph (a) of this covenant and clause (ii) of paragraph (b) of this covenant will not apply to any transaction in which (i) any Restricted Subsidiary consolidates with, merges into or conveys, transfers or leases all or part of its assets to the Company or any Guarantor, (ii) the Company consolidates or merges with or into or conveys, transfers or leases all or substantially all its properties and assets to (A) an Affiliate incorporated or organized for the purpose of reincorporating or reorganizing the Company in another jurisdiction or changing its legal form to another corporate or other entity or (B) a Restricted Subsidiary of the Company so long as all assets of the Company, and the Restricted Subsidiaries of the Company, immediately prior to such transaction (other than Capital Stock of such Restricted Subsidiary) are owned by such Restricted Subsidiary and its Restricted Subsidiaries immediately after the consummation thereof, or (iii) any Guarantor consolidates with, merges into or conveys, transfers or leases all or part of its assets to another Guarantor.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of the Company under the Notes and the Indentures, and thereafter the predecessor Company will be relieved of all obligations and covenants under the Notes and the Indentures, except that the predecessor Company in the case of a lease of all or substantially all its assets will not be released from its guarantee of the obligation to pay the principal of and interest on the Notes or obligation to pay the principal of and interest on the Notes, as the case may be.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing under the Indentures (a "*Suspension Event*"), then, the Company shall notify the Trustee in writing that these two conditions have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth below to be effective. No notice will be sent to Holders of such event. Beginning on the date when the Suspension Event occurs and continuing until the Reversion Date, the provisions of the Indentures summarized under the following captions will not apply to the Notes:

(a) "*—Certain Covenants—Limitation on Indebtedness*";

(b) "*—Certain Covenants—Limitation on Restricted Payments*";

(c) "*—Certain Covenants—Limitation on the Issuances of Guarantees of Indebtedness*"; and

(d) the provisions of clause (iii) of paragraph (a) of the covenant described under "*—Certain Covenants—Merger and Consolidation*",

and, in each case, any related default provision of the Indentures will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" will be interpreted as if it has been in effect since the date of such Indenture, except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to paragraph (a) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or one of the clauses set forth in the paragraph (b) of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under paragraphs (a) or (b) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (iii) of paragraph (b) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*".

Limited Condition Transactions

When calculating the availability under any basket or ratio under the Indentures or compliance with any provision of the Indentures in connection with any Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the Incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the Incurrence of Liens, repayments and Restricted Payments), in each case, at the option of the Company (the Company's election to exercise such option, an "*LCT Election*"), the date of determination for availability under any such basket or ratio whether any such action or transaction is permitted (or whether any requirement or condition therefor is complied with or satisfied (including as to the absence of any continuing Default or Event of Default)) under the Indentures shall be deemed to be the date (the "*LCT Test Date*") of the acquisition agreement for such Limited Condition Transaction (or, if applicable, the date of delivery of a binding offer, a "certain funds" tender offer, an irrevocable notice, a declaration of a Restricted Payment or a similar event, as the case may be), and if, after giving *pro forma* effect to the Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the Incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the Incurrence of Liens, repayments and Restricted Payments) and any related *pro forma* adjustments, the Company or any of its Restricted Subsidiaries would have been permitted to take such actions or consummate such transactions on the relevant LCT Test Date in compliance with such ratio, test or basket (and any related requirements and conditions), such ratio, test or basket (and any related requirements and conditions) shall be deemed to have been complied with (or satisfied) for all purposes (in the case of Indebtedness, for example, whether such Indebtedness is committed, issued or incurred at the LCT Test Date or at any time thereafter); *provided* that (a) if financial statements for one or more subsequent semi-annual periods shall have become available, the Company may elect, in its sole discretion, to re-determine all such ratios, tests or baskets on the basis of such financial statements, in which case, such date of re-determination shall thereafter be deemed to be the applicable LCT Test Date for purposes of such ratios, tests or baskets and (b) except as contemplated in the foregoing clause (a), compliance with such ratios, tests and baskets (and any related requirements and conditions) shall not be determined or tested at any time after the applicable LCT Test Date for such Limited Condition Transaction and any actions or transactions related thereto (including acquisitions, Investments, the Incurrence or issuance of Indebtedness, Disqualified Stock or Preferred Stock and the use of proceeds thereof, the Incurrence of Liens, repayments and Restricted Payments).

For the avoidance of doubt, if the Company has made an LCT Election, (a) if any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date would at any time after the LCT Test Date have been exceeded or otherwise failed to have been complied with as a result of fluctuations in any such ratio, test or basket (including, without limitation, due to fluctuations in Consolidated EBITDA and Consolidated Tangible Assets of the Company), such tests, baskets or ratios will not be deemed to have been exceeded or failed to have been complied with as a result of such fluctuations, (b) if any related requirements and conditions (including as to the absence of any continuing Default or Event of Default) for which compliance or satisfaction was determined or tested as of the LCT Test Date would at any time after the LCT Test Date not have been complied with or satisfied (including due to the occurrence or continuation of a Default or Event of Default), such requirements and conditions will not be deemed to have been failed to be complied with or satisfied (and such Default or Event of Default shall be deemed not to have occurred or be continuing) and (c) in calculating the availability under any test, basket or ratio in connection with any action or transaction unrelated to such Limited Condition Transaction following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or date for redemption, purchase or repayment specified in an irrevocable notice for such Limited Condition Transaction is terminated, expires or passes, as applicable, without consummation of such Limited Condition Transaction, any such test, basket or ratio shall be determined or tested giving *pro forma* effect to such Limited Condition Transaction.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(a) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(b) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(c) the failure by the Company or any Guarantor to comply with its obligations under the covenant described under "*—Certain Covenants—Merger and Consolidation*" or, for 30 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class, with its obligations described under "*—Change of Control*" or "*—Certain Covenants—Issuance of Post-Closing Guarantees*";

(d) failure by the Company or any Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Notes or the Indentures (other than a default in performance, or breach of a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));

(e) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date (other than any Indebtedness owed to the Company or any Restricted Subsidiary), if that default:

   (i) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

   (ii) results in the acceleration of such Indebtedness prior to its Stated Maturity,

   and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €50 million or more;

(f) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €50 million, which judgments are not paid, discharged or stayed for a period of 60 consecutive days or more during which a stay of enforcement of such judgment was not (by reason of pending appeal or otherwise) in effect;

(g) except as permitted by the Indentures, any Note Guarantee provided by any Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee (except, in each case, as contemplated by the terms thereof or of the Notes or the Indentures or by reason of the termination of the Indentures or such Note Guarantee or the release of such Note Guarantee in accordance with such Note Guarantee and the Indentures); and

(h) certain events of bankruptcy or insolvency described in the Indentures with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 25% in principal amount of the outstanding Notes by notice to the Company and the Trustee may declare the principal of and accrued but unpaid interest on all the Notes to be due and payable. Upon the effectiveness of such a declaration, such principal and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs and is continuing, the principal of and accrued but unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

Subject to the provisions of the Indentures relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under any Indenture at the request or direction of any Holders unless such Holders have provided the Trustee with indemnity and/or security and/or pre-funding to its satisfaction against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder may pursue any remedy with respect to any Indenture, the Notes of a series or the Note Guarantees unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes of the applicable series have provided a written request to the Trustee to pursue the remedy;

(3) such Holders have provided the Trustee in writing with indemnity and/or security and/or pre-funding to its satisfaction against any loss, liability or expense;

(4) the Trustee has not complied with such request (without informing the Holders that it would not so comply) within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes of such series have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes of a series will be given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indentures or that the Trustee determines (in its reasonable discretion) is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under any Indenture, the Trustee will be entitled to indemnification and/or security and/or pre-funding satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

If a Default occurs and is continuing and is known to a responsible officer of the Trustee, the Trustee shall provide notice to each Holder of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any Note, the Trustee may withhold notice if and so long as the Trustee in good faith determines that withholding notice is in the interests of the Holders. In addition, the Company will be required to deliver to the Trustee, within 120 days after the end of each financial year an Officer's Certificate indicating whether the signatory thereof knows of any Default that occurred during the previous year. The Company will also be required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly. Holders may not enforce the Indentures or the Notes except as provided in the Indentures.

Amendments and Waivers

Subject to certain exceptions, any Indenture, the Notes of a series and the applicable Note Guarantees may be amended, supplemented or otherwise modified with the consent of the Holders of not less than a majority in principal amount of the Notes of a series then outstanding and any past default or compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the Notes of such series then outstanding and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of not less than a majority in principal amount of the Notes of a series then outstanding (including, in each case, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes). However, unless consented to by the Holders of at least 90% (or in the case of clause (h) below, 75%) of the aggregate principal amount of the then outstanding Notes of a series, no amendment or waiver may:

(a) reduce the principal amount of such Notes whose Holders must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on any such Note;

(c) reduce the principal of or extend the Stated Maturity of any such Note;

(d) reduce the premium payable upon the redemption of any such Note, or change the date on which any such Note may be redeemed, in each case, as described under "—*Optional Redemption*" above;

(e) make any such Note payable in currency other than that stated in such Note;

(f) impair the right of any Holder to institute suit for the enforcement of any payment of principal or interest on such Holder's Notes;

(g) waive a Default or Event of Default in the payment of principal of, or interest, or premium, if any, on, such Notes (except a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(h) release any or all Guarantors from their obligations under their respective Note Guarantees or the applicable Indenture, except in accordance with the terms of such Indenture; or

(i) make any change in the amendment or waiver provisions described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder of Notes, the Company, any Guarantor and the Trustee, as, may amend the Indentures, the Notes or the Note Guarantees to:

(a) cure any ambiguity, mistake, omission, defect or inconsistency;

(b) provide for the assumption by a successor of the obligations of the Company or any Guarantor under the Indentures or the Notes;

(c) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of 163(f) of the Code);

(d) add any Note Guarantees with respect to the Notes and any limitation on such Guarantees contemplated above under the caption "—*Note Guarantees*", add security to or for the benefit of the Notes, or confirm and evidence the release, termination or discharge of any guarantee or Lien with respect to or securing the Notes when such release, termination or discharge is provided for or permitted under the Indentures;

(e) add to the covenants of the Company for the benefit of the Holders or to surrender any right or power conferred upon the Company;

(f) provide for or confirm the issuance of Additional Notes in accordance with the limitations set forth in the Indentures;

(g) provide that any Indebtedness that becomes or will become an obligation of a Successor Company pursuant to a transaction governed by the provisions described under "—*Certain Covenants—Merger and Consolidation*" (and that is not a Subordinated Obligation) is Senior Indebtedness for purposes of the Indentures;

(h) conform the text of the Indentures, the Notes or any Note Guarantee to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indentures, the Notes or any Note Guarantee;

(i) to evidence and provide the acceptance of the appointment of a successor Trustee under the applicable Indenture;

(j) to comply with the rules of any applicable securities depositary; or

(k) make any change that does not materially adversely affect the rights of any Holder.

The consent of the Holders is not necessary under the applicable Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver. Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by such Holder and every subsequent Holder of all or part of the related Note. Any such Holder or subsequent Holder may revoke such consent as to its Note by written notice to the Trustee or the Company, received thereby before the date on which the Company certifies to the Trustee that the Holders of the requisite principal amount of the Notes of the applicable series have consented to such amendment or waiver. After an amendment or waiver under the applicable Indenture becomes effective, the Company is required to mail to Holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment or waiver.

The Trustee shall be entitled to receive and rely absolutely on an Opinion of Counsel and on an Officer's Certificate with respect to the above matters.

Defeasance

The Company may, at its option, at any time elect to have all its obligations discharged with respect to the outstanding Notes of a series and all obligations of the company and any other Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*"), except for:

(a) the rights of holders of such outstanding Notes to receive payments in respect of the principal of, or interest or premium, and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;

(b) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any other Guarantor's obligations in connection therewith; and

(d) the Covenant Defeasance and Legal Defeasance provisions of the applicable Indenture.

In addition, the Company may, at its option, at any time, elect to have the obligations of the Company and any Guarantors released with respect to certain covenants under the applicable Indenture, including the covenants described under "—*Certain Covenants*" (other than clauses (i), (ii) and (iv) of paragraph (a) under "—*Certain Covenants—Merger and Consolidation*"), the operation of the default provisions relating to such covenants described under "—*Events of Default*" above, and the operation of the cross acceleration provision, the bankruptcy provisions with respect to Subsidiaries, the judgment default provision and the guarantee default provision, described under "—*Events of Default*" above ("*Covenant Defeasance*"). If the Company exercises its legal defeasance options or its covenant defeasance option, each Guarantor will be released from all its obligations with respect to its Note Guarantee.

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes of the applicable series may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of such Notes may not be accelerated because of an Event of Default specified in clause (c) (other than with respect to the covenant described under clauses (i), (ii) and (iv) of paragraph (a) under "—*Certain Covenants—Merger and Consolidation*"), (d), (e), (f) or (h) (other than with respect to the Company) under "—*Events of Default*".

Either defeasance option may be exercised to any redemption date or to the maturity date for the Notes of a series. In order to exercise either defeasance option:

(a) the Company must irrevocably deposit or cause to be deposited in trust with the Trustee (or a Person selected by the Trustee) for the benefit of the Holders money in euro or European Government Obligations, or a combination thereof, sufficient (without reinvestment), in the opinion of a financial firm of international standing or a firm of public accountants of international standing, to pay principal of, and premium (if any) and interest on, such Notes to redemption or maturity, as the case may be, *provided* that if such redemption is made pursuant to the provisions described in the third paragraph under "—*Optional Redemption*", (i) the amount of money or European Government Obligations, or a combination thereof, that the Company must irrevocably deposit or cause to be deposited will be determined using an assumed Applicable Premium calculated as of the date of such deposit and (ii) the Company must irrevocably deposit or cause to be deposited additional money in trust on the redemption date as necessary to pay the Applicable Premium as determined on such date; and

(b) the Company must deliver to such Trustee:

    (i) an Opinion of Counsel reasonably acceptable to such Trustee, subject to customary assumptions, exclusions and qualifications, to the effect that U.S. and non-U.S. holders of such Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or a change in applicable U.S. federal income tax law);

    (ii) an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of such Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

    (iii) an Opinion of Counsel reasonably acceptable to such Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

Any Indenture will be discharged and cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes governed by such Indenture, as expressly provided for in such Indenture) as to all outstanding Notes when (a) either (i) all such Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Company) have been canceled or delivered to the Registrar or Trustee for cancelation or (ii) all such Notes not previously canceled or delivered to the Registrar or Trustee for cancelation (A) have become due and payable, (B) will become due and payable at their Stated Maturity within one year or (C) have been or are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company; (b) the Company has irrevocably deposited or caused to be deposited with the Trustee (or a Person selected by the Trustee) money in euro, or European Government Obligations or a combination thereof, sufficient (without reinvestment) to pay and discharge the entire Indebtedness on such Notes not previously canceled or delivered to the Registrar for cancelation, for principal, premium, if any, and interest to the date of redemption or their Stated Maturity, as the case may be, *provided* that if such redemption is made pursuant to the provisions described in the third paragraph under "—*Optional Redemption*", (i) the amount of money or European Government Obligations, or a combination thereof, that the Company must irrevocably deposit or cause to be deposited will be determined using an assumed Applicable Premium calculated as of the date of such deposit and (ii) the Company must irrevocably deposit or cause to be deposited additional money in trust on the redemption date as necessary to pay the Applicable Premium as determined on such date; (c) in respect of clause (b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in the breach or violation of, or constitute a default under, any other instrument to which the Company is a party or by which the Company is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings); (d) the Company or any Guarantor has paid or caused to be paid all other sums then payable under such Indenture; (e) the Company has delivered irrevocable instructions to the Trustee under such Indenture to apply (or cause to be applied) the deposited money toward the payment of such Notes at maturity or on the redemption date, as the case may be; and (f) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of such Indenture relating to the satisfaction and discharge of such Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b), (c) and (d)).

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed the Trustee under the Indentures.

The Indentures will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indentures. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indentures and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indentures at the request of any Holder of Notes, unless such Holder will have provided to the Trustee security and/or indemnity and/or pre-funding satisfactory to it against any loss, liability or expense and then only to the extent required by the terms of the Indentures.

The Trustee will be permitted to engage in transactions with the Company and the Guarantors; *provided*, however, that if a responsible officer of the Trustee has actual knowledge it has acquired a conflicting interest, it must either eliminate such conflict within 90 days of becoming aware of such conflict or resign. If the Trustee or any Agent becomes the owner or pledgee of the Notes, it may deal with the Company with the same rights it would have if it were not the Trustee or such other agent.

The Indentures will set out the terms under which the Trustee may resign or be removed, and replaced. Such terms will include, among others, (a) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Company and (b) that if the Trustee at any time (i) has or acquires a conflict of interest that is not eliminated or (ii) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Trustee will promptly inform the Company and the Company may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for the removal of the Trustee and the appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indentures will provide for the indemnification of the Trustee and the Agents for any loss, liability, Taxes or expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indentures.

No Personal Liability of Directors, Officers, Employees, Incorporators and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Subsidiary thereof will have any liability for any obligation of the Company or any Restricted Subsidiary under the Indentures, the Notes, any Note Guarantee or for any claim based on, in respect of, or by reason of, any such obligation or its creation. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the applicable Indenture. Upon any transfer or exchange, the Company, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any transfer or exchange of Notes, but the Company may, subject to the covenant under the caption "—*Additional Amounts*", require a Holder to pay any taxes or other governmental charges payable in connection with the transfer or exchange. The Company will not be required to transfer or exchange any Note selected for redemption or repurchase or to transfer or exchange any Note for a period of 15 Business Days prior to the day of the mailing of the notice of redemption or repurchase. The Notes will be issued in registered form and the Holder will be treated as the owner of such Note for all purposes. For further information about transfer and exchange procedures, see "*Book-Entry, Delivery and Form*".

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors*".

Listing of the Notes

Application will be made to Euronext Dublin for the approval of this document as Listing Particulars. Application will be made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU. The Company will use its commercially reasonable efforts to obtain and, for so long as the Notes are outstanding, maintain the listing of such Notes on the Official List of Euronext Dublin or, if at any time the Company determines that it will not obtain or maintain such listing on the Official List of Euronext Dublin, it will use its commercially reasonable efforts to obtain and thereafter maintain a listing of such Notes on another "recognized stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Notices

For Notes which are represented by global certificates held on behalf of Euroclear and Clearstream, notices will be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account holders. In the case of Definitive Registered Notes, if any, all notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market, and the rules of Euronext Dublin so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Ireland (which is expected to be The Irish Times) or, to the extent and in the manner permitted by the rules of Euronext Dublin, posted on the official website of the Irish Stock Exchange (*www.ise.ie*) and, in connection with any redemption, and to the extent that the rules of Euronext Dublin so require, the Company will notify Euronext Dublin of any change in the principal amount of Notes outstanding.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made, *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to him if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Currency Indemnity and Calculation of Euro Denominated Restrictions

Euro is the sole currency of account with respect to the Notes and payment for all sums payable by the Company and the Guarantors under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or any Guarantor or otherwise by any Holder of a Note, as the case may be, or by the Trustee or any Agent, in respect of any sum expressed to be due to it from the Company or any Guarantor will only constitute a discharge to the Company or Guarantor, as the case may be, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the relevant Trustee or relevant Agent under any Note, the Company will indemnify them against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee or relevant Agent to certify in reasonable detail in a manner satisfactory to the Company (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities, to the extent permitted by law, constitute a separate and independent obligation from the Company's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee or relevant Agent (other than a waiver of the indemnities set out under "*—Currency Indemnity and Calculation of Euro Denominated Restrictions*") and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee or relevant Agent.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Prescription

Claims against the Company or any Guarantor for the payment of principal, premium or Additional Amounts, if any, on the Notes or any Note Guarantees will be prescribed ten years after the applicable due dates for payment thereof. Claims against the Company or any Guarantor for the payment of interest will be prescribed five years after the applicable due date for the payment of interest.

Governing Law

The Indentures will provide that they and the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service

The Company will appoint Corporation Service Company as agent for actions relating to the Notes or the Indentures brought in any U.S. Federal or state court located in the Borough of Manhattan in The City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since substantially all of the assets of the Company and the Guarantors are outside the United States of America, any judgment obtained in the United States of America against the Company or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States of America.

Certain Definitions

Set forth below are certain defined terms used in the Indentures.

"**Acquired Indebtedness**" means Indebtedness of a Person (a) existing at the time such Person is merged with or into or becomes a Subsidiary of the Company or (b) assumed in connection with the acquisition of properties or assets from such Person, in each case, whether or not such Indebtedness was Incurred in connection with, or in contemplation of, such Person becoming a Subsidiary of the Company or such acquisition. Acquired Indebtedness shall be deemed to be Incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary of the Company.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agent**" means the Principal Paying Agent, any Paying Agent, any Registrar or the Transfer Agent.

"**Applicable Premium**" means, with respect to any Note of a series on any redemption date, the greater of:

(a) 1.0% of the principal amount of such Note; and

(b) with respect to the 2024 Notes, the excess (to the extent positive) of:

(i) the present value at such redemption date of (A) the redemption price of such Note at May 30, 2021 (such redemption price (expressed in a percentage of the principal amount) being set forth in the table under the second paragraph in "—*Optional Redemption*" (excluding accrued and unpaid interest)), plus (B) all required remaining scheduled interest payments due on such Note to and including May 30, 2021 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such 2024 Note on such redemption date; or

(c) with respect to the 2026 Notes, the excess (to the extent positive) of:

(i) the present value at such redemption date of (A) the redemption price of such Note at May 30, 2022 (such redemption price (expressed in a percentage of the principal amount) being set forth in the table under the second paragraph in "—*Optional Redemption*" (excluding accrued and unpaid interest)), plus (B) all required remaining scheduled interest payments due on such Note to and including May 30, 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such 2026 Note on such redemption date,

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate, *provided* that such calculation shall not be a duty or obligation of the Trustee or any Agent.

"**Board of Directors**" means, for any Person, the board of directors or other governing body of such Person or, if such Person does not have such a board of directors or other governing body and is owned or managed by a single entity, the board of directors or other governing body of such entity, or, in either case, any committee thereof duly authorized to act on behalf of such board or other governing body. Unless otherwise provided, ''Board of Directors '' means the Board of Directors of the Company. For purposes of the definition of the term ''Change of Control'', ''Board of Directors'' does not include any committee of the board of directors or other governing body.

''**Bund Rate**'' means, with respect to any redemption date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(a) ''**Comparable German Bund Issue**'' means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes; *provided*, however, that, if the period from such redemption date to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to May 30, 2021, in the case of the 2024 Notes, or May 30, 2022, in the case of the 2026 Notes, is less than one year, a fixed maturity of one year shall be used;

(b) ''**Comparable German Bund Price**'' means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) ''**Reference German Bund Dealer**'' means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and

(d) ''**Reference German Bund Dealer Quotations**'' means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Company in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

''**Business Day**'' means a day other than a Saturday, Sunday or other day on which commercial banking institutions in Paris, France, or London, United Kingdom are authorized or required by law to close and other than any other day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system is closed for the settlement of payments.

''**Capital Stock**'' of any Person means any and all shares of, partnership interests in, membership interests in or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''**Capitalized Lease Obligation**'' means an obligation that is required to be classified and accounted for as a finance lease for financial reporting purposes and reflected as a liability on a balance sheet (other than in the footnotes thereto), in each case in accordance with IFRS. The Stated Maturity of any Capitalized Lease Obligation shall be the date of the last payment of rent or any other amount due under the related lease. Notwithstanding the foregoing, for the purposes of the Indentures, "IFRS" will be deemed to treat leases in a manner consistent with the treatment thereof under IFRS as in effect prior to January 1, 2019, notwithstanding any modifications or interpretive changes thereto that may occur on or after January 1, 2019. For the avoidance of doubt, finance leases previously categorized as operating or other leases under IFRS as in effect prior to January 1, 2019 shall not be categorized as Capitalized Lease Obligations or give rise to Indebtedness for the purposes of the Indentures.

"**Cash Equivalents**" means (a) money, (b) securities issued or fully guaranteed or insured by the United Kingdom, the United States of America, Canada, Switzerland, Norway, or a member state of the European Union or, in each case, any agency or instrumentality of any thereof, (c) time deposits, overnight bank deposits, certificates of deposit or bankers' acceptances (a "Deposit") of (i) any current lender under the Senior Facilities Agreement or the EIB Facility or any affiliate thereof or (ii) any lender, bank, trust company or commercial bank having capital and surplus in excess of €250,000,000 or (iii) any lender, bank, trust company or commercial bank whose commercial paper is rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's (or if at such time neither is issuing ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), (d) Deposits in the ordinary course of business and consistent with past practice issued by a bank or trust company which is authorized to operate as a bank or trust company in its home jurisdiction and in the jurisdiction in which the Deposit is made *provided* that all Deposits made with such bank or trust company do not exceed €500,000 at any one time, (e) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (c) above, (f) money market instruments, commercial paper or other short-term obligations rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's (or if at such time neither is issuing ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition, (g) investments similar to any of the foregoing denominated in currencies other than euro, pound sterling or U.S. dollars obtained in the ordinary course of business and with the highest ranking obtainable in the applicable jurisdiction, (h) bills of exchange issued in the United Kingdom, the United States of America, Canada, a member state of the European Union, Switzerland or Norway eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent), (i) readily marketable direct obligations issued by the United Kingdom, any state of the United States of America, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition, and (j) investment funds investing 95% of their assets in securities of the type described in clauses (a) through (i) above (which funds may also hold reasonable amounts of cash pending investment and/ or distribution).

"**Change of Control**" means the occurrence of any of the following:

(i) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation or similar business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the U.S. Exchange Act) other than the Company or a Restricted Subsidiary;

(ii) the consummation of any transaction (including, without limitation, any merger or consolidation or similar business combination transaction) the result of which is that any "person" (as defined in clause (i) above) becomes the "beneficial owner " (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or

(iii) during any 24-month period, Continuing Directors cease to constitute a majority of the Board of Directors of the Company.

"**Clearstream**" means Clearstream Banking S.A., as currently in effect or any successor thereof.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Commercial Paper Program**" means the Commercial Paper Program entered into by the Company on June 18, 2018 pursuant to which the Company may issue up to an aggregate principal amount of €300 million commercial paper notes.

"**Commodities Agreements**" means, in respect of a Person, any commodity futures contract, forward contract, repurchase agreement, option or similar agreement or arrangement (including derivative agreements or arrangements), as to which such Person is a party or beneficiary.

"**Company**" means Fnac Darty S.A. (formerly Groupe Fnac S.A.), a société anonyme organized under the laws of France, and any successor in interest thereto.

"**Consolidated EBITDA**" means, for any period, Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication: (a) provision for all taxes (whether or not paid, estimated, accrued or deferred) based on income, profits or capital (and including for the avoidance of doubt social security contributions), trade taxes and withholding taxes, (b) Consolidated Fixed Charges and any other items recorded as interest expense under IFRS, foreign exchange differences that are treated as interest under IFRS, fair value movements on any Indebtedness or Hedging Obligations, costs related to the Transactions, commissions, discounts and other fees and charges with respect to financings, costs relating to Hedging Obligations, cost of consumer credit, any charges or discounting impact associated with employee benefit or pension plans or non-cash interest relating to employee benefit plans or arrangements or post-retirement benefit arrangements, (c) depreciation, impairment, amortization (including but not limited to amortization of goodwill and intangibles and amortization and write-off of financing costs) and all other non-cash charges or non-cash losses, (d) any expenses or charges related to any equity offering, Investment or Indebtedness permitted by the Indentures (whether or not consummated or incurred), (e) the amount of any minority interest expense and (f) any consulting or advisory fees and related expenses incurred in connection with any transactions relating to Exceptional Items; *less* (g) all other non-cash items increasing such Consolidated Net Income for such period (other than the accrual of revenue or the reversal of a reserve for cash charges in a future period in the ordinary course of business), in each case under clauses (a) through (g) as determined on a Consolidated basis in accordance with IFRS.

"**Consolidated Fixed Charge Coverage Ratio**" as of any date of determination means the ratio of (i) the aggregate amount of Consolidated EBITDA of the Company and its Restricted Subsidiaries for the period of the most recent two consecutive fiscal semi-annual periods ending prior to the date of such determination for which internal consolidated financial statements of the Company are available to (ii) Consolidated Fixed Charges for such two fiscal semi-annual periods; *provided* that:

(a) if since the beginning of such period the Company or any Restricted Subsidiary has Incurred any Indebtedness that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be computed based on (i) the average daily balance of such Indebtedness during such two fiscal semi-annual periods or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such two fiscal semi-annual periods, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation);

(b) if since the beginning of such period the Company or any Restricted Subsidiary has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Indebtedness that is no longer outstanding on such date of determination (each, a

"Discharge") or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio involves a Discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid), Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving effect on a *pro forma* basis to such Discharge of such Indebtedness, including with the proceeds of such new Indebtedness, as if such Discharge had occurred on the first day of such period;

(c) if since the beginning of such period the Company or any Restricted Subsidiary shall have disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*"), the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets that are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period and Consolidated Fixed Charges for such period shall be reduced by an amount equal to (i) the Consolidated Fixed Charges attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Sale for such period (including but not limited to through the assumption of such Indebtedness by another Person) plus (ii) if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Fixed Charges for such period attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale;

(d) if since the beginning of such period the Company or any Restricted Subsidiary (by merger, consolidation or otherwise) shall have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquired any company, any business or any group of assets constituting an operating unit of a business, including any such Investment or acquisition occurring in connection with a transaction causing a calculation to be made hereunder (any such Investment or acquisition, a "*Purchase*"), Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any related Indebtedness) as if such Purchase occurred on the first day of such period;

(e) if since the beginning of such period any Person has been designated as a Restricted Subsidiary or was merged or consolidated with or into the Company or any Restricted Subsidiary, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such designation, merger or consolidation occurred on the first day of such period; and

(f) if since the beginning of such period any Person became a Restricted Subsidiary or was merged or consolidated with or into the Company or any Restricted Subsidiary, and since the beginning of such period such Person shall have Discharged any Indebtedness or made any Sale or Purchase that would have required an adjustment pursuant to clause (b), (c) or (d) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Discharge, Sale or Purchase occurred on the first day of such period,

provided, however, the *pro forma* calculation of the Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in paragraph (b) (other than clause (b)(vii) thereof) under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in paragraph (b) (other than clause (b)(vii) thereof) under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For purposes of this definition, (i) whenever *pro forma* effect is to be given to any Sale, Purchase or other transaction, or the amount of income or earnings relating thereto and the amount of Consolidated Fixed Charges associated with any Indebtedness Incurred or repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged in connection therewith, the *pro forma* calculations in respect thereof (including without limitation in respect of anticipated synergies or cost savings relating to any such Sale, Purchase or other transaction) shall be as determined in good faith by a responsible accounting or financial officer of the Company as though the full effect of synergies and cost savings were realized on the first day of the relevant period and (ii) the calculation of the Fixed Charge Coverage Ratio shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period.

In addition, Consolidated EBITDA for any such period shall include any Consolidated EBITDA attributable to any Restricted Subsidiary that has been designated as an ''asset held for sale'' in accordance with IFRS and remains a Restricted Subsidiary at the end of such period. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness). If any Indebtedness bears, at the option of the Company or a Restricted Subsidiary, a rate of interest based on a prime or similar rate, a euro currency interbank offered rate or other fixed or floating rate, and such Indebtedness is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated by applying such optional rate as the Company or such Restricted Subsidiary may designate. If any Indebtedness that is being given *pro forma* effect was Incurred under a revolving credit facility, the interest expense on such Indebtedness shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible accounting or financial officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

''**Consolidated Fixed Charges**'' means, for any period, (a) the total interest expense of the Company and its Restricted Subsidiaries to the extent deducted in calculating Consolidated Net Income, net of any interest income of the Company and its Restricted Subsidiaries and after taking into account the net payment or receipt paid or payable or received or receivable under any Interest Rate Agreement or Currency Agreement in respect of Indebtedness, and after excluding any foreign exchange differences that are treated as interest under IFRS and after excluding any fair value movements on any Indebtedness or Hedging Obligations for such period, and after excluding any ''interest cost'' on pension obligations as defined in International Accounting Standard 19 (IAS 19) *Employee Benefits*, and after excluding any costs related to the Transactions (other than for the avoidance of doubt interest incurred on Indebtedness Incurred pursuant to the Transactions) that are classified as interest under IFRS, including without limitation any such interest expense consisting of (i) interest expense attributable to Capitalized Lease Obligations, (ii) amortization of debt discount, (iii) interest in respect of Indebtedness of any other Person that has been guaranteed by the Company or any Restricted Subsidiary, but only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary, (iv) non-cash interest expense on Indebtedness (including any interest expense that was capitalized during such period), (v) the interest portion of any deferred payment obligation and (vi) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, *plus* (b) Preferred Stock dividends paid in cash in respect of Disqualified Stock of the Company held by Persons other than the Company or a Restricted Subsidiary and *minus* (c) to the extent otherwise included in such interest expense referred to in clause (a) above, amortization or write-off of financing costs and non- cash interest relating to employee benefit plans or arrangements or post-retirement benefit arrangements, debt issuance cost, and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations, in each case under clauses (a) through (c) as determined on a Consolidated basis in accordance with IFRS and, without limiting the foregoing, taking no account of any applicable Exceptional Items.

''**Consolidated Leverage**'' means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations, except for Currency Agreements relating to the principal of Indebtedness that is otherwise included in this calculation).

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (a) Consolidated Leverage at such date to (b) the aggregate amount of Consolidated EBITDA for the most recent two fiscal semi-annual periods ending prior to the date of such determination for which internal consolidated financial statements of the Company are available. In the event that the Company or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, however, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in paragraph (b) under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in paragraph (b) under "*—Certain Covenants—Limitation on Indebtedness*". In addition, for purposes of calculating the Consolidated EBITDA for such period:

(a) if since the beginning of such period the Company or any Restricted Subsidiary shall have disposed of any company, any business or any group of assets constituting an operating unit of a business (any such disposition, a "Sale"), the Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets that are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(b) if since the beginning of such period the Company or any Restricted Subsidiary (by merger, consolidation or otherwise) shall have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquired any company, any business or any group of assets constituting an operating unit of a business, including any such Investment, acquisition occurring in connection with a transaction causing a calculation to be made hereunder (any such Investment or acquisition, a "Purchase"), Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any related Indebtedness) as if such Purchase occurred on the first day of such period;

(c) if since the beginning of such period any Person has been designated as a Restricted Subsidiary or was merged or consolidated with or into the Company or any Restricted Subsidiary, Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto as if such designation, merger or consolidation occurred on the first day of such period; and

(d) if since the beginning of such period any Person, became a Restricted Subsidiary or was merged or consolidated with or into the Company or any Restricted Subsidiary, and since the beginning of such period such Person shall have made any Sale or Purchase that would have required an adjustment pursuant to clause (a), (b) or (c) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition, (i) whenever *pro forma* effect is to be given to any Sale, Purchase or other transaction, or the amount of income or earnings relating thereto and the amount of Consolidated Fixed Charges associated with any Indebtedness Incurred or repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged in connection therewith, the *pro forma* calculations in respect thereof (including without limitation in respect of anticipated synergies or cost savings relating to any such Sale, Purchase or other transaction) shall be as determined in good faith by a responsible accounting or financial officer of the Company as though the full effect of synergies and cost savings were realized on the first day of the relevant period and (ii) the calculation of the Consolidated Leverage Ratio shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period. In addition, Consolidated EBITDA for any such period shall include any Consolidated EBITDA attributable to any Restricted Subsidiary that has been designated as an "asset held for sale" in accordance with IFRS and remains a Restricted Subsidiary at the end of such period.

"**Consolidated Net Income**" means, for any period, the net income (loss) after taxes of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with IFRS and before any reduction in respect of Preferred Stock dividends; *provided* that there shall not be included in such Consolidated Net Income:

(a) any net income (loss) of any Person if such Person is not the Company or a Restricted Subsidiary, except (i) that the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (b) below) and (ii) the Company's equity in the net loss of such Person shall be included to the extent of the aggregate Investment of the Company or any of its Restricted Subsidiaries in such Person;

(b) solely for the purpose of determining the amount available for Restricted Payments under clause (a)(C)(1) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary that is not a Guarantor or the Company if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of similar distributions by such Restricted Subsidiary, directly or indirectly, to the Company by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its stockholders (other than (i) restrictions that have been waived or otherwise released; (ii) restrictions pursuant to the Indentures; (iii) restrictions pursuant to the Senior Facilities Agreement as in effect as of the Issue Date; (iv) restrictions pursuant to any other agreement or instrument existing or entered into on or before the Issue Date as in effect as of the Issue Date; (v) restrictions pursuant to any agreement or instrument of a Person, or relating to Indebtedness or Capital Stock of a Person, which Person is acquired by or merged or consolidated with or into the Company or any Restricted Subsidiary or was designated as a Restricted Subsidiary, or which agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets from such Person, as in effect at the time of such acquisition, merger or consolidation (except to the extent that such Indebtedness was incurred to finance, or otherwise in connection with or in contemplation of, such acquisition, merger or consolidation); *provided* that for purposes of this clause (v), if a Person other than the Company is the Successor Company with respect thereto, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary will be deemed acquired or assumed, as the case may be, by the Company or a Restricted Subsidiary, as the case may be, when such Person becomes such Successor Company; (vi) restrictions pursuant to an agreement or instrument (a "Refinancing Agreement") effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (iii), (iv) or (v) of this definition or this clause (vi) (each an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an Initial Agreement (an "Amendment"); *provided*, however, that the encumbrances and restrictions contained in any such Refinancing Agreement or Amendment taken as a whole are not materially less favorable to the Holders taken as a whole than encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such Refinancing Agreement or Amendment relates or will not adversely effect in any material respect, the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by the Company); (vii) restrictions pursuant to an agreement or instrument (1) relating to any Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the covenant described under "*—Certain Covenants—Limitations on Indebtedness*" (A) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in any Initial Agreement (as determined in good faith by the Company), or (B) if such encumbrances and restrictions taken as a whole are not materially more disadvantageous to the Holders than is customary in comparable financings (as determined in good faith by the Company), (2) relating to any working capital Indebtedness or any sale of receivables, and (3) relating to any loan or advance by the Company to a Restricted Subsidiary subsequent to the Issue Date, including of proceeds of any Capital Stock or Indebtedness issued or Incurred by the Company; *provided* that, in the case of this clause (3), the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than the encumbrances and restrictions contained in the Senior Facilities Agreement (as determined in good faith by the Company); or (viii) other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the Holders than such restrictions in effect on the Issue Date), except that (x) the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of any dividend or distribution that was or that could have been made by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary (subject, in the case of a dividend that could have been made to another Restricted Subsidiary, to the limitation contained in this clause) and (y) the net loss of such Restricted Subsidiary shall be included to the extent of the aggregate Investment of the Company or any of its other Restricted Subsidiaries in such Restricted Subsidiary;

(c) any net gain or loss realized upon the sale or other disposition of any asset of the Company or any Restricted Subsidiary (including pursuant to any sale/leaseback transaction) that is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Company);

(d) any item classified as an extraordinary, unusual or nonrecurring gain, loss or charge and any exceptional or one-off item (including fees, expenses and charges associated with any restructuring, redundancy, the Transactions and any business optimization plans, and any acquisition, merger or consolidation after the Issue Date), in each case, as determined in good faith by the Company;

(e) the cumulative effect of a change in accounting principles;

(f) all deferred financing costs and unamortized arrangement fees written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(g) any unrealized gains or losses in respect of Hedging Obligations and the fair value measurements under IFRS 9 *Financial Instruments* ("*IFRS 9*"), which relate to any forward points component of foreign exchange contracts, the time value component of option contracts, and/or any other hedge ineffectiveness, in each case as applied in accordance with IFRS 9;

(h) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards;

(i) any "interest cost" on pension obligations, as defined in International Accounting Standard 19 (IAS 19) *Employee Benefits*;

(j) any property, plant and equipment, goodwill or other intangible asset impairment charge, depreciation, amortization or write-off (the items referred to in clauses (c) to (j) hereof are collectively referred to as "*Exceptional Items*"); and

(k) any net income (loss) attributable to discontinued operations, as determined in accordance with IFRS.

Notwithstanding the foregoing, for the purpose of clause (a)(C)(1) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only, there shall be excluded from Consolidated Net Income, without duplication, any income consisting of dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary to the extent such dividends, repayments or transfers are applied by the Company to increase the amount of Restricted Payments permitted under clauses (a)(C)(3) or (4) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*".

"**Consolidated Tangible Assets**" means the consolidated total assets, excluding goodwill, of the Company and its Restricted Subsidiaries, as determined in accordance with IFRS, as shown in the most recent consolidated financial statements of the Company.

"**Consolidation**" means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Company in accordance with IFRS; *provided* that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any Restricted Subsidiary in any Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"**Continuing Directors**" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"**Credit Facilities**" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities Agreement, the EIB Facility, commercial paper facilities (including the Commercial Paper Program), overdraft facilities or arrangements designated by the Company, in each case) with one or more banks or other lenders or institutions or investors providing for revolving credit loans, notes, term loans, receivables financings (including, without limitation, through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or the creation of any Liens in respect of such receivables in favor of such institutions), letters of credit, bonding facilities, or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, novated, restated, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise); *provided* that any such facilities, indentures or other arrangements or instruments shall not constitute Credit Facilities unless they constitute or are in respect of Indebtedness of the Company or any of its Subsidiaries. Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangements (including derivative agreements or arrangements), as to which such Person is a party or a beneficiary.

"**Default**" means any event or condition that is, or after notice or passage of time or both would be, an Event of Default under the Indentures.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock (other than Management Stock) that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event (other than following the occurrence of a Change of Control or other similar event described under such terms as a "change of control" or an event that is an asset disposition or similarly described) (a) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (b) is convertible or exchangeable for Indebtedness or Disqualified Stock or (c) is redeemable at the option of the holder thereof (other than following the occurrence of a Change of Control or other similar event described under such terms as a "change of control" or an event that is an asset disposition or similarly described), in whole or in part, in each case on or prior to the six month anniversary of the final Stated Maturity of the Notes, *provided* that Capital Stock issues to any employee benefit plan, or by any such plan to any employees of the Company or any Subsidiary, shall not constitute Disqualified Stock solely because it may be required to be repurchased or otherwise acquired or retired in order to satisfy applicable statutory or regulatory obligations.

"**dollars**" or "**$**" means United States dollars, the lawful currency for the time being of the United States of America.

"**EIB Facility**" means the €100 million Facility Agreement entered into on February 15, 2019 among the Company, as borrower, the European Investment Bank as lender and the Post-Closing Guarantors, as guarantors, as amended and/or restated thereafter from time to time.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchange for, Capital Stock).

"**Equity Offering**" means (a) a sale of Capital Stock of the Company (other than Disqualified Stock) or (b) the sale of Capital Stock or other securities of any direct or indirect parent company of the Company, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock) of the Company or any of its Restricted Subsidiaries.

"**euro**" or "**€**" means the single currency of the Participating Member States.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on and for the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV, as currently in effect or any successor thereof.

"**European Government Obligations**" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit.

"**European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004; and for the avoidance of doubt, the "European Union" shall be deemed for the purposes of the Indentures to include all member states as of the Issue Date whether or not any such member state subsequently departs from the European Union.

"**Event of Default**" has the meaning set forth under "*—Events of Default and Remedies*".

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Existing Notes**" means the €650 million aggregate principal amount of the Company's 3.25% Senior Notes due 2023.

"**Fair Market Value**" means, with respect to any asset or property, the fair market value of such asset or property as determined in good faith by the Board of Directors, whose determination will be conclusive.

"**Group**" means the Company and its consolidated subsidiaries.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person; *provided* that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"**Guarantor**" means the Post-Closing Guarantors and any Restricted Subsidiary that subsequently becomes a Guarantor in accordance with the terms of the Indentures, in each case, together with their respective successors and assigns; *provided* that upon the release or discharge of any such Person from its Note Guarantee in accordance with the Indentures, such Person shall cease to be a Guarantor.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodities Agreement.

"**Holder**" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the nominee of a common depositary for Euroclear and Clearstream.

"**IFRS**" means generally accepted accounting principles in accordance with International Financial Reporting Standards as in effect from time to time; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election for purposes of the definitions of the terms "Consolidated Fixed Charge Coverage Ratio", "Consolidated EBITDA", "Consolidated Fixed Charges", "Consolidated Net Income", "Consolidated Tangible Assets" and all defined terms in the Indentures to the extent used in or relating to any of the foregoing definitions, and all ratios and computations based on any of the foregoing definitions. Notwithstanding the foregoing, for purposes of any calculations pursuant to the Indentures (but not for purposes of the financial statements required to be delivered pursuant to the "—*Reports*" covenant), IFRS will be deemed to treat leases in a manner consistent with the treatment thereof under IFRS as in effect prior to January 1, 2019, notwithstanding any modifications or interpretative changes thereto that may occur on or after January 1, 2019.

"**Incur**" means issue, assume, enter into any guarantee of, incur or otherwise become liable for and the terms "Incurs", "Incurred" and "Incurrence" shall have a correlative meaning; *provided* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness, the payment of dividends on Capital Stock constituting Indebtedness in the form of additional shares of the same class of Capital Stock and the reclassification of commitments or obligations not previously treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness. Any Indebtedness issued at a discount (including Indebtedness on which interest is payable through the issuance of additional Indebtedness) shall be deemed Incurred at the time of original issuance of the Indebtedness at the initial accreted amount thereof.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(a) the principal of indebtedness of such Person for borrowed money;

(b) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit, bankers' acceptances or other instruments plus the aggregate amount of drawings thereunder that have not then been reimbursed) (except to the extent such reimbursement obligations relate to Trade Payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(d) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except Trade Payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in final service or taking final delivery and title thereto;

(e) all Capitalized Lease Obligations of such Person;

(f) the redemption, repayment or other repurchase amount of such Person with respect to any Disqualified Stock of such Person or (if such Person is a Subsidiary of the Company other than a Guarantor) any Preferred Stock of such Subsidiary, but excluding, in each case, any accrued dividends (the amount of such obligation to be equal at any time to the maximum fixed involuntary redemption, repayment or repurchase price for such Capital Stock or, if less (or if such Capital Stock has no such fixed price), to the involuntary redemption, repayment or repurchase price therefor calculated in accordance with the terms thereof as if then redeemed, repaid or repurchased, and if such price is based upon or measured by the fair market value of such Capital Stock, such fair market value shall be as determined in good faith by the Board of Directors or the board of directors or other governing body of the issuer of such Capital Stock);

(g) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of Indebtedness of such Person shall be the lesser of (i) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (ii) the amount of such Indebtedness of such other Persons;

(h) all guarantees by such Person of the principal component of Indebtedness of other Persons, to the extent so guaranteed by such Person; and

(i) to the extent not otherwise included in this definition, obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term ''Indebtedness'' shall not include obligations that are classified and accounted for as operating lease arrangements for financial reporting purposes in accordance with IFRS as in effect prior to January 1, 2019 (and, for the avoidance of doubt, such operating and other leases shall not be categorized as ''Indebtedness'' for the purposes of the Indentures), any ''parallel debt'' obligations created in connection with a Lien created to secure indebtedness permitted to be incurred under the Indentures, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other regulatory or governmental approval (or guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business. For the avoidance of doubt and notwithstanding the above, the term ''Indebtedness'' excludes any accrued expenses and Trade Payables.

The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indentures, or otherwise shall equal the amount thereof that would appear as a liability on a balance sheet of such Person (excluding any notes thereto) prepared in accordance with IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness: (i) contingent obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due; (ii) obligations in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; (iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes or bonds in relation thereto; or (iv) liabilities in respect of obligations related to standby letters of credit, performance guarantees, warranty guarantees, advanced payment guarantees, bid guarantees or bonds or surety bonds, other bonding requirements and similar facilities (including those issued to governmental entities in connection with self-insurance under applicable workers' compensation statutes) provided by or at the request of the Company or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit, guarantees or bonds are not drawn or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than 60 days following receipt by such Person of a demand for such reimbursement following payment on the letter of credit, guarantee or bond; *provided* that if such amounts due are not reimbursed on or prior to 60 days following receipt by such Person of a demand for such reimbursement, then such amounts shall become Indebtedness incurred on the date that such amounts become due.

"**Initial Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Company at the Issue Date multiplied by (ii) the price per share at the close of trading on the Issue Date.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement (including derivative agreements or arrangements), as to which such Person is party or a beneficiary.

"**Investment**" in any Person by any other Person means any direct or indirect advance, loan or other extension of credit or capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to (other than to customers, dealers, licensees, franchisees, agents, suppliers, directors, officers or employees of any Person in the ordinary course of business), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person.

For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" only (a) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary, *provided* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (x) the Company's "Investment" in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation and (b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer. Note Guarantees shall not be deemed to be Investments. The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment; *provided*, that to the extent that the amount of Restricted Payments outstanding at any time pursuant to paragraph (a) of the covenant described under *"—Certain Covenants—Limitation on Restricted Payments*" is so reduced by any portion of any such amount or value that would otherwise be included in the calculation of Consolidated Net Income, such portion of such amount or value shall not be so included for purposes of calculating the amount of Restricted Payments that may be made pursuant to paragraph (a) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*". If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

"**Investment Grade Status**" shall occur when the Notes are rated BBB- or better by S&P, or the equivalent of such rating by such rating organization or, if no rating of S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**Issue Date**" means the date of issuance of the Notes (other than Additional Notes).

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Limited Condition Transaction**" means (a) any Investment or acquisition (whether by merger, amalgamation, consolidation or other business combination or the acquisition of assets or Capital Stock or otherwise and which may include, for the avoidance of doubt, a transaction that may constitute a Change of Control), whose consummation is not conditioned on the availability of, or on obtaining, third party financing, (b) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Indebtedness, Disqualified Stock or Preferred Stock requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment and (c) any Restricted Payment requiring irrevocable notice in advance thereof.

"**Management Advances**" means (a) loans or advances made to directors, officers or employees of the Company or any Restricted Subsidiary (i) not exceeding €2 million in the aggregate outstanding at any time, (ii) for purposes of funding any such person's purchase of Capital Stock (or similar obligations) of the Company, its Subsidiaries or any holding company of the Company with (in the case of this sub-clause (ii)) the approval of the Board of Directors of the Company, (iii) in the ordinary course of business or consistent with past practice or industry practices, or (iv) in respect of moving-related expenses incurred in connection with any closing or consolidation of any facility, (b) promissory notes of Management Investors acquired in connection with the issuance of Management Stock to such Management Investors or (c) Management Guarantees.

"**Management Guarantees**" means guarantees made on behalf of, or in respect of loans or advances made to, directors, officers or employees of the Company or any Restricted Subsidiary (a) in respect of travel, entertainment and moving related expenses incurred in the ordinary course of business or consistent with past practice or industry practices, or (b) in connection with their purchase of Management Stock or otherwise in the ordinary course of business and (in the case of this clause (b)) not exceeding €2 million in the aggregate outstanding at any time.

"**Management Investors**" means the officers, directors, employees and other members of the management of the Company or any of their respective Subsidiaries, or family members or relatives thereof, or trusts, partnerships or limited liability companies for the benefit of any of the foregoing, or any of their heirs, executors, successors or legal representatives who, at any date, beneficially own or have the right to acquire, directly or indirectly, Equity Interests of the Company or Equity Interests or other debt or equity securities of any entity formed for the purpose of investing in Equity Interests of the Company.

"**Management Stock**" means Capital Stock of the Company (including any options, warrants or other rights in respect thereof) or Capital Stock of any entity formed for the purpose of investing in Capital Stock of the Company held directly or indirectly by any of the Management Investors.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Company on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days ending no earlier than seven days prior to the date of declaration of such dividend.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"**Net Cash Proceeds**", with respect to any issuance or sale of any securities of the Company or any Subsidiary by the Company or any Subsidiary, or any capital contribution, means the cash proceeds of such issuance, sale or contribution net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance, sale or contribution and net of Taxes (other than value added Taxes) paid or payable as a result thereof (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Note Guarantee**" means any guarantee of the obligations of the Company under the Indentures and the Notes by any Person in accordance with the provisions of the Indentures.

"**Obligations**" means, with respect to any Indebtedness, any principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Restricted Subsidiary whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees of such Indebtedness (or of Obligations in respect thereof), other monetary obligations of any nature and all other amounts payable thereunder or in respect thereof.

"**Officer**" means (a) with respect to any Person, the Chief Executive Officer and the Chief Financial Officer of such Person or a senior accounting or financial officer or director of such Person; and (b) any other individual designated as an "Officer" for the purposes of the Indentures by the Board of Directors of the Company.

"**Officer's Certificate**" means a certificate signed by two Officers of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"**Participating Member State**" means any member state of the European Union that has the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"**Permitted Investment**" means an Investment by the Company or any Restricted Subsidiary in, or consisting of, any of the following:

(a) (i) a Restricted Subsidiary or the Company, or (ii) a Person that will, upon the making of such Investment, become a Restricted Subsidiary (and any Investment held by such Person that was not acquired by such Person in contemplation of so becoming a Restricted Subsidiary);

(b) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, or is liquidated into, the Company or a Restricted Subsidiary (and, in each case, any Investment held by such Person that was not acquired by such Person in contemplation of such merger, consolidation or transfer);

(c) Cash Equivalents;

(d) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business, including, for the avoidance of doubt, arising from franchise arrangements and investments;

(e) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets;

(f) securities or other Investments received in settlement of debts created in the ordinary course of business and owing to, or of other claims asserted by, the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments, including in connection with any bankruptcy proceeding or other reorganization of another Person;

(g) Investments in existence or made pursuant to legally binding written commitments in existence on the Issue Date;

(h) Currency Agreements, Interest Rate Agreements, Commodities Agreements and related Hedging Obligations, which obligations are Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(i) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(j) bonds secured by assets leased to and operated by the Company or any Restricted Subsidiary that were issued in connection with the financing of such assets so long as the Company or any Restricted Subsidiary may obtain title to such assets at any time by paying a nominal fee, cancelling such bonds and terminating the transaction;

(k) the 2024 Notes, the 2026 Notes or other Indebtedness of the Company or any Restricted Subsidiary;

(l) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) as consideration;

(m) Management Advances;

(n) Investments in franchisees or franchised stores in an aggregate amount outstanding at any time not to exceed €40 million;

(o) other Investments in an aggregate amount outstanding at any time not to exceed the greater of (x) €140 million and (y) 3.50% of Consolidated Tangible Assets;

(p) guarantees, keepwells and similar arrangements not prohibited by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*"; and

(q) any transaction to the extent constituting an Investment that is permitted and made in accordance with paragraph (b) of the covenant described under "—*Certain Covenants—Limitation on Transactions with Affiliates*".

"**Permitted Liens**" means:

(a) Liens for taxes, assessments or other governmental charges not yet delinquent or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on the Company and its Restricted Subsidiaries or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or a Restricted Subsidiary, as the case may be, in accordance with IFRS;

(b) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business in respect of obligations that are not overdue for a period of more than 60 days or that are bonded or that are being contested in good faith and by appropriate proceedings;

(c) pledges, deposits or Liens to secure the performance of bids, tenders, trade, government or other contracts (other than for borrowed money), obligations for utilities, leases, licenses, statutory obligations, completion guarantees, surety, judgment, appeal or performance bonds, other similar bonds, instruments or obligations, and other obligations of a like nature incurred in the ordinary course of business;

(d) easements (including reciprocal easement agreements), rights-of-way, building, zoning and similar restrictions, utility agreements, covenants, reservations, restrictions, encroachments, charges, and other similar encumbrances or title defects incurred, or leases or subleases granted to others, in the ordinary course of business, which do not in the aggregate materially interfere with the ordinary conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole;

(e) Liens existing on, or provided for under written arrangements existing on, the Issue Date after giving effect to the Transactions, or (in the case of any such Liens securing Indebtedness of the Company or any of its Restricted Subsidiaries existing or arising under written arrangements existing on the Issue Date or necessary to complete the Transactions) securing any Refinancing Indebtedness in respect of such Indebtedness so long as the Lien securing such Refinancing Indebtedness is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or under such written arrangements could secure) the original Indebtedness (which may include Indebtedness under one or more separate agreements or instruments);

(f) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings affecting any real property;

(g) Liens arising out of judgments, decrees, orders or awards in respect of which the Company or any Restricted Subsidiary shall in good faith be prosecuting an appeal or proceedings for review, which appeal or proceedings shall not have been finally terminated, or if the period within which such appeal or proceedings may be initiated shall not have expired;

(h) leases, subleases, or sublicenses to third parties in the ordinary course of business;

(i) Liens securing Indebtedness (including Liens securing Obligations in respect thereof) consisting of (i) Indebtedness Incurred in compliance with clause (vi) or (viii)(A) of paragraph (b) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (ii) the Notes or Note Guarantees, in each case including Liens securing any guarantee of any thereof;

(j) Liens securing Indebtedness (including Liens securing Obligations in respect thereof) consisting of Capitalized Lease Obligations and Purchase Money Obligations, in each case, only in respect of assets leased, acquired or financed by such Indebtedness, or rights, bank accounts or proceeds related thereto; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indentures and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(k) Liens existing on property or assets of a Person at the time such Person becomes a Subsidiary of the Company (or at the time the Company or a Restricted Subsidiary acquires such property or assets, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary); *provided*, however, that such Liens are not created in connection with, or in contemplation of, such other Person becoming such a Subsidiary (or such acquisition of such property or assets), and that such Liens are limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate; *provided* further that for purposes of this clause (k), if a Person other than the Company is the Successor Company with respect thereto, any Subsidiary thereof shall be deemed to become a Subsidiary of the Company, and any property or assets of such Person or any such Subsidiary shall be deemed acquired by the Company or a Restricted Subsidiary, as the case may be, when such Person becomes such Successor Company;

(l) Liens on Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(m) any encumbrance or restriction (including, but not limited to, put and call agreements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(n) Liens (i) arising by operation of law (or by agreement to the same effect) in the ordinary course of business, (ii) on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets, (iii) on Receivables (including related rights), (iv) on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent that such cash or government securities prefund the payment of principal and/or interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose, (v) in favor of the Company or any Subsidiary of the Company (other than Liens on property or assets of the Company or any Guarantor in favor of any Subsidiary of the Company that is not a Guarantor), (vi) arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, (vii) on inventory or goods and proceeds securing obligations in respect of bankers' acceptances issued or created to facilitate the purchase, shipment or storage of such inventory or other goods, (viii) attaching to commodity trading or other brokerage accounts incurred in the ordinary course of business or (ix) on bank accounts or cash management arrangements entered in the ordinary course of banking or pursuant to applicable general banking conditions;

(o) other Liens securing Indebtedness (including Liens existing on the Issue Date, after giving effect to the Transactions, securing Indebtedness which remains outstanding at the date of calculation (or securing any Refinancing Indebtedness in respect of such Indebtedness)) in an aggregate principal amount outstanding which does not exceed the greater of (i) €300 million and (ii) 7.60% of Consolidated Tangible Assets;

(p) any Lien created by any Subsidiary Insurance Company in connection with its insurance business;

(q) any Lien created to secure obligations under worker's compensation, social security or similar law, or under employment insurance as required by law or regulation;

(r) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(s) Liens (i) over cash deposits securing the interests of customers which have paid moneys into such cash deposit account subject (expressly or impliedly) to any escrow, trust or similar arrangement or (ii) on cash collateral deposited in favor of any regulatory or governmental body or agency due to a legal or regulatory requirement;

(t) Liens created on or subsisting over any asset held in Euroclear as operator of the Euroclear system, Clearstream or any other securities depository or any clearing house pursuant to the standard terms and procedures of the relevant clearing house applicable in the normal course of trading where such asset is held for the investment purposes of the Company or a Restricted Subsidiary;

(u) Liens on assets of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor; and

(v) any amendment, modification, extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (u); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under the original Lien arose, could secure) the Indebtedness being refinanced.

"**Permitted Trade Indebtedness**" means (a) any Indebtedness incurred to a trade creditor by the Company or any Restricted Subsidiary or on behalf of the Company or any Restricted Subsidiary in the ordinary course of its trading in respect of the supply of goods or services by the creditor and includes Indebtedness under any indemnity, guarantee, bond or letter of credit issued in respect of (and to the extent of) that Indebtedness, and (b) any Indebtedness Incurred by a member of the Group to any bank under a VAT bonding facility, *provided* that no Indebtedness will constitute Permitted Trade Indebtedness if it is outstanding for more than six months (or, in the case of any Subsidiary Insurance Company in connection with its insurance business, 12 months) from the date it is incurred.

"**Person**" means any individual, corporation, public limited company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"**Post-Closing Date**" means the date that is on or before 90 days subsequent to the Issue Date that the Post-Closing Guarantors provide their Note Guarantees.

"**Post-Closing Guarantors**" means, collectively, Fnac Darty Participations et Services S.A., Fnac Direct SASU, Etablissements Darty & Fils SASU, Darty Grand Est SNC, Darty Grand Ouest SNC, Fnac Belgium SA and Fnac Vanden Borre NV.

"**pound sterling**" and "£" denote the lawful currency of the United Kingdom.

"**Preferred Stock**" as applied to the Capital Stock of any corporation means Capital Stock of any class or classes (however designated) that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including capital stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with IFRS.

"**Redemption**" means the redemption of all of the Existing Notes, including the payment of accrued interest and the applicable redemption premium, with the proceeds from the issuance of the Notes.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell or extend (including pursuant to any defeasance or discharge mechanism); and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indentures shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refinance any Indebtedness existing on the Issue Date or Incurred in compliance with the Indentures (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary (to the extent permitted in the Indentures) and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary or the Company) including Indebtedness that refinances Refinancing Indebtedness; *provided* that (a) such Refinancing Indebtedness has (i) a final Stated Maturity that is either (A) no earlier than the final Stated Maturity of the Indebtedness being refinanced or (B) after the final Stated Maturity of the Notes and (ii) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being refinanced; (b) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of (i) the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced, which may include Indebtedness under one or more separate agreements or instruments that will be refinanced with a single agreement or instrument, plus (ii) fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such Refinancing Indebtedness and (c) if the Indebtedness being refinanced is expressly, contractually, subordinated in right of payment to the Notes or any Note Guarantee, as the case may be, such Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced.

"**Restricted Subsidiary**" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"**Reversion Date**" means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

"**Senior Facilities Agreement**" means the €1,350 million Senior Facilities Agreement entered into on April 20, 2016 among the Company, as borrower, Société Générale as facility agent, the Post-Closing Guarantors, as guarantors, and certain financial institutions, as lenders, as amended on April 24, 2016, as amended and restated on April 18, 2018 and as amended or restated thereafter from time to time.

"**S&P**" means S&P Global Ratings or any successor thereto.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Senior Indebtedness**" means, with respect to the Company or any Guarantor, any Indebtedness of such Person and its Restricted Subsidiaries that is not a Subordinated Obligation.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(a) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed financial year;

(b) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed financial year; or

(c) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed financial year.

"**Stated Maturity**" means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the payment of principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase or repayment of such Indebtedness at the option of the holder thereof upon the happening of any contingency).

"**Subordinated Obligations**" means any Indebtedness of the Company or any Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that is expressly contractually subordinated in right of payment to Indebtedness under the Notes or a Note Guarantee, as the case may be.

"**Subsidiary**" means, with respect to any specified Person:

(a) any company, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the company, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Subsidiary Insurance Company**" means any Subsidiary of the Company which transacts with the providers to the Company and its Subsidiaries of extended warranty, service contract and insurance arrangements and which is designated as such pursuant to an Officer's Certificate.

"**Successor Company**" has the meaning assigned thereto in clause (a)(i) under "*—Certain Covenants—Merger and Consolidation*".

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services (including all obligations of such Person in relation to any confirming services, reverse factoring services and commercial discount lines in the ordinary course of business and consistent with past practice).

"**Transaction Costs**" means all costs, fees and expenses (and taxes thereon) and all capital, stamp, documentary, registration or other taxes incurred by or on behalf of the Company or any of its subsidiaries in connection with the Transactions.

"**Transactions**" means, collectively, any or all of the following:

(a) the entry into the Indentures and the issuance of the Notes on the Issue Date;

(b) the Redemption; and

(c) the carrying out of the transactions contemplated by or related to any of the foregoing (including, without limitation, payment of fees and expenses related to any of the foregoing, including without limitation Transaction Costs).

"**Trustee**" means Deutsche Trustee Company Limited, or such successor Trustee as may be appointed under the applicable Indenture.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary, as designated by the Board of Directors in the manner provided below; and

(b) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary of the Company or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, the Company or any other Restricted Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided* that (i) such Subsidiary is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company, and (ii) such Subsidiary is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, (i) the Company could Incur at least €1.00 of additional Indebtedness pursuant to paragraph (a) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the Consolidated Fixed Charge Coverage Ratio would be greater than it was immediately prior to giving effect to such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Company's Board of Directors giving effect to such designation and an Officer's Certificate of the Company certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of an entity means all classes of Capital Stock of such entity then outstanding and normally entitled to vote in the election of directors or all interests in such entity with the ability to control the management or actions of such entity.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (b) the then outstanding principal amounts of such Indebtedness.

TAXATION

Certain French Tax Considerations

The following is a general description of certain tax considerations relating to the holding of the Notes.

The following description is only addressed to potential purchasers or noteholders who are not French tax residents for French tax purposes, who do not hold their Notes in connection with a permanent establishment or a fixed base in France and who are not a shareholder of the Issuer (for the purposes of this section the "*Holder(s)*" of the Notes).

It only represents a summary of certain material provisions of French tax laws and regulations, as currently in effect and applied by the French tax authorities, all of which are subject to change, possibly with retroactive effect, or to different interpretations. The following description is for general information only and, because of its summary character, does not cover all details and tax exemptions which may apply in specific individual cases and may even require a deviation therefrom, including as a result of the application of the provisions of any relevant tax treaty. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and the consequences of such actions under the tax laws of those countries. This summary does not apply when payments of interest and other revenue with respect to the Notes are made by a paying agent (within the meaning of Council Directive 2003/48/EC) established in Austria. Furthermore, it does not deal with any aspects of tax other than the withholding and income taxes described below. Prospective investors in the Notes are urged to consult their own professional tax advisers as to French tax consequences of purchasing, owning and disposing of the Notes in light of their particular circumstances.

The Notes being offered pursuant to this offering memorandum are characterized as obligations under French commercial law.

Withholding Tax

Non-French residents

Payments of interest and other assimilated revenue made by the Issuer with respect to the Notes will not be subject to the withholding tax set forth under Article 125 A, III of the French Tax Code unless such payments are made outside France in a non-cooperative State or territory (*État ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Tax Code (an "*NCST*") other than those mentioned in Article 238-0 A 2 bis 2° of the French Tax Code. If such payments under the Notes are made in an NCST other than those mentioned in Article 238-0 A 2 bis 2° of the French Tax Code, a 75% mandatory withholding tax will be due by virtue of Article 125 A, III of the French Tax Code (subject to exceptions, certain of which are set forth below, and to the provisions of any applicable double tax treaty). The 75% withholding tax is applicable irrespective of the holder's residence for tax purposes or registered headquarters. The list of NCST is, in principle, updated on an annual basis.

Furthermore, according to Article 238 A of the French Tax Code, interest and other revenue under the Notes will not be deductible from the taxable income of the Issuer (in circumstances where it would otherwise be deductible), if they are paid or have accrued to persons domiciled or established in an NCST or paid into a bank account opened in a financial institution located in an NCST (the "*Non-Deductibility*"). Under certain conditions, any such non-deductible interest or other revenue may be recharacterized as constructive dividends pursuant to Articles 109 *et seq*. of the French Tax Code, in which case it may be subject to the withholding tax provided under Article 119 *bis*, 2 of the French Tax Code, at a rate of (i) 12.8% for payments benefitting individuals who are not French tax residents, (ii) 30% for payments benefitting legal persons that are not French tax residents (to be aligned on the standard corporate income tax rate set forth in Article 219-I of the French Tax Code for fiscal years beginning as from January 1, 2020), or (iii) 75% for payments made outside of France in certain NCST, subject to the provisions of an applicable double tax treaty.

Notwithstanding the foregoing, none of the withholding tax provided by Article 125 A, III of the French Tax Code or the Non-Deductibility or the withholding tax set forth under Article 119 bis, 2 of the French Tax Code that may be levied as a result of the Non-Deductibility, will apply in respect of a particular issue of debt instruments, *provided* that the Issuer can prove that (i) the main purpose and effect of such issue was not to enable payments of interest and other revenue to be made in an NCST (the "*Exception*") and (ii) in respect of the Non-Deductibility, that the relevant interest and other revenue relate to genuine transactions and are not in an abnormal or exaggerated amount.

Pursuant to the provisions of the administrative guidelines (*Bulletin Officiel des Finances Publiques—Impôts* BOI-INT-DG-20-50-20140211 n°550 and n°990, BOI-RPPM-RCM-30-10-20-40-20140211 No. 70 and No. 80 and BOI-IR-DOMIC-10-20-20-60-20150320 No. 10—the "*Administrative Guidelines*"), an issue of the Notes benefits from the Exception without the Issuer having to provide any evidence supporting the main purpose and effect of such issue of the Notes, if the Notes are:

- instruments issued in a public offering within the meaning of Article L. 411-1 of the French Monetary and Financial Code or pursuant to an equivalent offer in a state other than a NCST (for this purpose, an "equivalent offering" means any offering requiring the registration or submission of an offering document by or with a foreign securities market authority);
- instruments admitted to trading on a French or foreign regulated market or multilateral securities trading system, provided that such market or system is not located in an NCST and that the operation of such market is operated by a market operator, an investment services provider or by such other similar foreign entity that is not located in an NCST, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- instruments admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositaries or operators provided that such depositaries or operators are not located in a NCST.

French residents—individuals

Pursuant to Article 125 A and 125 D of the French Tax Code and subject to certain limited exceptions, assuming the Notes are treated (based on their individual terms and conditions) as debt instruments for French tax purposes, interest and other assimilated revenue paid in respect of such Notes from France or from abroad to French individual investors who are fiscally domiciled (*domiciliés fiscalement*) in France are subject, subject to certain exceptions, to a non-definitive 12.8% withholding tax (*prélèvement à la source obligatoire non libératoire de l'impôt sur le revenu*), which is deductible from their personal income tax liability in respect of the year in which the payment has been made. In these situations, social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at the aggregate rate of 17.2% on interest and other assimilated revenue.

Transfer Taxes or Similar Duties

No transfer taxes or similar duties are payable in France in connection with the sale of the Notes, except (i) in the case of filing with the French tax authorities on a voluntary basis, (ii) if such transfer is recorded or referred to in any manner whatsoever in an act, such as, for instance, a deed, which shall be registered with the tax authorities in France or (iii) to the extent that the FTT would become applicable (as described in "*Risk Factors—Risks Related to the Notes and the Guarantees—Transactions in the Notes could be subject to the European financial transaction tax, if adopted*").

General—Payments by a Guarantor

If a Guarantor makes any payments in respect of the Notes, it is possible that such payments may be subject to withholding tax at applicable rates, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES

Set out below is a summary of certain limitations on the enforceability of the Guarantees relating to the Notes, and of certain insolvency law considerations in each of the jurisdictions in which the Issuer and the Guarantors (as of the date hereof) are organized or incorporated. It is a summary only. Bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and/or in the jurisdiction of organization or incorporation of a future guarantor under the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Guarantees.

European Union

Pursuant to the Council Regulation (EC) No. 2015/848 on insolvency proceedings (the "*EU Insolvency Regulation*"), applicable for proceedings opened from June 26, 2017, the court that shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark, according to Preamble 88 of EU Insolvency Regulation) where the company concerned has its "center of main interests" (or "*COMI*") (as that term is used in Article 3(1) of the EU Insolvency Regulation).

The determination of where such company has its COMI is generally a question of fact on which the courts of different EU Member States may have differing and even conflicting views, and the courts will take a broad range of factual elements into account.

The term "center of main interests" is not a static, but rather a facts- and circumstances-based concept and may therefore change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its COMI in the Member State in which it has its registered office, Preambles 28 and 30 of the EU Insolvency Regulation state that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and which "is therefore ascertainable by third parties". In that respect, factors such as the location at which board meetings are held and the location where the company conducts the majority of its business, including the perception of the company's creditors of the center of the company's business operations, may all be relevant in determining where the company has its COMI.

Under Article 3(1) of the EU Insolvency Regulation, the above-mentioned rebuttable presumption shall only apply if the registered office has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. If the registered office has been moved to another Member State within such 3-month period, the presumption shall apply to the registered office of the company prior to its relocation, in the absence of proof to the contrary. Moreover, pursuant to Preamble 30 of the EU Insolvency Regulation, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors (including those mentioned above) establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State.

The determination of the location of the company's COMI at the time of initiation of the relevant insolvency proceedings is not only decisive for the international jurisdiction of the courts of a certain Member State, but also for the insolvency laws applicable to these insolvency proceedings because each court would, subject to certain exemptions, apply its local insolvency laws (*lex fori concursus*).

Eventually, the EU Insolvency Regulation requires an increased scrutiny in situations where there has been a recent change of COMI. Where a company's COMI has shifted in the preceding three months the rebuttable presumption that its COMI is at the place of its registered office will no longer apply (Preamble 31).

Main proceedings

If the COMI of a company is and will remain located in the Member State in which it has its registered office, the main insolvency proceedings in respect of such company under the EU Insolvency Regulation should be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in a Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another Member State.

Secondary/territorial proceedings

Under Article 3(2) of the EU Insolvency Regulation if the COMI of a debtor is in one Member State (other than Denmark), the courts of another Member State (other than Denmark) have jurisdiction to open secondary (or ''territorial'') insolvency proceedings against that debtor only in the event that such debtor has an ''establishment'' (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those secondary insolvency proceedings are restricted to the assets of the debtor located in the territory of such other Member State (Article 34). If the main insolvency proceedings have been opened by the courts of the EU Member State where the COMI of the debtor is located, and are outstanding, then the territorial proceedings (''secondary'' proceedings) are not only winding-up proceedings. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open secondary insolvency proceedings in respect of such company under the EU Insolvency Regulation. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus* (*i.e.*, the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor (Article 35)).

Where main insolvency proceedings in the Member State in which the company has its COMI have not yet been opened, territorial proceedings can only be opened in another Member State in which the company has an establishment if (a) insolvency proceedings cannot be opened in the Member State in which the company's COMI is situated under that Member State's law or (b) the territorial insolvency proceedings are opened (Preamble 37) (i) at the request of a creditor or whose claim arises from or is in connection with the operation of an establishment located within the territory of the Member State where the opening of territorial proceedings is requested (Article 3(4)) or (ii) at the request of a public authority which is allowed to request such opening under the laws of the other Member State within the territory in which the establishment is located.

Article 36 of the EU Insolvency Regulation provides for the right to give an undertaking in order to avoid secondary insolvency proceedings. The insolvency practitioner in the main insolvency proceedings may give a unilateral undertaking to local creditors in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened, that when distributing those assets or the proceeds received as a result of their realization, it will comply with the distribution and priority rights under national law that creditors would have if secondary insolvency proceedings were opened in that Member State. This undertaking shall be approved by the known local creditors. If approved, the undertaking is binding on the estate, and a court shall refuse to open secondary insolvency proceedings if the undertaking's protection of the general interests of the local creditors is sufficient.

Coordination of group insolvency

The EU Insolvency Regulation also provides for rules to coordinate main, secondary and territorial proceedings (Article 41), as well as to coordinate cross-border group insolvencies (Article 56). In the event that insolvency proceedings concerning two or more members of a group are opened, insolvency practitioners and courts shall cooperate with any other insolvency practitioner and any other court involved in insolvency proceedings of another member of the group (Articles 56 and 57). Moreover, an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group may request group coordination proceedings before any court having jurisdiction over the insolvency proceedings of a member of the group. Such request shall be accompanied notably by a proposal as to the person to be nominated as the group coordinator (Article 61). In the event that the Issuer or any Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the Guarantors.

The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

France

The Issuer and certain of the Guarantors are incorporated in France. The following is a brief description of certain aspects of "prevention of corporate difficulties" and of insolvency proceedings governed by French law.

French laws and proceedings affecting creditors include Article 1343-5 of the French Civil Code (*Code civil*), mandat ad hoc proceedings, conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*), judicial reorganization proceedings (*procédure de redressement judiciaire*) and judicial liquidation proceedings (*procédure de liquidation judiciaire*). In general, French insolvency legislation favors the continuation of the business and protection of employment over the payment of creditors.

Under the EU Insolvency Regulation, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of the registered office shall be presumed to be the COMI in the absence of proof to the contrary. In determining whether the COMI of a company is in France, French courts will take into account a broad range of factual elements.

Grace periods

Pursuant to Article 1343-5 of the French Civil Code, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor and taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years. In addition, pursuant to Article 1343-5 of the French Civil Code, French courts may decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published annually by the French government) or that payments made shall first be allocated to repayment of the principal. If a court order under Article 1343-5 of the French Civil Code is made, it will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the period ordered by the court. A creditor cannot contract out of such provisions. When the debtor benefits from a *conciliation* proceeding, these statutory provisions shall be read in combination with Article L. 611-10-1 and Article L611-7 of the French Commercial Code.

In fact, if the debtor is engaged in conciliation proceeding or has reached a *conciliation* agreement that is in the course of being executed, special rules apply to the grant of grace periods (see "*—Conciliation proceedings*").

Warning procedure (procédure d'alerte)

In order to anticipate a debtor's difficulties to the extent possible, French law provides for certain warning procedures. When there are elements which the statutory auditors of a company believe put the company's existence as a going concern in jeopardy, they can request the management to provide an explanation for the situation. Failing satisfactory explanations or corrective measures by management, the auditors can demand a meeting of the board of directors (or the equivalent body) and, at a later stage, a convening of a shareholders' meeting. Depending on the answers provided to them, and the type of company, the auditors can or must inform the president of the relevant Commercial Court of the warning procedure.

Shareholders representing at least 5% of the share capital and the workers' committee, or, in their absence, the employees' representatives have similar rights.

The president of the Commercial Court can also himself request the management to provide explanations on elements which the president of the court believes put the company's existence as a going concern in jeopardy, or when the company has not filed its financial statements within the statutory timeframe, despite his injunction.

Insolvency test

Under French law, a company is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its available assets taking into account available credit lines (*actif disponible*), existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

Mandat ad hoc proceedings

A company that is facing any type of difficulties (but which is not insolvent, see ''–*Insolvency test*'') may request from the court, in its sole discretion, the appointment of a *mandataire ad hoc*, whose identity it can suggest. *Mandat ad hoc* proceedings do not involve any automatic stay of the claims and pending proceedings.

French law does not provide for any specific rule in respect of *mandat ad hoc* proceedings, except that these proceedings (i) are informal and confidential by law (save for the disclosure of the court decision appointing the *mandataire ad hoc* to the statutory auditors if any) and (ii) may only be initiated by the debtor company itself, in its sole discretion.

Mandat ad hoc proceedings are not limited in time and are informal proceedings carried out under the aegis of a court-appointed officer (*mandataire ad hoc*, whose name can be suggested by the debtor) itself under the supervision of the president of the relevant court (usually the Commercial Court), which do not automatically involve any stay of the claims and pending proceedings.

The debtor's statutory auditors, if any, shall be notified of the order appointing the *mandataire ad hoc* for information purposes.

The *mandataire ad hoc*'s duties and the duration of the proceeding are freely determined by the president of the court. The *mandataire ad hoc* is usually appointed in order to facilitate negotiations with creditors but they cannot coerce the creditors to accept any proposal. The agreement reached by the parties (if any) with the help of the *mandataire ad hoc* is usually reported by the latter to the president of the court but is not formally approved by the court. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement.

In any event, the debtor retains the right to petition the relevant judge for a grace period pursuant to Article 1343-5 of the French Civil Code, as set forth above (see ''—*Grace periods*'').

Any contractual provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of a request submitted to this end, and any contractual provision requiring the debtor to bear, by reason only of the appointment of a *mandataire ad hoc*, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, are deemed null and void.

Conciliation proceedings

A French company facing difficulties without being insolvent, or being insolvent for less than 45 calendar days (see ''—*Insolvency test*'') may request the opening of *conciliation* proceedings (*procédure de conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders.

Similarities between the *conciliation* proceedings with the *mandat ad hoc* proceedings include (i) confidentiality by law and (ii) that they may only be initiated by the debtor company itself, in its sole discretion. Main differences include (i) the conditions to open the *conciliation* proceedings, (ii) the limitation in time of the *conciliation* proceedings, (iii) the right to petition the president of the court for a grace period and (iv) the ability to have the *conciliation* agreement acknowledged or approved.

A company may apply for the opening of *conciliation* proceedings with respect to itself, provided it (i) is not insolvent, or has been insolvent for less than 45 days, and (ii) experiences current or predictable legal, economic or financial difficulties. The debtor petitions the president of the relevant court (usually the Commercial Court) for the appointment of a conciliator whose name it can suggest (*conciliateur*) in charge of assisting the debtor in negotiating with all or part of its creditors and/or trade partners an agreement putting an end to the difficulties encountered by the debtor under the supervision of the president of the court.

Conciliation proceedings are confidential and may last up to four months, although an additional extension of one month can be requested by the conciliator. Conciliation proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for their duration and creditors may not request the opening of insolvency proceedings (*redressement judiciaire* or *liquidation judiciaire*) against the debtor.

In addition, under Article L. 611-7 of the French Commercial Code, the debtor retains the right to petition the president of the court which rendered the order for a grace period pursuant to Article 1343-5 of the French Civil Code, in which case the decision would be taken having heard the conciliator.

Besides, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commenced *conciliation* proceedings may, during the execution period of a *conciliation* agreement (whether it is acknowledged or approved as described below), impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) in respect of their claims that were not dealt with under the *conciliation* agreement.

The *conciliation* agreement between the debtor and its creditors (if any) may be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court. It will become binding upon them and the creditors party thereto may not take action against the company in respect of claims governed by the agreement.

The acknowledgement (*constatation*) of the agreement by the president of the court upon all parties' request gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), but the *conciliation* proceedings remain confidential (i.e., *conciliation* proceedings remains confidential towards third parties, and non-party creditors are not entitled to know about the contents of the *conciliation* agreement). So long as the *conciliation* agreement is in effect, interests accruing on the affected claims can no longer be compounded.

In case of acknowledgement (*constatation*) or approval (*homologation*), the president of the court can, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

The *conciliation* agreement can also be approved (*homologué*) by the court upon the debtor's request and under specific conditions. It will have the following specific consequences:

- creditors who provided new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will have a priority of payment over all pre-proceeding and post-proceeding claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings (the "*New Money Lien*");

- in the event of subsequent safeguard proceedings, judicial reorganization or judicial liquidation proceedings, the claims benefiting from the New Money Lien may not, without their holders' consent be written off and their payment date may not be rescheduled to a date later than the date on which the safeguard or reorganization plan is adopted, not even by the creditors' committees or the bondholder general meeting;

- the works council or employee representatives are informed of the court's approval of the *conciliation* agreement and may have access to the full *conciliation* agreement at the court's clerk office (*greffe*). The publicly available court decision approving such agreement should however only disclose the amount of any New Money Lien and the guarantees and security interests granted to secure the same;

- when the debtor is submitted to statutory auditing, the *conciliation* agreement is communicated to its statutory auditors; and

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the cessation of payments (*cessation des paiements*) and therefore the starting date of the hardening period (*période suspecte*) cannot be set by the court as of a date earlier than the date of the approval of the agreement by the court, except in case of fraud.

The court approves the agreement following a hearing held for that purpose which will have to be attended by the works council or employee representatives, as the case may be, if (i) the debtor is not insolvent or the *conciliation* agreement has the effect of putting an end to the debtor's insolvency, (ii) the *conciliation* agreement effectively ensures that the company will survive as a going concern, and (iii) the *conciliation* agreement does not impair the rights of the non-signatory creditors.

The court decision approving the *conciliation* agreement makes the existence of the *conciliation* public but does not make the terms of the *conciliation* agreement public (save for the information of the works council or the employees representatives, if any, on the content of the agreement) except for the guarantees and the terms of the New Money Lien (if any) granted to the creditors who extended "new money" or new assets or services in the course of the *conciliation* proceeding or in respect with the *conciliation* agreement.

While the agreement (whether acknowledged or approved) is in force:

- interest accruing on the claims that are subject to the *conciliation* agreement may not be compounded; and

- the debtor retains the right to petition the court that opened *conciliation* proceedings for a debt rescheduling, pursuant to Article 1343-5 of the French Civil Code mentioned above, in relation to claims of creditors (other than public creditors) party to the *conciliation*, in which case the decision would be taken after having heard the conciliator in the event that he has been appointed to monitor the implementation of the agreement, and joint debtors, personal guarantors, or any third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) to guarantee the debtor's liabilities can benefit from the provisions of the approved or acknowledged agreement.

In the event of a breach of the agreement, any party to the agreement that has been acknowledged or approved in the manner described above can petition the court for its termination. If such termination is granted, grace periods granted in relation to the *conciliation* proceedings may be revoked. Conversely, provided that the *conciliation* agreement is duly performed, any individual proceeding by creditors with respect to the claims included in the agreement is suspended. The commencement of subsequent insolvency proceedings will automatically put an end to the *conciliation* agreement, in which case the creditors will recover their claims and security interests for those amounts not already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors (a two-thirds majority of each creditors' committee and a two-thirds majority of the bondholders' single assembly, if any), will be a mandatory preliminary step of the accelerated safeguard proceedings and the accelerated financial safeguard proceedings, as described below.

In the event of the commencement of subsequent safeguard or judicial reorganization proceedings, within the context of the adoption of a safeguard plan or a recovery plan, the court will not be able to impose a payment deferral to a date later than the date on which the plan is adopted, or debt reductions to creditors with respect to their claims benefiting from the New Money Lien.

At the request of the debtor and after the participating creditors have been consulted on the matter, the conciliator may be appointed with a mission to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (*plan de cession*). Such sale would be implemented, as applicable, in the context of subsequent safeguard, judicial reorganization or liquidation proceedings; any offers received in this context by the conciliator may be directly submitted to the court in the context of reorganization or liquidation proceedings after consultation of the public prosecutor.

Any contractual provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the commencement of *conciliation* proceedings or of a request submitted to this end, and any contractual provision requiring the debtor to bear, by reason only of the commencement of *conciliation* proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, are deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, by itself, entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New *conciliation* proceedings cannot be commenced before three months have elapsed as from the end of the previous ones.

Safeguard proceedings

A company may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, provided it (i) is not insolvent (*en état de cessation des paiements*) and (ii) experiences difficulties that it is not able to overcome. Creditors of the company do not attend the hearing before the court at which the opening of safeguard proceedings is requested.

At the opening of the safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is usually appointed in accordance with Articles L. 621-4 and L. 622-1 of the French Commercial Code to investigate the business of the company during an observation period (starting from the date of the court decision commencing the proceedings to the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months and help the company elaborate a draft safeguard plan (*projet de plan de sauvegarde*) that it will propose to its creditors.

Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator who will, pursuant to the terms of the opening judgment, exercise a control *a posteriori* over decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

If, after commencement of the proceedings, it appears that the debtor was insolvent (*en état de cessation des paiements*) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the public prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) in case no plan has been adopted by the relevant creditors' committee and, if any, by the bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end, or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

- the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the public prosecutor and in all such cases (with the exception of (i)(b) above), the court may act upon its own initiative; and
- the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the controllers, the State prosecutor and the workers' representatives (if any).

The judgment opening safeguard or judicial reorganization proceedings renders due and payable all unpaid share capital of the debtor. The creditor's representative (*mandataire judiciaire*) may ask a shareholder to pay its portion of unpaid capital immediately after the opening of such proceedings.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the opening of the proceedings, or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered / goods delivered to the debtor, is a prohibited subject to very limited exceptions. For example, the insolvency judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

In addition, creditors are required to declare to the *mandataire judiciaire* the debts that arose prior to the opening of the procedure (as well as the post-opening non-privileged debts) and are prohibited from engaging any individual lawsuits against the debtor for any payment default in relation to such debts (see ''*—Status of creditors during safeguard proceedings, accelerated safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings*'') and the accrual of interest on loans with a term of less than one year, or payments deferred for less than one year, is stopped. Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business's activities during the observation period or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period, must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as the New Money Lien).

The manner in which the liabilities will be settled, as provided for in the plan (debt remissions, payment times or debt-for-equity swaps) must be submitted to the creditors during a consultation, prior to the plan being approved by the court. The rules governing consultation vary according to the size of the business.

''Ordinary'' consultation

''Ordinary'' consultation applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less.

Where credit committees have not been established (see below ''*—Committee-based consultation*''), the court-appointed administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

The French Commercial Code does not state whether the proposals for settlement can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at the consultation stage. According to legal commentaries and established practice, in the absence of a specific legislative prohibition, varying treatment of creditors is possible, provided that it is justified by the specific position of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of the claim over a shorter time period instead of a full payment of the claim over a maximum period of 10 years (except for agricultural businesses run by individuals where the maximum is fifteen years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not consulted.

In the event of a consultation in writing, if a creditor does not respond within 30 days as from receipt of the letter from the creditors' representative, the creditor is deemed to have accepted the proposal, except when the proposal includes debt-for-equity swap. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of an ordinary consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (*plan de sauvegarde*) can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien) over a maximum period of 10 years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without its creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be at least 5% of the total amount of the debt claim) or the year following the initial maturity of the claim if it is later than the date of the first anniversary of the adoption of the plan, in which case the amount of the payment is determined in accordance with the specific rules in order to ensure that the full amount of the claim is repaid within the 10-year period.

Committee-based consultation

These committees will be consulted on the safeguard plan drafted by the debtor's management during the observation period. In addition, any member of a committee may submit proposals for drawing up a plan to the debtors which will be subject of a report by the court-appointed administrator.

If there are any outstanding debt securities in the form of "obligations" (such as bonds or notes, and including capital market debt instruments), a bondholders' single assembly of all holders of such obligations will be established irrespective of whether or not there are different issuances and of the governing law of those "obligations". The Notes constitute obligations for the purposes of safeguard proceedings. The plan must be approved by a two-thirds majority vote of each committee and of the bondholders' single assembly. Such majority is calculated based on the sum of debt owned by each of the creditors expressing a vote. Each member of the committees and of the bondholders' single assembly may vote, including any affiliate of the debtor.

A draft law "*Loi Pacte*" is currently discussed and provides for the introduction of cross class cram down, *i.e.*, the ability for the court to adopt a reorganization plan despite the opposition of one or several class of creditors, in order to comply with EU law (See "*—Probable future overhaul of the adoption process of restructuring plans by EU law*").

As a general matter, only the legal owner of the debt claim will be invited onto the committees or the general bondholders' meeting. Accordingly, a person holding only an economic interest therein will not itself be a member of the committees or the general bondholders' meeting.

The committees must announce whether they approve or reject the draft safeguard plan within a minimum of 15 days of its submission. The draft plan must be approved by a vote of each committee, requiring a majority of two-thirds of the outstanding claims of the creditors expressing a vote. The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account. In addition, creditors for whom the draft plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote.

If there are any outstanding debt securities in the form of obligations, the noteholders are required to vote on the draft plan approved by the committees in a general meeting of all noteholders (even if they relate to different issues and regardless of the law applicable to each issue) held for that purpose and approve the plan at the same two-thirds majority. Approval of the plan at the two-thirds majority shall, if the plan is approved by the court, bind all the members of the committees and the noteholders (including those who voted against the adoption of the plan).

The draft plan submitted to the committees and the noteholders, if any, must take into account subordination agreements entered into by the creditors before the opening of the proceedings, may treat creditors differently if it is justified by their differences in situation and may notably include rescheduling, or cancelling of debts (subject to the specific regime of claims benefitting from the New Money Lien) and/or debt-for-equity swaps (debt-for-equity swaps requiring in addition the relevant shareholders' consent).

The "*Loi Pacte*" provides for the reinforcement of the subordination agreements.

If, within the first six months of the observation period, the creditors' committees and the noteholders' meeting approve the plan, and subject to (i) verification by the court that the interests of all creditors are sufficiently preserved and (ii) a potential rescheduling of the claim of creditors that are not members of the committees or noteholders (as discussed hereinafter), the court will approve the plan.

In the event that the debtor's proposed plan is not approved by both committees and the noteholders' general meeting within the first six months of the observation period, either because they do not vote on the plan or because they reject it, this six month period may be extended by the court at the request of the court-appointed administrator, to the extent it does not exceed the duration of the observation period, in order for the plan to be approved by the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable to creditors who are not part of the committees and who are not noteholders and, in particular, the court can only impose a uniform rescheduling of the repayment of the debts over a maximum period of 10 years (as described above).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off with their claims against the debtor, as reduced as the case may be according to the provisions of the plan.

Creditors which are members of the credit institutions' committee or the suppliers' committee may also prepare an alternative safeguard or reorganization plan that will also be put to the vote of the committees and of the general bondholders' meeting, it being specified that approval of these alternative plans is subject to the same two-thirds majority vote in each committee and in the meeting of holders of Notes and gives rise to a report by the court-appointed administrator. Holders of Notes are not permitted to present their own alternative plan.

Each creditor member of a creditors committee and each noteholder must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to the exercise of its vote, to the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to the creditor/noteholder a proposal for the computation of its voting rights in the creditors committee or the noteholders' general meeting. In the event of a disagreement, the creditor/holder of the Notes or the court-appointed administrator may request that the matter be decided by the president of the court in summary proceedings.

Following approval by the creditors' committees and the bondholders' single assembly and determination of a rescheduling or partial cancellation against cash payment of the claim of creditors that are not members of the committees or bondholders, as discussed hereafter, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected and that relevant shareholder consent, if any is required, has been obtained. Once approved by the court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors outside the creditors' committees or the bondholders' single assembly are consulted in accordance with the standard consultation process referred to above.

For those creditors outside the creditors' committee or the noteholders' meeting who have not reached a negotiated agreement with the debtor, the court can impose a uniform rescheduling of the repayment of their debts over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The court cannot force such creditors to waive any part of their claims or accept debt-for-equity swaps. The first payment must be made within a year of the judgment adopting the plan and, as from the third year and for each subsequent year, the amount of each annual instalment must be of at least 5% of the total amount of the debt.

In the event that no draft plan is approved by both committees and/or the general meeting of noteholders, either because they have not voted on the plan or because they have rejected it, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such case the rules are the same as the ones described above for creditors that are not part of the committees and that are not noteholders and, in particular, the court can only impose a uniform rescheduling of the repayment of the debts over a maximum period of 10 years, without any cancelation of debt or debt-for-equity swap without creditors' consent (as described above).

Creditors for whom the plan does not provide any modification of their repayment schedules or provides for a complete reimbursement in cash of their claims as soon as the plan is adopted or as soon as their claims are admitted do not need to be consulted on the plan.

If the draft plan provides for a modification of the share capital or the by-laws, the court may decide that the shareholders general meeting and, as the case may be, the general meetings of the holders of securities giving access to the share capital of the company shall vote, the first time the relevant meeting is convened, at a simple majority of the votes of the shareholders attending, or represented at, the meeting, provided that they hold at least half of the shares with voting rights. The second time the meeting is convened, the usual provisions relating to quorum and majority shall apply.

If no plan is adopted by the committees, and, if applicable, the bondholders' single assembly, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*) or the public prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific rules apply in the case of creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted by a private economic operator placed in the same position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect to taxes, relief may only be granted from default interest, adjustments, penalties or fines.

In the event that safeguard (or judicial reorganization) proceedings are opened against the Issuer, the noteholders will be treated as noteholders of the Issuer and will take part in the general meeting of noteholders. Therefore, the noteholders would not be members of the credit institutions committee but would vote on any draft plan proposed by the Issuer as members of the general meeting of noteholders.

A draft plan (the approval of which would require a two-thirds majority vote of each committee and the general meeting of the noteholders) proposed to the Issuer's creditors could include, among other things, debt rescheduling or cancelation of debts and/or debt-for-equity swaps (the latter requiring shareholders' consent). Noteholders could, as members of the general meeting of noteholders, veto such a draft plan if their claims represent more than one-third of the claims of those creditors casting a vote. Conversely, if a two-thirds majority is reached in each committee and at the noteholders meeting and the plan is subsequently approved by the relevant court, the plan will bind all the creditors of the Issuer, including noteholders and members of the creditor's committees who voted against the adoption of the plan). The lenders under the Bank Facilities may have interests that are different from the interests of the noteholders.

Probable future overhaul of the adoption process of restructuring plans by EU law

It should be noted that a draft directive "on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU" is about to be adopted by the European Union (upon a proposal made by the European Commission on November 22, 2016 which, in all likelihood, should be adopted in the form of the position of the European Parliament of March 28, 2019). If so, and once being transposed into French law, such directive should have a material impact on French insolvency law, especially with regard to the process of adoption of restructuring plans under insolvency proceedings.

According to this draft directive, "affected parties" (*i.e.*, creditors and, where applicable under national law, equity holders whose claims or interests are affected under a restructuring plan) shall be treated in separate classes which reflect certain class formation criteria for the purpose of adopting a restructuring plan. Classes shall be formed in such a way that each class comprises claims or interests with rights that are sufficiently similar to justify considering the members of the class a homogenous group with commonality of interest. As a minimum, secured and unsecured claims shall be treated in separate classes for the purpose of adopting a restructuring plan. A restructuring plan shall be deemed to be adopted by affected parties, provided that a majority in the amount of their claims or interests is obtained in each and every class (the required majorities shall be laid down by Member States at not higher than 75% in the amount of claims or interests in each class). If the restructuring plan is not approved by each and every class of affected parties, the plan may however be confirmed by a judicial or administrative authority by applying a cross-class cram-down, provided that:

- the plan has been notified to all known creditors likely to be affected by it;
- the plan complies with the best interest of creditors test (*i.e.*, no dissenting creditor would be worse off under the restructuring plan than they would be in the event of liquidation, whether piecemeal or sale as a going concern);
- any new financing is necessary to implement the restructuring plan and does not unfairly prejudice the interest of creditors;
- the plan has been approved by a majority of the voting classes of affected parties, provided that at least one of those classes is a secured creditors class or is senior to the ordinary unsecured creditors class; or, failing that, at least one of the voting classes of affected parties or where so provided under national law, impaired parties, other than an equity-holders class or any other class which, upon a valuation of the debtor as a going-concern, would not receive any payment or keep any interest, or, where so provided under national law, which could be reasonably presumed not to receive any payment or keep any interest, if the normal ranking of liquidation priorities were applied under national law;
- the plan complies with the relative priority rule (*i.e.,* dissenting classes of affected creditors are treated at least as favorably as any other class of the same rank and more favorably than any junior class). By way of derogation, Member States may instead provide that the plan shall comply with the absolute priority rule (*i.e.*, a dissenting class of creditors must be satisfied in full before a more junior class may receive any distribution or keep any interest under the restructuring plan); and
- no class of affected parties can, under the restructuring plan receive or keep more than the full amount of its claims or interests.

Accelerated safeguard proceedings and accelerated financial safeguard proceedings

A debtor in *conciliation* proceedings may request commencement of accelerated safeguard proceedings (*procédure de sauvegarde* accélérée) or accelerated financial safeguard proceedings (*procédure de sauvegarde* financière accélérée).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties of large companies:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees, (ii) a turnover greater than €3 million excluding VAT or (iii) whose total balance sheet exceeds €1.5 million.

If the debtor does not exceed the thresholds necessary for the constitution of creditors' committees (see above), the court shall authorize such constitution in the opening decision.

Accelerated safeguard proceedings apply to all creditors (except employees).

The accelerated financial safeguard proceedings apply only to "financial creditors" (*i.e.*, creditors that belong to the credit institutions committee and noteholders), the payment of whose debt is suspended until adoption of a plan through the accelerated financial safeguard proceedings.

The debtor will be prohibited from paying, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply, any amounts (including interest) in respect of debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purpose of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor (post-commencement non-privileged debts). Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms. In this respect, the court-appointed administrator shall not convene any suppliers' committee.

To be eligible for accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfill four conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of the *conciliation* proceedings;
- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of accelerated safeguard proceedings or accelerated financial safeguard proceedings;
- the debtor must face difficulties which it is not in a position to overcome, as is the case for regular safeguard proceedings; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern supported by enough of its creditors subject to the proceedings', members of, as applicable, its credit institutions or major suppliers committees or its noteholders' general meeting, to render likely its adoption by a two-thirds majority of the relevant committee and noteholder's general meeting within a maximum of three months following the commencement of accelerated safeguard proceedings and of one month following the commencement of accelerated financial safeguard proceedings (that can be extended by an additional month).

The regime applicable to accelerated safeguard or accelerated financial safeguard proceedings is broadly the regime applicable to standard safeguard proceedings to the extent compatible with the accelerated timing (*e.g.*, creditors will be consulted by way of a committee-based consultation on, as the case may be, a draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) or a draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) and creditors that are members of the credit institutions committee or the major suppliers committee, but not bondholders, may also prepare alternative draft plans as described above (see "*—Safeguard proceedings—Committee-based consultation*")), to the extent compatible with the accelerated timing, since the maximum duration of accelerated safeguard proceedings is three months and the maximum duration of accelerated financial safeguard proceedings is two months (provided the court has decided to extend the initial one month period). However, certain provisions relating to ongoing contracts and provisions relating to the recovery of assets by their owners do not apply in accelerated safeguard or accelerated financial safeguard proceedings.

In particular, the creditors' committees and the noteholders' general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being sent to the creditors in the case of accelerated safeguard proceedings or within eight days thereof in accelerated financial safeguard proceedings.

The plan, in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings, is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital in the debtor (debt-for-equity swaps requiring relevant shareholder consent).

If a plan is not adopted by the creditors and approved by the court within the deadlines applicable to each, the court must terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the *conciliation* proceedings shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims for the purpose of the accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings unless the creditors otherwise elect to make such a filing.

Judicial reorganization or judicial liquidation proceedings

Judicial reorganization (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings may be initiated against (by creditors or the public prosecutor) or by a company only if it is insolvent (see "—*Insolvency test*") and, for the liquidation proceedings only, if the company's recovery is manifestly impossible. The court cannot commence a judicial reorganization or a liquidation proceeding on its own initiative. The company is required to petition for insolvency proceedings (or for *conciliation* proceedings) within 45 days of becoming insolvent if it has not otherwise requested the commencement of *conciliation* proceedings.

If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers are exposed to incurring civil liability and to personal disqualification (including the prohibition from managing, running, administrating or controlling, directly or indirectly, any commercial or craftsman's business, any agricultural activity or any legal entity or one or more of these).

Protective measures may also be taken in relation to assets owned by *de jure* or *de facto* managers of the insolvent company pursuant to Article L. 631-10-1 of the French Commercial Code, on the basis of an action grounded on mismanagement having caused the insolvency.

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of *conciliation* proceedings if any. The date of insolvency is important because it marks the beginning of the hardening period. Certain transactions undertaken during the hardening period may be void or voidable.

Where the debtor requested the commencement of judicial reorganization proceedings and the court considers that judicial liquidation proceedings would be more appropriate, after having heard the debtor, the court may order the commencement of the proceedings which it finds most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considers that judicial reorganization proceedings would be more appropriate.

In addition, at any time during the safeguard proceedings observation period, the court may convert such proceedings into reorganization proceedings (i) upon its own motion, at the request of the creditors' representative, the court-appointed administrator or the public prosecutor if the debtor company becomes insolvent; or (ii) at the request of the debtor company (or of the creditors' representative, the court-appointed administrator or the public prosecutor, if no plan has been adopted by the creditors' committees and, as the case may be, by the general meeting of the noteholders), if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard or accelerated financial safeguard proceedings be closed. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the public prosecutor and the workers' representatives (if any).

Under the judicial reorganization the administrator appointed by the court will assist the debtor to make all or some of the management decisions (*mission d'assistance*) and may also be empowered by the court to take over the management and control the company (*mission d'administration*). The opening of liquidation proceedings entails the relief of the debtor of the management.

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

In the event of reorganization, an administrator is usually appointed by the court to investigate the business of the company during an initial observation period, which may last up to 18 months, and makes proposals either for the reorganization of the company by means of a reorganization plan (elaborated with the help of the debtors) which is similar to a safeguard plan, or the sale of the business or the liquidation of the company. Committees of creditors and a noteholders' meeting may be created under the same conditions as in safeguard proceedings.

At any time during this observation period, the court can order a partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible (upon request of the debtor, the court-appointed administrator, the creditors' representative, the supervising creditor (*créancier contrôleur*), the public prosecutor, or upon its own motion). At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the court-appointed administrator may appoint a trustee (*mandataire en justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the recovery plan.

If the proposed reorganization plan is manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business as described below. Any third party can present a bid on all or part of the debtor's business.

Pursuant to Article L. 631-19-2 of the French Commercial Code, in judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and to local employment, (iii) the modification of the company's share capital appears to be the only credible way to avoid harm to the national or regional economy and to allow the continued operation of the business as a going concern, then, at the request of the court-appointed administrator or of the state prosecutor (x) after the review of the options for a total or partial sale of the business and (y) if at least three months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or

- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital modification and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings, any consent clause being deemed unwritten; the other shareholders have the right to withdraw from the company and request that their shares be purchased simultaneously by the transferees.

In the event of liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The managers of the company are no longer in charge of the management of the business, except for purely internal corporate matters such as the closing and the approval of the company's accounts.

Concerning the liquidation of the assets of the debtor, there are two possible outcomes of such liquidation scenario:

- an asset sale plan (*plan de cession*) (in which case the court will usually appoint a judicial administrator to manage the debtor and organize such sale of the business); or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales (*vente aux enchères*) (the formal authorization of the insolvency judge being necessary concerning assets other than real property); or
  - sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received, (the formal authorization of the insolvency judge being necessary to conclude the sale agreement with the bidder); or
  - request, under the supervision of the bankruptcy judge, from all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*).

If the court adopts a sale plan, it can set a period of time during which the assets that it deems to be essential for the continuation of the business of the debtor may not be sold without its consent.

When either no overdue liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*), the court terminates the proceedings. The court may also terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets. The court may also appoint a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

In reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the court-appointed administrator may appoint a trustee (*mandataire en justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the recovery plan. If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business.

Void and voidable transactions

"Void transactions" include transactions or payments entered into during the hardening period (*i.e.*, the period between the date of insolvency as set by the court and the commencement of the reorganization proceeding or the liquidation proceeding) that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner that is not commonly used in the ordinary course of business, security granted for debts previously incurred, any provisional measures, unless the writ of attachment or seizure predates the date of insolvency, operations relating to stock options, fiduciary transfers unless the transfer is made as a security for an indebtedness entered into simultaneously and modifications to existing fiduciary transfers securing previous debts.

"Voidable transactions" include payments for due debts made from the date of insolvency, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period if the party dealing with the debtor company knew that it was insolvent. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the suspect period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

Creditors' liability

Pursuant to Article L. 650-1 of the French Commercial Code as interpreted by case law, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful and in the case of fraud, interference with the management of the debtor or if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable in such circumstances can be canceled or reduced by the court.

If a creditor has repeatedly interfered in the company's management, it can be deemed a *de facto* manager of such company (*dirigeant de fait*). In such case, Article L. 651-2 of the French Commercial Code provides that, if judicial liquidation proceedings (*liquidation judiciaire*) have been commenced against the debtor, the creditor may be liable for bearing the excess of liabilities over the company's assets, along with the other managers (whether de jure or *de factor*), as the case may be, if it is established that their mismanagement contributed to the company's shortfall of assets. If such conditions are met, French courts will decide whether the managers should bear all or part of the shortfall amount. The mere negligence of a *de jure* or *de facto* manager in the management of the company is not sufficient to hold the manager liable for the company's shortfall of assets.

Status of creditors during safeguard proceedings, accelerated safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings

Contractual provisions pursuant to which the commencement of the safeguard (including accelerated safeguard proceedings and accelerated financial safeguard proceedings) or insolvency proceedings (reorganization proceeding and liquidation proceeding) constitutes an event of default are not enforceable against the debtor. Neither, in accordance with a decision of the French Supreme Court dated January 14, 2014, n°12-22.909, are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (case law which is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform.

Conversely, the court-appointed officer can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default prior the commencement of the proceeding, but on the condition that the debtor fully performs its post-petition contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). Termination of contracts may be decided by the insolvency judge (*juge commissaire*) upon request of the administrator if such termination is necessary for the recovery of the debtor and does not harm excessively the interest of the counterparty. The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a ''plan for the sale of the business'' (*plan de cession*) (which it may do for a period of three months, renewable once), in which case the acceleration of the obligations will only occur on the date of the court decision adopting the ''plan for the sale of the business'' or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year, with respect to which, however, accrued interest can no longer be compounded;
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) appointed by the court to recover assets for which recovery is justified by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after commencement of the proceedings unless they are incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/ goods provided to the debtor;
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
    - to terminate a contract for non-payment of amounts owed by the creditor; or
    - to enforce the creditor's rights against any assets of the debtor except where such asset (whether tangible or intangible, movable or immovable) is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 8 of the EU Insolvency Regulation about the third parties' rights *in rem*;
- immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*), absent consent to other terms of payment, will be required only in the context of reorganization or liquidation proceedings.

In accelerated safeguard and accelerated financial safeguard proceedings, the above rules only apply to the creditors that are subject to the accelerated safeguard proceedings or the accelerated financial safeguard proceedings respectively (see above).

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the court decision in an official legal gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside France. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of claim has been filed yet, the claim as reported by the debtor is deemed to be a filing on the claim with the creditors' representative on behalf of the debtor. Creditors are allowed to ratify a proof of claim made on their behalf until the insolvency judge rules on the admissibility of the claim. Creditors who have not submitted their claims during the relevant period, whose claims are not deemed filed with the creditors' representative are, except with respect to limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

In accelerated financial safeguard proceedings, however, debts owed to creditors other than banks, financial institutions or bondholders should be paid in the ordinary course.

In accelerated safeguard and in accelerated financial safeguard, the debtor draws a list of the claims of its creditors having participated in the *conciliation* proceedings, which is certified by its statutory auditors (failing which, its accountant). Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Thus, in the accelerated financial safeguard, the financial creditors who did not take part in the *conciliation* proceedings (but who would belong to the financial institutions' committee or the noteholders' general meeting) would have to file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a ''plan of sale of the business'' (*plan de cession*) in judicial reorganization or judicial liquidation proceedings with a temporary continuation of the business, the proceeds from the sale will be allocated to the payment of creditors according to their ranking.

If the court decides to order the judicial liquidation of the company, the court will appoint a liquidator to sell the assets of the company and settle the relevant debts in accordance with their ranking. However, in practice, where a plan for the sale of the business is considered, it will usually appoint a judicial administrator to manage the company and organize such sale of the business.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, officials appointed by the insolvency court as required by the regulations relating to insolvency proceedings, creditors benefiting from the New Money Lien, certain secured creditors in the event of judicial liquidation proceedings, post-petition creditors, the French State, other prepetition secured creditors and pre-petition unsecured creditors.

Fraudulent conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings: the ''*action paulienne*'' provisions. The action *paulienne* provisions offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative, the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*) or insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance. If a court found that the issuance of the Notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, noteholders may not benefit from the Notes, and the value of any consideration that noteholders received with respect to the Notes could also be subject to recovery from the noteholders and, possibly, from subsequent transferees. In addition, under such circumstances, noteholders might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

Belgium

Insolvency

Since Belgium is the territory in which the center of the Belgian Guarantors' main interests is situated, main insolvency proceedings may be initiated in Belgium. This also applies to any debtor for which Belgium is the territory in which the center of such debtor's main interests is situated. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies whose center of main interests is not situated in Belgium.

The following is a brief description of certain aspects of Belgian insolvency law. Belgian insolvency laws provide for two main insolvency proceedings for enterprises: judicial reorganization proceedings (*gerechtelijke reorganisatie/réorganisation judiciaire*) and bankruptcy proceedings (*faillissement/faillite*). Note that in addition, Belgian law allows for liquidation in deficit (*deficitaire vereffening/liquidation déficitaire*). The latter proceedings will not be further discussed.

Judicial reorganization

The judicial reorganization proceedings are regulated by Book XX ("*Insolvency of Undertakings*") of the Belgian Code of Economic Law, which entered into force on May 1, 2018 ("*Book XX*").

Initiative

A debtor (and in limited circumstances, its creditors, interested third parties or the public prosecutor) may file a petition for judicial reorganization if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the company have fallen under 50% of the company's registered capital, the continuity of the enterprise is always presumed to be at risk. A state of bankruptcy of the debtor does not exclude that a petition for judicial reorganization is filed.

Filing for judicial reorganization

From the moment the petition is filed, and provided the court overseeing the judicial reorganization has not issued a ruling thereon, the debtor cannot be declared bankrupt or wound up by court order. During the period between the filing of the petition and the court's decision, with few exceptions, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Opening of judicial reorganization

Book XX provides that, within a period of 15 days as from the filing of the petition, the court will examine such petition, and within 8 days following such examination and subject to the satisfaction of the filing conditions, the court will declare the judicial reorganization procedure open, allowing for a temporary moratorium for a maximum period of six months. At the request of the debtor (or of the judicial trustee in case of a procedure of transfer under judicial authority) and pursuant to the report issued by the delegated judge, the moratorium period can thereafter be extended up to twelve months as from the start of the moratorium period. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months. Special rules apply when a debtor has already requested and obtained a judicial reorganization procedure in the last three years before the new request.

Creditors' rights during the moratorium

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's movable and immovable assets from the time that the moratorium is granted until the end of the period, with few exceptions. During the moratorium, no attachments can be made with regard to pre-existing claims. During the moratorium, the debtor can also not be declared bankrupt, except upon declaration of the debtor itself and, if the debtor is a legal entity, judicial dissolution will not be possible during this period.

Conservatory attachments that existed prior to the opening of the judicial reorganization retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned. If the date for the forced sale of moveable or immovable property has already been set, such sale may, under certain conditions, be continued.

If receivables are pledged by the debtor in favor of a creditor prior to the opening of the judicial reorganization proceedings, such pledge will not be affected by the moratorium (provided the receivables are pledged specifically to that creditor from the moment the pledge is created (note that a pledge of a business or other universality including receivables is not considered as a pledge specifically with respect to receivables), and the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (*e.g.*, the debtor's customers) during the moratorium. A pledge on financial instruments within the meaning of the Belgian Act of December 15, 2004 on financial collateral arrangements and several tax dispositions in relation to security collateral arrangements and loans of financial instruments (the "*Belgian Collateral Act*") can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (unless considered an abuse of right). In the case of a pledge of bank accounts, the enforcement prohibition applies, save in case of payment default or if certain other conditions are met. Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium, to the extent such payment is necessary for the continuity of the enterprise.

Debtor in possession

During the judicial reorganization proceedings, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor, the court may appoint a judicial mediator (*ondernemingsbemiddelaar/médiateur d'entreprise*) to facilitate the restructuring of all or part of its assets or its activities. In addition, upon request of any interested party or the public prosecutor, in the event of manifestly grave shortcomings of the debtor or one of its corporate bodies threatening the continuity of the enterprise facing difficulties or its economic activities and provided such measure can preserve such continuity, the court may appoint a judicial administrator (*gerechtsmandataris/mandataire de justice*). Finally, in the event of manifestly gross error of the debtors or one of its corporate bodies, the court may replace them with a temporary administrator (*voorlopig bewindvoerder/administrateur provisoire*) for the duration of the moratorium.

Default and cross-default clauses

The reorganization procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a reorganization procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. Such enforcement prohibition applies, with a few exceptions, to close-out netting provisions as well, if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Financial Collateral Law or (ii) a public or financial legal entity where the creditor is not such an entity. Moreover, Book XX provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the reorganization procedure if the debtor remedies such default within a 15-day period following the notification of such default.

Ongoing contracts

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the reorganization proceedings, provided that the debtor notifies the creditor and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets. The exercise of this right does not prevent the creditor from suspending the performance of its own obligations. The creditor can however not terminate the agreement solely on the ground that the debtor has suspended the performance of its own obligations.

Objectives of the procedure

Book XX provides for three objectives of the reorganization proceedings: (i) an amicable settlement between the debtor and two or more of its creditors, (ii) a collective agreement or (iii) the transfer of (part of) the activities.

The type of reorganization may change during the proceedings and may also depend on the position of the court and/or third parties.

Amicable settlement

In case of an amicable settlement, only the parties to such amicable settlement will be bound by the terms they have agreed to. Such in-court agreement requires unanimity among the creditors concerned. The debtor may petition the court to grant a grace period in respect of its payment obligations, *e.g.*, in relation to interest payments, pending the negotiation of the agreement. Once agreement is reached, the court will record it. The court order confirming the existence of an amicable settlement will be published, without disclosing the content of the agreement, and its terms will only be binding upon the creditors that have agreed to it.

Collective agreement

In the case of a judicial reorganization by collective agreement, the creditors agree to a reorganization plan during the reorganization procedure. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity. The reorganization plan must be filed with the electronic registry managed by the Belgian bar associations (www.regsol.be) at least 20 days in advance of the date on which the creditors will vote its approval. The court needs to ratify the reorganization plan prior to it taking effect. A reorganization plan approved by a double majority of the creditors (both in headcount and in value of the claims) and by the court will bind all creditors, including those who voted against it or did not vote and whether secured or not, although only limited measures can be imposed by such reorganization plan on secured creditors without their individual consent. The court may refuse ratification if the formalities were not complied with, or if the proposed reorganization plan violates public policy.

For that purpose, within a period of 8 days following the ruling declaring the judicial reorganization proceedings open, the debtor must inform each of its creditors individually of the amount of their claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the reorganization procedure. In addition, the court can at any moment, in the event of absolute necessity and upon request of the debtor or the creditor, change its decision determining the amount or the ranking of the claim on the basis of new elements. If a creditor has not challenged the amount and the ranking of its claim at least one month in advance of the date on which the creditors will vote on the approval of the reorganization plan, the amount of its claim will remain unchanged for voting purposes as well as for the purposes of the reorganization plan.

The debtor must use the moratorium period to complete and finalize a reorganization plan, with the assistance of the court-appointed administrator, if applicable. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity and may be based on a limited (justified) differentiated treatment of certain various categories of liabilities.

Court-ordered transfer

A court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in its petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

A court-ordered transfer will be organized by a judicial administrator (*gerechtsmandataris/ mandataire de justice*) appointed by the court. Following the transfer, the recourse of the creditors will be limited to the transfer price, subject to some limited exceptions.

Bankruptcy

Initiative

Bankruptcy proceedings may be initiated by the debtor, by unpaid creditors or upon the initiative of the public prosecutor's office, by the provisional administrator of the debtor's assets, by the liquidator of the debtor's assets or by the liquidator of 'main insolvency proceedings' opened in another EU member state (other than Denmark) in accordance with the EU Insolvency Regulation. Once the court ascertains that the requirements for bankruptcy are met, the court will establish a date by which all creditors' claims must be submitted to the court for verification.

Grounds

Conditions for a bankruptcy order (*faillietverklaring/déclaration de faillite*) are that the debtor must be in a situation of sustained cessation of payments (*op duurzame wijze opgehouden hebben te betalen/cessation de paiements de manière persistante*) and be unable to obtain further credit (*wiens krediet geschokt is/ébranlement de crédit*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of its bankrupt business. The bankruptcy trustee (*curator/ curateur*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

Appointment of bankruptcy trustee and continuation of business

In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy trustee (*curator/curateur*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. Subject to what follows, the rights of creditors in the process are in principle limited to being informed of the course of the bankruptcy proceedings on a regular basis by the bankruptcy trustee. Creditors may oppose to the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

Ongoing contracts

The receiver must decide whether or not to continue performance of ongoing contracts (*i.e.*, contracts existing before the bankruptcy order). The receiver may only decide not to continue performance of one or several ongoing contracts when the administration of the estate requires this and such decisions will not impair any rights in rem of third parties that are enforceable against the estate. The other party to an ongoing contract may demand the receiver to take a decision within fifteen days. If no extension of the fifteen days term is agreed upon or if the receiver does not take any decision, the ongoing contract is presumed to be terminated after the expiration of the fifteen days term. If the receiver decides not to continue performance of an ongoing contract or if an ongoing contract is terminated due to the expiration of the fifteen days term, the other party to the contract may be entitled to claim damages, in which case its claim will rank *pari passu* with claims of all other unsecured creditors.

The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

a) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and

b) *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can however agree to continue to perform under such contracts.

Creditors' rights

As a general rule, the enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account, falling with the scope of the Belgian Collateral Act. Further exceptions exist with regard to estate credits (*boedelschulden/dettes de la masse*).

For creditors with claims secured by movable assets (other than financial collateral), such suspension would normally be limited to the period required for the verification of the claims. At the request of the bankruptcy trustee, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors without prejudicing the secured creditors and provided that those secured creditors have been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy trustee is necessary to pursue the sale of the assets. The bankruptcy trustee will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee provided that the mortgagee has been given the opportunity to be heard by the court.

If a security interest, such as a pledge, has been granted over assets that, at the time of opening of an insolvency proceeding, are located in another EU Member State, the rights the creditor has under such security shall, in accordance with the Insolvency Regulation, not be affected by the opening of such insolvency proceedings.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, such as tax administration or social security.

Priority order

The debts of the bankrupt estate will generally be ranked as to priority on the basis of complex rules. The following is a general overview of only the main principles:

a) Estate debt: Costs and indebtedness incurred by the bankruptcy trustee during the bankruptcy proceedings, the so-called ''estate debts'', have a senior priority. In addition, if the bankruptcy trustee has contributed to the realization and enforcement of secured assets, such costs will be paid to the bankruptcy trustee in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors.

b) Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization).

c) Privileges: Creditors may have a particular privilege on certain or all assets (*e.g.*, tax claims and claims for social security premiums). Privileges on specific assets rank before privileges on all assets of the debtor. Certain privileges prevail over the security interests.

d) Unsecured creditors (Pari passu): Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the bankruptcy trustee among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

e) Subordinated creditors: Subordinated creditors will receive the remainder (if any).

Limitations on enforcement

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must fall within the grantor's legal and corporate purpose and be for the own corporate benefit of the granting company.

If the granting of a guarantee or the creation of a security interest does not fall within the grantor's corporate purpose, then such guarantee or security interest could, upon certain conditions, be held null and void.

The assessment of whether or not the grant of a guarantee or collateral is in each of the Belgian Guarantor's own corporate interest, is largely dependent on factual considerations and is to be determined on a case-by-case basis by the board of directors of each of the Belgian Guarantors at the time of the granting of the guarantees, in anticipation of their enforcement, and to be reviewed ultimately on a case-by-case basis at the time of the enforcement by the competent courts. Consideration has to be given to any direct and/or indirect benefit that such Belgian Guarantor would actually derive from the transaction; this is particularly relevant for upstream or cross-stream guarantees and security interests. It is generally considered by legal scholars that at least the following principles apply to such evaluation: (i) the risk taken by the Belgian Guarantor in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction; and (ii) the financial support granted by the Belgian Guarantor should not exceed its financial capabilities. The responsibility for such assessment lies with the board of directors of the Belgian Guarantors.

If the corporate benefit requirement is not met, the board of directors of the Belgian Guarantor may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or collateral could be held liable on the basis of the principles of tort liability. Alternatively, the guarantee or collateral could be reduced to an amount corresponding to the corporate benefit and, under certain circumstances, the creditor could be held liable for any guarantee amount in excess of such amount. These rules have, however, seldom been tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Indentures will contain such limitation language and the guarantee of the Belgian Guarantor will be so limited.

The Indentures will include a clause substantially to the effect of the following:

"*The total liability of any Guarantor incorporated or established in Belgium (the Belgian Guarantor) for the obligations of the Issuer, the borrowers or any other Guarantor under the Indenture, the Senior Facilities Agreement, the accession documents thereto and any other document in relation with the Transactions, shall at all times be limited to an amount (without double counting) not exceeding the higher of:*

- *the aggregate of all principal amounts borrowed by such Belgian Guarantor (or its direct or indirect Subsidiaries) under any intra-group arrangement (regardless of the form thereof, including through the subscription of debt instruments);*
- *90% of such Belgian Guarantor's own funds (eigen vermogen/capitaux propres) as derived from the most recent published audited annual financial statements of the applicable Belgian Guarantor at the Issue Date; and*
- *90% of such Belgian Guarantor's own funds (eigen vermogen/capitaux propres) as derived from the most recent audited annual financial statements of the applicable Belgian Guarantor at the date on which a demand is made on such Belgian Guarantor under the guarantee.*

No Belgian Guarantor shall be liable for the obligations of the Issuer, the borrowers or any other Guarantor under the Indenture, the Senior Facilities Agreement, the accession documents thereto and any other document in relation with the Transactions, to the extent that such liability would result in such guarantee constituting unlawful financial assistance within the meaning of Article 629 of the Belgian Companies Code (and Article 7:227 of the new Belgian Companies and Associations Code expected to enter into force on May 1, 2019) (or any equivalent and applicable provisions in any relevant jurisdiction)''.

Any guarantee granted by a Belgian Guarantor shall not include and shall not extend to cover any payment obligation in respect of the proceeds of the Notes arising out of amounts used to fund directly or indirectly the acquisition of shares of such Belgian Guarantor to the extent that by assuming such obligation the Belgian Guarantor would be deemed to be providing prohibited financial assistance to the acquisition of its own shares or capital participations, as prohibited under article 629 of the Belgian Company Code. Therefore, such payment obligations shall be excluded from the scope of the guarantee granted by the Belgian Guarantors.

Hardening periods and fraudulent transfer

In the event that bankruptcy proceedings are governed by Belgian law, the insolvency trustee may challenge certain transactions that have been concluded or performed by the debtor during the so-called ''hardening period'' (*verdachte periode/période suspecte*).

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may, however, determine, on the basis of serious and objective indications that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in the case where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the ''hardening period''.

The transactions entered into or performed during the hardening period which may be declared ineffective against third parties include, among others, (i) gratuitous transactions or transactions entered into at an undervalue; (ii) payments for debts which are not due; (iii) payments other than in cash for debts due; and (iv) security interests provided for pre-existing debts.

Other transactions entered into or performed during the hardening period may be declared ineffective against third parties provided that the counterparty was aware of the debtor's cessation of payment.

In particular, a security interest entered into during the hardening period may be declared ineffective against third parties (i) if it is regarded as having been granted gratuitously, unbalanced or at an undervalue; (ii) if the beneficiaries of the security interest were aware of the company's cessation of payments; or (iii) if the security interest is provided for pre-existing debt (save for any security interest granted during the suspension period of judicial reorganization proceedings).

If the guarantee granted by a Belgian Guarantor was successfully held ineffective (based on the above), noteholders would cease to have any claim in respect thereof and would be under an obligation to repay any amounts received pursuant to such guarantee or the realization of the security.

Furthermore, even in the absence of bankruptcy proceedings, a third party creditor may obtain a court ruling that an act or transaction (such as a security interest) is not enforceable against it if it can establish that the challenged act or transaction was effected with the fraudulent intent to adversely affect its position as an existing creditor (see *supra: actio pauliana*).

Regardless of fraudulent intent, registration of a security interest after cessation of payments can also be declared ineffective against third parties, when more than 15 days have passed in between the date of the deed and the date of registration.

Recognition and enforcement

Courts may condition the enforcement of a security interest and/or guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the security interest and/ or guarantee. Enforcement of security interests and/or guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Courts may require a sworn translation in French or Dutch of the English documents which they may review.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold outside the United States in reliance on Regulation S will be represented by one or more global notes in registered form without interest coupons attached (the "*Global Notes*"). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons who have accounts with Euroclear and/or Clearstream or persons who may hold interests through such participants. The Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge the Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of the Notes under the Indentures for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or their or its respective nominee), will be considered the holder of the Global Notes for all purposes under the Indentures. As such, participants must rely on the procedures of Euroclear and/ or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own the Book-Entry Interests in order to exercise any rights of holders under the applicable Indenture.

Neither the Issuer nor the Trustee under the Indentures nor any of the Issuer's or the Trustee's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of the Definitive Registered Notes

Under the terms of the Indentures, owners of Book-Entry Interests will receive the definitive Notes in registered form (the "*Definitive Registered Notes*"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the applicable Indenture and enforcement action is being taken in respect thereof under the applicable Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*" unless that legend is not required by the applicable Indenture or applicable law.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by them or it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by them or it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on the Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. In turn, the Principal Paying Agent will make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Group will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*", the Group will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of the Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Group expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indentures, the Issuer and the Trustee will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency and payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear and/or Clearstream in euro.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for the Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of the Notes requires the physical delivery of the Definitive Registered Notes for any reason, including to sell Notes to persons in states that require the physical delivery of such securities or to pledge such securities, such holder of the Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indentures.

The Global Notes will bear a legend to the effect set forth under "Notice to Investors". The Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to Investors*".

The Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*", and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indentures) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*".

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to the Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer, the Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar, nor the Initial Purchasers nor any of their respective agents is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be listed on the Official List and admitted for trading on the Exchange. The Issuer expects that secondary trading in any Notes will be settled in accordance with rules and operating procedures of Euroclear and/or Clearstream.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Principal Paying Agent or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial settlement

Initial settlement for the Notes will be made in euro. The Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. The Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "*Purchase Agreement*") to be dated as of the date of this offering memorandum, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed severally and not jointly, to purchase the Notes from the Issuer. The Initial Purchasers are BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell S.A., Crédit Industriel et Commercial S.A. and KBC Bank NV.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes initially at the prices indicated on the cover page hereof. After the initial offering of the Notes, the Issue Prices and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Issue Prices set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer and the Guarantors will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer and the Guarantors have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Issuer or any of the Guarantors that are substantially similar to the Notes during the period from the date of the Purchase Agreement through and including the date that is 90 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold except outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors*".

Each Initial Purchaser, severally and not jointly, has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II

Each Initial Purchaser, severally and not jointly, has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including France, Spain, the United States and the United Kingdom, by the Group or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Group or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase Notes in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*".

The Notes are a new issue of securities for which there currently is no market. The Group intends to list the Notes on the Official List and to trade the Notes on the Exchange thereof; however, the Group cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers may make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, there can be no assurance that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes and the Guarantees—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*".

The Group expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be 10 business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is referred to as "T +10"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing of the Notes or the next seven succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisers.

The Initial Purchasers may engage in over-allotment, stabilizing transactions and covering transactions in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

In connection with the Offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market-making transactions as permitted by applicable laws and regulations. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Relating to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited*".

These stabilizing transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial

Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over- the-counter market or otherwise.

The Initial Purchasers and/or certain of their affiliates are lenders under the Revolving Facility and the Term Facility. In addition, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis and Société Générale and/or certain of their affiliates are coordinators, mandated lead arrangers and bookrunners under the Senior Facilities Agreement and have received customary fees in such capacities. Société Générale is the facility agent under the Senior Facilities Agreement.

In the ordinary course of their business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Notes). Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Group may hedge their credit exposure to the Group consistent with their customary risk management policies. Such Initial Purchasers and their affiliates may hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities (potentially including the Notes). Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Each prospective purchaser of the Notes is advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby. The Notes have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes have not been registered under the U.S. Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on behalf of the Issuer and it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that neither the Issuer nor the Initial Purchasers nor any person representing the Issuer or the Initial Purchasers has made any representation to it with respect to the Offering or sale of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges that it has had access to such financial and other information concerning the Group and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities law, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant Regulation S or any other available exemption from registration available under the U.S. Securities Act.

(5) Each purchaser acknowledges that each note will contain a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT AND (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS

SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS ''OFFSHORE TRANSACTION'' AND ''U.S.'' HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT''.

(6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(7) It acknowledges that no action has been taken in any jurisdiction (including the United States) by the Issuer, any Guarantor or any of the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for the purpose is required.

(8) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

LEGAL MATTERS

Various legal matters will be passed upon for the Group by Sidley Austin LLP, London, United Kingdom, as to matters of U.S. federal and New York state law, by Bredin Prat, as to matters of French law and by Loyens & Loeff CVBA/SCRL, as to matters of Belgian law. Certain legal matters will be passed upon for the Initial Purchasers by White & Case LLP, as to matters of U.S. federal, New York state law, French law and Belgian law.

INDEPENDENT AUDITORS

The Consolidated Financial Statements as of and for the financial years ended December 31, 2018, 2017 and 2016, prepared in accordance with IFRS, have been audited by KPMG Audit, a department of KPMG S.A., and Deloitte & Associés. KPMG Audit, a department of KPMG S.A., and Deloitte & Associés are independent statutory auditors with respect to the Issuer as required by the laws of the French Republic and under the applicable professional rules of the "*Compagnie Nationale des Commissaires aux Comptes*" and are members of the "*Compagnie Régionale de Versailles*".

ENFORCEABILITY OF JUDGMENTS

The Issuer is an entity organized under the laws of France, with its registered office and principal place of business in France, and certain of its directors reside in countries outside of the United States. In addition, substantially all of the Issuer's assets are, and certain assets of its directors may be, located outside of the United States.

The Guarantors are companies incorporated in France and Belgium, with their registered offices and principal places of business in France and Belgium, and each of their board members and executive officers reside in France or Belgium or other countries outside of the United States. In addition, substantially all of the Guarantors' assets are, and certain assets of their board members and executive officers may be, located outside of the United States.

As a result:

- It may not be possible for investors to effect service of process within the United States upon the Issuer, any Guarantor or any of such persons mentioned above, or to enforce against them judgments of U.S. federal or state courts predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise. Service of process effected within France or Belgium upon those persons or entities would be subject to the conditions in the Hague Convention on the Services Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965.

- If a judgment is obtained in a U.S. federal or state court against any of the Issuer or the Guarantors, investors will need to enforce such judgment in jurisdictions where the relevant company has assets.

Even though the enforceability of U.S. federal or state court judgments outside the United States is described below for the jurisdictions in which the Issuer and the Guarantors are located, you should consult with your own advisers in any pertinent jurisdictions as needed for advice on enforcing a judgment in those countries or elsewhere.

France

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French entities and/or French individuals, including the Issuer, incorporated and existing under French law.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings (exequatur) in France before the relevant civil court (Tribunal de Grande Instance) which has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper proceedings if the competent French court is satisfied that the following cumulative conditions have been met (which conditions, under prevailing French case law as of the date of this offering memorandum, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment is enforceable in the jurisdiction of the court which rendered it;

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (*i.e.*, there was no international forum-shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;

- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, which include defense rights and notably the right to a fair trial;

- such U.S. judgment is not tainted with fraud under French law; and

- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France, and there are no proceedings pending before French courts at the time enforcement of the judgment is sought, and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such cumulative conditions are met, a U.S. judgment having *res judicata* in the United States (*i.e.,* a final and binding decision) can benefit from the *res judicata* effect as of the date of the decision of the French civil court and is likely to be declared enforceable in France. However, the decision granting the exequatur is subject to appeal, the appellate court decision being also rendered on the ground of the above-mentioned criteria.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 (*Loi de blocage),* French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), and French law No. 2018-670 related to the protection of trade secrets, which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action or in contemplation thereof. Pursuant to the regulations mentioned above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by laws No. 2018-493 of June 20, 2018 (adopting the provisions relating to the General Data Protection Regulation (Regulation (EU) 2016/679) and the EU Law Enforcement Directive (EU 2016/680)) and No. 2018-699 August 3, 2018 and French Ordinance No. 2018-1125 of December 12, 2018 can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before the French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French individuals. Pursuant to Article 15 of the French Civil Code, a French national (either a company or an individual) can be sued by a foreign claimant before the French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against his or her will to appear in a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, a French national may waive his or her rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

The French Supreme Court (*Cour de cassation*) rules (as per decisions rendered in 2018 and 2012) that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any court with jurisdiction is invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Belgium

The following is a discussion with respect to the enforceability of certain U.S. court judgments in Belgium. Final and enforceable judgments rendered by U.S. courts can be declared enforceable (granting "exequatur") in Belgium according to the procedure set out in Articles 22 et seq. of the Belgian Code of International Private Law (*Wetboek van Internationaal Privaatrecht/Code de droit international privé*) (formal "*exequatur*" proceedings before a Belgian court) and provided that, pursuant to Article 24 of the same code, the following documents are produced in court by the claimant seeking enforcement:

- an official copy of the judgment (*uitgifte van de beslissing/expédition de la décision*) fulfilling all conditions required for its authentication under the applicable foreign law;
- if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law; and
- any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

However, the court will refuse enforcement in the circumstances described in Article 25 of the Belgian Code of International Private Law and notably, if, among other things:

- the consequences of the recognition or enforcement of such foreign decision would be manifestly contrary to Belgian public policy;
- the rights of defense were not respected;
- the jurisdiction of the foreign judge was based solely on the presence of the defendant or assets in such state without any further connection with the litigation in such state;
- without prejudice to Article 23.4 of the Belgian Code of Private International Law of July 16, 2004, the judgment is not final or does not meet the requirements of authenticity pursuant to the laws of the State where the judgment was rendered or the applicable federal rules;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian conflict of law rules;
- the decision is in conflict with either a decision rendered in Belgium or a decision previously rendered in another state and such decision can be recognized in Belgium;
- the claim was introduced before the courts of such state after a claim, which is still pending and relating to the same matter and between the same parties, was introduced in a Belgian court;
- the Belgian courts have exclusive jurisdiction in relation to the claim; or
- the decision is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings or corporate standing.

Note that the foreign judgment for which enforcement is sought will not be reviewed on the merits.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from an Initial Purchaser will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer, and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its decision to invest in the Notes; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Group or the Initial Purchaser.

Pursuant to the Indentures that will govern the Notes, the Issuer will agree to furnish periodic information to the noteholders for so long as the Notes are outstanding. See "*Description of the Notes—Certain Covenants—Reports*".

Information contained on the Group's websites is not incorporated by reference in this offering memorandum and is not part of this offering memorandum.

LISTING AND GENERAL INFORMATION

Listing

Application will be made to Euronext Dublin for the approval of this document as listing particulars. Application will be made to Euronext Dublin for the Notes to be admitted to the Official List and traded on the Exchange, which is the exchange regulated market of Euronext Dublin. The Exchange is not a regulated market for the purposes of MiFID II. There can be no assurance that the application to list the Notes on the Official List and to admit the Notes to be traded on the Exchange will be approved and settlement of the Notes is not conditioned on obtaining such listing.

The listing agent, Deutsche Bank Luxembourg S.A. is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Euronext Dublin or to trading on the Exchange of Euronext Dublin.

For so long as the Notes are listed on the Exchange and the rules of that exchange require, physical/electronic copies of the following documents may be inspected and obtained at the registered office of the Issuer during normal business hours on any weekday:

(1) the Issuer's memorandum and articles of association;

(2) the most recent two years of audited Consolidated Financial Statements published by the Group;

(3) the Indentures; and

(4) any documentation relating to the Guarantees.

Litigation

Except as disclosed in this offering memorandum, none of the Issuer or its affiliates is or has been engaged in or, so far as the Issuer or its affiliates are aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had, a significant effect on the Issuer's financial position or profitability since the date of its incorporation, or on the Group's financial position or profitability during the twelve months preceding the date of this offering memorandum.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no significant change in the Group's financial or trading position since December 31, 2018, the date of the Group's latest interim financial statements, which are included in this offering memorandum.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under common code 198772941 (for the 2024 Notes) and 198772968 (for the 2026 Notes). The international securities identification numbers (the ''*ISIN Number*'') for the Notes are XS1987729412 (for the 2024 Notes) and XS1987729768 (for the 2026 Notes).

Legal Information

The Issuer was incorporated on January 10, 1955 under registration number 055 800 296. As of March 7, 2019, the share capital of the Issuer was €26,567,245, divided into 26,567,245 shares, each with a nominal value of €1.

The Issuer is a *société anonyme* incorporated under the laws of France with its registered office at 9, rue des Bateaux-Lavoirs—ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France and can be contacted at telephone number +33 (0) 155 215 793.

Consents

The creation and issuance of the Notes has been authorized by a resolution of Chairman of the Issuer's board of directors dated April 4, 2019.

Guarantors

The following is a description of the Guarantors:

Fnac Direct is a *société par actions simplifiée à associé unique* incorporated under the laws of France registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Créteil under number 377 853 536. Its registered office is at 9 rue des Bateaux Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France.

Établissements Darty & Fils is a *société par actions simplifiée à associé unique* incorporated under the laws of France registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Bobigny under number 542 086 616. Its registered office is at 129 Avenue Gallieni, 93140 Bondy, France.

Darty Grand Est is a *société en nom collectif* incorporated under the laws of France registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Lyon under number 303 376 586. Its registered office is at Route Nationale 6 Lieudit l'Epoux, 69760 Limonest, France.

Darty Grand Ouest is a *société en nom collectif* incorporated under the laws of France registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Nantes under number 339 403 933. Its registered office is at 32 rue Coulonge Parc Tertiaire de l'Eraudière, 44300 Nantes, France.

Fnac Belgium SA is a public limited liability company (*naamloze vennootschap/société anonyme*) incorporated under the laws of Belgium with its registered office at rue Neuve 123 box 401, 1000 Brussels, Belgium and registered under nr. TVA BE 0421.506.570 RPM Brussels (French-speaking section).

Fnac Vanden Borre NV is a public limited liability company (*naamloze vennootschap/société anonyme*) incorporated under the laws of Belgium with its registered office at Slesbroekstraat 101, 1600 Sint- Pieters-Leeuw, Belgium and registered under nr. BTW BE 0412.723.419 RPR Brussels (Dutch-speaking section).

Guarantees are full and unconditional and joint and several. The Notes will be guaranteed by Fnac Darty Participations et Services, Fnac Direct, Établissements Darty & Fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre, within 90 days of the Issue Date. Together, as of, and for the financial year ended December 31, 2018, the Issuer and the Guarantors together represented 55% of revenue of the Group, 91% of assets of the Group and 104% of EBITDA. The Guarantors are also guarantors under the Senior Facilities Agreement. On the Issue Date, the Issuer and all Guarantors will be parties to cash pooling arrangements of the Group.

Fnac Darty Participations et Services is also a guarantor, and is a *société anonyme* incorporated under the laws of France on April 27, 1971, registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Créteil under number 775 661 390 and its registered office at 9 rue des Bateaux Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. Its business is the distribution and dissemination, using all forms of existing or future techniques, of any goods or services specifically all consumer goods for home, leisure, education, training and information, or in connection with culture, the holding and management of all equity interest, "holding" activities, all activities contributing to the activities defined above.

Other than as disclosed in this offering memorandum, there are currently no encumbrances on Fnac Darty Participations et Services' assets that could materially affect its ability to meet its obligations under the Guarantee. Although Fnac may be affected by some or all the general risks set out in "*Risk Factors-Risks Relating to the Group's Business and its Markets*" of this offering memorandum, the Group does not believe there are any risks specific to Fnac Darty Participations et Services that could adversely impact on its Guarantee.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

GROUPE FNAC'S CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Consolidated income statement for the years ended December 31, 2016 and 2015

(€ million)	**Notes**	**2016**	**2015 adjusted***
INCOME FROM ORDINARY ACTIVITIES	4-5	**5,369.2**	**3,739.0**
Cost of sales		(3,791.8)	(2,626.2)
GROSS MARGIN		**1,577.4**	**1,112.8**
Personnel expenses	6-7	(785.3)	(551.8)
Other current operating income and expenses		(631.2)	(476.0)
Share of profit from equity associates	8	0.2	0.0
CURRENT OPERATING INCOME	9	**161.1**	**85.0**
Other non-current operating income and expenses	10	(39.1)	(9.7)
OPERATING INCOME		**122.0**	**75.3**
(Net) financial expense	11	(76.2)	(11.1)
PRE-TAX INCOME		**45.8**	**64.2**
Income tax	12	(24.0)	(13.9)
NET INCOME FROM CONTINUING OPERATIONS		**21.8**	**50.3**
Group share		*21.2*	*49.8*
share attributable to non-controlling interests		*0.6*	*0.5*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**(21.6)**	**(2.0)**
Group share		*(21.6)*	*(2.0)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**0.2**	**48.3**
Group share		*(0.4)*	*47.8*
share attributable to non-controlling interests		*0.6*	*0.5*
NET INCOME, GROUP SHARE		**(0.4)**	**47.8**
Earnings per share *(€)*	13	(0.02)	2.87
Diluted earnings per share *(€)*	13	(0.02)	2.82
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**21.2**	**49.8**
Earnings per share *(€)*	13	1.00	2.99
Diluted earnings per share *(€)*	13	0.99	2.94

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

Consolidated comprehensive income statement

(€ million)	**Notes**	**2016**	**2015 adjusted***
NET INCOME		**0.2**	**48.3**
Items that may be reclassified subsequently to profit or loss	14	11.3	(11.2)
Items that may not be reclassified subsequently to profit or loss	14	(20.8)	(3.7)
OTHER COMPREHENSIVE INCOME ITEMS, AFTER TAX	14	**(9.5)**	**(14.9)**
TOTAL COMPREHENSIVE INCOME		**(9.3)**	**33.4**
Group share		*(9.9)*	*32.9*
share attributable to non-controlling interests		*0.6*	*0.5*

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

Consolidated statement of financial position for the years ended December 31, 2016 and 2015

Assets

(€ million)	**Notes**	**As of December 31, 2016**	**As of December 31, 2015**
Goodwill	15	1,605.0	332.4
Intangible non-current assets	16	457.5	71.4
Tangible non-current assets	17	436.2	156.5
Equity interests	8	20.1	0.0
Non-current financial assets	19	15.6	8.2
Deferred tax assets	12	44.7	37.4
Other non-current assets and liabilities		0.0	0.1
NON-CURRENT ASSETS		**2,579.1**	**606.0**
Inventories	20	1,060.7	466.9
Trade receivables	21	210.0	104.1
Tax receivables due	12	19.4	6.2
Other current financial assets	22.1	25.7	12.0
Other current assets	22.1	338.8	172.7
Cash and cash equivalents	26	654.9	544.7
CURRENT ASSETS		**2,309.5**	**1,306.6**
ASSETS HELD FOR SALE	32	**71.4**	**0.0**
TOTAL ASSETS		**4,960.0**	**1,912.6**

Liabilities

(€ million)	Notes	As of December 31, 2016	As of December 31, 2015
Share capital	23	26.1	16.7
Equity-related reserves		977.5	496.7
Translation reserves		(4.4)	(13.5)
Other reserves		34.2	57.4
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,033.4**	**557.3**
Shareholders' equity – Share attributable to non-controlling interests		6.8	7.0
SHAREHOLDERS' EQUITY		**1,040.2**	**564.3**
Long-term borrowings and financial debt	27	854.9	0.3
Provisions for pensions and other equivalent benefits	24	186.3	77.4
Other non-current liabilities	22.2	192.2	0.0
Deferred tax liabilities	12	133.1	0.0
NON-CURRENT LIABILITIES		**1,366.5**	**77.7**
Short-term borrowings and financial debt	27	8.2	0.3
Other current financial liabilities	22.1	10.0	6.0
Trade payables	22.1	1,598.6	817.0
Provisions	25	32.4	13.8
Tax liabilities payable	12	53.2	13.7
Other current liabilities	22	815.9	419.8
CURRENT LIABILITIES		**2,518.3**	**1,270.6**
LIABILITIES RELATING TO ASSETS HELD FOR SALE	32	**35.0**	**0.0**
TOTAL LIABILITIES		**4,960.0**	**1,912.6**

Consolidated cash flow statement as of December 31, 2016 and 2015

(€ million)	Notes	2016	2015 adjusted*
NET INCOME FROM CONTINUING OPERATIONS		**21.8**	**50.3**
Income and expense with no impact on cash		105.3	48.5
CASH FLOW FROM OPERATIONS	31.1	**127.1**	**98.8**
Financial interest income and expense		54.3	4.9
Dividends received		(0.1)	(0.2)
Net tax charge payable	12	16.7	16.4
CASH FLOW FROM OPERATIONS BEFORE TAX, DIVIDENDS AND INTEREST		**198.0**	**119.9**
Change in working capital requirement	22	86.0	49.8
Income tax paid		(37.5)	(15.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**246.5**	**153.8**
Purchase of non-current tangible and intangible assets		(97.6)	(57.6)
Disposal of non-current tangible and intangible assets		1.9	0.5
Purchases of subsidiaries net of cash acquired		(1,021.8)	(2.7)
Disposals of subsidiaries net of cash transferred		(1.3)	0.0
Acquisition of other financial assets		(0.9)	(4.4)
Disposal of other financial assets		1.4	0.1
Interest and dividends received		0.6	1.0
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(1,117.7)**	**(63.1)**
Increase/Decrease in capital and other transactions with shareholders		157.1	(66.0)
Bonds issued		650.0	0.0
Increase/Decrease in other financial debt		200.0	(0.2)
Interest and equivalent payments		(14.6)	(4.0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**992.5**	**(70.2)**
Net cash flows from discontinued operations	32	(7.6)	(13.0)
Financing of the Comet pension fund	31.4	(4.9)	0.0
Impact of fluctuations in exchange rates		1.4	1.5
NET CHANGE IN CASH		**110.2**	**9.0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	31	**544.6**	**535.6**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	31	**654.8**	**544.6**

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

Change in consolidated shareholders' equity as of December 31, 2016 and 2015

(Before appropriation of 2016 earnings) *(€ million)*	**Number of shares outstanding [(a)]**	**Share capital**	**Equity-related reserves**	**Undated deeply subordinated notes (TSSDI)**	**Translation reserves**	**Other reserves and net income**	**Shareholders' equity: Group share**	**Shareholders' equity: Non-controlling interests**	**Shareholders' equity: Total**
AS OF DECEMBER 31, 2014	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.3)**	**19.5**	**588.7**	**6.7**	**595.4**
Total comprehensive income					**(11.2)**	**44.1**	**32.9**	**0.5**	**33.4**
Capital increase/(decrease)	92,164	0.1	1.8				1.9		1.9
Change in scope							0.0	(0.2)	(0.2)
Repayment of perpetual deeply subordinated notes				(60.0)		(7.9)	(67.9)		(67.9)
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						1.6	1.6		1.6
Dividends paid						0.0	0.0		0.0
AS OF DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**0.0**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**
Total comprehensive income					**9.1**	**(19.0)**	**(9.9)**	**0.6**	**(9.3)**
Capital increase/(decrease)	9,434,997	9.4	480.8				490.2		490.2
Change in scope							0.0	(0.8)	(0.8)
Treasury shares						0.1	0.1		0.1
Valuation of share-based payments						2.1	2.1		2.1
Dividends paid						0.0	0.0		0.0
Fair value of the acquisition of non-controlling interests of Darty plc						3.2	3.2		3.2
Share of Darty plc acquisition expenses posted to shareholders' equity						(9.9)	(9.9)		(9.9)
Other movements						0.3	0.3		0.3
AS OF DECEMBER 31, 2016 [(A) (B)]	**26,122,771**	**26.1**	**977.5**	**0.0**	**(4.4)**	**34.2**	**1,033.4**	**6.8**	**1,040.2**

(a) Par value of shares of €1 .
(b) Number of shares of capital stock as of December 31, 2016: 26,122,771.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 GENERAL INFORMATION

1.1 / General information

Groupe Fnac, the Group's parent company, is a French *société anonyme* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Groupe Fnac is subject to all legislation governing commercial companies in France, including the provisions of the French Commercial Code *(Code de commerce).*

The consolidated financial statements as of December 31, 2016 reflect the accounting position of Groupe Fnac and its subsidiaries, as well as its interests in associated companies and joint ventures.

On February 28, 2017, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2016. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Publication background

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

The admission of Groupe Fnac's securities for trading on the NYSE Euronext regulated market in Paris requires the drafting of consolidated financial statements according to IFRS standards.

The Group's consolidated financial statements are presented in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1 / General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for year 2016 have been prepared as of the closing date of the financial statements in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) and which are mandatorily applicable at that date, and are presented with comparative data for year 2015 prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB. The Group's financial statements, therefore, have been prepared in compliance with the standards and interpretations as published by the IASB.

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

The consolidated financial statements presented do not take into account the standards and interpretations which at the end of the reporting period were still in the drafting and review stage with the IASB (International Accounting Standards Board) and IFRIC, or standards whose application was not mandatory in 2016.

2.2 / IFRS guidelines applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and mandatory for

reporting periods beginning on or after January 1, 2016

Amendments to IAS 1 – Disclosure Initiative.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions.

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint arrangements.

Amendments issued in the Annual Improvements to IFRS, 2010-2012 Cycle.

Amendments issued in the Annual Improvements to IFRS, 2012-2014 Cycle.

The application of these amendments had no significant impact on the Group's consolidated financial statements.

2.2.2 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning on or after January 1, 2016 which were not adopted early by the Group

IFRS 9 – Financial Instruments Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial assets. They will replace, effective January 1, 2018, the existing principles in IAS 3 – Financial Instruments.

The impact of the application of IFRS 9 on the Group's financial statements is currently being assessed. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant and is still being assessed.

IFRS 15 – Revenue from Contracts with Customers IFRS 15 will replace, effective January 1, 2018, IAS 18 – revenue from ordinary activities

The impact of the application of IFRS 15 on the Group's financial statements is currently being assessed. The Group will be impacted by the implementation of IFRS 15. Given the current state of progress, the known impact of these standards at this stage is relatively insignificant and is still being assessed.

2.2.3 Main standards, amendments and interpretations published by the IASB, not yet adopted by the European Union

On January 13, 2016, the IASB published IFRS 16 – Leases. IFRS 16 will replace IAS 17. In 2016, the Group conducted a survey on all the leases at its subsidiaries along with their main provisions, for the purpose of conducting an analysis in 2017 of the qualitative and quantitative impacts of the coming standard on the Group's consolidated financial statements.

Once the analysis is completed, the Group will be able to determine transitioning procedures and assess the impact on the Group's financial statements, which may be significant given the large number stores under lease.

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

Amendments to IAS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;

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

Amendments to IAS 7 – Disclosure Initiative;

Amendments to IFRS 2 – Classification and Valuation of Share-Based Payment Transactions;

Annual Improvements to IFRS, 2014-2016 Cycle – Various amendments.

2.2.4 Options taken on first-time adoption of IFRS

The Group prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with the provisions of IFRS 1 – First-time adoption of international financial reporting standards.

In accordance with the option provided for by IFRS 1, the Group chose to prepare its first IFRS financial statement on January 1, 2010 based on accounting values for its assets and liabilities as presented in the consolidated financial statements of the Kering Group, after eliminating the adjustments used in the Kering Group's consolidation.

As a consequence, Fnac Darty has kept the options offered by IFRS 1 identical to those applied by the Kering Group:

business combinations: only business combinations that took place after January 1, 1999 were restated in accordance with IFRS 3;

employee benefits: Group cumulative actuarial gains and losses were recognized on the transition date and offset against the Kering Group's opening shareholders' equity on its transition to IFRS;

cumulative currency translation adjustments: Group foreign exchange translation adjustments were reset at zero and offset against the Kering Group's opening consolidated reserves on its transition to IFRS. Consequently, the foreign exchange translation adjustments shown in shareholders' equity are those arising since January 1, 2004;

share-based payments: in accordance with the option allowed by IFRS 2, for share-based payment plans, the Group opted to apply this standard only to plans issued by the Kering Group after November 7, 2002 that had not been vested as of January 1, 2005;

financial assets and liabilities recognized prior to the transition date, either at fair value on the income statement or available for sale, were designated on the Kering Group's transition date (January 1, 2005).

2.3 / Framework for the preparation and presentation of the consolidated financial statements

2.3.1 Valuation bases

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

certain financial assets and liabilities, valued at fair value;

fair value of defined benefit plan assets;

the proportion of securities held by a subsidiary or associated company, valued at fair value at the moment of loss of control or significant influence;

non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgment

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

The main assumptions and estimates made by Group management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities. The main assumptions and estimates used by the Group are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate
Notes 2.10 and 18	Impairment tests on non-financial assets	CGU business combination level for impairment test Main assumptions used for the construction of utility values (discount rates, infinite growth rates, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Notes 2.16 and 24	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent
Notes 2.9 and 20	Inventories	Prospects for inventory disposal for calculating impairment
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based compensation plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Note 32	Assets held for sale	Assets held for sale are valued and recognized at the lower amount of their net book value and fair value minus cost of sale.

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7, using the indirect method based on consolidated net comprehensive income and is broken down into three categories:

cash flow from operating activities (including taxes);

cash flow from investing activities (in particular, acquisitions and sales of equity interests and non-current assets, excluding finance leases);

cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buy-backs, dividend payments).

The acquisition of an asset as part of a finance lease agreement has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 / Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities (including ad hoc companies) over which the Group exercises control.

Entities are fully consolidated where the Group:

Has power over the entity in which is it invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it is invested; and

Has the ability to exercise its power over the entity in which it is invested so as to affect the return it obtains from it.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has:

power over more than half of the voting rights by virtue of an agreement with other investors;

power to govern the financial and operating policies of the entity under an agreement;

power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or

power to cast the majority of votes at meetings of the Board of Directors or equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are eliminated in their entirety.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Consolidation of equity associates

Fnac Darty exercises significant influence at certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recognizing, on the date that the entity becomes an associate or partner in a joint venture, an equity interest in equity associates in the consolidated statement of financial position. This equity interest is initially recognized at acquisition cost. It is then, after the acquisition date, adjusted by the Group's share in the total undistributed profit or loss of the entity concerned. Those results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate. Profit or loss due to remeasurement at fair value of the equity interest that it held when taking control of an equity associate is recorded in "Share of profit or loss from equity associates".

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. Equity associates are included in the Group's internal reporting in accordance with IFRS 8, and their operating performance is tracked at the level of the operating division to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating profit.

2.4.3 Business combinations

The Group applies IFRS 3R – Business Combinations.

Business combinations are recognized using the acquisition method:

acquisition cost is measured at the fair value of the transferred asset, including any subsequent price adjustment, at the date of taking control. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;

any difference between the transferred asset (acquisition price) and the fair value of the identified assets acquired and liabilities assumed on the date of taking control is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at the acquisition date. Impacts subsequent to this period are recognized directly in income, as is any change to an estimate.

For any assumption of control involving less than 100% of share capital, the remaining component (non-controlling interest) is measured:

either at fair value: in which case, goodwill is recorded proportionate to the non-controlling equity interest (using the "full goodwill" method);

or as a proportion of the identifiable net assets of the acquired entity: in which case, only the goodwill representing the acquired portion is recognized (using the "partial goodwill" method).

Costs directly attributable to the acquisition are recognized as expenses in the period in which they are incurred.

Earn-out payments and other price adjustments relating to a business combination are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

If a business combination is undertaken in stages, the Group's prior stake in the acquired business is remeasured at fair value at the point of taking control, and recognized in the income statement. To calculate goodwill at the point of taking control, the fair value of the transferred asset (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as equity prior to taking control is recycled through the income statement.

2.5 / Translation of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in the Group are valued using the currency of the main economic environment in which the entity operates (“functional currency”). The Group’s financial statements are presented in euros, which is its presentation currency.

2.5.2 Recognition of transactions in a foreign currency

Transactions denominated in foreign currencies are recognized in the entity’s functional currency at the exchange rate in force on the date of the transaction.

Monetary amounts in foreign currencies are converted on each balance sheet date using the closing rate of exchange. The currency translation differentials resulting or arising from the settlement of these monetary amounts are recognized as an income or expense for the period.

Non-monetary amounts in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-monetary amounts in foreign currencies valued at fair value are converted at the rate on the date when the fair value was determined. When a profit or loss on a non-monetary item is recognized directly in other items of comprehensive income, the “foreign exchange” component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of foreign-exchange hedging in the form of derivatives is described in the “Derivative Instruments” section of note 2.11.3 “Derivative Instruments”.

2.5.3 Foreign currency translation of the financial statements of foreign subsidiaries

The Group’s consolidated financial statements are presented in euros. The financial statements of the Group’s consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the Company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

the statement of financial position is translated into euros based on the closing exchange rate at period end;

the income statement is translated into euros based on the average exchange rate over the reporting period provided it is not called into question by significant changes in the rates;

any difference resulting from the translation of the statement of financial position at the period-end rate and the translation of the income statement at the average exchange rate over the period is recognized in other items of comprehensive income as a gain/(loss) on translation.

2.5.4 Net investment in an activity abroad

Foreign exchange translation adjustments recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit and loss on the date of loss of control.

Foreign exchange translation adjustments relating to loans in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit and loss on disposal of the net investment.

2.6 / Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

From the acquisition date, goodwill is allocated to cash generating units (CGUs) and CGU groups defined by the Group. The CGUs or CGU groups to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value might arise. The impairment test for 2016 is described in section 5.2, note 18.

Impairment is recognized under “Other non-current operating income and expense” on the income statement and is included in the Group’s operating income.

2.7 / Intangible non-current assets

Intangible non-current assets mainly consist of software valued at its acquisition or production cost and agreement fees on signing a property lease.

Software acquired for current operations or developed internally by the Group that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

The Group's lease rights are recognized by the Group as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 / Property, plant & equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the item.

Subsequent costs are included in the book value of the asset or recognized separately, if appropriate, if it is likely that the future economic benefits associated with the item will go to the Group and that the cost of the asset can be reliably assessed. All other current maintenance and repair costs are recognized in expenses for the year in which they are incurred.

The depreciation method used by the Group for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is eight to twenty years for fixtures and fittings on land and buildings, and three to ten years for equipment.

Property, plant and equipment are subject to an impairment test whenever an indication of loss of value is identified; for example, a planned closure, reduction in the workforce, or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. In cases when the recoverable value of the asset in isolation cannot be accurately determined, the Group determines the recoverable value of the CGU to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease contracts that transfer to the Group almost all the risks and benefits inherent in ownership of an asset are classified as finance lease agreements.

Goods rented by virtue of agreements qualified as finance lease agreements are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are impaired over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on the Group virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary leases are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15. They mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full as profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the operation has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on the Group the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 / Inventories

Inventory is valued at the lower end of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs, and the provision for unknown markdowns between the last inventory date and the invoice date. The advantages obtained from suppliers counted as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

The Group may need to record an impairment on inventories:

based on likelihood of disposal;

if they are partially damaged;

if they are completely obsolete;

if their sale price is less than their net realizable value.

2.10 / Impairment of assets

Goodwill, intangible assets with an unlimited useful life and CGUs or CGU groups containing these elements are annually subject to an impairment test in the second half of the year.

In addition, whenever events or circumstances indicate that there could be loss of value on goodwill, other intangible assets, property, plant and equipment, and CGUs or CGU groups, an impairment test is performed. Such events or circumstances may be linked to significant unfavorable changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a CGU or CGU group is less than the net book value.

The recoverable value of an asset or a CGU or CGU group is the higher of its fair value less costs to sell and its value in use.

The value in use is determined in relation to future cash flow projections, taking account of the time value and specific risks related to the asset or the CGU or CGU group. Future cash flow projections are based on medium-term plans and budgets. These plans are constructed on a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. These values are determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

If the recoverable value of the asset or CGU or CGU group is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a CGU or CGU group, loss of value is assigned primarily to goodwill if applicable and is recorded on the line “Other non-current operating income and expenses” on the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

On the partial disposal of a CGU, the goodwill value assigned corresponding to the partial exit is valued on the basis of the relative values of the activity disposed of and the portion of the CGU retained, unless another method is more relevant.

2.11 / Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet at their fair value, as assets (positive fair value) or liabilities (negative fair value).

All these instruments are disclosed in section 5.2, note 29.

2.11.1 Financial assets

Pursuant to IAS 39, financial assets are classified in one of the following four categories:

financial assets valued at fair value on the income statement;

loans and receivables;

assets held to maturity;

assets available for sale.

The classification determines the accounting treatment of these instruments. Financial assets are classified by the Group on the date of initial accounting, according to the objective for which they were acquired. Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

1. Financial assets valued at fair value on the income statement

These are financial assets held by the Group to realize a profit on disposal in the short term, or financial assets deliberately classified in this category.

These assets are valued at fair value; changes in their value are recorded in the income statement.

2. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are determined or determinable and that are not listed on an active market and not held for the purposes of a transaction or available for sale.

These assets are valued at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value and the amortized cost are equivalent to the amount of the original invoice unless the effective tax rate has a significant impact.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Receivables related to equity interests, deposits and guarantees, loans and current receivables and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other current financial assets.

3. Assets held to maturity

Assets held to maturity are non-derivative financial assets, other than loans and debts, with a fixed term whose payments are determined or determinable, that the Group has the intention and capacity to hold through to maturity. These assets are valued at fair value initially, then at amortized cost using the effective interest rate method.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity appear in non-current financial assets.

4. Assets available for sale

Assets available for sale are non-derivative financial assets that do not come under the abovementioned categories. They are valued at fair value. The recognized underlying capital gains or losses are accounted for in other items of comprehensive income until their disposal. However, if there is objective evidence of impairment of an asset available for sale, the cumulative loss is recognized in income.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques using reliable and observable market data. If it is impossible to reasonably estimate the fair value of a security, it is valued at historic cost. These assets are subject to impairment tests in order to assess their degree of recoverability.

This category mainly includes unconsolidated equity interests and transferable securities that do not come under the other financial asset definitions. They appear in non-current financial assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IAS 39. For the Group, borrowings and financial debts, supplier debts and other debts are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial asset to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at market interest rates. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Hedging relationships are detailed in the section on “Derivative instruments”.

Financial liabilities designated at fair value on options, other than liabilities derivatives, are valued at fair value. Fair value adjustments are accounted for in the income statement. Transaction costs connected with the establishment of these financial liabilities are accounted for immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, the Group may need to use various financial instruments to reduce its exposure to foreign exchange risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification, and they are valued at their fair value on the transaction date. The change in fair value of derivative instruments is always recorded on the income statement except in the case of cash flow hedges and net investment hedges.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risk:

cash flow hedges are used to cover the risk of changes in cash flow attached to recognized assets or liabilities or a highly probable prospective transaction which would affect the consolidated income statement;

fair value hedges are used to cover the risk of a change in fair value of a recognized asset or liability or a firm commitment not yet recognized which would affect the net consolidated income;

net investment hedges are used to cover the foreign exchange risk for activities abroad.

Hedge accounting is applicable if, and only if, the following conditions are met:

a hedging relationship is clearly identified, formulated and documented from the date of its inception;

the effectiveness of the hedging relationship is demonstrated both prospectively and retrospectively. The income obtained in this way must be in a confidence interval between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship:

for cash flow and net investment hedges:

the effective portion of the change in fair value of the hedging instrument is recorded directly against other items of comprehensive income. These amounts are reclassified on the income statement symmetrically to the method of accounting for the hedged items, i.e. principally under gross margin for commercial hedge transactions and under financial income for financial hedge transactions,

the ineffective portion of the hedge is recognized in the income statement;

for fair value hedges, the hedged component of the items is recognized on the balance sheet at its fair value. The change in this fair value is recorded in the income statement and is offset, unless ineffective, by recognition in the income statement of the symmetrical changes in fair value of the financial instruments used as hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the balance sheet comprise liquid assets, money market UCITS, short-term investments and other liquid and readily convertible instruments with negligible risk of fluctuation in value and maturing within three months or less of the acquisition date.

Investments for a term of over three months and restricted or pledged bank accounts are not included in cash. Bank overdrafts appear under financial liabilities on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest not yet due on assets appearing under cash and cash equivalents and bank overdrafts. The cash flow statement is explained in detail in note 26.

2.11.5 Definition of the Group's consolidated net financial debt

Net financial debt includes:

cash and cash equivalents: This item consists of trading securities (money-market and short-term money-market UCITS), easily accessible or disposable very-short-term risk-free deposits and investments maturing in less than three months, as well as cash in current accounts at banks. All the elements in this item are considered cash equivalents as they are easily convertible into a known amount of cash with negligible risk of change of value. These current financial assets, recognized at fair value through income, are held with a view to meeting short-term cash requirements (section 5.2, note 26);

short-term credit, long-term credit, and bank overdrafts: this item includes mainly 2023 bonds, and medium-term credit balances at banks (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-compensation plans, eventually paid in cash, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is valued on the allotment date, then revalued on each balance sheet date. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the commitment calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a liability to personnel. The change in the fair value of the amount payable is recorded in the income statement for each financial year.

Share-based transactions paid in equity instruments

Performance-compensation plans, eventually paid in equity instruments, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is irreversibly valued on the allotment date. The mathematical models used for these valuations are described in note 7.2 and note 7.3.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.13 / Taxes

Income tax for the year consists of due and deferred tax.

Deferred tax is calculated according to the variable carryforward balance sheet method on all timing differences between the net book value on the consolidated balance sheet and the tax value of assets and liabilities, except for goodwill, which is not tax deductible. The valuation of deferred tax is based on the way the Group expects to recover or pay the book value of the assets and liabilities using the enacted or anticipated tax rate on the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carryforward of tax losses and tax credits.

A deferred tax asset is recognized only if it appears probable that the Group will obtain sufficient profits in the future to make the tax deferral useful.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering the deferred tax assets is reviewed periodically per tax entity and may lead to discontinuing previously recognized deferrals. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income at that stage is projected over rolling two-year periods. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless the Group is in a position to control the date when the timing difference will reverse, and if it is probable that it will not reverse in the foreseeable future.

Corporate value-added tax (CVAE), a levy assessed on a company's added value, in the Group's opinion meets the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

The treatment of taxation uncertainty

In the event of uncertainty over taxation, the Group exercises its judgment over whether each tax uncertainty should be treated separately or whether some uncertainties should be treated together when calculating taxable income (tax loss), tax bases, loss carry-forwards, unused tax credits, and tax rates.

2.14 / Treasury stock and other shareholders' equity instruments

The Group may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recorded as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 26.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

2.15 / Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the expenditure of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, the Group assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with the Group's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects the current assessments of the time value of the money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before the balance sheet date. The restructuring costs recorded in provisions correspond mainly to employment costs (redundancy payments, early retirement, lack of notice periods etc.), and compensation for breaking contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 / Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Group companies provide various types of benefits for their employees.

For defined-contribution plans, the Group has no obligation to make supplementary payments over and above the contributions already paid to a fund if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected credit unit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately in other items of comprehensive income for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan, is recognized immediately in the income statement even if the rights to the benefit have not been vested by the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Reductions, payments and costs of past services are recognized in current operating income. The provision recognized on the balance sheet corresponds to the present value of the liabilities thus calculated, after deducting the fair value of the plans' assets.

2.17 / Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current assets held for sale and discontinued operations requires particular accounting and specific presentation of the assets (or group of assets) held for sale and discontinued operations that were or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value will be recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of sale. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on the Group's balance sheet, with no restatement for past years.

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

2.18 / Recognition of income from ordinary activities

Income is mainly derived from the sale of merchandise and delivery of services provided by the stores and trading websites of the Group, the sale of merchandise by franchises, and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, proceeds from non-use of loyalty cards and gift vouchers are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Income from ordinary activities is valued at the fair value of the amount received in exchange for the goods and services sold, excluding taxes, net of discounts and rebates and after elimination of intra-group sales.

In accordance with IFRIC 13 – Customer Loyalty programs, the benefits granted to customers through loyalty programs are counted separately from the original sale. The benefits are valued at their fair value and accounted for as a deduction from the original sale, after applying a redemption rate corresponding to the probability of use of the benefits by the members, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered.

Sales of goods are recognized when a Group entity transfers to the purchaser the risks and benefits inherent in ownership of the item, generally at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be recognized as a reduction from the proceeds of ordinary operations, in order to allow for any return of merchandise that could take place after the balance sheet date.

The provision of services, such as sales of extended warranties or services related directly to the sale of the goods, is recognized in the period when the services are rendered. If an entity of the Group acts as an agent in the sale of these services, the revenues are recognized at the time of the sale, and correspond to the margin generated or the commission received. This mainly concerns ticket sales, the sale of gift boxes, certain extended warranties and web sales generated on behalf of suppliers (Marketplace).

2.19 / Operating income

Operating income includes all the income and costs directly related to Group operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

Other non-current operating income and expenses, excluding current operating income, includes:

restructuring costs and costs relating to headcount reductions;

impairment losses on capitalized assets identified primarily in impairment tests on cash generating units (CGUs) and goodwill;

gains or losses linked to changes in consolidation scope (acquisition or disposal);

major litigation not arising from the Group's operating activities.

2.20 / Earnings per share

Net earnings per share are calculated by dividing the Group share of consolidated net profit by the weighted average number of shares in circulation during the financial year.

Diluted net earnings per share are calculated by dividing the Group share of consolidated net profit for the year by the average number of shares in circulation together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net earnings excluding non-current items per share are calculated by adjusting the Group share of consolidated net profit for non-current items for their amount net of tax and non-controlled interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expenses" on the income statement.

2.21 / Operating segments

In accordance with IFRS 8 – Operating segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman & CEO and the Executive Committee members who constitute the Group's principal decision-making body.

An operating segment is a distinct component of the Group, engaged in activities likely to generate income and incur expenses, whose operating results are regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to common performance indicators for all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographic regions composed of several countries in which the Group conducts its operations through stores:

France – Switzerland: This segment consists of Group activities managed from France, carried out in France, Switzerland and Monaco.

This segment also includes the franchises in Morocco, Qatar and Ivory Coast that are managed from France;

Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;

Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg;

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3	HIGHLIGHTS

3.1 / Changes in scope of consolidation

As of August 1, 2016, the first closing date of the offer, the Group held 98.5% of the share capital of Darty plc. As of August 17, 2016, Darty shares were delisted (from the London and Euronext Paris stock exchanges). At the end of the squeeze-out period, which was September 12, the Group had acquired 100% of the share capital of Darty plc, of which 30.64% was paid in shares. Groupe Darty plc is consolidated in the Group's financial statements since August 1, 2016.

In June 2016, the Group sold its call-center business responsible for phone-based customer relations and after-sales service. Business Support Services (B2S), a company specializing in customer relations, took over that entire business and its employees.

To support its development in ticketing technologies and services, France Billet, a subsidiary of Fnac and market leader in France in the ticketing market, acquired the company Eazieer which was fully consolidated in the financial statements as of the first half of 2016. The financial terms of this acquisition include the payment of a price supplement of up to €2.0 million if the company achieves its performance targets within the established time period.

On January 28, 2016, the Group and Izneo announced that the distributor had taken an equity stake in the digital graphic novel distribution and viewing provider.

Since the first half of 2016, Izneo has been consolidated under the equity method, with no significant impact on Group equity.

In the fourth quarter of 2016, the Group began a process of searching for partners in Brazil who could aid the Group in completely leaving the country. An investment bank has been appointed to identify potential partners and lead discussions. This decision to pull out of its activities in Brazil was approved by the Board of Directors at its meeting of January 26, 2017. In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016, and in the adjusted presentation of the financial statements for December 31, 2015. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet, with no restatement for previous years. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

3.2 / Other significant events

On April 11, 2016, Groupe Fnac Darty and Vivendi Group announced a "strategic partnership" whereby Vivendi Group would take a stake in the Group after a reserved capital increase in the amount of €159.0 million, at a price of €54 per share. This transaction allowed Vivendi to hold approximately 11% of Fnac as of December 31, 2016.

On September 22, 2016 the Group issued a €650 million senior bond with a maturity of seven years, bearing interest at 3.25% per year.

3.3 / Main consequences of Brexit on the Group's financial statements

One of the consequences of the UK referendum on membership of the European Union on June 23, 2016 which resulted in the vote to leave the EU, was the depreciation of the pound sterling versus the euro. This change in the exchange rate was reflected in the Group's financial statements as a positive currency translation effect on outflows connected with the cash takeover bid for Darty plc shares, valued at 170 pence per Darty share. The average exchange rate for the purchase of Darty plc shares was £0.825 to €1 , about 12% lower than the rate on December 31, 2015.

NOTE 4	OPERATING SEGMENTS

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

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

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

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

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

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

France – Switzerland: This segment consists of Group activities managed from France, carried out in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar and Ivory Coast that are managed from France;

Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;

Benelux: this segment consists of Group activities in Belgium, the Netherlands and Luxembourg;

Fnac Brazil is reclassified as a discontinued operation. This activity has been excluded from the new operations segmentation.

The comparative 2015 statements have been adjusted to reflect the new operations segmentation. As a reminder, in 2015, operations were split into four segments (France, Iberian Peninsula, Brazil, and Other Countries including Belgium and Switzerland).

The new operating segments reflect the new structure of Fnac Darty. The principle of “One Group Serving Two Brands” requires activities to be consolidated by country. This means that the new operating segments consolidate brands based on their geography.

4.1 / Information per operating segment

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2016				
INCOME FROM ORDINARY ACTIVITIES	**4,218.6**	**656.2**	**494.4**	**5,369.2**
Consumer electronics	2,134.7	389.8	245.7	2,770.2
Publishing products	962.7	219.3	61.9	1,243.9
Household appliances	498.2	0.0	139.7	637.9
Other Products and Services	623.0	47.1	47.1	717.2
OPERATING INCOME	**96.0**	**22.2**	**3.8**	**122.0**
Income and expense with no impact on cash [a]	87.2	12.7	5.4	105.3
Purchase of tangible and intangible non-current assets [b]	81.9	9.1	6.6	97.6
SEGMENT ASSETS	**3,545.4**	**170.9**	**391.9**	**4,108.2**
SEGMENT LIABILITIES	**2,131.7**	**266.7**	**208.3**	**2,606.7**

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2015 ADJUSTED*				
INCOME FROM ORDINARY ACTIVITIES	**2,898.6**	**657.3**	**183.1**	**3,739.0**
Consumer electronics	1,611.3	391.5	105.3	2,108.1
Publishing products	1,006.0	223.3	67.7	1,297.0
Household appliances	0.0	0.0	0.0	0.0
Other Products and Services	281.3	42.5	10.1	333.9
OPERATING INCOME	**50.5**	**22.4**	**2.4**	**75.3**
Income and expense with no impact on cash [a]	31.4	11.3	5.8	48.5
Purchase of tangible and intangible non-current assets [b]	49.5	6.8	1.3	57.6
SEGMENT ASSETS	**1,014.1**	**171.9**	**57.6**	**1,243.6**
SEGMENT LIABILITIES	**918.6**	**251.9**	**47.9**	**1,218.4**

** Restated for the reclassification of Fnac Brazil as a discontinued operation.*
(a) Income and expense with no impact on cash include:
- current and non-current amortization, depreciation & impairment, as well as impairment of non-current assets;
- current & non-current provisions for contingencies and losses and reversals;
- provisions, reversals and discounting of provisions for pensions & other equivalent benefits;
- proceeds from disposal of operating & financial assets;
- deferred tax charges and reversals.
(b) Purchase of tangible and intangible non-current assets including changes in receivables and payables relating to assets.

4.2 / Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2016	2015
Goodwill	1,605.0	332.4
Intangible non-current assets	457.5	71.2
Tangible non-current assets	436.2	156.6
Other non-current assets and liabilities	0.0	0.0
Non-current segment assets	**2,498.7**	**560.2**
Inventories	1,060.7	446.1
Trade receivables	210.0	79.9
Other current assets	338.8	157.4
SEGMENT ASSETS EXCLUDING FNAC BRAZIL	**4,108.2**	**1,243.6**
SEGMENT ASSETS OF FNAC BRAZIL	**0.0**	**60.5**
Non-current financial assets	15.6	8.2
Equity interests	20.1	0.0
Deferred tax assets	44.7	37.4
Tax receivables due	19.4	6.2
Other current financial assets	25.7	12.0
Cash and cash equivalents	654.9	544.7
Assets held for sale	71.4	0.0
TOTAL ASSETS	**4,960.0**	**1,912.6**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	**2016**	**2015**
Trade payables	1,598.6	787.2
Other current liabilities	815.9	431.2
Other non-current liabilities	192.2	0.0
SEGMENT LIABILITIES EXCLUDING FNAC BRAZIL	**2,606.7**	**1,218.4**
SEGMENT LIABILITIES OF FNAC BRAZIL	**0.0**	**18.4**
Shareholders' equity, Group share	1,033.4	557.3
Shareholders' equity – Share attributable to non-controlling interests	6.8	7.0
Long-term borrowings and financial debt	854.9	0.3
Deferred tax liabilities	133.1	0.0
Provisions for pensions and other equivalent benefits	186.3	77.4
Short-term borrowings and financial debt	8.2	0.3
Other current financial liabilities	10.0	6.0
Provisions	32.4	13.8
Tax liabilities payable	53.2	13.7
Liabilities relating to assets held for sale	35.0	0.0
TOTAL LIABILITIES	**4,960.0**	**1,912.6**

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2016**	**2015 adjusted***
Net sales of goods	4,915.1	3,533.0
Net sales of services	231.9	153.4
Other revenue	222.2	52.6
TOTAL SALES	**5,369.2**	**3,739.0**

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

The increase in sales in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, phone services, gift boxes, "NES" extended warranties, and Marketplace).

Other income mainly includes reinvoicing of shipping costs and commissions, and the proceeds from non-use of loyalty cards and gift vouchers.

NOTE 6 PERSONNEL EXPENSES

Payroll costs mainly included fixed and variable remuneration, social security contributions, expenses related to employee profit-sharing and other incentives, the cost of training, and expenses related to employee benefits recognized in current operating income (note 24).

(€ million)	**2016**	**2015 adjusted***
France-Switzerland	(650.6)	(456.9)
Iberian Peninsula	(65.8)	(70.1)
Benelux	(68.9)	(24.8)
TOTAL PAYROLL EXPENSE	**(785.3)**	**(551.8)**

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

The increase in payroll costs in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

In 2016, payroll costs include an expense of €14.8 million, versus €30.4 million in 2015, related to the application of IFRS 2 regarding all share-based transactions involving Group shares.

The average paid workforce for the Group's activities, in full-time equivalent, was composed as follows:

	2016	**2015 adjusted***
France-Switzerland	17,121	8,006
Iberian Peninsula	2,753	2,806
Benelux	2,907	428
TOTAL AVERAGE PAID WORKFORCE	**22,780**	**11,240**

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

The total paid workforce as of December 31, for the Group's activities was as follows:

	2016	**2015 adjusted***
France-Switzerland	18,944	8,803
Iberian Peninsula	3,872	3,962
Benelux	3,202	594
TOTAL REGISTERED WORKFORCE	**26,018**	**13,359**

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

NOTE 7	PERFORMANCE-BASED COMPENSATION PLANS

The fair value of all performance-based payment plans was measured using the Black & Scholes method based on random payouts at future share prices assuming 30% price volatility of Fnac shares. Share price projections use a stochastic method based on geometric Brownian motion.

7.1 / Value units plan

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan granted in 2013 and 2014 amounted to €3.0 million.

2014 Plan

Part of the 2014 value units plan matured on February 29, 2016. The value units of Plan beneficiaries who were in service on February 29, 2016 were vested, subject to performance conditions (Fnac average closing share price for February 2016 of €55.33), at that exit price. Those amounts were paid in cash in April 2016 to beneficiaries in service on February 29, 2016, totaling €9.1 million including employer contributions. For Executive Committee members, two-thirds of this amount was paid. The remaining third is paid provided they are in service on February 28, 2017.

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan amounted to €1.7 million.

The main features of this plan are summarized below:

Main features	**2014-2017 value units plan**
Date of Board of Directors' meeting	February 26, 2014
Vesting period	2 years/3 years
Vesting date	February 28, 2016 and February 28, 2017
Number of beneficiaries at inception	125
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of value units	**2014-2017 value units plan**
Awarded	170,048
In the process of being vested as of January 1, 2016	**154,305**
Vested in 2016	125,967
Canceled in 2016	82
Currently being vested at December 31, 2016	**28,256**

2013 Plan

The 2013 value units plan matured on July 31, 2016. Vesting was subject to performance conditions (average closing share price in July 2015 of €55.07) which were achieved. For Executive Committee members, the payment of the last third of the value units was conditional on being in service on July 31, 2016. Cash payments were made in July 2016 totaling €5.7 million, including employer contributions.

The total IFRS 2 expense recognized as of December 31, 2016 for the value units plan amounted to €1.3 million.

Main features	2013-2016 value units plan
Date of Board of Directors' meeting	July 30, 2013
Vesting period	2 years/3 years
Vesting date	July 31, 2015 and July 31, 2016
Number of beneficiaries at inception	112
Number of beneficiaries at December 31, 2016	0
Performance condition	Yes

Number of value units	2013-2016 value units plan
Awarded	456,018
In the process of being vested as of January 1, 2016	**82,235**
Vested in 2016	82,235
Canceled in 2016	0
Currently being vested at December 31, 2016	**0**

7.2 / Performance share plans

The total IFRS 2 expense recognized as of December 31, 2016 for the performance share plans granted in 2013, 2014 and 2015 amounted to €8.6 million.

2015 Plan

The total IFRS 2 expense recognized as of December 31, 2016 for the 2015 performance share plan amounted to €0.9 million.

The main features are summarized below:

Main features	2015-2018 performance share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries at December 31, 2016	11
Performance condition	Yes

Number of stock options	2015-2018 performance share plan
Awarded	164,954
In the process of being vested as of January 1, 2016	**164,954**
Vested in 2016	0
Canceled in 2016	2,971
Currently being vested at December 31, 2016	**161,983**

2014 Plan

The first tranche of the 2014 performance share plan was vested on September 30, 2016. Given its average closing price over the last 20 trading days immediately preceding September 30, 2016 (average €65.74) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on September 30, 2016. These options were exercised between October 1 and October 20, 2016 or cashed in October 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2016 for the 2014 performance share plan amounted to €3.7 million.

The main features are summarized below:

Main features	2014-2017 performance share plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	€23.60
Number of beneficiaries at inception	9
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of stock options	2014-2017 performance share plan
Awarded	366,406
In the process of being vested as of January 1, 2016	**366,406**
Vested in 2016	185,473
Canceled in 2016	18,126
Currently being vested at December 31, 2016	**162,807**

2013 Plan

The second tranche of the 2013 performance share plan was vested on March 31, 2016. Given its average closing price over the last 20 trading days immediately preceding March 31, 2016 (average €57.17) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries in service as of March 31, 2016. These options were exercised between April 1, 2016 and March 31, 2017 or cashed in April 2016 for the Chairman & Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2016 for the 2013 performance share plan amounted to €4.0 million.

The main features of this plan are summarized below:

Main features	2013-2017 performance share plan
Date of Board of Directors' meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	€20.28
Number of beneficiaries at inception	10
Number of beneficiaries at December 31, 2016	8
Performance condition	Yes

Number of stock options	2013-2017 performance share plan
Awarded	656,536
In the process of being vested as of January 1, 2016	**463,668**
Vested in 2016	189,683
Canceled in 2016	12,993
Currently being vested at December 31, 2016	**260,992**

7.3 / Awarding of bonus shares

The total IFRS 2 expense recognized as of December 31, 2016 for the bonus shares granted in 2015 and 2016 amounted to €3.2 million.

2016 Plan

On the recommendation of the Nomination and Remuneration Committee, on April 4, 2016, the Board of Directors decided to award performance options to certain group employees (125 beneficiaries) in order to link them to the Company's performance through an increase in the share price. Settlement will be made in cash or equity instruments depending on the beneficiary.

The plan is for a four-year period (June 17, 2016 – June 16, 2020). Permanent vesting is conditional on two years' service for French residents (June 17, 2016 – June 16, 2018) and four years' service for foreign residents (June 17, 2016 – June 16, 2020), and is conditional on the Group's share price performance as measured in June 2018 (average closing price of Groupe Fnac shares over the 20 trading day immediately preceding June 17, 2018). French residents are also required to hold their awarded shares for a period of two years (June 17, 2018 – June 16, 2020: the "lock-in period").

The total IFRS 2 expense recognized as of December 31, 2016 for the 2016 performance share plan amounted to €1.2 million.

The main features are summarized below:

Main features	Bonus share plan 2016-2020
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Foreign residents	4 years (June 17, 2016 – June 16, 2020)
Lock-in period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries at December 31, 2016	119
Performance condition	Yes

Number of bonus shares	Bonus share plan 2016-2020
Awarded	96,525
Vested in 2016	0
Canceled in 2016	**2,895**
Currently being vested at December 31, 2016	**93,630**

2015 Plan

The total IFRS 2 expense recognized as of December 31, 2016 for the 2015 performance share plan amounted to €2.0 million.

The main features are summarized below:

Main features	Bonus share plan 2015-2019
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Foreign residents	4 years (March 2015 – February 2019)
Lock-in period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries at December 31, 2016	111
Performance condition	Yes

Number of bonus shares	Bonus share plan 2015-2019
Awarded	82,494
In the process of being vested as of January 1, 2016	81,054
Vested in 2016	0
Canceled in 2016	**8,529**
Currently being vested at December 31, 2016	**72,525**

7.4 / Analysis of sensitivity to fluctuations in Fnac share price

At December 31, 2016, a share price of €64.23 was used to measure the fair value of the Group's value units plan and performance share plan obligations. The impact of a €1 change upwards or downwards in its share price on the fair value of its obligations is €0.3 million.

7.5 / Kering bonus share allotment plans and share purchase and subscription plans

Bonus shares were allocated by the Kering Group to employees of the Group. In accordance with the transitional provisions of IFRS 2 on plans paid in equity instruments, only plans issued after November 7, 2002, which were not vested as of January 1, 2005 were subject to valuation.

In 2016, no amounts were invoiced by the Kering Group to the Group for these plans. A total of €3.3 million was reinvoiced in 2013 by the Kering Group to the Group for plans definitively allotted to Group employees.

As of December 31, 2016, there were no further non-eligible plans (prior to November 7, 2002). The main features of this plan are summarized below:

	2012/2 plan
Awarding of bonus shares	**Bonus shares**
Date of award	04/27/2012
Expiration date	N/A
Vesting period	[a]
Number of beneficiaries	38
Number originally awarded	3,685
Number outstanding as of December 31, 2015	2,975
Number outstanding as of January 1, 2016	**2,975**
Number canceled in 2016	695
2016 adjustments	
Number exercised in 2016	
Number of shares awarded	2,280
Number expired in 2016	
Number outstanding as of December 31, 2016	**0**
Number exercisable as of December 31, 2016	
Exercise price *(€)*	
Weighted average price of the options exercised & shares remitted *(€)*	

(a) The shares are vested four years after their allotment except in the case of resignation or dismissal for serious misconduct or gross negligence (all rights forfeited). The number of shares definitively allotted is subject to the share's performance on the stock market. There is no lock-in period.

The granting of bonus shares does not give rise to a capital increase.

For this plan, the lock-in period is four years from the date of allotment.

The valuation of services rendered by the beneficiaries is assessed on the plan's allotment date:

For bonus share allotment plans, using a Black & Scholes type method with Monte Carlo algorithm having two underlying assets.

7.6 / Awarding of Darty bonus shares

Bonus shares were awarded by Groupe Darty to certain employees in 2013, 2014 and 2015.

In accordance with plan rules, the acquisition of Groupe Darty by Groupe Fnac resulted in the vesting of these variable multi-year components subject to performance conditions and on a prorated basis. As an exception, these shares were settled in cash.

The cash payments to the 65 beneficiaries were made in 2016 and 2017 in the gross amount of £7.3 million equivalent.

NOTE 8 ASSOCIATES

(€ million)	**2016**	**2015 adjusted***
France-Switzerland	0.3	0.0
Iberian Peninsula	0.0	0.0
Benelux	(0.1)	0.0
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**0.2**	**0.0**

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

Income from equity associates mainly reflects the income from Ménafinance and Izneo, in which the Group holds 50% of capital.

(€ million)	**2016**	**2015 adjusted***
Menafinance	0.9	0.0
Izneo	(0.6)	0.0
Vanden Borre Kitchen	(0.1)	0.0
SHARE OF PROFIT/(LOSS) OF EQUITY ASSOCIATES	**0.2**	**0.0**

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

(€ million)	**Associates**	**Menafinance**	**Izneo**	**Vanden Borre Kitchen**
EQUITY INTERESTS AS OF DECEMBER 31, 2015	**0.0**	**0.0**	**0.0**	**0.0**
Profit/(loss) of associates	**0.2**	0.9	(0.6)	(0.1)
Dividends paid	**0.0**			
Change to scope of consolidation	**19.9**	17.8	2.0	0.1
Translation difference	**0.0**			
Other	**0.0**			
EQUITY INTERESTS AS OF DECEMBER 31, 2016	**20.1**	**18.7**	**1.4**	**0.0**

(€ million)	**Associates**	**Menafinance**	**Izneo**	**Vanden Borre Kitchen**
Non-current assets	**113.8**	107.8	6.0	
Current assets	**188.8**	186.8	1.5	0.5
Non-current liabilities	**163.5**	163.5	0.2	(0.2)
Current liabilities	**131.8**	131.0	1.4	(0.6)
Revenues	**95.2**	93.7	1.0	0.4
Operating expenses	**(26.8)**	(25.8)	(0.8)	(0.2)
Operating income	**(10.5)**	(9.6)	(1.2)	0.2
Net income	**0.3**	1.8	(1.2)	(0.2)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is composed as follows:

(€ million)	**2016**	**2015 adjusted***
France-Switzerland	132.9	57.9
Iberian Peninsula	23.2	24.2
Benelux	5.0	2.9
CURRENT OPERATING INCOME	**161.1**	**85.0**

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

Other current operating income and expenses amounted to a net expense of €631.2 million in 2016 (compared to a net expense of €476.0 million in 2015).

The increase in current operating income in year 2016 mainly reflects the entry of Darty into the scope of consolidation on August 1, 2016.

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and advertising costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

(€ million)	**2016**	**2015 adjusted***
Costs connected with Darty acquisition	(20.7)	(5.5)
Restructuring costs	(7.5)	(3.3)
Tascom 2015	(5.3)	0.0
Sale of call-center business	(2.8)	0.0
Litigation and disputes	(1.3)	0.0
Other risks	(1.5)	(0.9)
NON-CURRENT OPERATING INCOME AND EXPENSES	**(39.1)**	**(9.7)**

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

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

The total expense of €39.1 million in 2016 consisted mainly of the following:

€20.7 million in costs linked to the acquisition of Darty; These were mainly professional fees and commissions;

Restructuring costs of €7.5 million for workforce and structural adjustments in France and abroad, as well as costs incurred in closing Darty's London offices;

a €5.3 million expense for 2015 tax on retail space: Article 66 of the Amending Finance Law for 2015 supplements Article 6 of the Law of July 13, 1972, governing tax on retail space in France by adding a new generating event effective January 1, 2016. The addition of a second generating event led to a review of the accounting treatment adopted based on IFRIC 21. As it involves a change in tax law, it applies prospectively from January 1, 2016. This leads, in practice, to recognizing two taxes in 2016: the tax due on January 1, 2016 on 2015 revenues, and the progressive tax on sales once the revenue threshold is exceeded in 2016;

a net expense of €1.3 million for disputes and litigation, and a net expense of €1.5 million for various expenses.

The total expense of €9.7 million in 2015 consisted mainly of the following:

€5.5 million in costs derived from the acquisition of Darty;

restructuring costs of €3.3 million in France and abroad.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

(€ million)	Reported 2016	2015 adjusted*
Costs connected with Group debt	(53.1)	(5.7)
Costs connected with Darty acquisition	(15.2)	(0.2)
Cost of consumer credit	(6.3)	(4.8)
Other net financial expenses	(1.6)	(0.4)
TOTAL	**(76.2)**	**(11.1)**

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

As of December 31, 2016, net financial income was composed of a financial expense of €76.2 million, compared with a financial expense of €11.1 million for the same period the previous year.

In 2016, the breakdown of net financial expenses was as follows:

costs amounting to €53.1 million related to Group debt, which included the cost of financing the new Group and reorganizing its financial structure, mainly impacted by the acquisition in 2016 of the entire share capital of Darty and the introduction of new instruments to finance the new Combined Group;

costs related to the Darty acquisition, which mainly include the penalties for early redemption of the Darty bond on September 19, 2016;

expenses for the cost of consumer credit totaling €6.3 million in 2016 (compared to an expense of €4.8 million in 2015); The increase reflects the entry of Darty into the scope of consolidation on August 1, 2016.

NOTE 12	TAX

12.1 / Breakdown of the income tax expense from continuing operations

12.1.1 Income taxes

(€ million)	**2016**	**2015 adjusted***
PRE-TAX INCOME	**45.8**	**64.2**
Tax charge payable excluding the corporate value-added tax (CVAE)	(3.3)	(7.4)
Tax charge related to the corporate value-added tax (CVAE)	(13.7)	(9.0)
Deferred tax income/(expense)	(7.0)	2.5
TOTAL TAX CHARGE	**(24.0)**	**(13.9)**
EFFECTIVE TAX RATE	**52.40%**	**21.65%**

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

12.1.2 Rationalization of the income tax rate

(as a % of income before taxes)	**2016**	**2015 adjusted***
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**38.00%**
Impact of the taxation of foreign subsidiaries	(2.58%)	(12.49%)
THEORETICAL TAX RATE	**31.85%**	**25.51%**
Impact of items taxed at a lower rate	0.00%	(1.16%)
Impact of permanent timing differences	7.90%	(2.91%)
Impact of unrecognized timing differences	28.07%	(8.33%)
Impact of unrecognized tax-loss carry-forwards	7.35%	(1.80%)
Impact of the corporate value-added tax	10.43%	9.98%
Impact of the reduction in the income tax rate in France (2017 Finance Law)	(22.62%)	0.00%
Impact of tax reassessments	(10.77%)	0.00%
Other	0.19%	0.36%
EFFECTIVE TAX RATE	**52.40%**	**21.65%**

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

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2017 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, on all profits of all companies. The Group's net tax expense takes this reduction into account, by applying a tax rate of 28.0% plus the 3.3% social security contribution, for items with taxes coming due in 2020 and onwards.

12.1.3 Current tax rate

Excluding non-current items, the Group's tax rate is as follows:

(€ million)	2016	2015 adjusted*
Pre-tax income	45.8	64.2
Non-current items	(39.1)	(9.7)
CURRENT INCOME BEFORE TAX	**84.9**	**73.9**
Total tax charge	(24.0)	(13.9)
Tax on non-current items	(0.3)	0.7
CURRENT TAX CHARGE	**(23.7)**	**(14.6)**
CURRENT TAX RATE	**27.92%**	**19.81%**

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

As of January 1, 2013, Groupe Fnac assembled its own tax consolidation group to include all its French subsidiaries excluding Tick&Live and Eazieer.

As of May 1, 2011, Darty Holdings SAS assembled a tax consolidation group to include the French subsidiaries that it owned directly or indirectly. This tax group's fiscal year end is April 30.

12.2 / Changes in balance sheet items

12.2.1 Tax payable

(€ million)	2014	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2015
Tax receivables due	6.2				6.2
Tax liabilities payable	(13.3)				(13.7)
TAXES PAYABLE	**(7.1)**	**(16.4)**	**15.9**	**0.1**	**(7.5)**

(€ million)	2015	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2016
Tax receivables due	6.2				19.4
Tax liabilities payable	(13.7)				(53.2)
TAXES PAYABLE	**(7.5)**	**(16.7)**	**37.5**	**(47.1)**	**(33.8)**

12.2.2 Tax deferred

(€ million)	2014	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2015
Net deferred tax assets	33.1	2.5	1.9	(0.1)	37.4
Deferred tax liabilities	0.0				0.0
NET DEFERRED TAXES	**33.1**	**2.5**	**1.9**	**(0.1)**	**37.4**

(€ million)	2014	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2015
Provisions for pensions and other equivalent benefits	19.3	0.3	1.9	0.2	21.7
Recognized tax losses and tax credits	9.9	2.9			12.8
Other assets & liabilities	3.8	(0.7)		(0.2)	2.9
NET DEFERRED TAX ASSETS (LIABILITIES)	**33.0**	**2.5**	**1.9**	**0.0**	**37.4**

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016
Net deferred tax assets	37.4	(4.1)	(9.7)	21.1	44.7
Deferred tax liabilities	0.0	(2.9)	0.0	(130.2)	(133.1)
NET DEFERRED TAXES	**37.4**	**(7.0)**	**(9.7)**	**(109.1)**	**(88.4)**

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016
Provisions for pensions and other equivalent benefits	21.7	(4.4)	(9.7)	31.7	39.3
Recognized tax losses and tax credits	12.8	(0.5)	0.0	0.0	12.3
Marques Darty & Vanden Borre	0.0	16.8	0.0	(118.3)	(101.5)
OTHER ASSETS & LIABILITIES	**2.9**	**(18.9)**	**0.0**	**(22.5)**	**(38.5)**
NET DEFERRED TAX ASSETS (LIABILITIES)	**37.4**	**(7.0)**	**(9.7)**	**(109.1)**	**(88.4)**

12.3 / Unrecognized deferred tax

The change in tax losses and unused tax credits is as follows:

(€ million)	2016	2015 adjusted*
Non-activated tax losses	269.1	5.9
Non-activated timing differences	61.2	19.2
TOTAL UNRECOGNIZED TAX BASES	**330.3**	**25.1**

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

The change in non-activated timing differences mainly reflects Group Fnac's equity interest in Darty plc.

The change in non-activated tax losses reflects the entry of Darty into the scope of consolidation, and particularly the tax losses of its British and Dutch entities.

12.4 / Tax loss changes and timing

(€ million)	Total	Of which non-capitalized	Of which capitalized
AS OF DECEMBER 31, 2015*	**43.3**	**5.9**	**37.4**
Losses generated during the financial year	(1.3)		
Losses deducted and time-barred during the financial year	0.0		
Changes in scope of consolidation and foreign exchange rates	264.9		
AS OF DECEMBER 31, 2016	**306.9**	**269.1**	**37.8**
TAX-LOSS CARRY-FORWARDS WITH A MATURITY OF	**69.0**	**69.0**	**0.0**
Of less than 5 years	0.0		
Over 5 years	69.0	69.0	
Indefinite tax-loss carry-forwards	237.9	200.1	37.8
TOTAL	**306.9**	**269.1**	**37.8**

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

NOTE 13 EARNINGS PER SHARE

Net earnings per share are calculated based on the weighted average number of shares outstanding less the weighted average number of shares held by the consolidated companies.

In 2016, the Group held an average of 14,174 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2016, the Group liquidated its position and did not hold any treasury shares.

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

For 2016, instruments issued by Groupe Fnac had a dilutive effect of 256,772 shares.

The number of shares that could potentially become dilutive during a subsequent year was 204,878.

Earnings per share as of December 31, 2016

(€ million)	Group share		
	Consolidated Group	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**(0.4)**	**21.2**	**(21.6)**
Weighted average number of ordinary shares issued	21,229,756	21,229,756	21,229,756
Weighted average number of treasury shares	(14,174)	(14,174)	(14,174)
Weighted average number of ordinary shares	**21,215,582**	**21,215,582**	**21,215,582**
BASIC EARNINGS PER SHARE (€)	**(0.02)**	**1.00**	**(1.02)**

(€ million)	Group share		
	Consolidated Group	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**(0.4)**	**21.2**	**(21.6)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**(0.4)**	**21.2**	**(21.6)**
Weighted average number of ordinary shares	21,215,582	21,215,582	21,215,582
Potentially diluting ordinary shares	256,772	256,772	256,772
Weighted average number of diluted ordinary shares	**21,472,354**	**21,472,354**	**21,472,354**
DILUTED EARNINGS PER SHARE (€)	**(0.02)**	**0.99**	**(1.01)**

Earnings per share as of December 31, 2015

(€ million)	Group share		
	Consolidated Group	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**47.8**	**49.8**	**(2.0)**
Weighted average number of ordinary shares issued	16,659,746	16,659,746	16,659,746
Weighted average number of treasury shares	(12,325)	(12,325)	(12,325)
Weighted average number of ordinary shares	**16,647,421**	**16,647,421**	**16,647,421**
BASIC EARNINGS PER SHARE *(€)*	**2.87**	**2.99**	**(0.12)**

(€ million)	Group share		
	Consolidated Group	Continuing operations	Discontinued operations
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**47.8**	**49.8**	**(2.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**47.8**	**49.8**	**(2.0)**
Weighted average number of ordinary shares	16,647,421	16,647,421	16,647,421
Potentially diluting ordinary shares	316,591	316,591	316,591
Weighted average number of diluted ordinary shares	**16,964,012**	**16,964,012**	**16,964,012**
DILUTED EARNINGS PER SHARE *(€)*	**2.82**	**2.94**	**(0.12)**

NOTE 14 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items mainly comprise:

profit and loss from the conversion of the financial statements of operations outside France;

items relating to the assessment of employee benefit obligations: revaluation of net liabilities for defined benefit plans;

the effective portion of the change in fair value of the hedging instrument is recorded against other items of comprehensive income.

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

(€ million)	**Net**
Translation differences	9.1
Effective portion of the change in fair value of the hedging instrument	2.2
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**11.3**
Revaluation of net liabilities for defined benefit plans	(20.8)
Items that may not be reclassified subsequently to profit or loss	**(20.8)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2016	**(9.5)**

(€ million)	**Net**
Translation differences	(11.2)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(11.2)**
Revaluation of net liabilities for defined benefit plans	(3.7)
Items that may not be reclassified subsequently to profit or loss	**(3.7)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2015	**(14.9)**

NOTE 15	GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	Gross	Impairment	Net
GOODWILL AS OF JANUARY 1, 2015	**412.0**	**(79.6)**	**332.4**
Foreign exchange fluctuations	(1.1)	1.1	0.0
GOODWILL AS OF DECEMBER 31, 2015	**410.9**	**(78.5)**	**332.4**
From acquisitions	1,273.2		1,273.2
Disposals and withdrawals	(0.6)		(0.6)
Foreign exchange fluctuations	0.8	(0.8)	0.0
IFRS 5 flows	(3.9)	3.9	0.0
GOODWILL AS OF DECEMBER 31, 2016	**1,680.4**	**(75.4)**	**1,605.0**

In 2016, the increase in goodwill was linked to the acquisition of Darty (€1,272.4 million) and the acquisition of Eazieer (€0.8 million).

Disposals consisted of the sale of the company Attitude.

IFRS 5 flows involved the reclassification of goodwill for Fnac Brazil in the “Assets held for sale” line of the balance sheet.

Asset impairment tests performed in 2016 showed a value in use that was higher than the net asset value for each tested CGU. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated as follows:

(€ million)	2016	2015
France-Switzerland	1,476.4	317.1
Benelux	128.6	15.3
TOTAL	**1,605.0**	**332.4**

15.2 / Business combinations

15.2.1 Consideration provided for acquisition and other impacts on cash flow

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

At the Combined Shareholders’ Meeting held on June 17, 2016, Group shareholders approved the issue of new Fnac shares to Darty shareholders almost unanimously.

On July 18, 2016, the Competition Authority announced that it had decided to approve the Group’s purchase of Darty. After several months of constructive discussions between the Group and the Authority, the latter acknowledged that physical stores and online sales were part of the same market. The combined entity will have to sell six existing points of sale and one future point of sale, across the combined networks of Fnac and Darty in France (400 stores).

On July 19, 2016, Fnac’s offer was declared unconditional in all respects, with all conditions precedent as described in the Offer Document having been met or lifted.

On August 1, 2016, the first closing date of the offer, the Group held 98.5% of the share capital of Darty. On August 17, 2016, Darty shares were delisted (from the London and Euronext Paris exchanges).

At the end of the squeeze-out period, which was September 12, 2016, the Group had acquired 100% of the share capital of Darty, of which 30.64% was paid in shares.

The counterpart of the acquisition amounted to €1,079.0 million, of which:

€746.7 million for the acquisition of Darty shares, paid in cash;

€332.3 million for the acquisition of Darty shares, paid in securities.

The entire consideration was paid in 2016.

15.2.2 Financing

As part of its new offer to acquire Darty, the Group set up new sources of financing to pay the cash component of the acquisition and to refinance all existing borrowings and balances at banks.

The Senior Loan Agreement totaling €600.0 million matures five years from the date of its signing, April 20, 2016. It consists of two lines:

a €200.0 million medium-term loan (Senior Term Loan Facility) redeemable after the thirtieth month;

a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonality of its activities. This facility had not been used as of December 31, 2016.

On September 22, 2016 the Group issued a €650 million senior bond with a maturity of seven years, bearing interest at 3.25% per year.

15.2.3 Allocation of the acquisition price

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

A provisional valuation of identifiable assets and liabilities was recorded as of August 1, 2016. The valuation process will continue in 2017, primarily of the acquired real estate.

The acquisition of Darty shares progressed in stages between April 2016 and September 2016. Any time more control was taken involving an equity interest of less than 100%, the portion of equity not acquired (non-controlling interest) was measured at fair value: goodwill was recognized for the non-controlling interest (using the full goodwill method).

The following table shows:

the consideration provided for Groupe Darty in the amount of €1,079.0 million;

the identifiable assets acquired less the liabilities assumed recognized after remeasurement at fair value on the acquisition date in the amount of -€193.4 million;

provisional goodwill of €1,272.4 million corresponding to the difference between the consideration and the fair value of net assets acquired. For a period of 12 months beginning August 1, 2016, the fair value of assets acquired and liabilities assumed may be adjusted.

(€ million)	**Total consideration**	**Fair Value**
TOTAL CONSIDERATION	**1,079.0**	
NET ASSETS ACQUIRED AT FAIR VALUE		**(193.4)**
Valuation of brands		326.7
Valuation of franchise relations		17.4
Lease rights		11.0
Other intangible non-current assets		28.2
Other non-current assets		268.0
Other property, plant and equipment		9.8
Financial assets		27.5
Assets held for sale		8.0
Working capital requirement		(337.8)
Net Financial Debt		(217.2)
Pensions and other employee-related liabilities		(111.7)
Other current liabilities		(223.3)
GOODWILL		**1,272.4**

If Darty activities had been consolidated from January 1, 2016, the statement of comprehensive income would have included:

an additional €2,049.3 million in revenues, totaling €7,418.5 million;

an additional €9.1 million operating loss, for a total profit of €112.9 million;

an additional €65.4 million consolidated loss, for a total loss of €65.3 million;

Pro forma financial information for years 2016 and 2015 is disclosed in the management report.

For the period August 1, 2016 to December 31, 2016, Darty's contribution to Group consolidated revenues was €1,630 million. Darty's contribution to consolidated net profit for the same period was €50.7 million.

NOTE 16 INTANGIBLE NON-CURRENT ASSETS

In 2016, the change in intangible non-current assets mainly reflected the acquisition of Darty.

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	0.0	0.0	344.0	0.0	0.0	0.0	344.0
Software	373.4	27.3	(3.1)	184.6	(2.9)	0.0	0.0	579.3
Other intangible non-current assets	24.5	3.8	(0.4)	33.6	0.0	0.0	0.1	61.6
TOTAL	**397.9**	**31.1**	**(3.5)**	**562.2**	**(2.9)**	**0.0**	**0.1**	**984.9**

Amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	(0.5)
Software	(324.1)	(26.1)	2.3	(156.8)	2.5	0.0	0.1	(502.1)
Other intangible non-current assets	(2.4)	(0.4)	0.4	(22.5)	0.0	0.0	0.1	(24.8)
TOTAL	**(326.5)**	**(27.0)**	**2.7**	**(179.3)**	**2.5**	**0.0**	**0.2**	**(527.4)**

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Trademarks	0.0	0.0	(0.5)	0.0	344.0	0.0	0.0	0.0	343.5
Software	49.3	27.3	(26.1)	(0.8)	27.8	(0.4)	0.0	0.1	77.2
Other intangible non-current assets	22.1	3.8	(0.4)	0.0	11.1	0.0	0.0	0.2	36.8
TOTAL	**71.4**	**31.1**	**(27.0)**	**(0.8)**	**382.9**	**(0.4)**	**0.0**	**0.3**	**457.5**

Gross value as of December 31, 2015

(€ million)	2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0
Software	351.2	14.4	(0.1)	(0.9)	8.8	373.4
Other intangible non-current assets	18.4	7.6	(0.1)	0.0	(1.4)	24.5
TOTAL	**369.6**	**22.0**	**(0.2)**	**(0.9)**	**7.4**	**397.9**

Amortization and impairment as of December 31, 2015

(€ million)	2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0
Software	(298.1)	(22.5)	0.1	0.9	(4.5)	(324.1)
Other intangible non-current assets	(3.4)	(0.2)	0.1	0.0	1.1	(2.4)
TOTAL	**(301.5)**	**(22.7)**	**0.2**	**0.9**	**(3.4)**	**(326.5)**

Net values as of December 31, 2015

(€ million)	2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Trademarks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Software	53.1	14.4	(22.5)	0.0	0.0	4.3	49.3
Other intangible non-current assets	15.0	7.6	(0.2)	0.0	0.0	(0.3)	22.1
TOTAL	**68.1**	**22.0**	**(22.7)**	**0.0**	**0.0**	**4.0**	**71.4**

NOTE 17 TANGIBLE NON-CURRENT ASSETS

In 2016, the change in property, plant and equipment mainly reflected the acquisition of Darty.

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	3.9	(2.5)	287.3	0.0	0.0	0.0	288.7
Fixtures, fittings and commercial facilities	646.7	44.2	(36.6)	510.5	(17.6)	0.3	1.9	1,149.4
Technical and telecommunications equipment	159.9	10.1	(1.5)	(0.2)	(4.5)	0.0	(0.2)	163.6
Other property, plant and equipment	40.4	(0.7)	(0.2)	6.5	(0.2)	(0.1)	0.0	45.7
TOTAL	**847.0**	**57.5**	**(40.8)**	**804.1**	**(22.3)**	**0.2**	**1.7**	**1,647.4**

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	(3.8)	1.6	(97.0)	0.0	0.0	0.0	(99.2)
Fixtures, fittings and commercial facilities	(531.2)	(41.8)	32.9	(426.9)	16.5	(0.3)	0.2	(950.6)
Technical and telecommunications equipment	(139.5)	(6.7)	1.7	0.2	4.6	0.0	(0.1)	(139.8)
Other property, plant and equipment	(19.8)	(0.9)	0.5	(1.9)	0.4	0.1	(0.0)	(21.6)
TOTAL	**(690.5)**	**(53.2)**	**36.7**	**(525.6)**	**21.5**	**(0.2)**	**0.1**	**(1,211.2)**

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016
Land & buildings	0.0	3.9	(3.8)	(0.9)	190.3	0.0	0.0	0.0	189.5
Fixtures, fittings and commercial facilities	115.5	44.2	(41.8)	(3.7)	83.6	(1.1)	0.0	2.1	198.8
Technical and telecommunications equipment	20.4	10.1	(6.7)	0.2	0.0	0.1	0.0	(0.3)	23.8
Other property, plant and equipment	20.6	(0.7)	(0.9)	0.3	4.6	0.2	0.0	0.0	24.1
TOTAL	**156.5**	**57.5**	**(53.2)**	**(4.1)**	**278.5**	**(0.8)**	**0.0**	**1.8**	**436.2**

Gross value as of December 31, 2015

(€ million)	2014	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	625.1	26.4	(30.1)	(4.0)	29.3	646.7
Technical and telecommunications equipment	161.2	4.4	(4.8)	(1.3)	0.4	159.9
Other property, plant and equipment	40.3	5.7	(0.7)	0.0	(4.9)	40.4
TOTAL	**826.6**	**36.5**	**(35.6)**	**(5.3)**	**24.8**	**847.0**

Amortization and impairment as of December 31, 2015

(€ million)	2014	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	(506.9)	(30.6)	29.9	4.0	(27.6)	(531.2)
Technical and telecommunications equipment	(138.3)	(7.5)	4.7	1.5	0.1	(139.5)
Other property, plant and equipment	(18.2)	(2.2)	0.7	0.1	(0.2)	(19.8)
TOTAL	**(663.4)**	**(40.3)**	**35.3**	**5.6**	**(27.7)**	**(690.5)**

Net values as of December 31, 2015

(€ million)	2014	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2015
Land & buildings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixtures, fittings and commercial facilities	118.2	26.4	(30.6)	(0.2)	0.0	1.7	115.5
Technical and telecommunications equipment	22.9	4.4	(7.5)	(0.1)	0.2	0.5	20.4
Other property, plant and equipment	22.1	5.7	(2.2)	0.0	0.1	(5.1)	20.6
TOTAL	**163.2**	**36.5**	**(40.3)**	**(0.3)**	**0.3**	**(2.9)**	**156.5**

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2016, disposals of tangible non-current assets mainly reflected the closing of the Fnac store in Castellana, Spain, and the closing of the Darty store in Besançon.

In 2015, disposals of tangible non-current assets were mainly related to the closure of the Fnac Montparnasse store, following the sub-leasing of part of the store to Uniqlo.

NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles of impairment of non-financial assets are detailed in note 2.10.

The main goodwill items are broken down in note 15.

18.1 / Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions adopted by the Group for the CGUs whose goodwill is not fully impaired as of December 31, 2016 are as follows:

	Discount*		Perpetual growth	
	2016	2015	2016	2015
France	7.4%	9.4%	1.0%	1.0%
Belgium	7.3%	9.7%	1.0%	1.0%

* *Weighted average cost of share capital.*

18.2 / Impairment tests of main values

18.2.1 Determining the recoverable value of CGUs

The recoverable value of each CGU was determined based on its value in use. Value in use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the CGU. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans for three years ahead. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows.

18.2.2 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2016, in the event of a reasonable change in base assumptions and in particular in the event of a change of plus or minus 0.5 percentage points in the discount rate and plus or minus 0.5 percentage points in the growth rate to infinity, did not result in any additional impairment on the Group's CGUs.

Sensitivity analyses performed as of December 31, 2016, in the event of reasonable change in EBITDA assumptions and in particular in the event of a drop of 1 to 10 percentage points of total EBITDA, did not result in any additional impairment of the Group's CGUs.

18.3 / Impairment recognized during the financial year

Asset impairment tests performed in 2016 did not lead to the recognition of impairment losses for any of the Group's CGUs in 2015.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	**2016**	**2015**
Equity investments	1.0	1.0
Deposits and guarantees	14.3	7.2
Other	0.3	0.0
TOTAL	**15.6**	**8.2**

The change in non-current financial assets reflects Darty's entry into the scope of consolidation.

NOTE 20 INVENTORIES

(€ million)	**2015**	**Other changes**	**Change in scope**	**Foreign exchange fluctuations**	**Assets and liabilities held for sale**	**2016**
Gross sales inventory	483.9	118.8	517.2	0.3	(21.5)	1,098.7
Inventory impairment	(17.0)	(2.3)	(19.2)	(0.1)	0.6	(38.0)
NET INVENTORY VALUE	**466.9**	**116.5**	**498.0**	**0.2**	**(20.9)**	**1,060.7**

In 2016, the change in inventories mainly reflected the acquisition of Darty.

The Group may need to record an impairment on inventories:

based on likelihood of disposal;

if they are partially damaged;

if they are completely obsolete;

if their sale price is less than their net realizable value.

Changes in impairment	**2016**	**2015**
AS OF JANUARY 1	**(17.0)**	**(22.9)**
(Allocations) & reversals	(2.3)	4.7
Inclusion in scope of consolidation	(19.2)	0.0
IFRS 5	0.6	1.0
Foreign exchange differences	(0.1)	0.2
AS OF DECEMBER 31	**(38.0)**	**(17.0)**

NOTE 21 TRADE RECEIVABLES

(€ million)	**2015**	**Other changes**	**Change in scope**	**Foreign exchange fluctuation s**	**Assets and liabilities held for sale**	**2016**
Gross trade receivables	109.7	66.3	66.5	(0.1)	(24.4)	218.0
Impairment of trade receivables	(5.6)	(2.6)	0.0	0.0	0.2	(8.0)
NET VALUE	**104.1**	**63.7**	**66.5**	**(0.1)**	**(24.2)**	**210.0**

In 2016, the change in trade receivables mainly reflected the acquisition of Darty.

An impairment on trade receivables is recognized if their carrying value is higher than the estimated recoverable value. The assessment of recoverable value varies by sales channel.

Changes in impairment	**2016**	**2015**
AS OF JANUARY 1	**(5.6)**	**(6.9)**
(Allocations) & reversals	(2.6)	1.3
Inclusion in consolidation scope	0.0	0.0
IFRS 5	0.2	0.0
Foreign exchange differences	0.0	0.0
AS OF DECEMBER 31	**(8.0)**	**(5.6)**

NOTE 22	CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT

22.1 / Current assets and liabilities

(€ million)	2015	WCR cash flo ws	Other cash flo ws	Change in scope	Foreign exchange difference s	Assets and liabilities held for sale	2016
Inventories (1)	466.9	116.5		498.0	0.2	(20.9)	1,060.7
Trade receivables due (2)	104.1	63.7		66.5	(0.1)	(24.2)	210.0
Trade receivables payable (3)	(16.7)	(2.3)		0.0	0.0	0.1	(18.9)
NET TRADE RECEIVABLES (4)=(2)+(3)	**87.4**	**61.4**	**0.0**	**66.5**	**(0.1)**	**(24.1)**	**191.1**
Trade payables due (5)	(817.0)	(338.2)		(472.9)	(0.1)	29.6	(1,598.6)
Trade payables receivable and provisions (6)	55.9	61.1		33.9	0.0	(1.5)	149.4
NET TRADE PAYABLES (7)=(5)+(6)	**(761.1)**	**(277.1)**	**0.0**	**(439.0)**	**(0.1)**	**28.1**	**(1,449.2)**
Social security liabilities (8)	(151.4)	19.5		(168.9)	0.1	1.5	(299.2)
Tax payables and receivables (excluding income tax) (9)	8.5	(26.5)		5.2	0.1	(28.1)	(40.8)
Liabilities relating to commercial operations (10)	(104.9)	14.9		(132.7)	0.0	0.7	(222.0)
Deferred income and expense (11)	(24.5)	(2.3)		21.3	0.0	0.6	(4.9)
Other (12)	11.8	7.6		(39.6)	(0.7)	0.4	(20.5)
OTHER OPERATING WCR (∑ 8 TO 12)	**(260.5)**	**13.2**	**0.0**	**(314.7)**	**(0.5)**	**(24.9)**	**(587.4)**
OPERATING WCR (∑ 1 TO 12)	**(467.3)**	**(86.0)**	**0.0**	**(189.2)**	**(0.5)**	**(41.8)**	**(784.8)**
Other current assets and liabilities	6.0		9.7	0.0	0.0		15.7
Payables and receivables for non-current operating assets	(25.8)		9.0	(3.4)	0.0		(20.2)
Tax receivables and payables due	(7.5)		20.8	(47.1)	0.0		(33.8)
CURRENT ASSETS AND LIABILITIES [(A)]	**(494.6)**	**(86.0)**	**39.6**	**(239.8)**	**(0.5)**	**(41.8)**	**(823.1)**

(a) Excluding current provisions, borrowings and short-term liabilities, and cash and cash equivalents.

In 2016, the change in current assets and liabilities mainly reflected the acquisition of Darty.

Because of the nature of its business activities, the Group's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or assets. The "Liabilities relating to commercial operations" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

22.2 / Other non-current liabilities

In 2016 non-current liabilities amounted to €192.2 million and reflected the acquisition of Darty. The portion outstanding for more than one year consisted of Darty extended product warranties.

NOTE 23 SHAREHOLDERS’ EQUITY

23.1 / Share capital

As of December 31, 2016, share capital amounted to €26,122,771, consisting of 26,122,771 fully paid-up shares with a par value of €1. Share capital had increased by 9,434,997 shares, representing €490.2 million, issue premium included. The capital increase consisted of:

2,944,901 shares created to service the capital increase reserved for Vivendi;

6,490,096 shares created to serve as the capital increase for the acquisition of 30.64% of Darty.

23.2 / Appropriation of earnings

No dividend was paid in 2016 in respect of 2015.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined-contribution plans or defined-benefit plans.

Under the defined-contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a company to an employee upon retirement. The amount depends on the employee’s length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees’ accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in the Group have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

The Group has no obligations in respect of medical costs.

UK pension funds

The Comet pension fund in the UK corresponds to retirement benefit obligations to former employees of Comet in the UK.

Supplemental retirement benefits

A defined-benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the year

Changes in the value of the accrued benefits under the defined-benefit plans are as follows:

(€ million)	**2016**	**2015**
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**88.3**	**79.2**
Cost of services provided during the period	8.0	5.4
Contributions paid by the members	0.5	0.6
Financing interest expense	1.8	1.6
Cost of past services	(0.2)	(0.1)
Revaluation of liabilities	28.1	5.6
Reductions	(2.4)	(2.5)
Benefits paid	(9.2)	(2.6)
Change in scope	701.9	0.0
Fluctuations in foreign currency exchange rates	(0.4)	1.1
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**816.3**	**88.3**

The increase in obligations in 2016 was mainly connected with the entry of Groupe Darty into the scope of consolidation, notably in regards to assumption of the Comet UK pension fund (formerly Groupe Darty with continuing obligations).

The breakdown of the discounted value of the obligation by type of plan and by country as of December 31, 2016 is as follows:

(€ million)	**2016**	**2015**
Pension funds – UK	632.0	0.0
End-of-career allowances – France	155.0	73.7
Supplemental pension plans (LPP) – Switzerland	13.1	12.8
Supplemental retirement benefits – France	9.0	0.0
Long-service awards – France	7.2	1.8
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**816.3**	**88.3**

Changes in the fair value of the assets of defined-benefit plans are as follows:

(€ million)	**2016**	**2015**
FAIR VALUE OF DEFINED-BENEFIT PLAN ASSETS AS OF JANUARY 1	**10.9**	**10.1**
Contributions paid by the employer	6.8	2.0
Contributions paid by the members	0.5	0.6
Financial interest on assets	0.4	0.2
Benefits paid	(9.0)	(2.7)
Actual return on assets	16.8	0.1
Other	(0.1)	(0.1)
Change in scope	603.6	0.0
Fluctuations in foreign currency exchange rates	0.1	0.7
FAIR VALUE OF DEFINED-BENEFIT PLANS AS OF DECEMBER 31	**630.0**	**10.9**

Fnac Darty expects to pay out an estimated €20.5 million in 2017.

As of December 31, 2016, 46.7% of funded defined-benefit plans were invested in debt instruments.

The reconciliation of the balance sheet data and the actuarial obligation of the defined-benefit plans is as follows:

(€ million)	**2016**	**2015**	**2014**	**2013**	**2012**
Discounted value of the commitment	816.3	88.3	79.2	69.1	74.5
Fair value of the defined benefit plan assets	(630.0)	(10.9)	(10.1)	(10.5)	(11.3)
SHORTFALL/(EXCESS)	**186.3**	**77.4**	**69.1**	**58.6**	**63.2**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**186.3**	**77.4**	**69.1**	**58.6**	**63.2**
of which provisions – continuing operations	186.3	77.4	69.1	58.6	63.2
of which provisions – discontinued operations	0.0	0.0	0.0	0.0	0.0

(€ million)	**2016**	**2015**
Pension funds – UK	30.8	0.0
End-of-career allowances – France	134.0	70.2
Supplemental pension plans (LPP) – Switzerland	5.3	5.4
Supplemental retirement benefits – France	9.0	0.0
Long-service awards – France	7.2	1.8
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**186.3**	**77.4**

24.2 / Expenses recognized

The total expense of €6.8 million in 2016 (versus €4.2 million in 2015) recognized in defined-benefit plans can be broken down as follows:

(€ million)		**2016**	**2015**
Cost of services provided		7.8	5.3
Other costs		0.1	0.1
Net financial cost		1.5	1.4
Cost of past services taken to income		(0.2)	(0.1)
Decreases and payments		(2.4)	(2.5)
TOTAL EXPENSE		**6.8**	**4.2**
Of which	*recognized as operating expense*	*5.3*	*2.8*
	as net financial expense	*1.5*	*1.4*
	as discontinued operations	*0.0*	*0.0*

For 2016, total net accrued defined-benefit liability was revalued to a loss of €11.2 million (a loss of €5.6 million in 2015).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty's obligations are as follows:

	2016	**2015**
Discount rate	2.9% (UK) - 0.75% (Switzerland) - 1.60% (France)	1.00% (Switzerland) - 2.05% (France)
Expected rate of increase in salaries	1.50%	1.50%

Pursuant to amended IAS 19R, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

The sensitivity analysis given the assumed discount rates plus or minus 0.50% is provided in the following table:

(€ million)	**End-of-career allowances – France**	**Long-service awards – France**	**Supplemental pension plans (LPP) – Switzerland**	**Supplemental retirement benefits – France**	**Pension funds – UK**	**Total**
Discount rate - 50 basis points	165.9	7.6	14.1	9.1	700.4	897.1
Discounted value of the 2015 commitment	155.0	7.2	13.1	9.0	632.0	816.3
Discount rate + 50 basis points	145.1	7.0	12.2	8.9	570.1	743.3

NOTE 25	PROVISIONS

(€ million)	2015	Allocation	Reversal used	Reversal unused	Change in scope	Foreign exchange differences	IFRS 5 flows	2016
Provisions for restructuring	1.8	0.0	(1.4)	(0.2)	6.8	0.0	0.0	7.0
Provisions for litigation and disputes	9.6	2.6	(4.2)	(3.0)	20.3	0.0	(4.8)	20.5
Other provisions	2.4	0.8	(1.1)	(1.1)	5.3	0.0	(1.4)	4.9
CURRENT PROVISIONS	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
TOTAL	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
IMPACT ON OPERATING INCOME		**(3.4)**		**4.3**				**0.9**
current operating income		(2.7)		3.0				0.3
other non-current operating income and expenses		(0.7)		1.3				0.6

In 2016, the change in provisions for contingencies and expenses was strongly impacted by the entry of Groupe Darty into the scope of consolidation (€32.4 million).

IFRS 5 flows in 2016 involved the reclassification of provisions for contingencies and expenses for Fnac Brazil in the “Liabilities associated with assets held for sale” line of the balance sheet for an amount of €6.2 million.

(€ million)	2014	Allocation	Reversal used	Reversal unused	Change in scope	Foreign exchange differences	IFRS 5 flows	2015
Provisions for restructuring	11.5	1.5	(10.6)	(0.6)	0.0	0.0	0.0	1.8
Provisions for litigation and disputes	20.4	0.5	(0.7)	(2.3)	0.0	(1.6)	(6.7)	9.6
Other provisions	2.9	0.3	(0.1)	(0.4)	0.0	(0.5)	0.2	2.4
CURRENT PROVISIONS	**34.8**	**2.3**	**(11.4)**	**(3.3)**	**0.0**	**(2.1)**	**(6.5)**	**13.8**
TOTAL	**34.8**	**2.3**	**(11.4)**	**(3.3)**	**0.0**	**(2.1)**	**(6.5)**	**13.8**
IMPACT ON OPERATING INCOME		**(2.3)**		**3.3**				**1.0**
current operating income		(2.2)		2.7				0.5
other non-current operating income and expenses		(0.1)		0.6				0.5

IFRS 5 flows in 2015 involved the neutralization of flows for provisions for contingencies and expenses at Fnac Brazil, connected with the reclassification of Fnac Brazil in 2015 as a “discontinued activity”.

NOTE 26	CASH AND CASH EQUIVALENTS

26.1 / Breakdown by cash flow category

This item is broken down as follows:

(€ million)	**2016**	**2015**
Cash	271.8	256.0
Cash equivalents	383.1	288.7
TOTAL	**654.9**	**544.7**

As of December 31, 2016, cash equivalents comprised Sicavs (open-ended investment funds) and three interest-bearing current accounts. The Sicavs also included €6.0 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of the Group's share listing. The composition of cash equivalents has remained relatively unchanged since December 31, 2015.

The items that the Group recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2016, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Breakdown by currency

(€ million)	**2016**	**%**	**2015**	**%**
Euro	637.9	97.4%	532.3	97.7%
Swiss franc	11.4	1.7%	12.2	2.2%
US dollar	4.4	0.7%	0.0	0.0%
Pound sterling	0.8	0.1%	0.0	0.0%
Other currencies	0.4	0.1%	0.2	0.0%
TOTAL	**654.9**	**100.0%**	**544.7**	**100.0%**

NOTE 27	FINANCIAL DEBT

27.1 / Breakdown of debt by repayment maturity

(€ million)	2016	N+1	N+2	N+3	N+4	N+5	Beyond that date
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**854.9**		**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
Bonds 2023	650.0						650.0
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Finance lease liabilities	4.9		2.1	1.5	0.8	0.5	
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**8.2**	**8.2**					
Capitalized interest on 2023 bonds	5.6	5.6					
Finance lease liabilities	2.2	2.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.3	0.3					
TOTAL	**863.1**	**8.2**	**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
%		**1.0%**	**2.6%**	**6.0%**	**9.4%**	**5.9%**	**75.3%**

In 2016, to finance the acquisition of Darty and to finance the combined new Group, Fnac Darty issued €650 million in bonds and set up a €200 million medium-term credit facility.

(€ million)	2015	N+1	N+2	N+3	N+4	N+5	Beyond that date
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**0.3**		**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
Bonds 2023	0.0						
Medium-term credit facility	0.0						
Finance lease liabilities	0.3		0.2	0.1		0.0	0.0
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**0.3**	**0.3**					
Finance lease liabilities	0.2	0.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.0						
TOTAL	**0.6**	**0.3**	**0.2**	**0.1**	**0.0**	**0.0**	**0.0**
%		**50.0%**	**33.3%**	**16.7%**	**0.0%**	**0.0%**	**0.0%**

27.2 / Breakdown by repayment currency

(€ million)	2016	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2015	%
Euro	863.1	854.9	8.2	100.0%	0.5	83.3%
Swiss franc	0.0	0.0	0.0	0.0%	0.1	16.7%
TOTAL	**863.1**	**854.9**	**8.2**		**0.6**	

27.3 / Gross debt by category

The Group's gross debt is as follows:

(€ million)	2016	2015
Bonds 2023	655.6	
Medium-term credit facility	200.0	
Finance lease liabilities	7.1	0.5
Bank overdrafts	0.1	0.1
Other financial liabilities	0.3	
TOTAL	**863.1**	**0.6**

NOTE 28	EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2016, the breakdown of the exposure to various market risks was as follows:

28.1 / Exposure to interest rate risk

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

(€ million)	2016	Maturities for 2016		
		Less than one year	One to five years	More than five years
Investment securities and cash	580.0	580.0		
FLOATING-RATE FINANCIAL ASSETS	**580.0**	**580.0**	**0.0**	**0.0**
Other financial liabilities	207.5	2.6	204.9	
FLOATING-RATE FINANCIAL DEBT	**207.5**	**2.6**	**204.9**	**0.0**

(€ million)	2015	Maturities for 2015		
		Less than one year	One to five years	More than five years
Investment securities and cash	444.4	444.4		
FLOATING-RATE FINANCIAL ASSETS	**444.4**	**444.4**	**0.0**	**0.0**
Other financial liabilities	0.6	0.3	0.3	0.0
FLOATING-RATE FINANCIAL DEBT	**0.6**	**0.3**	**0.3**	**0.0**

Interest rate risk sensitivity analysis

Based on the above, and in terms of the Group's net exposure, an interest rate change of 50 basis points would have an impact over a full year of €0.9 million on the Group's consolidated income before tax as of December 31, 2016.

(€ million)	Impact on income
As of December 31, 2016	
Increase of 50 basis points	(0.9)
Decrease of 50 basis points	0.9

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

28.2 / Exposure to foreign exchange risk

Fnac Darty uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks.

In addition, the Group may have to implement single-option strategies (purchase of options or tunnels) to hedge future exposure.

In accordance with IAS 39, these derivatives are analyzed in respect of hedge accounting eligibility criteria. These foreign exchange derivatives are recognized on the balance sheet at their market value at the accounting year end.

The treatment of foreign exchange hedges in the form of derivatives is described under the heading "Derivatives" in note 2.11.3 "Derivatives".

As of December 31, 2016, these derivatives mainly included a foreign exchange hedge agreement in dollars.

(€ million)	**2016**	**Euro**	**US dollar**	**Pound sterling**	**Swiss franc**	**Other**
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**58.6**	**0.0**	**57.6**	**1.0**	**0.0**	**0.0**
Futures & swap futures	58.6		57.6	1.0		0.0

As of December 31, 2015, the derivatives included the introduction of an option hedging agreement, as part of the hedging of the alternative partial payment in cash to Darty shareholders.

(€ million)	**2015**	**Euro**	**US dollar**	**Pound sterling**	**Swiss franc**	**Other**
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**97.9**	**0.0**	**0.0**	**97.9**	**0.0**	**0.0**
Futures & swap futures	97.9			97.9		

The Group's balance sheet exposure to non-euro currencies as of December 31, 2016 was as follows:

(€ million)	**2016**	**GBP**	**RMB**	**USD**	**Swiss franc**
Exposed trade receivables	0.2			0.0	0.2
Other exposed financial assets	17.0	0.8	0.4	4.4	11.4
Exposed trade payables	17.3			0	17.3
Exposed financial debt	0.0				
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**0.8**	**0.4**	**4.4**	**(5.7)**
Hedging instruments	0.0				
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**0.8**	**0.4**	**4.4**	**(5.7)**

Trade receivables and payables in currencies exposed to foreign-exchange risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Fnac Darty entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-significant as of the accounting year end.

Based on market data at the accounting year end, foreign exchange derivatives would have little impact in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (primarily the US dollar).

28.3 / Exposure to share price fluctuation risk

As part of current operations, the Group deals in the shares issued by the Group. As of December 31, 2016, no derivative instrument was used to hedge equity risk in the sense of IAS 39.

28.4 / Other market risks – credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by the Group. In general, the Group does not consider itself to be exposed to a particular credit risk on its financial assets.

28.5 / Liquidity risk

Management of the liquidity risk of the Group and each of its subsidiaries is closely and periodically assessed by the Group using its financial reporting procedures.

The analysis below sets forth the contractual obligations related to financial liabilities and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at the accounting year end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule. Cash flow relating to foreign exchange derivatives is not significant.

	2016				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**Over five years**
Other financial liabilities	863.1	(863.1)	(8.2)	(204.9)	(650.0)
Trade payables	1,598.6	(1,598.6)	(1,598.6)		
TOTAL	**2,461.7**	**(2,461.7)**	**(1,606.8)**	**(204.9)**	**(650.0)**

	2015				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**Over five years**
Other financial liabilities	0.6	(0.6)	(0.3)	(0.3)	
Trade payables	817.0	(817.0)	(817.0)		
TOTAL	**817.6**	**(817.6)**	**(817.3)**	**(0.3)**	**0.0**

NOTE 29 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

(€ million)	2016	Breakdown by accounting classification				
	Book value	**Market value**	**Fair value through profit or loss**	**Available-for-sale assets**	**Loans and receivables**	**Amortized cost**
NON-CURRENT ASSETS						
Non-current financial assets	15.6	15.6		1.0	14.6	
CURRENT ASSETS						
Trade receivables	210.0	210.0				210.0
Cash and cash equivalents	654.9	654.9	654.9			
NON-CURRENT LIABILITIES						
Long-term borrowings and financial debt	854.9	854.9				854.9
CURRENT LIABILITIES						
Short-term borrowings and financial debt	8.2	8.2				8.2
Trade payables	1,598.6	1,598.6				1,598.6

(€ million)	2015	Breakdown by accounting classification				
	Book value	**Market value**	**Fair value through profit or loss**	**Available-for-sale assets**	**Loans and receivables**	**Amortized cost**
NON-CURRENT ASSETS						
Non-current financial assets	8.2	8.2		1.0	7.2	
CURRENT ASSETS						
Trade receivables	104.1	104.1				104.1
Cash and cash equivalents	544.7	544.7	544.7			
NON-CURRENT LIABILITIES						
Long-term borrowings and financial debt	0.3	0.3				0.3
CURRENT LIABILITIES						
Short-term borrowings and financial debt	0.3	0.3				0.3
Trade payables	817.0	817.0				817.0

As of December 31, 2016, valuation methods adopted for financial instruments are as follows:

for financial instruments recorded as assets on the balance sheet, the carrying amounts are reasonable estimates of their fair value;

for financial instruments recognized as liabilities on the balance sheet, and more specifically other borrowings, the valuation method was determined based on other valuation methods such as the discounted value of cash flows, taking into account the Group's credit risk and interest rate conditions at the accounting year end.

The Group has three separate categories of financial instruments based on its two valuation methods (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the characteristics of the financial instruments recognized in the balance sheet at fair value through profit or loss at the accounting year end:

Level 1 category: financial instruments quoted in an active market;

Level 2 category: financial instruments whose valuation at fair value calls for valuation techniques based on observable market parameters;

Level 3 category: financial instruments whose fair value measurement calls for valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transactions in the markets on the same instrument or on observable market data available at the close of the accounting period) or on parameters that are only partially observable.

The Group's financial instruments are all level 2 category.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	**2016**	**2015**
Gross financial debt	863.1	0.6
Cash and cash equivalents	(654.9)	(544.7)
NET FINANCIAL DEBT	**208.2**	**(544.1)**

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €654.8 million as of December 31, 2016 and corresponds to the cash and cash equivalents listed in the cash flow statement.

(€ million)	**2016**	**2015**
BALANCE SHEET CASH AND CASH EQUIVALENTS	**654.9**	**544.7**
Bank overdrafts	0.1	0.1
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**654.8**	**544.6**

Total cash and cash equivalents were up by €110.2 million at December 31, 2016 as compared to December 31, 2015.

(€ million)	As of December 31 2016	 2015 adjusted*
Net cash flows from operating activities	246.5	153.8
Net cash flows from investing activities	(1,117.7)	(63.1)
Net cash flows from financing activities	992.5	(70.2)
Net cash flows from discontinued operations	(7.6)	(13.0)
Financing of the Comet pension fund	(4.9)	0.0
Impact of fluctuations in foreign exchange rates	1.4	1.5
NET CHANGE IN CASH	**110.2**	**9.0**

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

31.1 / Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

(€ million)	As of December 31 2016	 2015 adjusted*
Cash flow from operations before tax, dividends and interest	198.0	119.9
Change in working capital requirement	86.0	49.8
Income tax paid	(37.5)	(15.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**246.5**	**153.8**

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

In 2016, the working capital requirement amounted to -€784.8 million. The change in the Group's working capital requirement, excluding the impact of the consolidation of Darty (-€189.2 million) and the reclassification of Fnac Brazil as a discontinued activity (-€41.8 million) generated a total resource of €86.0 million (€49.8 million as of December 31, 2015). This improvement is mainly due to continuing rigorous management of inventories and trade payables.

The composition of cash flow from operations before tax, dividends and interest was as follows:

(€ million)	**2016**	**2015 adjusted***
Net income from continuing operations	**21.8**	**50.3**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	74.7	48.6
Current proceeds from the disposal of operating assets	2.5	(0.2)
Non-current proceeds from the disposal of operating assets	3.4	1.0
Non-current proceeds from the disposal of financial assets	2.4	0.0
Deferred tax income and expense	7.0	(2.5)
Discounting of provisions for pensions & other similar benefits	29.5	1.4
IFRS valuation of Darty plc shares	(14.0)	0.0
Other items without impact on cash	(0.2)	0.2
CASH FLOW FROM OPERATIONS	**127.1**	**98.8**
Financial interest income and expense	54.3	4.9
Dividends received	(0.1)	(0.2)
Net tax charge payable	16.7	16.4
CASH FLOW FROM OPERATIONS BEFORE TAX, DIVIDENDS AND INTEREST	**198.0**	**119.9**

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

31.2 / Net cash flows from investing activities

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

Operating and financial investments made by the Group in 2016 amounted to €1,117.7 million (versus €63.1 million in 2015).

	As of December 31	
(€ million)	**2016**	**2015 adjusted***
Net operating investments	(95.7)	(57.1)
Net financial investments	(1,022.0)	(6.0)
CASH FLOWS FROM INVESTING ACTIVITIES	**(1,117.7)**	**(63.1)**

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

The Group's net operating investments in 2016 amounted to €95.7 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	2016	2015 adjusted*
Purchase of non-current intangible assets	(31.1)	(22.0)
Purchase of non-current tangible assets	(57.5)	(36.3)
Change in advances & installment on non-current assets	0.0	0.0
Change in debt for non-current assets	(9.0)	0.7
TOTAL NON-CURRENT ASSET PURCHASES	**(97.6)**	**(57.6)**
Disposal of non-current assets	1.9	0.5
TOTAL PURCHASES AND DISPOSALS OF NON-CURRENT ASSETS	**(95.7)**	**(57.1)**

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

The Group's net financial investments represented an outflow of €1,022 million in 2016 (versus an outflow of €6 million in 2015) mainly reflecting the acquisition of Darty.

	As of December 31	
(€ million)	2016	2015 adjusted*
Purchases of subsidiaries net of cash acquired	(1,021.8)	(2.7)
Disposals of subsidiaries net of cash transferred	(1.3)	0.0
Acquisition of other financial assets	(0.9)	(4.4)
Disposal of other financial assets	1.4	0.1
Interest and dividends received	0.6	1.0
(NET) FINANCIAL INVESTMENTS	**(1,022.0)**	**(6.0)**

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

In 2016, purchases of subsidiaries, net of cash acquired, reflected cash flows connected with the acquisition Darty in the amount of €1,019.8 million and a disbursement of €2.0 million for the acquisition of 50% of Izneo.

In 2016, disposals of subsidiaries net of cash transferred represented a cash outflow of €1.3 million, as part of the sale of its call-center business.

In 2016, acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple Fund.

At the first call for funds, this financial asset was recognized at its subscription price of €0.7 million. The Group also agreed to underwrite the remaining 90% for €6.3 million.

In 2015, purchases of subsidiaries net of cash acquired, in the amount of €2.7 million, mainly included the disbursement of the third and final tranche of the Datasport acquisition price in the amount of €1.8 million, and the €0.9 million disbursement to acquire Eazieer.

Acquisitions of other financial assets amounting to €4.4 million mainly included the payment of €3.3 million as part of the new Revolving Facility and Bridge Facility set up to finance the acquisition of Darty plc.

Interest paid and dividends received mainly included the proceeds from financial investments.

31.3 / Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's equity and borrowing.

(€ million)	As of December 31 2016	2015 adjusted*
Net cash flows from investing activities	157.1	(66.0)
Bonds issued	650.0	0.0
Increase/Decrease in other financial debt	200.0	(0.2)
Interest and equivalent payments	(14.6)	(4.0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**992.5**	**(70.2)**

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

Net cash flows from financing activities amounted to a net resource of €992.5 million in 2016 (versus an outflow of €70.2 million in 2015).

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

In 2016, to finance the acquisition of Darty and to finance the combined new Group, Fnac Darty issued €650 million in bonds and set up a €200 million medium-term credit facility.

In 2016, the €14.6 million interest and equivalent payments represented financial interest and commissions on the non-use of credit facilities set up to finance the new Group.

As of December 31, 2015, the net decrease in equity and other transactions with shareholders in the amount of €66 million reflected, partly, a €67.9 million repayment of perpetual deeply subordinated notes issued in 2013 in the amount of €60 million, plus €7.9 million accrued interest, and partly a capital increase of 92,164 shares representing €1.9 million, issue premium included, to service the exercise of the first tranche of options under the performance share plan settled in shareholders' equity instruments, introduced in 2013.

Interest and equivalent payments correspond mainly to the commission on the unused €250 million line of credit.

31.4 / Financing of the Comet pension fund

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

The current amount of annual contributions to the Comet pension fund is 10,000 pounds sterling.

NOTE 32 DISCONTINUED ACTIVITIES

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

In the fourth quarter of 2016, the Group began a process of searching for partners in Brazil who could aid the Group in completely leaving the country. An investment bank has been appointed to identify potential partners and lead discussions. This decision to pull out of its activities in Brazil was approved by the Board of Directors at its meeting of January 26, 2017.

In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016, and in the adjusted presentation of the financial statements for December 31, 2015. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet, with no restatement for past years. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

32.1 / Net income from discontinued operations

(€ million)	2016	2015 adjusted*
INCOME FROM ORDINARY ACTIVITIES	**118.6**	**136.8**
Cost of sales	(91.5)	(103.9)
GROSS MARGIN	**27.0**	**33.0**
Personnel expenses	(11.3)	(12.7)
Other current operating income and expenses	(22.2)	(20.3)
CURRENT OPERATING INCOME	**(6.5)**	**0.1**
Other non-current operating income and expenses	(12.0)	0.3
OPERATING INCOME	**(18.6)**	**0.4**
(Net) financial expense	(2.7)	(2.0)
PRE-TAX INCOME	**(21.2)**	**(1.6)**
Income tax	(0.4)	(0.4)
NET INCOME	**(21.6)**	**(2.0)**

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

Net income from discontinued activities includes Fnac Brazil in the amount of -€21.1 million in 2016 and -€2.0 million in 2015.

In 2016 it also includes -€0.5 million for discontinued Darty activities in Italy and Turkey.

32.2 / Net cash flows from discontinued activities

(€ million)	2016	2015 adjusted*
Net cash flows from operating activities	(2.7)	(12.0)
Net cash flows from investing activities	0.0	0.0
Net cash flows from financing activities	(3.2)	(1.0)
NET CASH FLOWS	**(5.9)**	**(13.0)**
Cash at start of period or net cash flow and change in intra-group cash flows	(1.7)	0.0
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(7.6)**	**(13.0)**

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

Net cash flows from discontinued activities include Fnac Brazil for a net amount of -€7.6 million in 2016 and for a net amount of -€13.0 million in 2015.

32.3 / Assets held for sale and liabilities associated with assets held for sale

(€ million)	**2016**	**2015**
Assets held for sale	**71.4**	**0.0**
Inventories Fnac Brazil	*22.2*	
Trade receivables Fnac Brazil	*16.4*	
Receivables from suppliers Fnac Brazil	*2.3*	
Other current assets Fnac Brazil	*21.6*	
Assets relating to stores being sold	*9.0*	
Liabilities relating to assets held for sale	**35.0**	**0.0**
Liabilities relating to assets held for sale Brazil	*32.3*	
Liabilities relating to stores being sold	*2.7*	
TRANSLATION GAIN/(LOSS) FNAC BRAZIL RECOGNIZED IN EQUITY	**(0.3)**	**3.3**

Assets held for sale and liabilities associated with assets held for sale, include the assets and liabilities associated with Fnac Brazil as well as the points of sale to be sold at the request of the Competition Authority on July 18, 2016.

The sales outlets are Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen, Darty Vélizy and the Darty Cuisine outlet in Wagram.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	**Less than one year**	**One to five years**	**Over five years**	**2016**
Operating lease agreements	218.9	332.2	36.5	587.5
Irrevocable purchase obligations	22.7	15.2	0.0	37.9
TOTAL COMMITMENTS GIVEN	**241.6**	**347.4**	**36.5**	**625.4**

(€ million)	Payments due according to maturity			2015
	Less than one year	One to five years	Over five years	
Operating lease agreements	126.1	238.2	25.3	389.6
Irrevocable purchase obligations	16.4	5.1	0.0	21.5
TOTAL COMMITMENTS GIVEN	**142.5**	**243.3**	**25.3**	**411.1**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreement" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be canceled by the lessee. They mainly correspond to non-cancellable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

The increase in operating lease commitments mainly reflects the entry of Groupe Darty into the scope of consolidation, for a total commitment (buildings and furniture) of €238.5 million.

Finance leases

The discounted value of future lease payments included in "Borrowings and other financial liabilities" and relating to capitalized assets that meet the IAS 17 definition of finance lease agreements is as follows:

(€ million)	2016	2015
Less than one year	(2.2)	(0.2)
One to five years	(4.9)	(0.3)
Over five years		
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(7.1)**	**(0.5)**

33.2 / Pledges and charges on real estate

As part of its offer to acquire Darty, the Group set up new sources of financing to pay the cash component of the acquisition and to refinance both companies' existing borrowings and balances at banks.

The Senior Loan Agreement totaling €600.0 million matures five years from the date of its signing, April 20, 2016. It consists of two lines:

a €200.0 million medium-term loan (Senior Term Loan Facility) repayable after the thirtieth month;

a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonality of its activities.

Also, on September 22, 2016, Fnac Darty successfully issued €650.0 million of senior bonds with a seven year maturity.

The following Group companies have agreed to guarantee the facilities subscribed by Groupe Fnac SA: Fnac SA, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

(€ million)	Payments due according to maturity			2016	2015
	Less than one year	One to five years	Over five years		
Amount of unused line of credit at period-end	0.0	400.0	0.0	400.0	1,115.0
Amount of used line of credit at period-end	0.0	0.0	0.0	0.0	0.0
Other guarantees received	14.4	13.7	18.0	46.1	41.9
TOTAL COMMITMENTS RECEIVED	**14.4**	**413.7**	**18.0**	**446.1**	**1,156.9**
Commitment relating to the acquisition of Darty plc	0.0	0.0	0.0	0.0	98.1
Rent guarantees and real estate securities	5.8	15.2	20.8	41.8	26.8
Other commitments	93.3	29.0	3.4	125.7	55.5
TOTAL COMMITMENTS GIVEN	**99.1**	**44.2**	**24.2**	**167.5**	**180.4**

None of the €400.0 million Revolving Facility had been drawn down as of December 31, 2016; it therefore constitutes an off-balance-sheet commitment.

The increase in rent guarantees in 2016 is partly due to the consolidation of Groupe Darty whose commitments amount to €11.0 million.

The change in other commitments is mainly linked to granting a new up-front payment to Apple to guarantee business with Darty ($40.0 million), as well as the €26.9 million guarantee (equivalent to £23.0 million), maturing in 2022, granted by Darty in 2012 on the occasion of the sale of Comet, under the framework of the Comet pension fund.

As part of the agreement to sell Comet, Darty placed a £50.0 million investment in Hailey 2 LP GP Limited. Given the uncertainty of future returns, this investment was completely written-off in 2012 (year of Comet sale). To date, two payments have been received totaling £5.9 million. Due to the uncertainty of the last return, no income accrual has been recorded.

The credit facilities disclosed in December 2015 consisting of two financial instruments negotiated in late 2015 amounting to €865.0 million in anticipation of the acquisition of Darty, were repaid in 2016.

The €98.1 million commitment given in 2015, corresponding to the cash portion of the initial offer made to Darty shareholders, fell in 2016 on completion of the transaction.

33.4 / The Group’s dependency on patents, licenses and supply agreements

The Group is not heavily dependent on patents, licenses or supply agreements.

33.5 / Proceedings and litigation

The Group’s companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

In 2015, the Brazilian subsidiary underwent a tax audit which resulted in the notification of a tax reassessment due to:

lack of filing of Sintegra return (electronic file including operational data);

unjustified tax credits.

After consulting its legal counsel, the Company had contested these reassessments and considered them unjustified. However, a provision was recognized in the December 31, 2015 financial statements, corresponding to a reasonable estimate of the risk incurred. As of December 31, 2016, there was no significant change in the Group’s position.

According to their experts, none of the disputes in which the Group’s companies or businesses are involved threatens the Group’s normal and foreseeable course of business or its planned development.

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

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

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Groupe Fnac

As of December 31, 2016, the Artémis Group owned 24.70% of Fnac Darty's share capital and voting rights.

As of December 31, 2016, the Vivendi Group owned 11.27% of Fnac Darty's share capital and voting rights.

The main transactions during the year between all Fnac Darty consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

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

The main transactions at Fnac Darty since taking the equity interest in Vivendi Group in the first half of 2016, between all the Group's consolidated companies and the parties related to Vivendi Group, are as follows:

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

reinvoicing by the Universal Group, a musical products customer, in the total amount of €1.0 million excluding taxes;

reinvoicing by the Olympia Group, a ticket sales provider, in the total amount of €3.9 million excluding taxes;

reinvoicing by the Canal+ Group, a subscription services provider, in the total amount of €0.2 million excluding taxes.

In 2015, a previously authorized regulated agreement was entered into with BDGS, a legal firm specializing in market operations, especially cross-border transactions, and in competition law, one of its founding partners being Director Antoine Gosset-Grainville; its services for year 2015 amounted to €1.4 million excluding taxes. Payments made for these and other services came to a total of €4.1 million before tax in year 2016. The business relationship between the Group and the BDGS firm ended on December 31, 2016.

In 2015, the main transactions between all the Group's consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

reinvoicing by the Kering Group, an IT services provider, in the amount of €1.6 million excluding taxes.

NOTE 35 REMUNERATION OF DIRECTORS

Short-term benefits

Following the acquisition of Darty and the restructuring of the Group's management, the scope of responsibilities of the main Directors was redefined and now corresponds to the Executive Committee of the new Group. Compensation posted to expenses was as follows:

(€ million)	**2016** [(a)]	**2015** [(a)]
Short-term benefits	10.0	7.0
Severance packages	0.0	0.1
Tax on high remuneration	0.0	0.0

(a) Amounts including employee-related costs.

Long-term benefits

In 2016, four multi-year variable compensation plans based on value units and performance options partially matured.

In accordance with IFRS 2, the instruments that had matured and the service and performance conditions attached to those instruments were updated. At the same time, the turnover ratios of the 2014 value units plan were reviewed to take account of the duration of service remaining. The volatility ratio of the Fnac share price was also remeasured at 30%. The obligations measured in accordance with IFRS 2 of these multi-year compensation plans amounted to €13.1 million including employer contributions in 2016 and €22.9 million including employer contributions in 2015. Final vesting of these plans is subject to performance and presence conditions. All these instruments are disclosed in section 5, note 7.

The 2013 value units plan matured on July 31, 2016. Vesting was conditional on performance (average closing share price in July 2015 of €55.07) which was achieved. For Executive Committee members, the payment of the last third of value units was conditional on being in service on July 31, 2016. Cash payments were made in July 2016 totaling €5.7 million, including employer contributions.

The value units plan introduced in 2014 and partially unlocked at the end of February 2016 resulted in a payment in April 2016. The average closing price of Groupe Fnac shares in February 2016 of €55.33 fully meets the performance criteria, and the value units were valued at that exit price and paid to the beneficiaries in service within the Group on February 29, 2016. For Executive Committee members, only two-thirds of this amount was paid, as one-third is conditional on being in service on February 28, 2017. The amount paid in 2016 was €4.3 million including employer contributions.

The second tranche of the 2013 performance share plan was vested on March 31, 2016. Given its average closing price over the last 20 trading days immediately preceding March 31, 2016 (average €57.17) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries in service on March 31, 2016. These options were exercised between April 1, 2016 and March 31, 2017 or cashed in April 2016 for the Chairman & Chief Executive Officer. The amount paid in April 2016 to the Chairman & Chief Executive Officer was €3.7 million including employer contributions (see section 3.3.1).

The first tranche of the 2014 performance share plan was vested on September 30, 2016. Given its average closing price over the last 20 trading days immediately preceding September 30, 2016 (average €65.74) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries in service on September 30, 2016. These options were exercised between October 1 and October 20, 2016 or cashed in October 2016 for the Chairman & Chief Executive Officer. The amount paid in October 2016 to the Chairman & Chief Executive Officer was €4.0 million including employer contributions (see section 3.3.1).

NOTE 36	AUDITORS' FEES

The fees (excluding taxes) paid to the Statutory Auditors for Groupe Fnac, the Group's parent and associated network, can be broken down as follows:

	2016									
	Deloitte & Associés				KPMG				Price Waterhouse Coopers	
	Statutory Auditors		Network		Statutory Auditors		Network		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification and examination of individual and comprehensive financial statements, limited to the half-year										
Issuer	0.3	38%		0%	0.3	43%		0%		
Fully integrated subsidiaries	0.2	25%	0.2	100%	0.2	29%	0.1	100%	1.3	87%
SUB-TOTAL	**0.5**	**63%**	**0.2**	**100%**	**0.5**	**71%**	**0.1**	**100%**	**1.3**	**87%**
Services other than the certification of financial statements										
Issuer	0.2	25%		0%	0.2	29%		0%		
Fully integrated subsidiaries	0.1	13%	0.0	0%	0.0	0%	0.0	0%	0.2	13%
SUB-TOTAL	**0.3**	**38%**	**0.0**	**0%**	**0.2**	**29%**	**0.0**	**0%**	**0.2**	**13%**
TOTAL	**0.8**	**100%**	**0.2**	**100%**	**0.7**	**100%**	**0.1**	**100%**	**1.5**	**100%**

The fees paid in 2016 also include those charged for the certification of the financial statements by PricewaterhouseCoopers, the Statutory Auditor for Darty.

(€ million)	2015							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Certification and examination of individual and comprehensive financial statements, limited to the half-year								
Issuer	0.2	50%		0%	0.2	67%		0%
Fully integrated subsidiaries	0.2	50%	0.2	67%	0.1	33%	0.2	100%
SUB-TOTAL	**0.4**	**100%**	**0.2**	**67%**	**0.3**	**100%**	**0.2**	**100%**
Services other than the certification of financial statements								
Issuer		0%		0%		0%		0%
Fully integrated subsidiaries	0.0	0%	0.1	33%		0%		0%
SUB-TOTAL	**0.0**	**0%**	**0.1**	**33%**	**0.0**	**0%**	**0.0**	**0%**
TOTAL	**0.4**	**100%**	**0.3**	**100%**	**0.3**	**100%**	**0.2**	**100%**

NOTE 37 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

On January 26, 2017, Fnac signed an agreement regarding Sunday work and evening work. Its implementation will allow Fnac to remain competitive while offering the best compensation, in terms of money and benefits, to employees wishing to work Sundays. Nine additional Fnac stores, now situated in the International Tourist Zone (*Zone Touristique Internationale*/ZTI) as defined by the Macron Law will now be able to open seven days a week, making a total of 21 stores in France open on Sunday. The employees of the 12 stores already open Sundays will benefit from the most favorable terms of the new Group agreement.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2016

The Group's subsidiaries are as follows:

Fully consolidated: F

Consolidated under the equity method: E

Company	% interest			
	At December 31, 2016		At December 31, 2015	
FNAC BRAND				
Groupe Fnac	F	100.00	F	100.00
FRANCE				
Alize – SFL	F	100.00	F	100.00

Company	% interest			
	At December 31, 2016		At December 31, 2015	
Attitude		sold in June 2016	F	100.00
Codirep	F	100.00	F	100.00
Eazieer	F	100.00		0.00
Fnac	F	100.00	F	100.00
Fnac Acces	F	100.00	F	100.00
Fnac appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	F	98.00	F	98.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00		0.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live (formerly Kyro Concept)	F	50.00	F	50.00
BELGIUM				
Belgium Ticket	F	75.00	F	100.00
Fnac Belgium	F	100.00	F	100.00
SPAIN				
Fnac Espana	F	100.00	F	100.00
MONACO				
Fnac Monaco	F	100.00	F	100.00
PORTUGAL				
Fnac Portugal	F	100.00	F	100.00
SWITZERLAND				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
BRAZIL				
F.Brasil	F	100.00	F	100.00
DARTY BRAND				

Company	% interest			
	At December 31, 2016		At December 31, 2015	
UNITED KINGDOM				
Darty limited (ex Darty Plc)	F	100.00		0.00
Kesa Holdings Limited	F	100.00		0.00
Kesa International Limited	F	100.00		0.00
Kesa Sourcing Limited	F	100.00		0.00
Kesa Spain Limited	F	100.00		0.00
Kesa Turkey Limited	F	100.00		0.00
FRANCE				
A2I Darty Alsace Lorraine SNC	F	100.00		0.00
A2I Darty Nord SNC	F	100.00		0.00
A2I Darty Ouest SNC	F	100.00		0.00
A2I Darty Provence Méditerranée SNC	F	100.00		0.00
A2I Darty Rhône Alpes SNC	F	100.00		0.00
A2I Île-de-France SNC	F	100.00		0.00
Centrale d’Achat des Professionnels de l’Électromenager SNC “CAPROFEM”	F	100.00		0.00
Compagnie Européenne de Commerce et de Distribution SAS “CECD”	F	100.00		0.00
Compagnie Européenne de Vente et d’Accessoires en Ligne SNC “CEVL”	F	99.90		0.00
Dart Financements SAS	F	100.00		0.00
Darty Développement SAS	F	100.00		0.00
Darty Grand Est SNC	F	100.00		0.00
Darty Grand Ouest SNC	F	100.00		0.00
Darty Holdings SAS	F	100.00		0.00
Darty SNC	F	100.00		0.00
Établissements Darty & Fils SAS	F	100.00		0.00
Immobilière Darty SNC	F	100.00		0.00
Kesa Electricals SAS	F	100.00		0.00
Kesa France SA	F	99.70		0.00
Ménafinance SA	E	50.00		0.00

Company	% interest			
	At December 31, 2016		At December 31, 2015	
Participations Distribution Services SNC	F	100.00		0.00
Vidéo Information France SNC “VIF”	F	100.00		0.00
NETHERLANDS				
BCC Elektro-Speciaalzaken BV	F	100.00		0.00
BCC Holding Amstelveen BV	F	100.00		0.00
BCC Vastgoed Holding BV	F	100.00		0.00
Bouwerij Amstelveen BV	F	100.00		0.00
Bouwerij Amstelveen OG BV	F	100.00		0.00
Oude Haagweg Holding BV	F	100.00		0.00
Oude Haagweg OG BV	F	100.00		0.00
Polectro BV	F	100.00		0.00
Polectro Plaza BV	F	100.00		0.00
Rivieradreef Holding BV	F	100.00		0.00
Rivieradreef OG BV	F	100.00		0.00
BELGIUM				
New Vanden Borre	F	100.00		0.00
New Vanden Borre transport	F	100.00		0.00
Vanden Borre Kitchen	E	50.00		0.00
OTHER COUNTRIES				
Kesa Electirical Asia Limited	F	100.00		0.00
Kesa Electrical Consulting limited	F	100.00		0.00

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES EARNING IN FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

Per €1	2016		2015	
	closing rate	average rate	closing rate	average rate
Pound sterling	0.86	0.82	0.73	0.73
Swiss franc	1.07	1.09	1.08	1.07
Brazilian real	3.43	3.86	4.31	3.69

Material change in financial or commercial positions

To the best of Groupe Fnac’s knowledge, no event likely to have a significant influence on the Group’s activity, financial position and assets has occurred since December 31, 2016.

AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors’ report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors’ report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2016

Dear Shareholders,

In execution of the mission entrusted to us by your General Meetings, we hereby submit our report for the year ended December 31, 2016, on:

the audit of the consolidated financial statements of Groupe FNAC, as attached to this report;

the justification of our assessments;

the specific verification provided for by law.

The consolidated financial statements have been approved by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on these statements.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform tests and procedures so as to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes the examination of evidence supporting the amounts and disclosures in the financial statements using sample-testing techniques or other selection methods. It also involves an assessment of the appropriateness of the accounting principles used and of the significant estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We hereby certify that the consolidated financial statements for the financial year in question present a true and fair view of the net assets, financial position and income of the whole formed by the consolidated entities, in accordance with IFRS guidelines, as adopted by the European Union.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we hereby draw the following matters to your attention:

Note 15.2 “Business combination” to the consolidated financial statements sets forth the procedures for the takeover of Darty plc and its subsidiaries, and the impact thereof on the consolidated financial statements, on the understanding that allocation of the acquisition price was not finalized as of December 31, 2016. Our work included examining the report of the independent assessor used by the company to determine the fair value of the brands (and the franchises) recognized as intangible assets, to review the data and valuation methods used, and to assess the accuracy of the assumptions employed. We also verified the correct accounting treatment for this acquisition in accordance with the procedures described in Note 2.4.3 “Business combinations” and the appropriateness of the information presented in Note 15.2 to the financial statements.

During the second half of the financial year, your Company systematically tested goodwill for impairment, and also assessed whether there was any evidence of impairment of long-term assets, in accordance with the procedures set out in note 2.10 to the consolidated financial statements. We have reviewed the procedures for implementing these impairment tests together with the forecasted cash flows and assumptions used, and have verified that note 18 in the annex to the consolidated financial statements provides appropriate disclosures.

Your company continues with the evaluation, and if necessary, the impairment of inventory according to the methods described in note 2.9 in the annex to the consolidated financial statements. We have ascertained the appropriateness of the method, and the reasonable nature of the assumptions used to assess and measure inventory impairment.

Notes 2.12 and 2.16 in the annex to the Consolidated Financial Statements specify the evaluation methods of share-based payments and employee retirement benefits and other long-term employee benefits. These commitments have been measured by outside actuaries. Our work consisted in reviewing the data used, assessing the assumptions made, and verifying that notes 7 and 24 in the annex to the consolidated financial statements provide appropriate disclosures.

The assessments made in this way are part of our process of auditing the consolidated financial statements as a whole and have thus contributed to our opinion as expressed in the first part of this report.

III. Specific verification

We have also proceeded, in accordance with the professional standards applicable in France, with the specific verification provided by the law of information relating to the Group data in the Management Report.

We have no comment to make on its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 29, 2017

Statutory Auditors

KPMG Audit	Deloitte & Associés
A department of KPMG S.A.	
Hervé CHOPIN	Stéphane RIMBEUF
Partner	*Partner*

GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016

Consolidated income statement for the years ended December 31, 2017 and 2016

(€ million)	Notes	2017	2016 restated *
INCOME FROM ORDINARY ACTIVITIES	4-5	**7,448.2**	**5,369.2**
Cost of sales		(5,187.3)	(3,793.1)
GROSS MARGIN		**2,260.9**	**1,576.1**
Personnel expenses	6-7	(1,093.1)	(785.4)
Other current operating income and expenses		(899.6)	(629.2)
Share of profit from equity associates	8	1.9	0.2
CURRENT OPERATING INCOME	9	**270.1**	**161.7**
Other non-current operating income and expenses	10	(53.3)	(38.2)
OPERATING INCOME		**216.8**	**123.5**
(Net) financial expense	11	(44.0)	(76.2)
PRE-TAX INCOME		**172.8**	**47.3**
Income tax	12	(48.3)	(23.2)
NET INCOME FROM CONTINUING OPERATIONS		**124.5**	**24.1**
Group share		*124.2*	*23.5*
share attributable to non-controlling interests		*0.3*	*0.6*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**(87.0)**	**(21.6)**
Group share		*(87.0)*	*(21.6)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**37.5**	**2.5**
Group share		*37.2*	*1.9*
share attributable to non-controlling interests		*0.3*	*0.6*
NET INCOME, GROUP SHARE		**37.2**	**1.9**
Earnings per share *(€)*	13	1.41	0.09
Diluted earnings per share *(€)*	13	1.40	0.09
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**124.2**	**23.5**
Earnings per share *(€)*	13	4.70	1.11
Diluted earnings per share *(€)*	13	4.68	1.09

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated comprehensive income statement

(€ million)	**Notes**	**2017**	**2016 restated***
NET INCOME		**37.5**	**2.5**
Items that may be reclassified to profit or loss	14	(3.1)	11.3
Items that may not be reclassified to profit or loss	14	0.2	(13.9)
OTHER COMPREHENSIVE INCOME ITEMS, AFTER TAX	14	**(2.9)**	**(2.6)**
TOTAL COMPREHENSIVE INCOME		**34.6**	**(0.1)**
Group share		*34.3*	*(0.7)*
share attributable to non-controlling interests		*0.3*	*0.6*

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated statement of financial position for the years ended December 31, 2017 and 2016

Assets

(€ million)	Notes	As of December 31, 2017	As of December 31, 2016 restated*
Goodwill	15	1,541.4	1,541.1
Intangible non-current assets	16	473.0	462.3
Property, plant & equipment	17	611.2	613.4
Equity interests	8	22.0	20.1
Non-current financial assets	19	15.9	15.6
Deferred tax assets	12.2.2	59.9	41.5
Other non-current assets		0.0	0.0
NON-CURRENT ASSETS		**2,723.4**	**2,694.0**
Inventories	20	1,072.8	1,057.3
Trade receivables	21	265.1	208.9
Tax receivables due	12.2.1	50.2	19.4
Other current financial assets	22.1	22.3	25.7
Other current assets	22.1	358.0	340.1
Cash and cash equivalents	26	774.9	656.0
CURRENT ASSETS		**2,543.3**	**2,307.4**
ASSETS HELD FOR SALE	32	**3.1**	**64.0**
TOTAL ASSETS		**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Liabilities

(€ million)	Notes	As of December 31, 2017	As of December 31, 2016 restated*
Share capital	23	26.7	26.1
Equity-related reserves		988.8	977.5
Translation reserves		(5.2)	(4.4)
Other reserves and net income		85.7	43.4
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,096.0**	**1,042.6**
Shareholders' equity – Share attributable to non-controlling interests		7.0	6.8
SHAREHOLDERS' EQUITY		**1,103.0**	**1,049.4**
Long-term borrowings and financial debt	27	853.8	854.9
Provisions for pensions and other similar benefits	24	179.8	186.3
Other non-current liabilities	22.2	194.6	192.2
Deferred tax liabilities	12	192.7	188.8
NON-CURRENT LIABILITIES		**1,420.9**	**1,422.2**
Short-term borrowings and financial debt	27	7.2	8.2
Other current financial liabilities	22.1	18.5	10.0
Trade payables	22.1	1,765.6	1,597.5
Provisions	25	72.5	32.4
Tax liabilities payable	12	47.3	62.2
Other current liabilities	22	828.6	845.9
CURRENT LIABILITIES		**2,739.7**	**2,556.2**
LIABILITIES RELATING TO ASSETS HELD FOR SALE	32	**6.2**	**37.6**
TOTAL LIABILITIES		**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Consolidated cash flow statement as of December 31, 2017 and 2016

(€ million)	Notes	2017	2016 restated*
NET INCOME FROM CONTINUING OPERATIONS		**124.5**	**24.1**
Income and expense with no impact on cash		133.6	105.0
CASH FLOW	31.1	**258.1**	**129.1**
Financial interest income and expense		34.4	54.3
Dividends received		(0.1)	(0.1)
Net tax expense payable	12.1	60.7	16.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST		**353.1**	**200.0**
Change in working capital requirement	22	56.3	84.0
Income tax paid		(98.3)	(37.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**311.1**	**246.5**
Acquisitions. of intangible assets, property, plant & equipment		(113.9)	(97.6)
Disposals of intangible assets, property, plant & equipment		2.0	1.9
Purchases of subsidiaries net of cash acquired		(0.3)	(1,020.7)
Disposals of subsidiaries net of cash transferred		0.0	(1.3)
Acquisitions of other financial assets		(1.5)	(0.9)
Sales of other financial assets		0.0	1.4
Interest and dividends received		0.0	0.6
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(113.7)**	**(1,116.6)**
Increase/decrease in capital		11.9	157.1
Other transactions with shareholders		(3.9)	3.9
Purchases or sales of treasury shares		4.2	0.0
Dividends paid to shareholders		(0.2)	0.0
Bonds issued		0.0	650.0
Increase/Decrease in other financial debt		(2.5)	200.0
Interest and equivalent payments		(20.9)	(18.5)
Financing of Comet pension fund	31.4	(8.5)	(4.9)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**(19.9)**	**987.6**
Net cash flows from discontinued operations	32	(56.2)	(7.6)
Impact of fluctuations in exchange rates		(2.3)	1.4
NET CHANGE IN CASH		**119.0**	**111.3**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30	**655.9**	**544.6**
CASH AND CASH EQUIVALENTS AT YEAR-END	30	**774.9**	**655.9**

* *Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*

Change in consolidated shareholders' equity as of December 31, 2017 and 2016

(Before appropriation of 2017 earnings) *(€ million)*	**Number of shares outstanding [(a)]**	**Share capital**	**Equity-related reserves**	**Translation reserves**	**Other reserves and net income**	**Shareholders' equity** Group share	Non-controlling interests	**Total**
AS OF DECEMBER 31, 2015	**16,687,774**	**16.7**	**496.7**	**(13.5)**	**57.4**	**557.3**	**7.0**	**564.3**
Total comprehensive income				**9.1**	**(9.8)**	**(0.7)**	**0.6**	**(0.1)**
Capital increase/(decrease)	9,434,997	9.4	480.8			490.2		490.2
Change in scope						0.0	(0.8)	(0.8)
Treasury shares					0.1	0.1		0.1
Valuation of share-based payments					2.1	2.1		2.1
Dividends paid					0.0	0.0		0.0
Fair acquisition value of non-controlling interests of Darty plc.					3.2	3.2		3.2
Share of Darty plc acquisition expenses allocated to shareholders' equity					(9.9)	(9.9)		(9.9)
Other activity					0.3	0.3		0.3
AS OF DECEMBER 31, 2016*	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**43.4**	**1,042.6**	**6.8**	**1,049.4**
Total comprehensive income				**(0.8)**	**35.1**	**34.3**	**0.3**	**34.6**
Capital increase/(decrease)	535,364	0.6	11.3			11.9		11.9
Change in scope						0.0		0.0
Treasury shares					4.2	4.2		4.2
Valuation of share-based payments					3.5	3.5		3.5
Dividends paid					(0.2)	(0.2)		(0.2)
Share of Darty plc acquisition expenses allocated to shareholders' equity					(0.3)	(0.3)		(0.3)
Other movements						0.0	(0.1)	(0.1)
AS OF DECEMBER 31, 2017 [(a) (b)]	**26,658,135**	**26.7**	**988.8**	**(5.2)**	**85.7**	**1,096.0**	**7.0**	**1,103.0**

** Restated for valuation of identifiable Darty assets and liabilities (principal impacts of the restatements are explained in note 15).*
(a) €1 par value of shares.
(b) Number of shares in capital as of December 31, 2017: 26,658,135.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 GENERAL INFORMATION

1.1 / General information

Fnac Darty, the parent company of the Group, is a French limited company *(société anonyme)* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Fnac Darty is subject to all laws governing commercial companies in France, including the provisions of the French Commercial Code.

The consolidated financial statements as of December 31, 2017 reflect the accounting position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On February 21, 2018, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2017. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Reporting context

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

The listing of Fnac Darty securities for trading on the NYSE Euronext regulated market in Paris requires the establishment of consolidated financial statements according to IFRS standards.

The Group's consolidated financial statements are presented in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1 / General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for 2017 have been prepared in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) on the date these financial statements were established, which must be applied at that date, and are presented with comparative data for 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 IASB (International Accounting Standards Board). Therefore, the Group's financial statements have been prepared in compliance with the standards and interpretations as published by the IASB.

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

The consolidated financial statements presented do not take into account the standards and interpretations which at the end of the reporting period were still in the drafting and review stage with the IASB and IFRIC, or standards whose application was not mandatory in 2017.

The reference fiscal year for the Group is January 1 to December 31.

The accounting principles used in preparing the annual consolidated financial statements are in line with those used for the previous annual consolidated statements with the exception, as applicable, of the standards and interpretations adopted in the European Union and applicable for the Group on or after January 1 of the last fiscal year (see Note 2.2 – IFRS standards applied).

The Group does not apply in advance of the required date of application.

2.2 / IFRS standards applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for periods beginning after January 1, 2017 and not adopted early by the Group

IFRS 9 – Financial instruments. Published in November 2016, IFRS 9 sets out the principles for recognition and disclosure of financial assets. They will replace, effective January 1, 2018, the existing principles set forth in IAS 39 – Financial Instruments.

For the transition to IFRS 9, the Group reviewed the following points:

impairment: the Group examined its method for impairment of trade receivables. Given the consumer retail sales activity, which implies a low level of receivables and a very low risk of non-recovery, the implementation of IFRS 9 will not have a material impact;

hedge accounting: the Group uses forward currency instruments to hedge its budget and specific commitments in foreign currencies. The derivatives contracted are presently classified as instruments to hedge cash flows. IFRS 9 will have no impact on the recognition of these transactions.

The Group will apply IFRS 9 retrospectively as of January 1, 2018 with a cumulative catch-up of the impacts on shareholders' equity to the application date, except for the hedge accounting, which will be applied on a forward-looking basis.

IFRS 15 and IFRS 15 clarifications – Revenues from contracts signed with customers. IFRS 15 will enter into effect for fiscal years opened on or after January 1, 2018. It will be the new unified standard for the recognition of revenue. In particular, it will replace IAS 18 – Income from continuing operations and IFRIC 13 – Customer loyalty programs, which are currently applied by the Group.

For the transition to IFRS 15, the Group first conducted a qualitative and quantitative analysis of the main questions that could impact the financial statements. The questions analyzed in depth were the following:

Agent/Principal classification;

warranties;

franchise agreements;

sales with right of return;

customer loyalty program;

Fnac Darty cards and gift vouchers.

Generally, on the basis of the analyses performed, the Group expects that the effect of IFRS 15 on its financial statements will not be significant.

With regard to warranty contracts, the application of IFRS 15 leads to the identification of two distinct performance obligations under certain contracts, including a return offer (5-year Warranty Extension Contracts). The expected impact in terms of revenue recognition rate and presentation is not very significant.

For sales with rights of return: in accordance with IAS 18, the Group until now has recognized a net provision for estimated rights of return. The estimate of returns is based on observed return statistics. For sales with a right of return, IFRS 15 does not permit set-off and leads to presenting a reimbursement liability with contra item of revenues and returned goods by a contra item with the cost of the purchases. The impact expected is essentially an presentation impact on revenues and on purchasing costs, without net impact on margin.

For gift cards, IFRS 15 impacts the date of recognition of the income from non-use which, as a variable element of the revenue tied to the sale of the card, must be recognized in proportion to the customer's utilization of the card. Currently, when it can be reliably estimated on a multi-year statistical basis, the proceeds from non-use of cards and gift vouchers is recognized in income from ordinary activities. In the opposite case, it is recognized at the expiration of the card or voucher. The estimate of this impact is being finalized, but the expected impact should not be very significant.

The Group will apply IFRS 15 as of January 1, 2018 and plans to make the transition using the simplified retrospective method with a cumulative catch-up of the impacts on shareholders' equity to the transaction date.

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 has no significant impact on the Group's consolidated financial statements.

2.2.3 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods post-2017

Annual Improvements to IFRS 2014-2016.

IFRS 1 and IAS 28: changes applicable to fiscal years opened on or after January 1, 2018.

IFRS 12: changes applicable to fiscal years opened on or after January 1, 2017.

IFRS 16: Lease agreements:

On January 13, 2016, the IASB published standard IFRS 16 – Lease Agreements, which will replace IAS 17 – Lease agreements, as well as IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases – incentives, and SIC 27 – Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 will enter into force for fiscal years opening on or after January 1, 2019.

This new standard requires activation of lease agreements.

In view of the transition to IFRS 16, Fnac Darty conducted a census of its property and equipment lease agreements.

At this stage, the Group has identified approximately 5,000 lease agreements, including around 600 property leases.

The following issues are currently being analyzed in depth:

choice of the transition method;

durations to be applied;

rates to be used;

collection of exhaustive information to generate accounting items.

Fnac Darty is currently conducting work to calculate impacts on the financial statements, and expects that they will be significant because of the large number of stores leased.

Fnac Darty has acquired an IT solution for this purpose that will allow it to:

centralize all lease agreements;

update information in real time;

generate accounting items;

manage provisional data;

analyze financial impacts both at the Group level and for controlling areas.

The deployment of this tool is scheduled over the first half of 2018.

Principal changes in the balance sheet

The most important change will be that all lease agreements will be carried to the balance sheet of the tenants. Therefore, the Group expects a sharp increase in its non-current assets and debt.

Consequences for the income statement

IFRS 16 changes the nature of the expense related to lease agreements. IFRS 16 will replace the single lease expenses line under IAS 17 with an expense for amortization of the leased assets and an interest expense on liabilities related to the lease. For the Group, this change will align the treatment of rental charges for all lease agreements. While the amortization expense will be straight line, the interest expense will be reduced during the contract as contractual payments are made. The result will be a decrease in the total expense when a lease agreement reaches its expiration.

Consequences on cash flows

IFRS 16 will have no impact on total cash flows.

Under IFRS 16, cash flows from operating activities will be reduced with a corresponding increase in the flows from financing activities, compared with the amounts under IAS 17. In fact, by applying IAS 17, the companies present the cash flows related to operating leases as flows from operating activities. By applying IFRS 16, repayments of liabilities related to lease agreements will be included in flows from financing activities.

2.2.4 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods post-2017

The IASB has also published the following texts for which the Group anticipates no significant impacts:

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 valuation of share-based payment transactions;

annual improvements to IFRS 2015-2017;

IFRIC 22 interpretation – Foreign currency transactions and advance consideration;

IFRIC 23 interpretation – Uncertainty over income tax treatments.

2.2.5 Options taken on first-time adoption of IFRS

The Group prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with the provisions of IFRS 1 – First-time adoption of international financial reporting standards.

In accordance with the option provided for by IFRS 1, the Group chose to prepare its first IFRS financial statements on January 1, 2010 based on accounting values for its assets and liabilities as presented in the consolidated financial statements of the Kering Group, after eliminating the adjustments used in the Kering Group's consolidation.

As a consequence, Fnac Darty has kept the options offered by IFRS 1 identical to those applied by the Kering Group:

business combinations: only business combinations that took place after January 1, 1999 were restated in accordance with IFRS 3;

employee benefits: Group cumulative actuarial gains and losses were recognized on the transition date and as a contra for the Kering Group's opening shareholders' equity at the time of its transition to IFRS;

cumulative currency translation adjustments: Group currency translation adjustments were reset at zero as an offsetting entry to the Kering Group's opening consolidated reserves at the time of its transition to IFRS. As a result, the foreign exchange translation adjustments shown in shareholders' equity are those arising since January 1, 2004;

share-based payments: in accordance with the option allowed by IFRS 2 for share-based payment plans, the Group opted to apply this standard only to plans issued by the Kering Group after November 7, 2002 that had not been vested as of January 1, 2005;

financial assets and liabilities recognized prior to the transition date, either at fair value on the income statement or available for sale, were designated on the Kering Group's transition date (January 1, 2005).

2.3 / Bases for preparation and presentation of the consolidated financial statements

2.3.1 Valuation bases

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

certain financial assets and liabilities, valued at fair value;

fair value of defined benefit plan assets;

the proportion of securities held by a subsidiary or associate, valued at fair value at the moment of loss of control or significant influence;

non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or as a group of assets) held for sale.

2.3.2 Use of estimates and judgment

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

The main assumptions and estimates made by Group management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred tax and financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

The main assumptions and estimates used by the Group are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate
Notes 2.10 and 18	Impairment tests on non-financial assets	Level of Cash Generating Unit combination for impairment test Main assumptions used for the construction of utility values (discount rates, infinite growth rates, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Notes 2.16 and 24	Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent
Note 2.19	Cost of merchandise sales	At year-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is based on the amount of the annual purchases, the quantities of articles purchased, or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperations
Notes 2.9 and 20	Inventories	Prospects for inventory disposal for calculating depreciation
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance-based compensation plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Note 32	Assets held for sale	Assets held for sale are valued and recognized at the lower amount of their net book value and fair value minus cost of sale.

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7 and the amendment thereto, using the indirect method based on the net comprehensive income of the consolidated entity and can be analyzed in three categories:

- cash flows from operating activities (including taxes);
- cash flow from investing activities (in particular, acquisitions and sales of equity interests and non-current assets, excluding finance leases);
- cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buy-backs, dividend payments).

The acquisition of an asset as part of a finance lease has no impact on cash flow when setting up the transaction, as it is not monetary.

However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 / Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities over which the Group exercises control.

Entities are fully consolidated where the Group:

- has power over the entity in which it is invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it is invested; and
- has the ability to exercise its power over the entity in which it is invested so as to influence the returns the Group obtains.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has power:

- over more than half of the voting rights under an agreement with other investors;
- to direct the financial and operating policy of the company under a contract;
- to name or dismiss the majority of the members of the Board of Directors or the equivalent governing body; or
- to cast a majority of the voting rights at the meetings of the Board of Directors or the equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are fully eliminated.

The subsidiaries' accounting policies are adjusted as needed in order to ensure consistent treatment across the Group.

2.4.2 Equity associates

Fnac Darty exercises significant influence within certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recognizing, on the date that the entity becomes an associate or partner in a joint venture, an equity interest in equity associates in the consolidated statement of financial position. This equity interest is initially recognized at acquisition cost. It is then, after the acquisition date, adjusted by the Group's share in the total undistributed profit or loss of the entity concerned. Those results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate's shares. Profit or loss due to revaluation at fair value of the equity interest previous held (at the takeover of an equity associate) is recorded in "Share of profit or loss from equity associates".

The goodwill of equity associates is included in the book value of the shares and is not presented separately. Therefore, it was not subject to a separate test of impairment.

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. They are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business unit to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating profit.

2.4.3 Business combinations

The Group applies IFRS 3R – Business Combinations.

Business combinations are recognized using the acquisition method:

- acquisition cost is measured at the fair value of the consideration transferred, including any price adjustment, at the date control was assumed. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
- any difference between the consideration transferred (acquisition price) and the fair value of the identifiable assets acquired and liabilities assumed on the date of control is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at the acquisition date. Impacts subsequent to this period are recognized directly in income, as is any change to an estimate.

For any assumption of control involving less than 100% of share capital, the remaining component (non-controlling interest) is measured:

- either at fair value: in this case, goodwill is recorded for the percentage of the non-controlling equity interest (using the "full goodwill" method);
- or as a proportion of the identifiable net assets of the acquired entity: in this case, only the goodwill representing the acquired portion is recognized (using the "partial goodwill" method).

Costs directly attributable to the acquisition are recognized as expenses in the period in which they are incurred.

Earn-out payments and other price adjustments relating to a business combination are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

If a business combination is undertaken in stages, the Group's prior stake in the acquired business is remeasured at fair value at the point of taking control, and recognized in the income statement. To calculate goodwill at the point of taking control, the fair value of the transferred asset (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as equity prior to taking control is recycled through the income statement.

2.5 / Translation of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in the Group are valued using the currency of the main economic environment in which the entity operates ("functional currency"). The Group's financial statements are presented in euros, which is its presentation currency.

2.5.2 Recognition of currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate in force on the date of the transaction.

Monetary amounts in foreign currencies are converted at closure using the closing rate of exchange. The currency translation differentials resulting or arising from the settlement of these monetary amounts are recognized as an income or expense for the period.

Non-monetary amounts in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-monetary amounts in foreign currencies valued at fair value are converted at the rate on the date when the fair value was determined. When a profit or loss on a non-monetary item is recognized directly in other items of comprehensive income, the "foreign exchange" component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of currency hedges in the form of derivatives is described in paragraph 2.11.3 "Derivative Instruments" of note 2.11 "Financial assets and liabilities".

2.5.3 Translation of the financial statements of foreign entities

The Group's consolidated financial statements are presented in euros. The financial statements of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the Company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

- items on the statement of financial position are translated into euros on the basis of the exchange rates at the closing date of the period;
- items on the income statement are translated into euros on the basis of the average exchange rate over the reporting period provided this is not called into question by significant fluctuations in the rates;
- any difference resulting from the translation of the statement of financial position at the closing rate, and the translation of the income statement at the average exchange rate over the period is recognized in other items of comprehensive income, which can be recycled to profit (loss) on the currency translation adjustments line.

2.5.4 Net investment in a foreign entity

Foreign exchange translation adjustments recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit and loss on the date of loss of control.

Foreign exchange translation adjustments relating to loans in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit and loss on disposal of the net investment.

2.6 / Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

As of the acquisition date, goodwill is allocated to Cash Generating Units defined by the Group. After initial recognition, goodwill is not amortized. The Cash Generating Units to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. The impairment test for 2017 is described in section 5.2, note 18.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in the Group's operating income.

2.7 / Intangible non-current assets

Intangible assets primarily represent brands. The entry value of the brands acquired was determined using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group's brands constitute non-current assets with an indefinite life span, they are not amortized but are systematically tested for impairment each year and when there is a sign of a loss in value. The brands recorded on the Fnac Darty balance sheet are the Darty and Vanden Borre brands, measured at the time of the Darty acquisition in July 2016.

Intangible assets include the relations with franchises which represent the contracts signed with the Darty franchise stores measured at the time of the Darty acquisition in July 2016. They are valued using the surplus profits approach, which consists of calculating the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets. The franchise relations constitute assets with a defined life span and are amortized over a period of 16 years.

Intangible assets also consists of software measured at the acquisition or production costs and the licensing fees paid when a leasing agreement is signed.

Software acquired for current operations or developed internally by the Group that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

The Group's lease rights are recognized by the Group as intangible assets for an indefinite period. These intangible assets are not therefore amortized and are subject to an annual impairment test.

2.8 / Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the item.

The depreciation method used by the Group for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is eight to twenty years for fixtures and fittings on land and buildings, and three to ten years for equipment.

Property, plant and equipment are subject to an impairment test whenever an indication of loss of value is identified; for example, a planned closure, reduction in the workforce, or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. If the recoverable value of the isolated assets cannot be precisely determined, the Group determines the recoverable value of the Cash Generating Unit to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease contracts that transfer to the Group almost all the risks and benefits inherent in ownership of an asset are classified as finance lease agreements.

Goods rented by virtue of agreements qualified as finance lease agreements are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are impaired over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on the Group virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary leases are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15. They mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full as profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the operation has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on the Group the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 / Inventories

Inventory is valued at the lower end of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost per unit method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs, and the provision for unknown markdowns between the last inventory date and the invoice date. The advantages obtained from suppliers counted as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

The Group may need to record an impairment on inventories:

- on the basis of their projected sale;
- if they are partially damaged;
- if they are completely obsolete;
- if the selling price is less than the net realization value.

2.10 / Impairment of assets

Goodwill, intangible assets with an indefinite value-in-use, and the Cash Generating Units containing these elements are systematically tested annually for impairment in the second half of the year.

The Cash Generating Units are operating entities that generate independent cash flows. A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets or groups of assets.

In addition, when events or circumstances indicate that impairment is possible on goodwill, other intangible assets, property, plant and equipment, and Cash Generating Units, an impairment test is performed. Such events or circumstances may be linked to significant unfavorable changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a Cash Generating Unit is less than the net book value.

The recoverable value of an asset or a Cash Generating Unit is the higher of its fair value less selling costs and its value-in-use.

Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the assets or the Cash Generating Unit. Future cash flow projections are based on medium-term plans and budgets. These plans are constructed on a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. It is determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

When the recoverable value of the asset or Cash Generating Unit is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a Cash Generating Unit, the impairment is first assigned to goodwill if applicable and is recorded on the line "Other non-current operating income and expenses" in the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

In the event of a partial sale of a Cash Generating Unit, the sale result is calculated by including in the elements sold the portion of goodwill corresponding to those elements sold. In order to assign the portion of goodwill to the elements sold, IFRS propose using the values related to the operations sold and retained unless the entity demonstrates that another method better reflects the portion of goodwill sold.

2.11 / Financial assets and liabilities

Financial assets and liabilities are recognized on the balance sheet at their fair value, as assets (positive fair value) or liabilities (negative fair value).

All these instruments are disclosed in section 5.2, note 29.

2.11.1 Financial assets

Pursuant to IAS 39, financial assets are classified in one of the following four categories:

- financial assets valued at fair value on the income statement;
- loans and receivables;
- assets held to maturity;
- assets available for sale.

The classification determines the accounting treatment of these instruments. Financial assets are classified by the Group on the date of initial accounting, according to the objective for which they were acquired. Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

1. Financial assets valued at fair value on the income statement

These are financial assets held by the Group to realize a profit on disposal in the short term, or financial assets deliberately classified in this category.

These assets are valued at fair value; changes in their value are recorded in the income statement.

2. Loans and receivables

Loans and receivables are non-derivative financial assets whose payments are determined or determinable and that are not listed on an active market and not held for the purposes of a transaction or available for sale.

These assets are valued at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value and the amortized cost are equivalent to the amount of the original invoice unless the effective tax rate has a significant impact.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Receivables related to equity interests, deposits and guarantees, loans and current receivables and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other current financial assets.

3. Assets held to maturity

Assets held to maturity are non-derivative financial assets, other than loans and debts, with a fixed term whose payments are determined or determinable, that the Group has the intention and capacity to hold through to maturity. These assets are valued at fair value initially, then at amortized cost using the effective interest rate method.

These assets are subject to impairment tests if there is any indication of loss of value. Impairment is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity appear in non-current financial assets.

4. Assets available for sale

Assets available for sale are non-derivative financial assets that do not come under the abovementioned categories. They are valued at fair value. The recognized underlying capital gains or losses are accounted for in other items of comprehensive income until their disposal. However, if there is objective evidence of impairment of an asset available for sale, the cumulative loss is recognized in income.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques using reliable and observable market data. If it is impossible to reasonably estimate the fair value of a security, it is valued at historic cost. These assets are subject to impairment tests in order to assess their degree of recoverability.

This category mainly includes unconsolidated equity interests and transferable securities that do not come under the other financial asset definitions. They appear in non-current financial assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IAS 39. For the Group, borrowings and financial debts, supplier debts and other debts are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial asset to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at market interest rates. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Hedging relationships are detailed in the section on “Derivative instruments”.

Financial liabilities designated at fair value on options, other than liabilities derivatives, are valued at fair value. Fair value adjustments are accounted for in the income statement. Transaction costs connected with the establishment of these financial liabilities are accounted for immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, the Group may need to use various financial instruments to reduce its exposure to foreign exchange risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification, and they are valued at their fair value on the transaction date. The change in fair value of derivative instruments is always recorded on the income statement except in the case of cash flow hedges and net investment hedges.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risk:

cash flow hedges are used to cover the risk of changes in cash flow attached to recognized assets or liabilities or a highly probable planned transaction that could affect the consolidated income statement;

fair value hedges are used to cover the risk of a change in the fair value of a recognized asset or liability, or a firm commitment not yet recognized which would affect net consolidated income;

net investment hedges are used to cover the foreign exchange risk for activities abroad.

Hedge accounting is applicable if, and only if, the following conditions are met:

a hedging relationship is clearly identified, formalized and documented from the date it is set up;

the effectiveness of the hedging relationship is demonstrated both prospectively and retrospectively. The income obtained in this way must be in a confidence interval between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship:

- for cash flow and net investment hedges:
  - the effective portion of the change in fair value of the hedge instrument is recorded directly as a contra item to other items of comprehensive income. These amounts are reclassified on the income statement symmetrically to the method of accounting for the hedged items, i.e. principally under gross margin for commercial hedge transactions and under financial income for financial hedge transactions,
  - the ineffective portion of the hedge is recognized in the income statement;
- for fair value hedges, the hedged component of the item is recognized on the balance sheet at its fair value. The change in this fair value is recorded in the income statement and is offset, unless ineffective, by recognition in the income statement of the symmetrical changes in fair value of the financial instruments used as hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the balance sheet comprise liquid assets, money market UCITS, short-term investments and other liquid and readily convertible instruments with negligible risk of fluctuation in value and maturing within three months or less of the acquisition date.

Investments for a term of over three months and restricted or pledged bank accounts are not included in cash. Bank overdrafts appear under financial liabilities on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest not yet due on assets appearing under cash and cash equivalents and bank overdrafts. The cash flow statement is explained in detail in note 26.

2.11.5 Definition of the Group's consolidated net financial debt

Net financial debt includes:

- cash and cash equivalents: This item consists of trading securities (money-market and short-term money-market UCITS), easily accessible or disposable very-short-term risk-free deposits and investments maturing in less than three months, as well as cash in bank checking accounts. All the elements in this item are considered cash equivalents as they are easily convertible into a known amount of cash with negligible risk of change of value. These current financial assets, recognized at fair value through income, are held with a view to meeting short-term cash requirements (section 5.2, note 26);
- short-term and long-term credits, and bank overdrafts: this item essentially includes the 2023 bond, and medium-term credit facility (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-remuneration plans, eventually paid in cash, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is valued on the allotment date, then revalued on each balance sheet date. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the commitment calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a liability to personnel. The change in the fair value of the amount payable is recorded in the income statement for each financial year.

Share-based transactions paid in equity instruments

Performance-remuneration plans, eventually paid in equity instruments, were distributed by the Group to employees. In accordance with IFRS 2 – Share-based payments, the fair value of these plans, corresponding to the fair value of the instruments remitted, is irreversibly valued on the allotment date. The mathematical models used for these valuations are described in note 7.2 and note 7.3.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.13 / Income tax

Income tax for the year consists of due and deferred tax.

Deferred tax is calculated according to the variable balance sheet liability method on all timing differences between the net book value on the consolidated balance sheet and the tax value of assets and liabilities, except for goodwill, which is not tax deductible. The valuation of deferred tax is based on the way the Group expects to recover or pay the book value of the assets and liabilities using the enacted or anticipated tax rate on the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carryforward of tax losses and tax credits.

Deferred tax assets are recognized only if it appears probable that the Group will have future taxable profits against which these assets can be charged.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering deferred tax assets is reviewed periodically per tax entity and may, if applicable, lead to no longer recognizing deferred tax assets previously recorded. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income included at this stage is the income project of a 2-year period. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless the Group is in a position to control the date when the timing difference will reverse, and if it is probable that it will not reverse in the foreseeable future.

Corporate value-added tax (CVAE), a levy assessed on a company's added value, in the Group's opinion meets the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

The treatment of taxation uncertainty

In the event of uncertainty over taxation, the Group exercises its judgment over whether each tax uncertainty should be treated separately or whether some uncertainties should be treated together when calculating taxable income (tax loss), tax bases, loss carry-forwards, unused tax credits, and tax rates.

2.14 / Treasury shares and other equity instruments

The Group may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recorded as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 26.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

2.15 / Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the expenditure of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, the Group assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with the Group's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects the current assessments of the time value of money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before the balance sheet date. The restructuring costs recorded in provisions correspond mainly to employment costs (redundancy payments, early retirement, lack of notice periods etc.), and compensation for breaking contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 / Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Group companies provide various types of benefits for their employees.

For defined-contribution plans, the Group has no obligation to make supplementary payments over and above the contributions already paid to a fund if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected credit unit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately as other items of comprehensive income (and are never recorded as profit or loss) for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan, is recognized immediately in the income statement even if the rights to the benefit have not been vested by the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Payments and costs of past services are recognized as current operating income or expense. Reductions are recognized as current operating income in the case of departures of employees who are replaced and as non-current operating income for departing employees who are not replaced. The provision recognized on the balance sheet corresponds to the present value of the liabilities thus calculated, after deducting the fair value of the plans' assets.

2.17 / Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current assets held for sale and discontinued operations requires particular accounting and specific presentation of the assets (or group of assets) held for sale and discontinued operations that were or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value will be recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of sale. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on the Group's balance sheet, with no restatement for past years.

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

2.18 / Recognition of income from ordinary activities

Revenues consist primarily of the sale of merchandise and services provided by the stores and e-commerce websites of the Group, the sale of merchandise to the franchises and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, proceeds from non-use of loyalty cards and gift vouchers are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Income from ordinary activities is valued at the fair value of the amount received in exchange for the goods and services sold, excluding taxes, net of discounts and rebates and after elimination of intra-group sales.

In accordance with IFRIC 13 – Customer Loyalty programs, the benefits granted to customers through loyalty programs are counted separately from the original sale. The benefits are valued at their fair value and accounted for as a deduction from the original sale, after applying a redemption rate corresponding to the probability of use of the benefits by the members, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered.

Sales of goods are recognized when a Group entity transfers to the purchaser the risks and benefits inherent in ownership of the item, generally at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be recognized as a reduction from the proceeds of ordinary operations, in order to allow for any return of merchandise that could take place after the balance sheet date.

The provision of services, such as sales of extended warranties or services related directly to the sale of the goods, is recognized in the period when the services are rendered. If an entity of the Group acts as an agent in the sale of these services, the revenues are recognized at the time of the sale, and correspond to the margin generated or the commission received. This mainly concerns ticket sales, the sale of gift boxes, certain extended warranties and web sales generated on behalf of suppliers (Marketplace).

2.19 / Operating income

Operating income includes all the income and costs directly related to Group operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

The cost of merchandise sales includes, among other items, purchases net of returned products, and commercial cooperations, which are measured on the basis of contracts signed with the suppliers and result in the invoicing of installment payments during the year. At year end, discounts and commercial cooperations to be received are valued on the basis of the contracts signed with suppliers This valuation is primarily based on the amount of the annual purchases, the quantities of articles purchased or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperations. The comparison between this valuation and the installments invoiced results in the establishment of invoices to be established or credits to be issued.

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

Other non-current operating income and expenses, excluding current operating income, includes:

restructuring costs and costs relating to staff reduction measures;

impairment on capitalized assets identified primarily in the context of impairment tests on Cash Generating Units and goodwill;

gains or losses linked to changes in the scope of consolidation (acquisition or disposal);

major disputes that do not arise from the Group's operating activities.

2.20 / Earnings per share

Net earnings per share are calculated by dividing the Group share of consolidated net profit by the weighted average number of shares in circulation during the financial year.

Diluted net earnings per share are calculated by dividing the Group share of consolidated net profit for the year by the average number of shares outstanding together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net earnings excluding non-current items per share are calculated by correcting the Group share of net earnings for non-current items in the amount of those items net of tax and non-controlled interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expenses" on the income statement.

2.21 / Operating segments

In accordance with IFRS 8 – Operating segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman & CEO and the Executive Committee members who constitute the Group's principal decision-making body.

An operating segment is a distinct component of the Group, engaged in activities likely to generate income and incur expenses, whose operating results are regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to common performance indicators for all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographic regions composed of several countries in which the Group conducts its operations through stores:

France-Switzerland: this segment consists of Group activities managed from France. These operations are conducted in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast and Congo, which are managed from France;

Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;

Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3 HIGHLIGHTS

3.1 / Changes in the scope of consolidation

In 2017, the scope of consolidation was mainly affected by the sale of the Fnac Brazil subsidiary.

On July 19, Fnac Darty signed an agreement to sell its Fnac Brazil subsidiary to the Livraria Cultura Group.

Present in Brazil since 1999 with a network of 12 Fnac stores and a website, Fnac Darty initiated in late 2016 an established process to find a partner, in an effort to give Fnac Brazil critical mass.

Livraria Cultura is a longstanding player in the sale of editorial products in Brazil, with a network of 18 stores and a recognized online offer. Livraria Cultura offers an ambitious industrial plan for Fnac Brazil and will build on the strong name recognition of the Fnac network and the expertise of its teams to continue its development strategy. This combination of two groups with close cultures engaged in cultural promotion in Brazil will create value and synergies. It will allow Livraria Cultura to diversify its activity with the contribution of Fnac consumer electronics.

In order to give a new entity all the resources to position itself among the leaders in its market, Fnac Darty authorized continued use of the Fnac brand for a period of two years and has proceeded with a recapitalization.

3.2 / Other significant events

The Fnac Darty consolidated financial statements as of December 31, 2016 included a provisional measurement of the identifiable assets and liabilities acquired. The measurement work was finalized in 2017 and the allocation of the Darty acquisition price revised as a result. For more details on the calculation of the allotted purchase price, refer to section 15.2.1.

Under the leadership of Enrique Martinez, who was named Chief Executive Officer in July 2017, the Group launched a new *"Confiance+"* strategic plan at year end. This plan is backed by the strength of the two banners and on the solid progress in their integration. In addition to the plan for synergies of €130 million by the end of 2018, the Group's goal is to create the reference omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and partners to relay on a powerful specialized retail platform. The industrial agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France, illustrates the Group's assets in knowledge of product lines, and is part of the framework for the deployment of the Fnac Darty platform.

NOTE 4 OPERATING SEGMENTS

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

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

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

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

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

The operating segments break down as follows:

- France-Switzerland: this segment consists of Group activities managed from France. These operations are conducted in France, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast 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.

The new operating segments reflect the new structure of Fnac Darty. The principle of "One Group serving two banners" requires the consolidation of activities by country. This means that the operating segments consolidate brands based on their geography.

4.1 / Information by operating segment

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2017				
INCOME FROM ORDINARY ACTIVITIES	**5,855.9**	**675.5**	**916.8**	**7,448.2**
Consumer electronics	2,912.7	404.1	485.1	3,801.9
Editorial products	978.7	215.4	58.6	1,252.7
Household appliances	1,277.5	0.0	335.5	1,613.0
Other Products and Services	687.0	56.0	37.6	780.6
OPERATING INCOME	**184.5**	**22.7**	**9.6**	**216.8**
Income and expense with no impact on cash[(a)]	116.0	9.8	7.8	133.6
Acquisition of intangible assets, property, plant & equipment[(b)]	93.2	9.8	10.9	113.9
SEGMENT ASSETS	**3,732.7**	**186.5**	**402.3**	**4,321.5**
SEGMENT LIABILITIES	**2,284.8**	**288.2**	**216.6**	**2,789.6**

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2016 RESTATED*				
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	0.0	139.7	637.9
Other Products and Services	623.0	47.1	47.1	717.2
OPERATING INCOME	**95.7**	**22.2**	**5.6**	**123.5**
Income and expense with no impact on cash[(a)]	88.5	12.7	3.8	105.0
Acquisition of intangible assets, property, plant & equipment[(b)]	81.9	9.1	6.6	97.6
SEGMENT ASSETS	**3,661.1**	**170.9**	**391.1**	**4,223.1**
SEGMENT LIABILITIES	**2,159.9**	**266.7**	**209.0**	**2,635.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(a) Income and expense with no impact on cash include:
current and non-current amortization, depreciation & impairment, as well as impairment of non-current assets;
net current & non-current provisions for contingencies and losses and reversals;
allocations, reversals and discounting of provisions for pensions & other similar benefits;
non-disbursable income & expenses related to stock options and similar items;
proceeds from disposal of operating & financial assets;
allocations to and reversals of deferred taxes.

(b) Purchases of intangible assets and property, plant & equipment, including change in receivables and payables on assets.

4.2 / Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	**2017**	**2016 restated***
Goodwill	1,541.4	1,541.1
Intangible non-current assets	473.0	462.3
Property, plant & equipment	611.2	613.4
Other non-current assets and liabilities	0.0	0.0
Non-current segment assets	**2,625.6**	**2,616.8**
Inventories	1,072.8	1,057.3
Trade receivables	265.1	208.9
Other current assets	358.0	340.1
SEGMENT ASSETS	**4,321.5**	**4,223.1**
Non-current financial assets	15.9	15.6
Interests in equity associates	22.0	20.1
Deferred tax assets	59.9	41.5
Tax receivables due	50.2	19.4
Other current financial assets	22.3	25.7
Cash and cash equivalents	774.9	656.0
Assets held for sale	3.1	64.0
TOTAL ASSETS	**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	**2017**	**2016 restated***
Trade payables	1,765.6	1,597.5
Other current liabilities	828.6	845.9
Other non-current liabilities	194.6	192.2
SEGMENT LIABILITIES	**2,788.8**	**2,635.6**
Shareholders' equity, Group share	1,096.0	1,042.6
Shareholders' equity – Share attributable to non-controlling interests	7.0	6.8
Long-term borrowings and financial debt	853.8	854.9
Deferred tax liabilities	192.7	188.8
Provisions for pensions and other similar benefits	179.8	186.3
Short-term borrowings and financial debt	7.2	8.2
Other current financial liabilities	18.5	10.0
Provisions	72.5	32.4
Tax liabilities payable	47.3	62.2
Liabilities relating to assets held for sale	6.2	37.6
TOTAL LIABILITIES	**5,269.8**	**5,065.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2017**	**2016 restated***
Net sales of goods	6,930.4	4,915.1
Net sales of services	378.0	231.9
Other revenue	139.8	222.2
TOTAL SALES	**7,448.2**	**5,369.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The increase in sales in 2017 mainly reflects the consolidation of Darty on August 1, 2016. 2016 includes only 5 months of Darty activity versus 12 months in 2017.

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain extended warranties, which are recognized on a straight-line basis throughout the term of the warranty. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, gift boxes, "NES" extended warranties, commissions on sales of credit, insurance and subscriptions, and the Marketplace commissions).

Other income mainly includes reinvoicing of shipping costs and commissions, and the proceeds from non-use of loyalty cards and gift vouchers.

NOTE 6 PERSONNEL EXPENSES

Personnel expenses mainly include fixed and variable compensation, social security contributions, expenses related to employee profit-sharing and other incentives, the training costs, and expenses related to employee benefits recognized in current operating income.

(€ million)	**2017**	**2016 restated***
France-Switzerland	(893.0)	(650.6)
Iberian Peninsula	(67.5)	(65.8)
Benelux	(132.6)	(69.0)
TOTAL PAYROLL EXPENSE	**(1,093.1)**	**(785.4)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The increase in employee expenses in 2017 mainly reflects the consolidation of Darty on August 1, 2016. 2016 includes only 5 months of Darty personnel expenses versus 12 months in 2017.

In 2017, personnel expenses included an expense of €9.0 million, versus €14.8 million in 2016, related to the application of IFRS 2 for all share-based transactions involving Group shares.

The average paid workforce for the Group's activities, in full-time equivalent, was composed as follows:

(€ million)	**2017**	**2016 restated***
France-Switzerland	17,049	17,121
Iberian Peninsula	2,801	2,753
Benelux	3,078	2,907
TOTAL AVERAGE PAID WORKFORCE	**22,928**	**22,780**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The total paid workforce as of December 31, for the Group's activities was as follows:

(€ million)	**2017**	**2016 restated***
France-Switzerland	18,561	18,944
Iberian Peninsula	4,022	3,872
Benelux	3,236	3,202
TOTAL REGISTERED WORKFORCE	**25,819**	**26,018**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 7 PERFORMANCE-BASED COMPENSATION PLANS

The fair value of all performance-based payment plans was measured using the Black & Scholes method based on random payouts at future share prices assuming 25% price volatility of Fnac shares. Share price projections were made use a stochastic method based on geometric Brownian motion.

7.1 / Units of value plans

The IFRS 2 expense recognized as of December 31, 2017 for the units of value plans totaled €0.1 million.

2014 Plan

The 2014 units of value plan expired on February 28, 2017. Vesting in the plan was subject to performance conditions (average market closing prices for February 2016 at €55.33,) which were achieved. For the Executive Committee, payment of the final third of the units of value was tied to a condition of employment as of February 28, 2017. The cash payment was made over the month of February 2017 for a total of €2.0 million, including employer contributions.

The IFRS 2 expense recognized as of December 31, 2017 for the units of value plan amounted to €0.1 million.

The main features of this plan are summarized below:

Main features	2014-2017 units of value plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	2 years/3 years
Vesting date	February 28, 2016 and February 28, 2017
Number of beneficiaries at inception	125
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of units of value	2014-2017 units of value plan
Awarded	170,048
Being vested as of January 1, 2017	**28,256**
Vested in 2017	28,256
Canceled in 2017	0
Currently being vested as of December 31, 2017	**0**

7.2 / Performance option plans

The total IFRS 2 expense recognized as of December 31, 2017 for the performance stock option plans awarded in 2013, 2014, 2015 and 2017 amounted to €5.2 million.

2017 Plan

On the recommendation of the Appointments and Compensation Committee, on April 28, 2017, the Board of Directors decided to award performance options to certain Group executives, in an effort to retain them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments. The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 2017 to May 2019 and May 2017 to May 2020) subject to the presence of the beneficiary within the Group at the expiration of each vesting period, and shall be subject to a market performance condition for Fnac Darty measured in April 2018 and April 2019 for the first period, and April 2020 for the second period, and a performance condition tied to the achievement of a level of synergies to be achieved in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the 2017 annual results of the Group and in 2019 after publication of the 2018 Group results for the first period, and in 2020 after the publication of the 2019 Group annual results for the second period. The options must be exercised between May 2, 2019 and May 1, 2020 for the first period, and between May 2, 2020 and May 1, 2021 for the second period.

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance stock option plan amounted to €0.8 million.

The main features are summarized below:

Main features	2017-2020 performance option plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	2 years/3 years
Exercise price	€66.23
Number of beneficiaries at inception	15
Number of beneficiaries as of December 31, 2017	10
Performance condition	Yes

Number of stock options	2017-2020 performance option plan
Awarded	300,000
Being vested as of January 1, 2017	**0**
Vested in 2017	0
Canceled in 2017	187,214
Currently being vested as of December 31, 2017	**112,786**

2015 Plan

The first tranche of the 2015 performance share plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2015 performance stock option plan amounted to €0.7 million.

The main features are summarized below:

Main features	2015-2018 performance option plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries as of December 31, 2017	7
Performance condition	Yes

Number of stock options	2015-2018 performance option plan
Awarded	164,954
Being vested as of January 1, 2017	**161,983**
Vested in 2017	80,950
Canceled in 2017	45,982
Currently being vested as of December 31, 2017	**35,051**

2014 Plan

The 2014 performance stock option plan expired on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1, and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2014 performance option plan was €2.4 million.

The main features are summarized below:

Main features	2014-2017 performance option plan
Date of Board of Directors' meeting	February 26, 2014
Vesting period	3 years and 7 months
Exercise price	€23.60
Number of beneficiaries at inception	9
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of stock options	2014-2017 performance option plan
Awarded	366,406
Being vested as of January 1, 2017	**162,807**
Vested in 2017	158,654
Canceled in 2017	4,153
Currently being vested as of December 31, 2017	**0**

2013 Plan

The 2013 performance stock option plan expired on March 31, 2017. Given the average closing price of the Fnac Darty share over the 20 trading days before March 31, 2017 (average of €67.46) and the performance conditions, 100% of the options in the third tranche were vested to beneficiaries in service on March 31, 2017. These options were exercised between April 1 and April 30, 2017 or paid in cash in April 2017 for the Chairman and Chief Executive Officer (see section 3.3.1).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2013 performance stock option plan amounted to €1.3 million.

The main features of this plan are summarized below:

Main features	2013-2017 performance option plan
Date of Board of Directors' meeting	October 22, 2013
Vesting period	3 years and 5 months
Exercise price	€20.28
Number of beneficiaries at inception	10
Number of beneficiaries as of December 31, 2017	0
Performance condition	Yes

Number of stock options	2013-2017 performance option plan
Awarded	656,536
Being vested as of January 1, 2017	**260,992**
Vested in 2017	260,992
Canceled in 2017	0
Currently being vested as of December 31, 2017	**0**

7.3 / Bonus share plan

The total IFRS 2 expense recognized as of December 31, 2017 for the bonus share plans granted in 2015, 2016 and 2017 amounted to €3.7 million.

2017 Plans

On the recommendation of the Appointments and Compensation Committee, on December 15, 2017, the Board of Directors noted the allotment of bonus shares to certain group employees (39 beneficiaries) in order to associate them with the Company's performance through an increase in the share price. Settlement will be in equity instruments.

The duration of this plan is greater than two years (December 15, 2017 – 3rd trading day after publication of the annual results for 2019). The vesting of these bonus shares is subject to a two-year employment condition (December 15, 2017 to December 14, 2019), and to a market performance condition for Fnac Darty measured annually in 2019 and 2020 based on the Total Shareholder Return (TSR) of the company compared with that of the SBF120 companies, a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, and to a level of Current Operating Income to be achieved, measured in 2019 after the publication of the Group's 2018 annual revenues, and in 2020 after publication of the Group's annual 2019 revenues.

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance share plan amounted to €0.2 million.

The main features are summarized below:

Main features	2017-2019 Bonus share plan
Date of Board of Directors' meeting	December 15, 2017
Vesting period	Greater than 2 years (December 15, 2017 – 3rd trading day after publication of the annual results of 2019)
Number of beneficiaries at inception	39
Number of beneficiaries as of December 31, 2017	39
Performance condition	Yes

Number of bonus shares	2017-2019 Bonus share plan
Awarded	92,500
Vested in 2017	0
Canceled in 2017	0
Currently being vested as of December 31, 2017	**92,500**

On the recommendation of the Appointments and Compensation Committee of April 28, 2017, the Board of Directors noted the award of bonus shares to certain Group employees (150 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The term of this plan is four years (May 2, 2017 to May 1, 2021). The vesting of these bonus shares is subject to a two-year employment condition (May 2, 2017 to May 1, 2019) for French residents and four years (May 2, 2017 to May 1, 2021) for foreign residents, and a market performance condition for Fnac Darty measured annually in April 2018 and April 2019 on the basis of the average of the 20 closing prices for the Fnac Darty share preceding May 1, 2018 and May 1, 2019 and a performance condition tied to a level of synergies to be generated in the merger of the Fnac and Darty groups, measured in 2018 after the publication of the Group's 2017 annual revenues, and in 2019 after publication of the Group's annual 2018 revenues. In addition, French residents must retain these shares for a period of two years (May 2, 2019 to May 1, 2021: holding period).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2017 performance share plan amounted to €2.1 million.

The main features are summarized below:

Main features	**2017-2021 Bonus share plan**
Date of Board of Directors' meeting	April 28, 2017
Vesting period	
French residents	2 years (May 2, 2017 – May 1, 2019)
Foreign residents	4 years (May 2, 2017 – May 1, 2021)
Holding period	
French residents	2 years (May 2, 2019 – May 1, 2021)
Number of beneficiaries at inception	150
Number of beneficiaries as of December 31, 2017	139
Performance condition	Yes

Number of bonus shares	**2017-2021 Bonus share plan**
Awarded	122,000
Vested in 2017	0
Canceled in 2017	29,876
Currently being vested as of December 31, 2017	**92,124**

2016 Plan

The total IFRS 2 expense recognized as of December 31, 2017 for the 2016 performance share plan amounted to €1.1 million.

The main features are summarized below:

Main features	**2016-2020 Bonus share plan**
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Foreign residents	4 years (June 17, 2016 – June 16, 2020)
Holding period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries as of December 31, 2017	103
Performance condition	Yes

Number of bonus shares	2016-2020 Bonus share plan
Awarded	96,525
Being vested as of January 1, 2017	**93,630**
Vested in 2017	0
Canceled in 2017	39,563
Currently being vested as of December 31, 2017	**54,067**

2015 Plan

The 2015 bonus share plan expired on February 28, 2017 for French residents. Based on the average of the closing market prices for the Fnac Darty shares in February 2017 (average of €58.61) and the performance conditions, 100% of the shares were vested for the beneficiaries present on February 28, 2017. These shares may be sold at the end of a two-year holding period. The cash payment for the Chairman and Chief Executive Officer was made in March 2017 (see section 3.3.2).

The total IFRS 2 expense recognized as of December 31, 2017 for the 2015 performance share plan amounted to €0.3 million.

The main features are summarized below:

Main features	2015-2019 Bonus share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Foreign residents	4 years (March 2015 – February 2019)
Holding period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries as of December 31, 2017	27
Performance condition	Yes

Number of bonus shares	2015-2019 Bonus share plan
Awarded	82,494
Being vested as of January 1, 2017	**72,525**
Vested in 2017	60,636
Canceled in 2017	1,168
Currently being vested as of December 31, 2017	**10,721**

7.4 / Analysis of the sensitivity to fluctuations in the Fnac Darty share price

As of December 31 2017, all the current performance-based compensation plans were settled in equity instruments. Therefore, any change in the price of the Fnac Darty share has no impact on the valuation of the fair value of the commitment to the current performance remuneration plans.

NOTE 8 ASSOCIATES

Fnac Darty exercises significant influence at certain companies, called associates. Associates are recognized using the equity method. The activity of these companies is part of the extension of the Group's operating activity. These companies are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business unit to which they belong.

The Fnac Darty consolidated financial statements include the transactions executed by the Group within the normal context of its activities with associates. These transactions are executed under normal market conditions.

8.1 / Share of profit (loss) of equity associates

(€ million)	**2017**	**2016 restated***
France-Switzerland	2.2	0.3
Iberian Peninsula	0.0	0.0
Benelux	(0.3)	(0.1)
SHARE OF INCOME FROM EQUITY ASSOCIATES	**1.9**	**0.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Income from equity associates primarily represents the revenues of Ménafinance and Izneo, in which the Group has a 50% stake.

(€ million)	**2017**	**2016 restated***
Menafinance	2.4	0.9
Izneo	(0.2)	(0.6)
Vanden Borre Kitchen	(0.3)	(0.1)
SHARE OF PROFIT/(LOSS) OF EQUITY ASSOCIATES	**1.9**	**0.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Menafinance company is a financial company held by the Group jointly with Crédit Agricole Consumer Finance. It offers credit solutions via the Darty card.

Izneo is a player in the French-speaking digital comics market and offers an online comics reading service in the form of a website and mobile applications. Izneo is held by Fnac Darty jointly with a group of publishers in the comic strip industry.

Vanden Borre Kitchen is a company operating in the Belgian equipped kitchen market. It is held jointly by the Group and FBD Group.

8.2 / Équity interests in associates

The change in the item "Equity interests in associates" can be analyzed as follows:

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
INTERESTS IN EQUITY ASSOCIATES AS OF DECEMBER 31, 2016	**20.1**	**18.7**	**1.4**	**0.0**
Profit/(loss) of equity associates	**1.9**	2.4	(0.2)	(0.3)
Dividends paid	**0.0**			
Change to scope of consolidation	**0.0**			
Translation difference	**0.0**			
Other	**0.0**			
INTERESTS IN EQUITY ASSOCIATES AS OF DECEMBER 31, 2017	**22.0**	**21.1**	**1.2**	**(0.3)**

8.3 / Data of equity associates

The data below is presented at 100% under IFRS:

(€ million)	Associates	Menafinance	Izneo	Vanden Borre Kitchen
Non-current assets	**124.0**	118.0	6.0	
Current assets	**192.9**	190.9	1.5	0.5
Non-current liabilities	**146.4**	146.4	0.2	(0.2)
Current liabilities	**163.3**	162.4	1.4	(0.6)
Revenues	**58.8**	57.4	1.0	0.4
Operating expenses	**(47.6)**	(46.6)	(0.8)	(0.2)
Operating income	**18.3**	19.2	(1.2)	0.2
Net income	**4.2**	4.8	(0.4)	(0.2)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is comprised as follows:

(€ million)	2017	2016 restated*
France-Switzerland	234.4	131.8
Iberian Peninsula	23.6	23.2
Benelux	12.1	6.7
CURRENT OPERATING INCOME	**270.1**	**161.7**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Current operating income was €270.1 million in 2017 (compared to €161.7 million in 2016). 2016 includes only 5 months of Darty's other operating income and expenses versus 12 months in 2017.

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and external communication costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

(€ million)	**2017**	**2016 restated***
Fnac Darty restructuring costs	(46.7)	0.0
Costs related to the acquisition and consolidation of Darty	(1.4)	(20.7)
Restructuring costs	(5.1)	(7.5)
Tascom 2015	0.0	(5.3)
Sale of subsidiary	0.0	(2.7)
Litigation and disputes	0.0	(1.3)
Other risks	(0.1)	(0.7)
OTHER NON-CURRENT OPERATING INCOME AND EXPENSES	**(53.3)**	**(38.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

For the reader's benefit, unusual items of significance at Group level are identified under operating income as "Other non-current operating income and expenses".

As of December 31, 2017, they represented a net expense of €53.3 million composed of:

€46.7 million in restructuring costs in France and internationally related to:

the implementation of the new Group organization. The Group announced an independent voluntary departure plan for employees which was opened at Group headquarters at the end of an employee consultation process. 111 are expected to be eliminated. Jobs were eliminated exclusively on a volunteer basis, without a forced departure phase, and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with union organizations,

in the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of home services and continue to evolve our repair shops and Supplier Return Management,

in the closing of the Wissous 2 Fnac logistics warehouse with the move of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;

€1.4 million in costs incurred within the framework of the Darty consolidation;

€5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

The total expense of €38.2 million in 2016 consisted mainly of the following:

€20.7 million in costs linked to the Darty acquisition; These were essentially professional fees and commissions;

restructuring costs of €7.5 million for workforce and structural adaptation plans in France and abroad, as well as costs incurred in closing Darty's London offices;

a €5.3 million expense for the 2015 tax on retail space: Article 66 of the Amending Finance Law for 2015 supplements Article 6 of the Law of July 13, 1972, governing the tax on retail space in France by adding a new generating event effective January 1, 2016. The addition of a second generating event led to a review of the accounting treatment adopted on the basis of IFRIC 21. As this is a change in tax law, it was applied prospectively from January 1, 2016. This leads, in practice, to the recognition of two taxes in 2016: the tax due on January 1, 2016 on 2015 revenues, and the progressive tax on sales once the revenue threshold is exceeded in 2016;

a net expense of €1.3 million for disputes and litigation, and a net expense of €1.5 million for various expenses.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

	Published	
(€ million)	**2017**	**2016 restated***
Costs related to Group debt	(34.2)	(53.1)
Costs connected with Darty acquisition		(15.2)
Cost of consumer credit	(6.1)	(6.3)
Other net financial expenses	(3.7)	(1.6)
TOTAL	**(44.0)**	**(76.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, net financial income was comprised of a financial expense of €44.0 million, compared with a financial expense of €76.2 million for the same period the previous year.

The breakdown of net financial expense was as follows:

recurring financial expense on the Group's debt in the amount of €34.2 million; The financial costs related to the debt in 2016 included non-recurring financial costs related to the placement of new instruments for the financing of the combined Group;

expenses for the cost of consumer credit totaling €6.1 million in 2017 (compared to an expense of €6.3 million in 2016).

Other net financial expenses essentially reflect financial costs related to employee benefits.

As of December 31, 2016, the costs for the Darty acquisition were comprised primarily of the expenses for placement of hedging instruments in the context of the Darty acquisition.

NOTE 12 TAX

12.1 / Analysis of the income tax expense on continuing operations

12.1.1 Income taxes

(€ million)	**2017**	**2016 restated***
PRE-TAX INCOME	**172.8**	**47.3**
Tax expense payable excluding corporate value-added tax (CVAE)	(40.3)	(3.3)
Tax expense payable related to the corporate value-added tax (CVAE)	(20.4)	(13.7)
Deferred tax income (expense)	12.4	(6.2)
TOTAL TAX LIABILITY	**(48.3)**	**(23.2)**
EFFECTIVE TAX RATE	**27.95%**	**49.05%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Income tax includes income tax paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2017, the Group recognized a corporate income tax expense of €48.3 million, compared to €23.2 million for 2016, an increase of €25.1 million. The increase in the tax payable and the tax payable related to the CVAE, is the effect of the change in income before tax, because 2016 represented only 5 months of Darty activity in the published financial statements. In addition, the tax liability in 2017 includes a surtax for €9.0 million, offsetting the impact of the elimination of the 3% tax on dividends invalidated by the French constitutional council. The favorable impact of deferred taxes in 2017 is primarily related to the first-time recognition of the tax effect of timing differences and the prospects for a tax rate decrease in France.

12.1.2 Streamlining of the income tax rate

(as % of income before taxes)	2017	2016 restated*
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**34.43%**
Impact of the taxation of foreign subsidiaries	(1.65%)	(2.58%)
THEORETICAL TAX RATE	**32.78%**	**31.85%**
Impact of items taxed at a lower rate	0.00%	0.00%
Impact of permanent timing differences	(0.98%)	4.55%
Impact of unrecognized timing differences	(9.01%)	28.07%
Impact of unrecognized tax-loss carry-forwards	(0.27%)	7.35%
Impact of the corporate value-added tax (CVAE)	7.90%	10.43%
Impact of the reduction of the French income tax rate (17/18 Finance Law)	(3.17%)	(22.62%)
Impact of tax reassessments		(10.77%)
Other	0.70%	0.19%
EFFECTIVE TAX RATE	**27.95%**	**49.05%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2018 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, 26.5% in 2021 and 25.0% in 2022. The Group net tax liabilities take these reductions into consideration.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries will opt at the beginning of 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceases to exist as of January 1, 2018. The consequences of this break in tax consolidation are taken into account in the tax calculation for the year ended December 31, 2017.

12.2 / Change in balance sheet items

12.2.1 Tax due

(€ million)	2016 restated *	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2017
Tax receivables due	19.4				50.2
Tax liabilities payable	(62.2)				(47.3)
TAXES PAYABLE	**(42.8)**	**(60.7)**	**98.3**	**8.1**	**2.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2016 restated*
Tax receivables due	6.2				19.4
Tax liabilities payable	(13.7)				(62.2)
TAXES PAYABLE	**(7.5)**	**(16.7)**	**37.5**	**(56.1)**	**(42.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

12.2.2 Deferred tax

(€ million)	2016 restated *	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Assets net of deferred taxes	41.5	16.9	0.0	1.5	59.9
Deferred tax liabilities	(188.8)	(2.3)	(0.1)	(1.5)	(192.7)
NET DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2016 restated*	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Provisions for pensions and other similar benefits	39.3	0.8	(0.1)	(0.1)	39.9
Tax losses and tax credits recognized	12.3	(1.6)	0.0	0.0	10.7
Darty & Vanden Borre brands	(104.1)	9.7	0.0		(94.4)
Other assets & liabilities	(94.8)	5.7	(0.0)	0.1	(89.0)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016 restated*
Assets net of deferred taxes	37.4	(3.3)	(2.6)	10.0	41.5
Deferred tax liabilities	0.0	(2.9)	(0.0)	(186.0)	(188.8)
NET DEFERRED TAXES	**37.4**	**(6.2)**	**(2.6)**	**(176.0)**	**(147.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	2015	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2016 restated*
Provisions for pensions and other similar benefits	21.7	(4.4)	(2.6)	24.6	39.3
Tax losses and tax credits recognized	12.8	(0.5)		0.0	12.3
Darty & Vanden Borre brands	0.0	17.9		(122.0)	(104.1)
Other assets & liabilities	2.9	(19.2)		(78.6)	(94.8)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**37.4**	**(6.2)**	**(2.6)**	**(176.0)**	**(147.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

12.3 / Deferred tax not recognized

The change in tax losses and unused tax credits is as follows:

(€ million)	**2017**	**2016 restated***
Non-activated tax losses	288.7	269.1
Non-activated timing differences	0.0	61.2
TOTAL UNRECOGNIZED TAX BASES	**288.7**	**330.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The unactivated tax losses represent the tax losses of the Group's subsidiaries in the United Kingdom and the Netherlands, where the fiscal outlook does not permit activation.

12.4 / Tax loss changes and timing

(€ million)	**Total**	**non-activated portion**	**portion capitalized**
AS OF DECEMBER 31, 2016*	**305.2**	**269.1**	**36.1**
Deficits generated during the fiscal year	21.7		
Deficits charged and expired during the year	(3.3)		
Changes in scope of consolidation and foreign exchange rates	(4.0)		
AS OF DECEMBER 31, 2017	**319.6**	**288.7**	**30.9**
Tax-loss carry-forwards with a maturity of	86.7	86.7	0.0
Less than 5 years	38.7	38.7	
More than 5 years	48.0	48.0	
Indefinite tax-loss carryforwards	232.9	202.0	30.9
TOTAL	**319.6**	**288.7**	**30.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 13 EARNINGS PER SHARE

Net earnings per share are calculated based on the weighted average number of shares outstanding less the weighted average number of shares held by the consolidated companies.

In 2017, the Group held an average of 18,289 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & C^{ie} Banque.

As of December 31, 2017, the Group liquidated its position and did not hold any treasury shares.

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

The instruments issued by the Group had a diluting effect of 123,418 shares over 2017.

The number of shares that could potentially become diluting during a subsequent year is 273,831.

Earnings per share as of December 31, 2017

(€ million)	Group share Consolidated Group	 Continuing operations	 Discontinued activities
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Weighted average number of common shares issued	26,447,149	26,447,149	26,447,149
Weighted average number of treasury shares	(18,289)	(18,289)	(18,289)
Weighted average number of common shares	**26,428,860**	**26,428,860**	**26,428,860**
BASIC EARNINGS PER SHARE *(€)*	**1.41**	**4.70**	**(3.29)**

(€ million)	Group share Consolidated Group	 Continuing operations	 Discontinued activities
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**37.2**	**124.2**	**(87.0)**
Weighted average number of common shares	26,428,860	26,428,860	26,428,860
Potentially diluting ordinary shares	123,418	123,418	123,418
Weighted average number of diluted common shares	**26,552,278**	**26,552,278**	**26,552,278**
DILUTED EARNINGS PER SHARE *(€)*	**1.40**	**4.68**	**(3.28)**

Earnings per share as of December 31, 2016 *

(€ million)	Group share Consolidated Group	 Continuing operations	 Discontinued activities
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**1.9**	**23.5**	**(21.6)**
Weighted average number of common 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 common shares	**21,215,582**	**21,215,582**	**21,215,582**
BASIC EARNINGS PER SHARE *(€)*	**0.09**	**1.11**	**(1.02)**

(€ million)	Group share Consolidated Group	 Continuing operations	 Discontinued activities
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 common 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 common shares	**21,472,354**	**21,472,354**	**21,472,354**
DILUTED EARNINGS PER SHARE *(€)*	**0.09**	**1.09**	**(1.01)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 14 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items mainly represent:

profit and loss from the conversion of the financial statements of operations outside France;

items relating to the measurement of employee benefit obligations: revaluation of net liabilities for defined benefit plans;

the effective portion of the change in fair value of the hedging instrument recorded against other items of comprehensive income.

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

(€ million)	Gross	Tax	Net
Currency translation adjustment	(0.8)		(0.8)
Effective portion of the change in fair value of the hedging instrument	(2.6)	0.3	(2.3)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**(3.4)**	**0.3**	**(3.1)**
Revaluation of net liabilities for defined benefit plans	0.3	(0.1)	0.2
Items that may not be reclassified to profit or loss	**0.3**	**(0.1)**	**0.2**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2017	**(3.1)**	**0.2**	**(2.9)**

(€ million)	Gross	Tax	Net
Currency translation adjustment	9.1		9.1
Effective portion of the change in fair value of hedging instruments	2.2		2.2
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**11.3**	**0.0**	**11.3**
Revaluation of net liabilities for defined benefit plans	(11.3)	(2.6)	(13.9)
Items that may not be reclassified to profit or loss	**(11.3)**	**(2.6)**	**(13.9)**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2016 *	**0.0**	**(2.6)**	**(2.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 15 GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	Gross	Impairment	Net
GOODWILL AS OF JANUARY 1, 2016	**410.9**	**(78.5)**	**332.4**
From acquisitions	1,209.3		1,209.3
Disposals and withdrawals	(0.6)		(0.6)
Foreign exchange fluctuations	0.8	(0.8)	0.0
Assets and liabilities held for sale	(3.9)	3.9	0.0
GOODWILL AS OF DECEMBER 31, 2016*	**1,616.5**	**(75.4)**	**1,541.1**
From acquisitions	0.2		0.2
Foreign exchange fluctuations			0.0
GOODWILL AS OF DECEMBER 31, 2017	**1,616.7**	**(75.4)**	**1,541.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, the changes in goodwill are insignificant and primarily reflect foreign exchange fluctuations.

In 2016, the increase in goodwill was linked to the acquisition of Darty (€1,208.5 million) and the acquisition of Eazieer (€0.8 million). Disposals consisted of the sale of the company Attitude. The flows from assets and liabilities held for sale represent the goodwill of Fnac Brazil.

The impairment tests on assets performed in 2012 led the Group to depreciate the Fnac Brazil goodwill in its entirety.

On August 1, 2016, the first closing date of the offer, the Group held 98.5% of the capital of the Darty Group, comprised of Darty France, New Vanden Borre in Belgium and BCC in the Netherlands. On August 17, 2016, the Darty share was delisted (from the London Stock Exchange and Euronext Paris). At the end of the squeeze-out period on September 12, the Group had acquired 100% of the share capital of Darty plc, 30.64% of which was paid in shares. Darty plc has been consolidated in the Group's financial statements since August 1, 2016.

The goodwill related to the Darty acquisition is positive, and results from the difference between the Darty purchase price and the fair value of the Darty identifiable assets acquired and liabilities assumed on August 1, 2016. IFRS prohibit the amortization of goodwill and make it mandatory to conduct impairment tests each time the financial statements are closed and each time there is an indication of loss of value. The reasons for the merger of Fnac and Darty are detailed in section 1 of this Registration Document.

The work to value the assets and liabilities acquired from Darty was completed with the valuation of the real estate acquired. For more details on the calculation of the allotted purchase price, refer to section 15.2.

As of December 31, 2017, there was no evidence of impairment. Pursuant to IFRS, annual impairment tests were conducted on the assets. These impairment tests show a value-in-use greater than the value of the net assets for each of the Cash Generating Units tested. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated as follows:

(€ million)	2017	2016 restated *
France-Switzerland	1,402.2	1,402.2
Belgium	139.2	138.9
TOTAL	**1,541.4**	**1,541.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

15.2 / Allocation of the acquisition price

Darty was consolidated in the Group financial statements starting on August 1, 2016.

The valuation work was completed and finalized in 2017, primarily with the valuation of the Darty real estate.

The following table shows:

- the consideration for the Darty Group 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 €-129.5 million;
- definitive goodwill of €1,208.5 million corresponding to the difference between the consideration transferred and the fair value of net assets acquired.

In the context of the work to measure the identifiable Darty assets:

- the Darty and Vanden Borre brands were valued using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and their value is based on an independent expert appraisal;
- the property revaluations primarily covered the stores held and their value is based on appraisals by an independent expert;
- franchise relations represent the contracts signed with the franchise stores. They were valued on the basis of the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets and their value is based on appraisal by an independent expert.

(€ million)	2016 reported restated Total consideration	 Fair Value	2016 reported Fair Value
TOTAL CONSIDERATION	**1,079.0**		
NET ASSETS ACQUIRED AT FAIR VALUE		**(129.5)**	**(193.4)**
Valuation of brands		337.0	326.7
Valuation of franchise relations		17.7	17.4
Lease rights and leases		6.2	11.0
Other intangible non-current assets		22.4	28.2
Other non-current assets		460.4	277.8
Financial assets		27.5	27.5
Assets held for sale		(3.6)	8.0
Working capital requirement		(376.8)	(337.8)
Net Financial Debt		(217.3)	(217.3)
Pensions and other employee-related liabilities		(146.3)	(111.7)
Other current liabilities		(256.8)	(223.3)
GOODWILL		**1,208.5**	**1,272.4**

The valuation work was completed and finalized in 2017, primarily with the valuation of the Darty real estate and its deferred tax impact presented on the other net liabilities line, as well as the inclusion of the liabilities related to future administrative costs for management of the Comet pension fund. The valuation of the fair value of the other net assets acquired was also completed and finalized in 2017.

If the Darty activities had been consolidated as of January 1, 2016, the statement of comprehensive income would have included:

- an additional €2,049.3 million in revenues, and would have totaled €7,418.5 million;
- an additional €-9.1 million operating loss, for a total profit of €115.1 million.

Pro forma financial information for fiscal year 2016 is disclosed in the financial management report (section 4 of this Registration Document).

For the period from August 1, 2016 to December 31, 2016, Darty's contribution to Group consolidated revenues was €1,630 million. Darty's contribution to consolidated net profit for the same period was €53.2 million.

NOTE 16 INTANGIBLE NON-CURRENT ASSETS

Gross value as of December 31, 2017

(€ million)	2016 restated*	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	337.0							337.0
Software	579.3	48.1	(1.8)			(0.2)	0.2	625.6
Other intangible non-current assets	71.8	(4.5)	0.0					67.3
TOTAL	**988.1**	**43.6**	**(1.8)**	**0.0**	**0.0**	**(0.2)**	**0.2**	**1,029.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2017

(€ million)	2016 restated*	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	0.0							0.0
Software	(502.1)	(32.4)	1.6			0.1	(0.2)	(533.0)
Other intangible non-current assets	(23.7)	(1.2)					1.1	(23.8)
TOTAL	**(525.8)**	**(33.6)**	**1.6**	**0.0**	**0.0**	**0.1**	**0.9**	**(556.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2017

(€ million)	2016 restated*	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Trademarks	337.0								337.0
Software	77.2	48.1	(32.4)	(0.2)			(0.1)		92.6
Other intangible non-current assets	48.1	(4.5)	(1.2)					1.1	43.5
TOTAL	**462.3**	**43.6**	**(33.6)**	**(0.2)**	**0.0**	**0.0**	**(0.1)**	**1.1**	**473.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Gross value as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0			337.0				337.0
Software	373.4	27.3	(3.1)	184.6	(2.9)			579.3
Other intangible non-current assets	24.6	3.8		43.4				71.8
TOTAL	**398.0**	**31.1**	**(3.1)**	**565.0**	**(2.9)**	**0.0**	**0.0**	**988.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0							0.0
Software	(324.1)	(26.1)	2.3	(156.8)	2.5		0.1	(502.1)
Other intangible non-current assets	(2.4)	(0.9)		(20.5)			0.1	(23.7)
TOTAL	**(326.5)**	**(27.0)**	**2.3**	**(177.3)**	**2.5**	**0.0**	**0.2**	**(525.8)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2016

(€ million)	2015	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated *
Trademarks	0.0				337.0				337.0
Software	49.3	27.3	(26.1)	(0.8)	27.8	(0.4)		0.1	77.2
Other intangible non-current assets	22.2	3.8	(0.9)		22.9			0.1	48.1
TOTAL	**71.5**	**31.1**	**(27.0)**	**(0.8)**	**387.7**	**(0.4)**	**0.0**	**0.2**	**462.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the change in intangible non-current assets mainly reflected the acquisition of Darty.

Banners of the Group consist of the following elements:

(€ million)	**2017**	**2016 restated***
Darty banner	301.7	301.7
Vanden Borre banner	35.3	35.3
ALL BANNERS	**337.0**	**337.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 17 PROPERTY, PLANT & EQUIPMENT

Gross values as of December 31, 2017

(€ million)	**2016 restated***	**Acquisitions**	**Disposals**	**Change in scope**	**Assets held for sale**	**Foreign exchange fluctuations**	**Other changes**	**2017**
Land & buildings	458.9	1.1	(2.2)				(1.0)	456.8
Fixtures, fittings and commercial facilities	1,144.3	53.3	(38.8)			(2.1)	6.9	1,163.6
Technical and telecommunications equipment	163.8	6.0	(1.9)			(0.2)		167.7
Other property, plant and equipment	45.6	9.7	(1.8)			(0.3)	(6.9)	46.3
TOTAL	**1,812.6**	**70.1**	**(44.7)**	**0.0**	**0.0**	**(2.6)**	**(1.0)**	**1,834.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2017

(€ million)	**2016 restated***	**Amortization, depreciation and impairment**	**Disposals**	**Change in scope**	**Assets held for sale**	**Foreign exchange fluctuations**	**Other changes**	**2017**
Land & buildings	(100.1)	(11.0)	2.2				4.7	(104.2)
Fixtures, fittings and commercial facilities	(937.6)	(53.5)	37.6			1.8	(2.5)	(954.2)
Technical and telecommunications equipment	(139.7)	(6.9)	1.8			0.2	(0.1)	(144.7)
Other property, plant and equipment	(21.7)	(1.0)	1.6			0.2	0.8	(20.1)
TOTAL	**(1,199.1)**	**(72.4)**	**43.2**	**0.0**	**0.0**	**2.2**	**2.9**	**(1,223.2)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2017

(€ million)	2016 restated*	Acquisitions	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2017
Land & buildings	358.8	1.1	(11.0)					3.7	352.6
Fixtures, fittings and commercial facilities	206.7	53.3	(53.5)	(1.2)			(0.3)	4.4	209.4
Technical and telecommunications equipment	24.1	6.0	(6.9)	(0.1)				(0.1)	23.0
Other property, plant and equipment	23.9	9.7	(1.0)	(0.2)			(0.1)	(6.1)	26.2
TOTAL	**613.5**	**70.1**	**(72.4)**	**(1.5)**	**0.0**	**0.0**	**(0.4)**	**1.9**	**611.2**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Gross values as of December 31, 2016

(€ million)	2015	Acquisitions	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated*
Land & buildings	0.0	3.9	(2.5)	457.6			(0.1)	458.9
Fixtures, fittings and commercial facilities	646.7	44.2	(36.2)	505.0	(17.6)	0.3	1.9	1,144.3
Technical and telecommunications equipment	159.9	10.1	(1.5)	(0.2)	(4.5)			163.8
Other property, plant and equipment	40.4	(0.7)	(0.1)	6.5	(0.2)	(0.1)	(0.2)	45.6
TOTAL	**847.0**	**57.5**	**(40.3)**	**968.9**	**(22.3)**	**0.2**	**1.6**	**1,812.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation, amortization and impairment as of December 31, 2016

(€ million)	2015	Amortization, depreciation and impairment	Disposals	Change in scope	Assets held for sale	Foreign exchange fluctuations	Other changes	2016 restated*
Land & buildings	0.0	(4.8)	1.6	(97.0)			0.1	(100.1)
Fixtures, fittings and commercial facilities	(531.2)	(43.2)	32.9	(410.4)	16.5	(0.3)	(1.9)	(937.6)
Technical and telecommunications equipment	(139.5)	(6.7)	1.7	0.2	4.6			(139.7)
Other property, plant and equipment	(19.8)	(0.8)	0.5	(1.8)	0.4	0.1	(0.3)	(21.7)
TOTAL	**(690.5)**	**(55.5)**	**36.7**	**(509.0)**	**21.5**	**(0.2)**	**(2.1)**	**(1,199.1)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net values as of December 31, 2016

(€ million)	**2015**	**Acquisitions**	**Amortization, depreciation and impairment**	**Disposals**	**Change in scope**	**Assets held for sale**	**Foreign exchange fluctuations**	**Other changes**	**2016 restated ***
Land & buildings	0.0	3.9	(4.8)	(0.9)	360.6				358.8
Fixtures, fittings and commercial facilities	115.5	44.2	(43.2)	(3.3)	94.6	(1.1)			206.7
Technical and telecommunications equipment	20.4	10.1	(6.7)	0.2		0.1			24.1
Other property, plant and equipment	20.6	(0.7)	(0.8)	0.4	4.7	0.2		(0.5)	23.9
TOTAL	**156.5**	**57.5**	**(55.5)**	**(3.6)**	**459.9**	**(0.8)**	**0.0**	**(0.5)**	**613.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Depreciation and amortization charges are recognized in “Other current operating income and expense” in the income statement.

In 2017, disposals of property, plant and equipment primarily represented sales related to the Darty brand.

In 2016, most of the change in property, plant and equipment was related to the Darty acquisition.

In 2016, disposals of tangible non-current assets mainly reflected the closing of the Fnac store in Castellana, Spain, and the closing of the Darty store in Besançon.

NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles of impairment of non-financial assets are detailed in note 2.10.

Goodwill, intangible assets with an indefinite useful life, and the Cash Generating Units containing these elements are systematically tested annually for impairment in the second half of the year. The Cash Generating Units are operating entities that generate independent cash flows. A Cash Generating Unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets or groups of assets.

The entry value of the brands acquired was determined using the approach known as Relief From Royalties, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group’s brands constitute non-current assets with an indefinite life span, they are not amortized but are systematically tested for impairment each year and when there is evidence of a loss in value. The brands recorded on the Fnac Darty balance sheet are the Darty and Vanden Borre brands, measured at the time of the Darty acquisition in July 2016.

If there is impairment, the depreciation is recognized in operating income for the year. The goodwill recorded on the Group balance sheet comes primarily from the Darty acquisition in July 2016. The principal values of the goodwill and the brands is analyzed in Note 15.

18.1 / Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions used by the Group for the brands and for the Cash Generating Units with goodwill as of December 31, 2017 are as follows:

	Discount*		Perpetual growth	
	2017	**2016**	**2017**	**2016**
Cash Generating Units France	7.6%	7.4%	1.0%	1.0%
Cash Generating Units Belgium	7.6%	7.3%	1.0%	1.0%
Darty and Vanden Borre Brands	8.6%	N/A	1.0%	N/A

* *Weighted average cost of capital.*

Under the leadership of Enrique Martinez, who was named Chief Executive Officer in July 2017, the Group launched a new *"Confiance+"* strategic plan at year-end. This is the first Fnac Darty plan. This plan is backed by the strength of the two banners and on the solid progress of their consolidation. In addition to the plan for synergies of €130 million by the end of 2018, the Group's goal is to create the benchmark omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and partners to rely on a powerful specialized retail platform. The industrial agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France illustrates the Group's strengths in knowledge of product lines, and is part of the framework for the deployment of the Fnac Darty platform. In this way, Fnac Darty is targeting medium-term growth greater than its markets, and an operating margin of 4.5% to 5%.

During impairment tests on goodwill and the brands, the long-term growth assumptions used were determined by taking into account the growth rates recorded in recent years and the growth outlook resulting from the budget and strategic plan. Thus, the impacts expected from the *"Confiance+"* strategic plan have been integrated in the medium-term assumptions used for the impairment tests.

18.2 / Impairment tests of principal values

18.2.1 Determination of the recoverable value of the Cash Generating Units

For all Cash Generating Units, the recoverable value of the Cash Generating Unit was determined on the basis of its value-in-use. Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the Cash Generating Unit. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans over a three-year horizon. For the value-in-use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows.

The recoverable value of a Cash Generating Unit is the higher of its fair value less selling costs and its value-in-use.

The recoverable value of the brands was determined on the basis of the value in use of the brands defined by discounting the royalty savings (net of maintenance costs and taxes) that they generate. Projects of royalty savings were established in the second half on the basis of budgets and medium-term plans over a three-year horizon. For calculation of the value in use, a terminal value equal to capitalization to infinity of a normative savings is added to the value of the future savings expected.

The recoverable value of a brand is the higher of its fair value less selling costs and its value in use.

18.2.2 Assets and brands to be tested

The net assets to be tested for each of the Cash Generating Units consist of the following:

goodwill;

net intangible assets;

net property, plant and equipment;

deposits and securities related to operating assets;

deferred taxes;

working capital requirement;

provisions for contingencies and expenses.

The Darty and Vanden Borre brands are subject to a specific impairment test.

Pursuant to IAS 36, intangible or tangible capitalized assets are tested for impairment when there is evidence of a loss of value, and at least once a year for assets with an indefinite life span (goodwill and brands). The assets subject to impairment tests are grouped within Cash Generating Units that correspond to homogeneous sets of assets, the use of which generates identifiable cash flows.

When the recoverable value of a Cash Generating Unit is lower than its net book value, an impairment is recognized in operating income.

The book value of a Cash Generating Unit includes the book value of only the assets that can be directly attributed or assigned, on a reasonable and consistent basis, to the Cash Generating Unit, and which will generate future cash inflows used to determine the value-in-use. The book value of a brand corresponds to the value of the brand recorded on the Group's balance sheet.

18.2.3 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2017, in the event of a reasonable change in base assumptions and, in particular, in the event of a change of plus or minus 0.5 percentage points in the discount rate and plus or minus 0.5 percentage points in the growth rate to infinity, did not result in any additional impairment on the Group's Cash Generating Units or brands.

18.3 / Impairment recognized during the year

Asset impairment tests did not lead the Group to recognize impairment on any of the Group's Cash Generating Units or on any of its brands.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	**2017**	**2016 restated***
Equity investments	0.0	0.0
Financial assets available for sale	2.0	1.0
Deposits and guarantees	13.8	14.3
Other	0.1	0.3
TOTAL	**15.9**	**15.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, financial assets available for sale represent the investment in the Daphni Purple fund. Based on the net assets value of Daphni Purple, an impairment of €0.3 million was recorded as of December 31, 2017.

Deposits and securities represent the property lease guarantees and were depreciated by €0.1 million as of December 31, 2017.

NOTE 20 INVENTORIES

(€ million)	**2016 restated***	**Other changes**	**Change in scope**	**Foreign exchange fluctuations**	**2017**
Gross sales inventory	1,095.3	12.8		(1.6)	1,106.5
Inventory impairment	(38.0)	4.2		0.1	(33.7)
NET INVENTORY VALUE	**1,057.3**	**17.0**	**0.0**	**(1.5)**	**1,072.8**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group may need to record an impairment on inventories:

- based on likelihood of disposal;
- if they are partially damaged;
- if they are completely obsolete;
- if their sale price is less than their net realizable value.

Change in impairment *(€ million)*	**2017**	**2016 restated***
AS OF JANUARY 1	**(38.0)**	**(17.0)**
(Allocations)/reversals	4.2	(2.3)
Included in consolidation	0.0	(19.2)
IFRS 5	0.0	0.6
Foreign exchange differences	0.1	(0.1)
AS OF DECEMBER 31	**(33.7)**	**(38.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 21 TRADE RECEIVABLES

(€ million)	**2016 restated***	**Other changes**	**Change in scope**	**Foreign exchange fluctuations**	**2017**
Gross trade receivables	216.9	53.3	0.0	0.2	270.4
Impairment of trade receivables	(8.0)	2.8	0.0	(0.1)	(5.2)
NET VALUE	**208.9**	**56.1**	**0.0**	**0.1**	**265.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

An impairment on trade receivables is recognized if their carrying value is higher than the estimated recoverable value. The assessment of recoverable value varies by sales channel.

Change in impairment *(€ million)*	**2017**	**2016 restated***
AS OF JANUARY 1	**(8.0)**	**(5.6)**
(Allocations)/reversals	2.8	(2.6)
Included in consolidation	0.0	0.0
IFRS 5	0.0	0.2
Foreign exchange differences	0.0	0.0
AS OF DECEMBER 31	**(5.2)**	**(8.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 22 CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT

22.1 / Current assets and liabilities

(€ million)	2016 restated*	WCR cash flows	Other cash flows	Change in scope	Foreign exchange differences	2017
Inventories (1)	1,057.3	17.0			(1.5)	1,072.8
Trade receivables due (2)	208.9	56.1			0.1	265.1
Trade receivables payable (3)	(18.9)	(3.0)			(0.1)	(22.0)
NET TRADE RECEIVABLES (4)=(2)+(3)	**190.0**	**53.1**	**0.0**	**0.0**	**0.0**	**243.1**
Trade payables due (5)	(1,597.5)	(169.6)			1.5	(1,765.6)
Trade payables receivable and provisions (6)	149.4	22.7				172.1
NET TRADE PAYABLES (7)=(5)+(6)	**(1,448.1)**	**(146.9)**	**0.0**	**0.0**	**1.5**	**(1,593.5)**
Social security liabilities (8)	(299.2)	(42.6)			0.1	(341.7)
Tax payables and receivables (excluding income tax) (9)	(41.2)	52.9			0.4	12.1
Liabilities relating to commercial operations (10)	(215.9)	(4.0)			0.9	(219.0)
Deferred income and expenses (11)	(4.9)	2.0			(0.1)	(3.0)
Other (12)	(54.9)	12.2		0.1	(7.7)	(50.3)
OTHER OPERATING WCR (∑ 8 TO 12)	**(616.1)**	**20.5**	**0.0**	**0.1**	**(6.4)**	**(601.9)**
OPERATING WCR (∑ 1 TO 12)	**(816.9)**	**(56.3)**	**0.0**	**0.1**	**(6.4)**	**(879.5)**
Other current assets and liabilities	15.7		(12.0)		0.1	3.8
Payables and receivables for non-current operating assets	(20.2)		1.3		0.1	(18.8)
Tax receivables and payables due	(42.8)		37.6		8.1	2.9
CURRENT ASSETS AND LIABILITIES [(a)]	**(864.2)**	**(56.3)**	**26.9**	**0.1**	**1.9**	**(891.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*
(a) Excluding current provisions, borrowings and short-term liabilities, and cash and cash equivalents.

Because of the nature of its business activities, the Group's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or assets. The "Liabilities relating to commercial operations" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

Trade payables due primarily reflect the debts contracted with Group suppliers. They also include the debts that Group suppliers have assigned to financial institutions in the context of reverse factoring programs. The substance and characteristics of the liabilities in question are not substantially different.

22.2 / Other non-current liabilities

As of December 31, 2017, other non-current liabilities represented €194.6 million and represented the longer than one year portion of the products on the Darty warranty extensions. As of December 31, 2016, non-current liabilities represented €192.2 million.

NOTE 23 SHAREHOLDERS' EQUITY

23.1 / Capital stock

As of December 31, 2017, share capital was €26,658,135, consisting of 26,658,135 fully paid-up shares with a par value of €1. Compared with 2016, share capital increased by 535,364 shares, representing a value of €11.9 million, including issue premium. The capital increase was used to remunerate the performance option plans.

23.2 / Appropriate of earnings

No dividend was paid in 2017 for 2016.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined contribution plans or defined benefit plans.

Under the defined contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a company to an employee upon retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in the Group have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

The Group has no obligations with respect to medical costs.

UK pension fund

The British Comet pension fund reflects the pension commitment for former Comet employees in the United Kingdom.

Supplementary retirement benefits

A defined benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the year

Changes in the value of the accrued benefits under the defined benefit plans are as follows:

(€ million)	**2017**	**2016 restated***
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**816.3**	**88.3**
Cost of services provided during the period	10.5	8.0
Contributions paid by the members	0.5	0.5
Financial interest expense	2.9	1.8
Cost of past services	0.3	(0.2)
Revaluation of liabilities	21.3	28.1
Reductions	(7.1)	(2.4)
Benefits paid	(23.5)	(9.2)
Change in scope	0.0	701.9
Fluctuations in foreign currency exchange rates	(23.2)	(0.4)
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**798.0**	**816.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

An increase in obligations in 2016 was mainly related to the consolidation of the Darty Group, with the assumption of the Comet UK pension fund (formerly the Darty Group) with continuing obligations.

The breakdown of the discounted value of the obligation by type of plan and by country as of December 31, 2017 is as follows:

(€ million)	**2017**	**2016 restated***
Pension funds – UK	610.2	632.0
End-of-career allowances – France	160.2	154.8
Supplementary pension plans (LPP) – Switzerland	12.1	13.1
Supplementary retirement benefits – France	7.7	9.0
Long-service awards – France	7.4	7.2
Other	0.4	0.2
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**798.0**	**816.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Changes in the fair value of the assets of defined benefit plans are as follows:

(€ million)	**2017**	**2016 restated***
FAIR VALUE OF THE ASSETS UNDER DEFINED BENEFIT PLANS AS OF JANUARY 1	**630.0**	**10.9**
Employer contributions	9.6	6.8
Contributions paid by the members	0.5	0.5
Financial interest on assets	0.4	0.4
Benefits paid	(21.7)	(9.0)
Actual return on assets	21.3	16.8
Other	(0.1)	(0.1)
Change in scope	0.0	603.6
Fluctuations in foreign currency exchange rates	(21.8)	0.1
FAIR VALUE OF DEFINED-BENEFIT PLANS AS OF DECEMBER 31	**618.2**	**630.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

For all plans, the payments of expected benefits in 2018 are estimated at €24.0 million.

As of December 31, 2017, 48.2% of funded defined benefit plans were invested in debt instruments.

The assets of the British Comet pension fund can be divided into two types of categories:

1. investment funds structured on the return;
2. guarantee funds with limited risk.

A liability hedge has also been set up to cover the risks related to interest rates and inflation.

The reconciliation of the balance sheet data and the actuarial obligation of the defined benefit plans is as follows:

(€ million)	**2017**	**2016 restated***	**2015**	**2014**	**2013**
Discounted value of the commitment	798.0	816.3	88.3	79.2	69.1
Fair value of the defined benefit plan assets	(618.2)	(630.0)	(10.9)	(10.1)	(10.5)
DEFICIT/(SURPLUS)	**179.8**	**186.3**	**77.4**	**69.1**	**58.6**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**179.8**	**186.3**	**77.4**	**69.1**	**58.6**
including provisions – continuing operations	*179.8*	*186.3*	*77.4*	*69.1*	*58.6*
including provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

* *Restated for valuation of identifiable Darty assets and liabilities.*

(€ million)	**2017**	**2016 restated***
Pension funds – UK	18.6	30.8
End-of-career allowances – France	141.1	133.8
Supplementary pension plans (LPP) – Switzerland	4.6	5.3
Supplementary retirement benefits – France	7.7	9.0
Long-service awards – France	7.4	7.2
Other	0.4	0.2
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**179.8**	**186.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

24.2 / Expenses recognized

The total expense of €6.3 million in 2017 (versus €6.8 million in 2016) recognized for defined benefit plans can be analyzed as follows:

(€ million)	**2017**	**2016 restated***
Cost of services provided	10.5	7.8
Other costs	0.1	0.1
Net financial cost	2.5	1.5
Cost of past services taken to income	0.3	(0.2)
Decreases and payments	(7.1)	(2.4)
TOTAL EXPENSE	**6.3**	**6.8**
Including recognized as operating expenses	*3.8*	*5.3*
as net financial expense	*2.5*	*1.5*
as discontinued operations	*0.0*	*0.0*

* *Restated for valuation of identifiable Darty assets and liabilities.*

Over 2017, the revaluation of the net liabilities for the defined benefit commitments had no impact on result. (Loss of €11.1 million in 2016).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty's obligations are as follows:

	2017	**2016**
Discount rate	2.4% (UK) – 0.75% (Switzerland) – 1.55% (France)	2.9% (UK) – 0.75% (Switzerland) – 1.60% (France)
Expected rate of increase in salaries	1.50%	1.50%

Pursuant to amended IAS 19, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

The sensitivity analysis given the assumed discount rates plus or minus 50 basis points is provided in the following table:

(€ million)	End-of-career allowances	Long-service awards – France	Supplementary pension plans (LPP) – Switzerland	Supplementary retirement benefits – France	Pension funds – UK	Total
Discount rate -50 basis points	171.5	7.7	12.9	7.8	683.2	**883.1**
Discounted value of the 2017 commitment	160.6	7.4	12.1	7.7	610.2	**798.0**
Discount rate +50 basis points	150.5	7.2	11.2	7.7	544.9	**721.6**

NOTE 25 PROVISIONS

(€ million)	2016 restated *	Allocation	Reversal used	Reversal not used	Change in scope	Foreign exchange differences	IFRS 5 flows	2017
Provisions for restructuring	0.5	41.0	(0.5)	0.0	0.0	0.0	0.0	41.0
Provisions for litigation and disputes	26.8	11.7	(6.6)	(5.1)	0.0	0.0	0.0	26.8
Other provisions	5.1			(0.4)	0.0	0.0	0.0	4.7
CURRENT PROVISIONS	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
TOTAL	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
IMPACT ON OPERATING INCOME		**(52.7)**		**5.5**				**(47.2)**
Current operating income		(6.1)		4.5				(1.6)
Other non-current operating income and expenses		(46.6)		1.0				(45.6)

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, the change in provisions for contingencies and expenses was heavily affected by the increase in provisions for restructuring related to the implementation of the new Group organization, the proposed change in the organization and optimization of After-Sales Service and the closing of the Fnac Wissous 2 logistics warehouse.

The provisions for disputes and litigation primarily cover commercial and labor disputes and litigation, excluding restructuring with third parties.

(€ million)	2015	Allocation	Reversal used	Reversal not used	Change in scope	Foreign exchange differences	IFRS 5 flows	2016 restated *
Provisions for restructuring	1.8	0.0	(1.4)	(0.2)	0.3	0.0	0.0	0.5
Provisions for litigation and disputes	9.6	2.6	(4.6)	(3.0)	27.0	0.0	(4.8)	26.8
Other provisions	2.4	0.8	(0.7)	(1.1)	5.1	0.0	(1.4)	5.1
CURRENT PROVISIONS	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
TOTAL	**13.8**	**3.4**	**(6.7)**	**(4.3)**	**32.4**	**0.0**	**(6.2)**	**32.4**
IMPACT ON OPERATING INCOME		**(3.4)**		**4.3**				**0.9**
Current operating income		(2.7)		3.0				0.3
Other non-current operating income and expenses		(0.7)		1.3				0.6

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the change in provisions for contingencies and expenses was strongly impacted by the consolidation of the Darty Group (€32.4 million) and by the reclassification of the Fnac Brazil provisions as liabilities related to assets held for sale for the sale of Fnac Brazil (€-6.2 million).

The IFRS 5 flows in 2016 reflect the reclassification of provisions for contingencies and expenses for Fnac Brazil to the line "debts associated with assets held for sale" on the balance sheet.

NOTE 26 CASH AND CASH EQUIVALENTS

26.1 / Analysis by cash category

This item breaks down as follows:

(€ million)	2017	2016 restated*
Cash	766.4	272.9
Cash equivalents	8.5	383.1
TOTAL	**774.9**	**656.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

As of December 31, 2017, cash equivalents consisted of €8.5 million allocated as part of the establishment of the liquidity contract. That contract is designed to promote transaction liquidity and consistency of the Group's share listing.

As of December 31, 2016, cash equivalents comprised Sicavs (open-ended investment funds) and three interest-bearing accounts. The Sicavs also include €6.0 million allocated as part of the establishment of the liquidity contract.

The items that the Group recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2016, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Analysis by currency

(€ million)	**2017**	**%**	**2016 restated***	**%**
Euro	756.8	97.7%	639.0	97.4%
Swiss franc	9.0	1.2%	11.4	1.7%
US dollar	8.8	1.1%	4.4	0.7%
Pound sterling	0.3	0.0%	0.8	0.1%
Other currencies	0.0	0.0%	0.4	0.1%
TOTAL	**774.9**	**100.0%**	**656.0**	**100.0%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 27 FINANCIAL DEBT

27.1 / Analysis of debt by maturity

(€ million)	2017	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**853.8**	**20.0**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0	20.0	50.0	80.0	50.0		
Finance lease liabilities	3.8		1.9	1.4	0.5		
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**7.2**	**7.2**					
Capitalized interest on 2023 bond	5.3	5.3					
Finance lease liabilities	1.9	1.9					
Bank overdrafts	0.0	0.0					
Other financial liabilities	0.0	0.0					
TOTAL	**861.0**	**27.2**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
%		**3.2%**	**6.0%**	**9.5%**	**5.9%**	**0.0%**	**75.5%**

In order to finance the acquisition of Darty in 2016 and to finance Group operations, Fnac Darty issued €650 million in bonds and a draw from a medium-term credit facility of €200 million.

(€ million)	2016 restated*	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**854.9**		**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Finance lease liabilities	4.9		2.1	1.5	0.8	0.5	
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**8.2**	**8.2**					
Capitalized interest on 2023 bond	5.6	5.6					
Finance lease liabilities	2.2	2.2					
Bank overdrafts	0.1	0.1					
Other financial liabilities	0.3	0.3					
TOTAL	**863.1**	**8.2**	**22.1**	**51.5**	**80.8**	**50.5**	**650.0**
%		**1.0%**	**2.6%**	**6.0%**	**9.4%**	**5.9%**	**75.3%**

* *Restated for valuation of identifiable Darty assets and liabilities.*

27.2 / Analysis by repayment currency

(€ million)	2017	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2016 restated*	%
Euro	861.0	853.8	7.2	100.0%	863.1	100.0%
TOTAL	**861.0**	**853.8**	**7.2**		**863.1**	

* *Restated for valuation of identifiable Darty assets and liabilities.*

27.3 / Gross debt by category

The Group's gross debt is as follows:

(€ million)	2017	2016 restated*
2023 Bond	655.3	655.6
Medium-term credit facility	200.0	200.0
Finance lease liabilities	5.7	7.1
Bank overdrafts	0.0	0.1
Other financial liabilities	0.0	0.3
TOTAL	**861.0**	**863.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 28 EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2017, exposure to various market risks was as follows:

28.1 / Exposure to interest rate risks

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturity for 2017		
(€ million)	2017	Less than one year	One to five years	More than five years
Investment securities and cash	675.1	675.1		
FLOATING-RATE FINANCIAL ASSETS	**675.1**	**675.1**	**0.0**	**0.0**
Other financial liabilities	205.7	21.9	183.8	0.0
FLOATING-RATE FINANCIAL DEBT	**205.7**	**21.9**	**183.8**	**0.0**

(€ million)	2016 restated*	Maturity for 2016 Less than one year	One to five years	More than five years
Investment securities and cash	581.1	581.1		
FLOATING-RATE FINANCIAL ASSETS	**581.1**	**581.1**	**0.0**	**0.0**
Other financial liabilities	207.5	2.6	204.9	0.0
FLOATING-RATE FINANCIAL DEBT	**207.5**	**2.6**	**204.9**	**0.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Interest rate risk sensitivity analysis

As of December 31, 2017, on the basis of the items presented above, an interest rate change of around 50 basis points would not have a significant impact on the Group's consolidated income before tax over a full year.

(€ million)	Impact on income
As of December 31, 2017	
Increase of 50 basis points	(0.0)
Decrease of 50 basis points	0.0

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

28.2 / Exposure to currency risks

Fnac Darty uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks.

In addition, the Group may implement simple optional strategies (purchase of options or tunnels) to hedge future exposure.

In accordance with IAS 39, these derivatives are analyzed with regard to hedge accounting eligibility criteria. These foreign exchange derivatives are recognized on the balance sheet at their market value at the accounting year-end.

Fnac Darty's currency derivatives managed for hedging purposes are not documented as part of the IAS 39 hedge accounting and are therefore recognized as derivatives for which a change in fair value impacts financial income.

As of December 31, 2017 and December 31, 2016, these derivatives mainly included a currency hedge contract in dollars.

(€ million)	2017	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**50.4**	**0.0**	**50.4**	**0.0**	**0.0**	**0.0**
Forward purchases & forward swaps	50.4		50.4			0.0

(€ million)	2016 restated*	Euro	US dollar	Pound sterling	Swiss franc	Other
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**58.6**	**0.0**	**57.6**	**1.0**	**0.0**	**0.0**
Forward purchases & forward swaps	58.6		57.6	1.0		

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group's balance sheet exposure to non-euro currencies as of December 31, 2017 was as follows:

(€ million)	2017	US dollar	Swiss franc	Pound sterling	Chinese yuan
Exposed trade receivables	1.5		1.5		
Other exposed financial assets	18.1	8.8	9.0	0.3	
Exposed trade payables	14.3		14.3		
Exposed financial debt	0.0				
GROSS BALANCE SHEET EXPOSURE	**5.3**	**8.8**	**(3.8)**	**0.3**	**0.0**
Hedging instruments	0.0				
GROSS EXPOSURE AFTER MANAGEMENT	**5.3**	**8.8**	**(3.8)**	**0.3**	**0.0**

Trade receivables and payables in currencies exposed to foreign exchange risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's foreign exchange risk management policy consists of reducing the inherent exchange risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed and to prohibit any speculation. The management of currency risk is governed by internal procedures aimed at hedging risks as soon as they are identified.

Exchange rate sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Fnac Darty entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-significant as of the accounting year-end.

Based on market data at the accounting year-end, foreign exchange derivatives would have little impact in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (primarily the US dollar).

28.3 / Exposure to risks of market price fluctuations

In the context of its current operations, the Group trades the shares issued by the Group. As of December 31, 2017, no derivative instrument was used to hedge equity risk in the sense of IAS 39.

28.4 / Other market risks – Credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by the Group. In general, the Group does not consider itself to be exposed to a particular credit risk on its financial assets.

28.5 / Liquidity risk

Management of the liquidity risk of the Group and each of its subsidiaries is closely and periodically assessed by the Group using its financial reporting procedures.

The analysis below sets forth the contractual obligations related to financial liabilities and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at the accounting year-end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule.

Cash flow relating to foreign exchange derivatives is not significant.

	2017				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**Over five years**
Other financial liabilities	861.0	(861.0)	(27.2)	(183.8)	(650.0)
Trade payables	1,764.0	(1,764.0)	(1,764.0)		
TOTAL	**2,625.0**	**(2,625.0)**	**(1,791.2)**	**(183.8)**	**(650.0)**

	2016 restated*				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**Over five years**
Other financial liabilities	863.1	(863.1)	(8.2)	(204.9)	(650.0)
Trade payables	1,597.6	(1,597.6)	(1,597.6)		
TOTAL	**2,460.7**	**(2,460.7)**	**(1,605.8)**	**(204.9)**	**(650.0)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 29 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

(€ million)	2017 Market value	Breakdown by accounting classification: Balance sheet value	Fair value through profit or loss	Fair value through equity	Amortized cost	Valuation level	2016 restated * Balance sheet value
NON-CURRENT ASSETS							
Non-current financial assets	15.9	15.9		2.0	13.9		15.6
Available-for-sale assets	*2.0*	*2.0*		*2.0*		*Level 2*	*1.0*
Deposits and guarantees	*13.8*	*13.8*			*13.8*		*14.3*
Other non-current financial assets	*0.1*	*0.1*			*0.1*		*0.3*
CURRENT ASSETS							
Trade receivables	265.1	265.1			265.1		208.9
Other current financial assets	22.3	22.3		0.0	22.3		25.7
Asset derivative instruments with hedge accounting	*0.0*	*0.0*		*0.0*		*Level 2*	*1.8*
Other current financial assets	*22.3*	*22.3*			*22.3*		*23.9*
Cash and cash equivalents	774.9	774.9	774.9			Level 1	656.0
NON-CURRENT LIABILITIES							
Long-term borrowings and financial debt	884.0	853.8			853.8		854.9
2023 Bond	*680.2*	*650.0*			*650.0*	*Level 1*	*650.0*
Medium-term credit facility	*200.0*	*200.0*			*200.0*		*200.0*
Finance lease liabilities	*3.8*	*3.8*			*3.8*		*4.9*
CURRENT LIABILITIES							
Short-term borrowings and financial debt	7.2	7.2			7.2		8.2
Other current financial liabilities	18.5	18.5		0.8	17.7		10.0
Derivative instrument liabilities with hedge accounting	*0.8*	*0.8*		*0.8*		*Level 2*	*0.0*
Other current financial liabilities	*17.7*	*17.7*			*17.7*		*10.0*
Trade payables	1,765.6	1,765.6			1,765.6		1,597.5

* *Restated for valuation of identifiable Darty assets and liabilities.*

IFRS 13 requires ranking the different valuation techniques for each of the financial instruments. As a result, the Group distinguishes three categories of financial instruments based on the two valuation methods used (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to expose the features of the financial instruments recognized on the balance sheet at fair value through profit or loss at the closing date:

level 1 category: financial instruments quoted in an active market;

level 2 category: financial instruments for which valuation at fair value uses valuation techniques based on observable market parameters;

level 3 category: financial instruments for which measurement at fair value uses valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transaction prices on the markets on the same instrument, or on observable market data available at the close of the accounting period) or on parameters that are only partially observable.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	**2017**	**2016 restated***
Gross financial debt	861.0	863.1
Cash and cash equivalents	(774.9)	(656.0)
NET FINANCIAL DEBT	**86.1**	**207.1**

* *Restated for valuation of identifiable Darty assets and liabilities.*

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €774.9 million as of December 31, 2017 and corresponds to the cash and cash equivalents presented in the cash flow statement.

(€ million)	**2017**	**2016 restated***
BALANCE SHEET CASH AND CASH EQUIVALENTS	**774.9**	**656.0**
Bank overdrafts	0.0	0.1
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**774.9**	**655.9**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The change in cash and cash equivalents between December 31, 2016 and December 31, 2017 was an increase of €119.0 million.

	As of December 31	
(€ million)	**2017**	**2016 restated***
Net cash flows from operating activities	311.1	246.5
Net cash flows from investing activities	(113.7)	(1,116.6)
Net cash flows from financing activities	(19.9)	987.6
Net cash flows from discontinued operations	(56.2)	(7.6)
Impact of fluctuations in foreign exchange rates	(2.3)	1.4
NET CHANGE IN CASH	**119.0**	**111.3**

* *Restated for valuation of identifiable Darty assets and liabilities.*

31.1 / Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

	As of December 31	
(€ million)	**2017**	**2016 restated***
Cash flow before tax, dividends and interest	353.1	200.0
Change in working capital requirement	56.3	84.0
Income tax paid	(98.3)	(37.5)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**311.1**	**246.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, net flows from operating activities generated a resource of €311.1 million. Flows benefited from the improvement in current operating income tied to the implementation of the Darty integration strategy and, to a lesser extent than in 2016, from the continuation of action plans designed to improve working capital requirements.

The composition of cash flow before tax, dividends and interest was as follows:

(€ million)	**2017**	**2016 restated***
Net income from continuing operations	**124.5**	**24.1**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	140.7	74.9
Current proceeds from the disposal of operating assets	0.9	2.5
Non-current proceeds from the disposal of operating assets	1.1	3.4
Non-current proceeds from disposal of financial assets	0.2	2.4
Deferred tax income and expense	(12.4)	6.5
Discounting of provisions for pensions & other similar benefits	3.1	29.5
IFRS valuation of Darty plc shares	0.0	(14.0)
Other items without impact on cash	0.0	(0.2)
CASH FLOW	**258.1**	**129.1**
Financial interest income and expense	34.4	54.3
Dividends received	(0.1)	(0.1)
Net tax expense payable	60.7	16.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST	**353.1**	**200.0**

* *Restated for valuation of identifiable Darty assets and liabilities.*

31.2 / Net cash flows from investing activities

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

The operating and financial investments made by the Group in 2017 amounted to €113.7 million. Over 2016, they represented an expenditure of €1,116.6 million.

(€ million)	2017	2016 restated*
Net operating investments	(111.9)	(95.7)
Net financial investments	(1.8)	(1,020.9)
CASH FLOWS FROM INVESTING ACTIVITIES	**(113.7)**	**(1,116.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The net operating investments made by the Group in 2017 represented an expense of €111.9 million, most of which is comprised of acquisitions of intangible assets and property, plant and equipment made primarily to open new stores (in France, Spain, Portugal and Belgium), automate logistics warehouses, create Darty space in Fnac stores, install kitchen spaces in the Darty network, increase IT costs to support the generation of synergies within the Group, and digitize existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy, particularly the complementary features of the Fnac and Darty banners, the omnichannel and the digital segments.

(€ million)	2017	2016 restated*
Acquisitions of non-current intangible assets	(43.2)	(31.1)
Acquisitions of property, plant & equipment	(69.4)	(57.5)
Change in advances & installments on non-current assets	0.0	0.0
Change in debt for non-current assets	(1.3)	(9.0)
TOTAL ASSET ACQUISITIONS	**(113.9)**	**(97.6)**
Disposals of non-current assets	2.0	1.9
TOTAL ACQUISITIONS AND DISPOSALS OF NON-CURRENT ASSETS	**(111.9)**	**(95.7)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The Group's net financial investments represented an outflow of €1.8 million in 2017 (versus an outflow of €1,020.9 million in 2016).

	As of December 31	
(€ million)	2017	2016 restated*
Purchases of subsidiaries net of cash acquired	(0.3)	(1,020.7)
Disposals of subsidiaries net of cash transferred	0.0	(1.3)
Acquisitions of other financial assets	(1.5)	(0.9)
Disposals of other financial assets	0.0	1.4
Interest and dividends received	0.0	0.6
(NET) FINANCIAL INVESTMENTS	**(1.8)**	**(1,020.9)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, purchases of subsidiaries net of cash acquired represent the adjustments to the Darty acquisition price, and the acquisitions of other financial assets includes the €1.5 million investment in the Daphni Purple fund. The Group also agreed to underwrite the remaining 69% of shares for €4.8 million.

In 2016, purchases of subsidiaries net of cash acquired represented the financial cash flows resulting from the Darty acquisitions for €1,018.7 million and a €2.0 million disbursement to acquire a 50% stake in the Izneo company. Disposals of subsidiaries net of cash transferred represent a cash outflow of €1.3 million in the context of the sale of its call center business. Acquisitions of other financial assets included a €0.7 million investment in the Daphni Purple Fund.

31.3 / Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's equity and borrowing.

(€ million)	As of December 31	
	2017	**2016 restated***
Increase/decrease in capital	11.9	157.1
Other transactions with shareholders	(3.9)	3.9
Purchases or sales of treasury shares	4.2	0.0
Dividends paid to shareholders	(0.2)	0.0
Bonds issued	0.0	650.0
Increase/Decrease in other financial debt	(2.5)	200.0
Interest and equivalent payments	(20.9)	(18.5)
Financing of Comet pension fund	(8.5)	(4.9)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(19.9)**	**987.6**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net cash flows from financing activities amounted to a net expenditure of €19.9 million in 2017 and a resource of €987.6 million in 2016.

In 2017, the capital increase of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the debt to the option plan beneficiaries who had paid €3.9 million over 2016. In 2016, the capital increase represented the 2,944,901 shares created to service the capital increase reserved for Vivendi in the amount of €157.1 million net of issue fees.

In 2017, inflows for the acquisition of treasury shares primarily represent the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also includes the outflows and inflow related to the acquisition of Fnac Darty shares executed in the context of the liquidity contract opened on June 19, 2013 with Rothschild & Cie Banque. As of December 31, 2017, the Group held no treasury shares.

In 2017, the decrease of €2.5 million in other financial liabilities reflects the reductions in finance lease liabilities. This flow has no cash counterpart.

In 2016, to finance the acquisition of Darty, Fnac Darty issued €650.0 million in bonds and set up a €200.0 million medium-term credit facility.

The interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item includes an amount of €10.0 million received by the Group as a cash advance made by Crédit Agricole for the financial compensation receipts from loans and payment cards.

In 2017, excluding the decrease of €2.5 million in financial debt, all flows presented have a cash contra.

31.4 / Financing of the Comet pension fund

The financing of the British Comet pension fund which was integrated in the Darty plc acquisition represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was £4.0 million per year, versus £10.0 million previously. This flow has no cash contra.

NOTE 32 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.

On July 19, Fnac Darty signed an agreement to sell its Fnac Brazil subsidiary to the Livraria Cultura Group.

Present in Brazil since 1999, with a network of 12 Fnac stores and a website, in late 2016 Fnac Darty initiated an established process to find a partner in an effort to give Fnac Brazil critical mass.

Livraria Cultura is a longstanding player in the sale of editorial products in Brazil, with a network of 18 stores and a recognized online offer. Livraria Cultura offers an ambitious industrial plan for Fnac Brazil and will build on the strong name recognition of the Fnac network and the expertise of its teams to continue its development strategy. This combination of two groups with close cultures engaged in cultural promotion in Brazil will create value and synergies. It will allow Livraria Cultura to diversify its activity with the contribution of Fnac consumer electronics.

In order to give a new entity all the resources to position itself among the leaders in its market, Fnac Darty authorized continued use of the Fnac brand for a period of two years and has proceeded to a recapitalization.

In accordance with IFRS 5, Fnac Brazil was featured in a separate disclosure in the presentation of the consolidated financial statements as of December 31, 2016. In 2016, the assets and liabilities of Fnac Brazil is presented on a separate line on the Group's balance sheet. Over the reported periods, the income from these Fnac Brazil activities is presented on a separate line in the income statement, under "Discontinued operations," and is restated in the cash flow statement.

32.1 / Net income from discontinued operations

(€ million)	**2017**	**2016 restated***
INCOME FROM ORDINARY ACTIVITIES	**58.5**	**118.6**
Cost of sales	(45.7)	(91.5)
GROSS MARGIN	**12.8**	**27.0**
Personnel expenses	(6.8)	(11.3)
Other current operating income and expenses	(13.1)	(22.2)
CURRENT OPERATING INCOME	**(7.1)**	**(6.5)**
Other non-current operating income and expenses	(75.1)	(12.0)
OPERATING INCOME	**(82.1)**	**(18.6)**
(Net) financial expense	(4.8)	(2.7)
PRE-TAX INCOME	**(87.0)**	**(21.2)**
Income tax	0.0	(0.4)
NET INCOME	**(87.0)**	**(21.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Net income from discontinued operations includes the Fnac Brazil activity in the amount of €-87.6 million in 2017 and €-21.1 million in 2016. In 2017, net income related to Fnac Brazil includes all costs related to the activity of Fnac Brazil until the date of sale on July 19, 2017, and all the costs related to the sale of Fnac Brazil after its recapitalization.

In 2017 it also includes net income of €0.6 million for the discontinued operations of the Darty brand in Italy and Turkey. In 2016, these activities represented a net loss of €0.5 million.

32.2 / Net cash flows from discontinued operations

(€ million)	**2017**	**2016 restated***
Net cash flows from operating activities	(19.2)	(2.7)
Net cash flows from investing activities	0.0	0.0
Net cash flows from financing activities	0.0	(3.2)
NET CASH FLOWS	**(19.2)**	**(5.9)**
Cash at start of period or net cash flow and change in intra-group cash flows	(37.0)	(1.7)
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(56.2)**	**(7.6)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2017, net cash flows from discontinued activities include the activity of Fnac Brazil until the date of sale for a net flow of €-15.0 million and the flows related to the recapitalization and debt write-offs for €-41.2 million. In 2016, net cash flows from discontinued operations include the activity of Fnac Brazil for a net flow of €-7.6 million.

32.3 / Assets held for sale and liabilities associated with assets held for sale

(€ million)	**2017**	**2016 restated***
Assets held for sale	**3.1**	**64.0**
Inventories Fnac Brazil	*0.0*	*22.2*
Trade receivables Fnac Brazil	*0.0*	*16.4*
Receivables from suppliers Fnac Brazil	*0.0*	*2.3*
Other current assets Fnac Brazil	*0.0*	*21.6*
Assets relating to stores being sold	*3.1*	*1.6*
Liabilities relating to assets held for sale	**6.2**	**37.6**
Liabilities relating to assets held for sale Brazil	*0.0*	*32.3*
Liabilities relating to stores being sold	*6.2*	*5.3*
FNAC BRAZIL TRANSLATION GAIN/(LOSS) RECOGNIZED IN EQUITY	**0.0**	**(0.3)**

* *Restated for valuation of identifiable Darty assets and liabilities.*

In 2016, the assets held for sale and liabilities associated with assets held for sale include the assets and liabilities associated with Fnac Brazil, which were sold on July 19, 2017, and the points of sale to be sold at the request of the Competition Authority on July 18, 2016.

The points of sale to be sold in 2016 were the stores Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen, Darty Vélizy and the Darty Cuisine in Wagram.

In 2017, three stores were sold to buyers approved by the Competition Authority. These were the Darty Wagram, Darty Vélizy and Darty Italie 2 stores.

The other three stores have still not been sold.

On September 11, 2017, the Competition Authority published an opinion on the conditions for executing the commitments made under Decision 16-DCC-11 of July 27, 2016 for the exclusive takeover of Darty by Fnac.

For two of the three points of sale not yet sold, Fnac Darty submitted a buyer, as required by its commitments, to the Authority which did not approve the buyer. For the third point of sale, Fnac Darty requested an extension in the deadline for meeting its commitment, which the Authority refused. In this context, the Board of the Competition Authority decided to intervene to verify the conditions under which the Group is executing the commitments it made. This decision does not in any manner prejudice the consequences that may follow. Fnac Darty continues to examine several options for resolving this as soon as possible.

Moreover, in the context of the sale of Darty points of sale (Velizy 2, Italie 2 and Wagram), guarantees were delivered to the buyers to guarantee rents in a total amount of €14.9 million.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	**Less than one year**	**One to five years**	**More than five years**	**2017**
Operating lease agreements	206.4	279.6	49.0	535.0
Irrevocable purchase obligations	21.9	13.5	0.0	35.4
TOTAL COMMITMENTS GIVEN	**228.3**	**293.1**	**49.0**	**570.4**

	Payments due according to maturity			
(€ million)	**Less than one year**	**One to five years**	**More than five years**	**2016 restated ***
Operating lease agreements	218.9	332.2	36.5	587.5
Irrevocable purchase obligations	22.7	15.2	0.0	37.9
TOTAL COMMITMENTS GIVEN	**241.6**	**347.4**	**36.5**	**625.4**

* *Restated for valuation of identifiable Darty assets and liabilities.*

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreement" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be canceled by the lessee. They mainly correspond to non-cancelable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

Finance leases

The discounted value of future lease payments included in "Borrowings and other financial liabilities" and relating to capitalized assets that meet the IAS 17 definition of finance lease agreements is as follows:

(€ million)	**2017**	**2016**
Less than one year	(3.9)	(2.2)
One to five years	(1.8)	(4.9)
Over five years		
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(5.7)**	**(7.1)**

33.2 / Pledges and security interests

In the context of the Darty acquisition, in 2016 the Group established new sources of financing intended to finance the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

The Senior Credit Facility totaling €600.0 million matures five years from the date it was signed, April 20, 2016.

It is comprised of two lines:

1. a €200.0 million medium-term loan (Senior Term Loan Facility) repayable after the thirtieth month;
2. a €400.0 million revolving line of credit (Revolving Facility) to finance cash flow fluctuations due to the seasonal nature of its activities.

In addition, on September 22, 2016, Fnac Darty successfully issued €650.0 million of senior bonds with a seven-year maturity.

In order to secure these financing lines obtained by Fnac Darty, the following companies of the Group were the guarantors: Fnac Darty Participation Service, Fnac Direct, Etablissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and New Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	**Less than one year**	**One to five years**	**More than five years**	**2017**	**2016 restated***
Amount of line of credit not used at end of period	0.0	400.0	0.0	400.0	400.0
Amount of line of credit used at end of period	0.0	0.0	0.0	0.0	0.0
Other guarantees received	13.3	10.7	23.7	47.7	46.1
TOTAL COMMITMENTS RECEIVED	**13.3**	**410.7**	**23.7**	**447.7**	**446.1**
Commitment given relating to the acquisition of Darty plc	0.0	0.0	0.0	0.0	0.0
Rent guarantees and real estate securities	6.7	17.6	16.3	40.6	41.8
Other commitments	99.5	38.2	76.0	213.8	125.7
TOTAL COMMITMENTS GIVEN	**106.2**	**55.8**	**92.3**	**254.4**	**167.5**

* *Restated for valuation of identifiable Darty assets and liabilities.*

The revolving line of credit ("Revolving Facility") in the amount of €400.0 million was not drawn as of December 31, 2016 and December 31, 2017, and is therefore an off-balance sheet commitment.

The change in other commitments given is primarily related to a new security interest of £60.0 million (equivalent of €67.6 million), with a 20-year term from July 31, 2017, given by the Group in order to secure its obligations in the British Comet pension fund. This security is in addition to the guarantee of €23.0 million pounds (€25.9 million) given by Darty in 2012, at the time of the assignment of Comet, and renewed until February 1, 2022. Moreover, in the context of the sale of Darty points of sale (Velizy 2, Italie 2 and Wagram), guarantees were issued to the buyers to guarantee rents in a total amount of €14.9 million.

33.4 / Group dependence on patents, licenses or supply agreements

The Group is not heavily dependent on patents, licenses or supply agreements.

33.5 / Proceedings and litigation

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

According to their experts, none of the disputes in which the Group's companies or businesses are involved threatens the Group's normal and foreseeable course of business or its planned development.

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

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

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Fnac Darty

As of December 31, 2017, the Ceconomy Retail International group held 24.20% of the capital and 24.20% of the voting rights in Fnac Darty.

As of December 31, 2017, the Vivendi Universal Group owned 11.05% of Fnac Darty's share capital and 11.05% of the voting rights.

In 2017, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

The main transactions over 2017 of the Vivendi Universal Group within Fnac Darty between all consolidated companies of the Group and the parties related to the Vivendi Universal group were the following:

reinvoicing by the Universal Group, a musical products supplier, in the total amount of €25.3 million excluding tax;

reinvoicing by Activation Blizzard, a digital products supplier, for a total amount of €5.9 million excluding tax;

reinvoicing by the Universal Group, a musical products customer, in the total amount of €0.2 million excluding tax;

reinvoicing by the L'Olympia Group, a ticket sales provider, in the total amount of €5.3 million excluding tax;

reinvoicing by the Canal+ Group, a subscription services provider, in the total amount of €0.2 million excluding tax.

Until August 24, 2017, the Kering group (Artémis subsidiary) was an affiliated party of Fnac Darty. Artémis sold its stake in the capital of Fnac Darty on August 24, 2017. As a result, the Kering group is no longer affiliated with Fnac Darty as of December 31, 2017.

In 2017, reinvoicing for IT services by the Kering group represented a total of €2.0 million excluding tax.

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

reinvoicing by the Kering Group for IT services in the amount of €3.3 million excluding tax.

In 2016, the main transactions between all the Group's consolidated companies and the parties linked to the Vivendi Universal group were the following:

reinvoicing by the Universal Group, a musical products supplier, for a total of €17.4 million excluding tax;

reinvoicing by the Universal Group for musical products, for a total of €1.0 million excluding tax;

reinvoicing by L'Olympia, a ticket sales provider, for a total of €3.9 million excluding tax.

NOTE 35 REMUNERATION OF EXECUTIVE OFFICERS

Short-term benefits

The scope for the principal officers now corresponds to the Executive Committee of the new Group. The remuneration recorded as expense was the following:

(€ million)	**2017** [(a)]	**2016** [(a)]
Short-term benefits	11.6	10.0
Severance packages	1.0	0.0

(a) Amounts including employee social security costs.

Long-term benefits

In 2017, five multi-year variable remuneration plans based on units of value, performance options and bonus shares expired in whole or in part.

In accordance with IFRS 2, the instruments that had matured and the service and performance conditions attached to those instruments were updated. At the same time, the turnover ratios of the 2014 value units plan were reviewed to take account of the duration of service remaining. The volatility rate of the Fnac share price was also revised downward to 25%. The expense measured in accordance with IFRS 2 of these multi-year compensation plans amounted to €6.0 million charged in 2017 and €13.1 million in 2016. Final vesting of these plans is subject to performance and continued employment conditions. All these instruments are disclosed in section 5, note 7.

The 2014 units of value plan expired on February 28, 2017. Vesting in the plan was subject to performance conditions (average market closing prices for February 2016 at €55.33), which were achieved. For the Executive Committee, payment of the final third of the value units was tied to a condition of employment at February 28, 2017. The cash payment was made over the month of February 2017 for a total of €2.0 million, including employer contributions.

The 2015 bonus share plan expired on February 28, 2017 for French residents. Vesting in the plan was subject to performance conditions (average market closing prices for February 2017 at €58.61), which were achieved; 100% of the shares were vested for the beneficiaries present on February 28, 2017. These shares may be sold at the end of a two-year holding period. The cash payment for the Chairman and Chief Executive Officer was made in March 2017 in the amount of €1.6 million, including employer's charges (see section 3.3.2).

The third tranche of the 2013 performance option plan was vested on March 31, 2017. Based on the average closing price of the Fnac Darty share over the 20 trading days before March 31, 2017 (average of €67.46) and the performance conditions, 100% of the options in the third tranche were vested to beneficiaries in service on March 31, 2017. These options were exercised between April 1 and April 30· 2017 or paid in cash in April 2017 for the Chairman and Chief Executive Officer. The amount paid in April 2017 to the Chairman and Chief Executive Officer was €6.8 million including employer charges (see section 3.3.2).

The second tranche of the 2014 performance option plan was vested on September 30, 2017. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or paid in cash in October 2017 for the Chairman and Chief Executive Officer. The amount paid in October 2017 to the Chairman and Chief Executive Officer was €4.9 million including employer charges (see section 3.3.2).

The first tranche of the 2015 performance option plan was vested on September 30, 2017. Given the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2017 (average of €78.47) and the performance conditions, 100% of the options in the first tranche were vested to beneficiaries employed on September 30, 2017. These options were exercised between October 1 and October 20, 2017 or cashed in October 2017 for the Chairman and Chief Executive Officer. The amount paid in October 2017 to the Chairman and Chief Executive Officer was €1.5 million including employer charges (see section 3.3.2).

NOTE 36 AUDITORS' FEES

The fees (excluding taxes) paid to the Auditors of Fnac Darty, the parent company of the Group and associated network, can be analyzed as follows:

	2017							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
Issuer	0.2	27%	0.0	0%	0.2	33%	0.0	0%
Fully consolidated subsidiaries	0.3	45%	0.2	86%	0.3	54%	0.2	100%
SUBTOTAL	**0.5**	**72%**	**0.2**	**86%**	**0.5**	**86%**	**0.2**	**100%**
Services other than certification of financial statements								
Issuer	0.2	25%	0.0	0%	0.1	13%	0.0	0%
Fully consolidated subsidiaries	0.0	3%	0.0	14%	0.0	1%	0.0	0%
SUBTOTAL	**0.2**	**28%**	**0.0**	**14%**	**0.1**	**14%**	**0.0**	**0%**
TOTAL	**0.7**	**100%**	**0.2**	**100%**	**0.6**	**100%**	**0.2**	**100%**

Services other than certification of the financial statements consist primarily of consulting assignments on internal control, technical consultations, and various certifications.

	2016									
	Deloitte & Associés				KPMG				Price Waterhouse Coopers	
	Statutory Auditors		Network		Statutory Auditors		Network		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements										
Issuer	0.3	38%	0.0	0%	0.3	43%	0.0	0%	0.0	0%
Fully consolidated subsidiaries	0.2	25%	0.2	100%	0.2	29%	0.2	100%	1.5	100%
SUBTOTAL	**0.5**	**63%**	**0.2**	**100%**	**0.5**	**71%**	**0.2**	**100%**	**1.5**	**100%**
Services other than certification of financial statements										
Issuer	0.2	25%	0.0	0%	0.2	29%	0.0	0%	0.0	0%
Fully consolidated subsidiaries	0.1	13%	0.0	0%	0.0	0%	0.0	0%	0.0	0%
SUBTOTAL	**0.3**	**38%**	**0.0**	**0%**	**0.2**	**29%**	**0.0**	**0%**	**0.0**	**0%**
TOTAL	**0.8**	**100%**	**0.2**	**100%**	**0.7**	**100%**	**0.2**	**100%**	**1.5**	**100%**

The fees paid in 2016 also include those charged for the certification of the financial statements by PricewaterhouseCoopers, the Statutory Auditor for Darty.

Services other than certification of the financial statements primarily consist of a letter of comfort in the context of the High Yield Bonds financing issue, due diligence related to the prospectus (Vivendi capital increase and Darty plc acquisition), technical consultations, and various certifications.

NOTE 37 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

On January 16, 2018, Vivendi signed a hedge agreement with Société Générale to protect the value of its 11% stake in Fnac Darty.

Vivendi retains the possibility of settlement in cash or by delivery of shares at the end of this transaction, which is no later than the second half of 2019.

In the context of this transaction, Société Générale constituted its own hedge with a private placement of shares with institutional investors.

The SFAM company, a major player in insurance for Mobile Telephony and Roaming Multimedia Products, announced on February 6, 2018 that it had acquired 11% of Fnac Darty. Fnac Darty and SFAM have maintained commercial relations since 2015 and more generally since the second quarter of 2017.

SFAM in this way highlights the confidence it has in Fnac Darty and its prospects for growth as well as its desire to support that growth.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2017

The Group's subsidiaries are as follows:

Fully consolidated: F

Consolidated under the equity method: E

	% interest			
Company	**12/31/2017**		**31/12/31/2016**	
Fnac Darty	F	100.00	F	100.00
FNAC BANNER				
France				
Alize – SFL	F	100.00	F	100.00
Attitude		0.00		sold in June 2016
Codirep	F	100.00	F	100.00
Eazieer	F	100.00	F	100.00
FDPS (Fnac Darty Participations et Services)	F	100.00	F	100.00
Fnac Accès	F	100.00	F	100.00
Fnac Appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	F	98.00	F	98.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00	E	50.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live (ex: Kyro Concept)	F	50.00	F	50.00
Belgium				
Belgium Ticket	F	75.00	F	75.00
Fnac Belgium	F	100.00	F	100.00
Spain				
Fnac España	F	100.00	F	100.00
Monaco				
Fnac Monaco	F	100.00	F	100.00
Portugal				

Company	% interest 12/31/2017		31/12/31/2016	
Fnac Portugal	F	100.00	F	100.00
Switzerland				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
Brazil				
F.Brasil		sold in July 2017	F	100.00
DARTY BANNER				
United Kingdom				
Darty Limited (ex plc)	F	100.00	F	100.00
Kesa Holdings Limited	F	100.00	F	100.00
Kesa International Limited	F	100.00	F	100.00
Kesa Sourcing Limited	F	100.00	F	100.00
Kesa Spain Limited		sold in 1st half 2017	F	100.00
Kesa Turkey Limited	F	100.00	F	100.00
France				
A2I Darty Alsace-Lorraine SNC		TUP* as of 04/07/2017	F	100.00
A2I Darty Nord SNC		TUP* as of 04/10/2017	F	100.00
A2I Darty Ouest SNC	F	100.00	F	100.00
A2I Darty Provence-Méditerranée SNC		TUP* as of 04/03/2017	F	100.00
A2I Darty Rhône-Alpes SNC	F	100.00	F	100.00
A2I Île-de-France SNC	F	100.00	F	100.00
Centrale d'achat des Professionnels de l'Électromenager SNC ("caprofem")		TUP* as of 04/16/2017	F	100.00
Compagnie Européenne de Commerce et de Distribution SAS ("CECD")	F	100.00	F	100.00
Compagnie Européenne de Vente et d'Accessoires en Ligne SNC ("CEVL")		TUP* as of 04/03/2017	F	99.90
Dart Financements SAS		TUP* as of 04/16/2017	F	100.00
Darty Développement SAS	F	100.00	F	100.00
Darty Grand Est SNC	F	100.00	F	100.00
Darty Grand Ouest SNC	F	100.00	F	100.00
Darty Holdings SAS	F	100.00	F	100.00
Darty SNC		TUP* as of 09/29/2017	F	100.00
Établissements Darty & Fils SAS	F	100.00	F	100.00

Company	% interest 12/31/2017		31/12/31/2016	
Immobilière Darty SNC	TUP* as of 04/03/2017		F	100.00
Kesa Electricals SAS	F	100.00	F	100.00
Kesa France SA	F	99.70	F	99.70
Ménafinance SA	E	50.00	E	50.00
Participations Distribution Services SNC	F	100.00	F	100.00
Vidéo Information France SNC (“VIF”)	TUP* as of 09/29/2017		F	100.00
Netherlands				
BCC Elektro-Speciaalzaken BV	F	100.00	F	100.00
BCC Holding Amstelveen BV	F	100.00	F	100.00
BCC Vastgoed Holding BV	F	100.00	F	100.00
Bouwerij Amstelveen BV	F	100.00	F	100.00
Bouwerij Amstelveen OG BV	F	100.00	F	100.00
Oude Haagweg Holding BV	F	100.00	F	100.00
Oude Haagweg OG BV	F	100.00	F	100.00
Polectro BV	F	100.00	F	100.00
Polectro Plaza BV	F	100.00	F	100.00
Rivieradreef Holding BV	F	100.00	F	100.00
Rivieradreef OG BV	F	100.00	F	100.00
Belgium				
New Vanden Borre	F	100.00	F	100.00
New Vanden Borre Transport	F	100.00	F	100.00
Vanden Borre Kitchen	E	50.00	E	50.00
Other countries				
Fnac Darty Asia Limited (HK)	F	100.00	F	100.00
Darty Asia Consulting Limited (CH)	F	100.00	F	100.00

* *TUP = Universal Transfer of Holdings.*

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES WORKING WITH FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

	2017		2016	
For €1	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Pound sterling	0.89	0.88	0.86	0.82
Swiss franc	1.17	1.11	1.07	1.09
Brazilian real*	3.68	3.48	3.43	3.86

* *As of July 31, 2017.*

Material change in financial or commercial positions

To the best of Fnac Darty's knowledge, no event likely to have a significant influence on the Group's activity, financial position and assets has occurred since December 31, 2017.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2017

To the Fnac Darty Shareholders' Meeting,

Opinion

In execution of the mission assigned to us by your Shareholders' Meetings, we have audited the Fnac Darty consolidated financial statements for the year ended December 31, 2017, as attached to this report.

We hereby certify that the consolidated financial statements present a true and fair view of the results of the operations for the past year and of the financial position and assets at year-end of the group formed by the persons and entities included in the consolidation in accordance with IFRS as adopted in the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' Responsibilities for the audit of the consolidated financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2017 to the date we issued our report, and we specifically provided no services prohibited by Article 5, Section 1 of Regulation (EU) 537/2014 or by the code of ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, and our responses to these risks.

The assessments made are part of our process of auditing the consolidated financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these annual financial statements taken in isolation.

Risk identified	Audit response provided
Valuation and recognition of discounts and commercial cooperation received from suppliers *(Notes 2.3.2 and 2.19 of the appendix to the consolidated financial statements)*	
Within the group, there is a large number of purchasing contracts and agreements with suppliers that stipulate: commercial discounts given to the group based on quantities purchased or other contract conditions, such as reaching thresholds or growth in purchasing volumes (“discounts”); amounts paid to the group for services rendered to suppliers in order to facilitate the sale of their products (“commercial cooperation”). Discounts and commercial cooperation received by the group from its suppliers are valued on the basis of contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contract conditions, such as thresholds reached or growth in purchasing volumes for discounts and the performance of services rendered to suppliers in the form of commercial cooperation. These are recognized as a reduction in the cost of sales. Given the large number of contracts and the features specific to each supplier, the correct valuation and recognition of discounts and commercial cooperation with respect to contract provisions and purchasing volumes constitute a key point of the audit.	We were informed of the internal control process and key controls established by the group concerning the process to value and recognize discounts and commercial cooperation, and tested their effectiveness on a sampling of contracts. Our other work, involving sampling, consisted of: reconciling the commercial terms used in the calculation with the conditions stipulated in the purchasing contracts and agreements with suppliers; comparing the estimates made for the previous year with the corresponding actual data in order to assess the reliability of the estimation process. In addition, we corroborated the business volumes used to calculate the amount of the discounts expected at December 31, 2017, with the business volumes recorded in the group’s purchasing information systems.
Valuation of the Darty and Vanden Borre brands *(Notes 2.7, 2.10, 15 and 18 of the appendix to the consolidated financial statements)*	
The values in use of the Darty and Vanden Borre brands are recognized for a net amount of €301.6 million and €35.7 million, respectively. They were valued using the relief from royalty method by an independent expert, in the context of the allocation of the Darty acquisition price in 2016. During each fiscal year, when events or circumstances indicated that impairment is likely to occur, management ensures that the net book value of these brands is not greater than their recoverable value. The recoverable value of the brands is their fair value minus exit costs, or their useful value, whichever is higher. The recoverable value of the brands was determined on the basis of the value in use of the brands defined by discounting royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half based on budgets and medium-term plans over a three-year horizon. To calculate value in use, a terminal value equal to capitalization to infinity of a normative savings is added to the value of the future expected savings. In this context, we considered the measurement of the recoverable value of the Darty and Vanden Borre brands to be a key point of the audit because of their particularly significant amount on the balance sheet assets at December 31, 2017, uncertainties related to the probability of achieving the budgets and medium-term plans used as the basis for projections of flows of future royalty savings, including measurement of their recoverable value, and sensitivity to changes in	We were informed of the process implemented by management in order to determine the recoverable value of the Darty and Vanden Borre brands. Our work consisted largely of: assessing the relevance of the principles and method for determining recoverable values in terms of market practices used to value brands; assessing the consistency of the projected revenue growth rates with available outside analyses; assessing the royalty rates applied to the brands in calculating value based on future revenues; assessing the reasonable nature of the discount rates applied to the estimated royalty flows, specifically by verifying that the various parameters comprising the weighted average cost of capital for each brand can approach the rate of return expected by market participants for similar activities. We also assessed the appropriateness of the information presented in Note 18 of the appendix to the consolidated financial statements.

Risk identified	Audit response provided
the data and assumptions on which the estimates were based.	
Valuation of Goodwill *(Notes 2.6, 2.10, 15 and 18 of the appendix to the consolidated financial statements)*	
Cash Generating Units containing goodwill are subject to a systematic annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. If the recoverable value of a Cash Generating Unit is lower than its net book value, an impairment is recognized. The recoverable value of a Cash Generating Unit is its fair value less selling costs or its value in use, whichever is higher. Value in use is determined in relation to projections of expected future cash flows, taking into account the time value and specific risks related to the Cash Generating Unit. Future expected cash flows were projected during the second half of the year based on budgets and medium-term plans over a three-year horizon. For the value in use calculation, a terminal value equal to capitalization to infinity of a normative annual cash flow is added to the value of expected future cash flows. At December 31, 2017, the net book value of the goodwill allocated to the France Cash Generating Unit was €1,402.2 million. We considered the measurement of the recoverable value of the France Cash Generating Unit to be a key point of the audit because of its weight in total assets at December 31, 2017, uncertainties related to the probability of achieving the projected future cash flows used in the measurement of recoverable value, and sensitivity to changes in the data and assumptions used.	We were informed of the process implemented by management to determine the recoverable value of the goodwill allocated to the France Cash Generating Unit. Our work consisted of: verifying the completeness of the elements composing the net book value of the Cash Generating Unit; assessing the relevance of the principles and method for determining recoverable values of the Cash Generating Unit under IAS36; assessing the reasonableness of the cash flow projections in terms of the economic environment in which the Group operates in France; assessing the consistency of the growth rate used for projected flows with available outside analyses; assessing the reasonableness of the discount rate applied to the estimated cash flows by specifically verifying that the various parameters comprising the weighted average cost of capital of the Cash Generating Unit approaches the rate of return expected by market participants for similar activities; comparing the accounting estimates of cash flow projections from previous periods with the corresponding actual data in order to assess reliability. We also assessed the appropriateness of the information presented in Notes 15 and 18 to the of the appendix to the consolidated financial statements.

Verification of information on the group provided in the Management Report

Consistent with professional standards applicable in France, we also performed the specific verification required by law of information relating to group data in the Board of Directors' Management Report.

We have no comments to make on its fair presentation and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

Appointment of the Auditors

Deloitte & Associés was appointed auditor of Fnac Darty by the Shareholders' Meeting of June 22, 1993, and KPMG S.A. by the Shareholders' Meeting of April 17, 2013.

As of December 31, 2017, the two firms were in the 5th year of their appointment since the Company's shares had been listed for trading on a regulated market. Deloitte & Associés is in the 25th year of its appointment without interruption, and KPMG S.A. in its fifth year.

Responsibilities of management and the individuals comprising corporate governance for the

consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a fair image, in accordance with IFRS as adopted in the European Union, and to implement the internal controls it believes necessary for the preparation of consolidated financial statements containing no material anomalies, whether as a result of fraud or errors.

During preparation of the consolidated financial statements, it is management's responsibility to assess the Company's ability to continue operation, to present in these statements any information concerning continuity of operations, and to apply the accounting principle of continuity of operations, unless it is planned to liquidate the company or terminate its activity.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and monitoring the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Auditor for auditing the consolidated financial statements

Audit purpose and process

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that, individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist in guaranteeing the viability or the quality of your Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. Moreover:

the auditor identifies and measures the risks that the consolidated financial statements contain material anomalies, whether as a result of fraud or error, defines and implements audit procedures in light of these risks, and collects information deemed sufficient and appropriate on which to base an opinion. The risk of failure to detect a material anomaly resulting from fraud is greater than the risk of a material anomaly resulting from error, because fraud may involve collusion, embezzlement, voluntary omissions, false statements or bypassing of internal controls;

the auditor is knowledgeable of internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;

the auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the consolidated financial statements;

the auditor assesses the appropriateness of management's application of the accounting convention of continuity of operations and, based on information collected, the existence or absence of significant uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the continuity of operation. If the auditor concludes that a significant uncertainty exists, he calls the attention of readers of the audit report to information provided in the consolidated financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;

the auditor assesses the overall presentation of the consolidated financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events;

for financial information on persons or entities included within the scope of consolidation, the auditor collects information believed to be sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and completion of the audit of the consolidated financial statements and for the opinion on those statements.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most important for the audit of the annual consolidated financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) 537-2014 confirming our independence, under the rules applicable in France specifically as established by Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Neuilly-sur-Seine and Paris La Défense, March 26, 2018

Statutory Auditors

Deloitte & Associés	KPMG Audit *A department of KPMG S.A.*
Stéphane Rimbeuf *Partner*	Éric Ropert *Partner*

GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017

Consolidated income statement for the years ended December 31, 2018 and 2017

(€ million)	Notes	2018	2017
INCOME FROM ORDINARY ACTIVITIES	4-5	**7,474.7**	**7,448.2**
Cost of sales		(5,209.6)	(5,187.3)
GROSS MARGIN		**2,265.1**	**2,260.9**
Personnel expenses	6-7	(1,105.1)	(1,093.1)
Other current operating income and expense		(865.7)	(899.6)
Share of profit from equity associates	8	1.7	1.9
CURRENT OPERATING INCOME	9	**296.0**	**270.1**
Other non-current operating income and expense	10	(38.8)	(53.3)
OPERATING INCOME		**257.2**	**216.8**
(Net) financial expense	11	(42.6)	(44.0)
PRE-TAX INCOME		**214.6**	**172.8**
Income tax	12	(65.0)	(48.3)
NET INCOME FROM CONTINUING OPERATIONS		**149.6**	**124.5**
Group share		*149.2*	*124.2*
share attributable to non-controlling interests		*0.4*	*0.3*
NET INCOME FROM DISCONTINUED OPERATIONS	32	**0.3**	**(87.0)**
Group share		*0.3*	*(87.0)*
share attributable to non-controlling interests		*0.0*	*0.0*
CONSOLIDATED NET INCOME		**149.9**	**37.5**
Group share		*149.5*	*37.2*
share attributable to non-controlling interests		*0.4*	*0.3*
NET INCOME, GROUP SHARE		**149.5**	**37.2**
Earnings per share *(€)*	13	5.60	1.41
Diluted earnings per share *(€)*	13	5.57	1.40
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE		**149.2**	**124.2**
Earnings per share *(€)*	13	5.59	4.70
Diluted earnings per share *(€)*	13	5.56	4.68

Consolidated comprehensive income statement

(€ million)	Notes	2018	2017
NET INCOME		**149.9**	**37.5**
Items that may be reclassified subsequently to profit or loss	14	2.2	(3.1)
Items that may not be reclassified subsequently to profit or loss	14	12.9	0.2
OTHER ITEMS OF COMPREHENSIVE INCOME, AFTER TAX	14	**15.1**	**(2.9)**
TOTAL COMPREHENSIVE INCOME		**165.0**	**34.6**
Group share		*164.6*	*34.3*
share attributable to non-controlling interests		*0.4*	*0.3*

Consolidated statement of financial position for the periods ended December 31, 2018 and 2017

Assets

(€ million)	Notes	As of December 31, 2018	As of December 31, 2017
Goodwill	15	1,559.5	1,541.4
Intangible assets	16	480.0	473.0
Property, plant & equipment	17	620.2	611.2
Investments in associates	8	19.7	22.0
Non-current financial assets	19	20.6	15.9
Deferred tax assets	12.2.2	66.8	59.9
Other non-current assets		0.0	0.0
NON-CURRENT ASSETS		**2,766.8**	**2,723.4**
Inventories	20	1,091.8	1,072.8
Trade receivables	21	271.8	265.1
Tax receivables due	12.2.1	41.8	50.2
Other current financial assets	22.1	14.2	22.3
Other current assets	22.1	405.6	358.0
Cash and cash equivalents	26	918.6	774.9
CURRENT ASSETS		**2,743.8**	**2,543.3**
ASSETS HELD FOR SALE	32	**0.0**	**3.1**
TOTAL ASSETS		**5,510.6**	**5,269.8**

Liabilities

(€ million)	Notes	As of December 31, 2018	As of December 31, 2017
Share capital	23	26.6	26.7
Equity-related reserves		984.4	988.8
Translation reserves		(4.5)	(5.2)
Other reserves and net income		247.0	85.7
SHAREHOLDERS' EQUITY, GROUP SHARE	23	**1,253.5**	**1,096.0**
Shareholders' equity – Share attributable to non-controlling interests		7.5	7.0
SHAREHOLDERS' EQUITY		**1,261.0**	**1,103.0**
Long-term borrowings and financial debt	27	855.1	853.8
Provisions for pensions and other similar benefits	24	161.5	179.8
Other non-current liabilities	22.2	191.3	194.6
Deferred tax liabilities	12	189.9	192.7
NON-CURRENT LIABILITIES		**1,397.8**	**1,420.9**
Short-term borrowings and financial debt	27	56.1	7.2
Other current financial liabilities	22.1	15.9	18.5
Trade payables	22.1	1,876.7	1,765.6
Provisions	25	51.9	72.5
Tax liabilities payable	12	44.4	47.3
Other current liabilities	22	805.5	828.6
CURRENT LIABILITIES		**2,850.5**	**2,739.7**
PAYABLES RELATING TO ASSETS HELD FOR SALE	32	**1.3**	**6.2**
TOTAL LIABILITIES		**5,510.6**	**5,269.8**

Consolidated cash flow statement as of December 31, 2018 and 2017

(€ million)	Notes	2018	2017
NET INCOME FROM CONTINUING OPERATIONS		**149.6**	**124.5**
Income and expense with no impact on cash		79.6	133.6
CASH FLOW	31.1	**229.2**	**258.1**
Financial interest income and expense		36.5	34.4
Dividends received		0.0	(0.1)
Net tax expense payable	12.1	75.3	60.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST		**341.0**	**353.1**
Change in working capital requirement	22	1.1	56.3
Income tax paid		(71.8)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	31.1	**270.3**	**311.1**
Acquisitions of intangible assets, property, plant & equipment		(117.9)	(113.9)
Disposals of intangible assets, property, plant & equipment		0.3	2.0
Acquisitions of subsidiaries net of cash acquired		(11.2)	(0.3)
Disposals of subsidiaries net of cash transferred		0.0	0.0
Acquisitions of other financial assets		(2.3)	(1.5)
Sales of other financial assets		0.0	0.0
Interest and dividends received		0.0	0.0
NET CASH FLOWS FROM INVESTING ACTIVITIES	31.2	**(131.1)**	**(113.7)**
Capital increase/(decrease)		6.8	11.9
Other transactions with shareholders		0.0	(3.9)
Purchases or sales of treasury stock		(14.4)	4.2
Dividends paid to shareholders		0.0	(0.2)
Bonds issued		0.0	0.0
Bonds repaid		0.0	0.0
Increase/decrease in other financial debt		50.2	(2.5)
Interest and equivalent payments		(32.5)	(20.9)
Financing of the Comet pension fund	31.4	(4.5)	(8.5)
NET CASH FLOWS FROM FINANCING ACTIVITIES	31.3	**5.6**	**(19.9)**
Net cash flows from discontinued operations	32	(0.6)	(56.2)
Impact of changes in exchange rates		(0.5)	(2.3)
NET CHANGE IN CASH		**143.7**	**119.0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30	**774.9**	**655.9**
CASH AND CASH EQUIVALENTS AT PERIOD-END	30	**918.6**	**774.9**

Change in consolidated shareholders' equity as of December 31, 2018 and 2017

(Before appropriation of 2018 earnings) *(€ million)*	**Number of shares outstanding**	**Share capital**	**Equity-related reserves**	**Translation reserves**	**Other reserves and net income**	**Shareholders' equity**		
						Group share	**Non-controlling interests**	**Total**
AS OF DECEMBER 31, 2016	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**43.4**	**1,042.6**	**6.8**	**1,049.4**
Total comprehensive income				**(0.8)**	**35.1**	**34.3**	**0.3**	**34.6**
Capital increase/(decrease)	535,364	0.6	11.3			11.9		11.9
Change in scope						0.0		0.0
Treasury stock					4.2	4.2		4.2
Valuation of share-based payments					3.5	3.5		3.5
Dividends paid					(0.2)	(0.2)		(0.2)
Share of Darty Ltd. acquisition expenses posted to shareholders' equity					(0.3)	(0.3)		(0.3)
Other movements						0.0	(0.1)	(0.1)
AS OF DECEMBER 31, 2017	**26,658,135**	**26.7**	**988.8**	**(5.2)**	**85.7**	**1,096.0**	**7.0**	**1,103.0**
Total comprehensive income				**0.7**	**163.9**	**164.6**	**0.4**	**165.0**
Capital increase/(decrease)	(52,696)	(0.1)	(4.4)			(4.5)		(4.5)
Change in scope						0.0		0.0
Treasury stock					(5.8)	(5.8)		(5.8)
Valuation of share-based payments					6.9	6.9		6.9
Dividends paid						0.0		0.0
Impact of first application of IFRS 9 *					(4.1)	(4.1)		(4.1)
Impact of first application of IFRS 15					0.4	0.4		0.4
Other movements						0.0	0.1	0.1
AS OF DECEMBER 31, 2018 [(a) (b)]	**26,605,439**	**26.6**	**984.4**	**(4.5)**	**247.0**	**1,253.5**	**7.5**	**1,261.0**

* *Impairment of financial assets of Ménafinance joint venture.*

(a) €1 par value of shares.

(b) Number of shares in capital as of December 31, 2018: 26,605,439.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 GENERAL INFORMATION

1.1 / General information

Fnac Darty, the parent company of the Group, is a French limited company *(société anonyme)* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Fnac Darty is subject to all laws governing commercial companies in France, including the provisions of the French Commercial Code.

The consolidated financial statements as of December 31, 2018 reflect the financial position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On February 20, 2019, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2018. These statements are not final until after ratification by the General Meeting of shareholders.

1.2 / Reporting context

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

The listing of Fnac Darty securities for trading on the Euronext Paris regulated market in Paris requires the establishment of consolidated financial statements according to IFRS standards.

The Group's consolidated financial statements are presented in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1 / General principles and statement of compliance

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the Group's consolidated financial statements for 2017 have been prepared in accordance with international accounting standards as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) on the date these financial statements were established. These standards were mandatory at that date, and are presented with the comparative data for 2017, prepared on the same basis. Over the periods presented, the standards and interpretations adopted by the European Union are similar to the mandatory standards and interpretations published by the IASB (International Accounting Standards Board). Therefore, the Group's financial statements have been prepared in compliance with the standards and interpretations as published by the IASB.

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

The consolidated financial statements presented do not take into account the standards and interpretations which at period-end were still in the exposure draft stage with the IASB and IFRIC, or standards whose application was not mandatory in 2018.

The reference year for the Group is January 1 to December 31.

The accounting principles used in preparing the annual consolidated financial statements are in line with those used for the previous annual consolidated statements with the exception, as applicable, of the standards and interpretations adopted in the European Union and applicable for the Group on or after January 1 of the previous year (see note 2.2 "IFRS guidelines applied").

The Group does not apply standards before the required date of application.

2.2 / IFRS guidelines applied

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning after January 1, 2018 and not adopted early by the Group

On January 13, 2016, the IASB published **IFRS 16 – Leases.** IFRS 16 will replace the current IAS 17 standard and its interpretations. This new standard, which will be mandatory for annual periods beginning on or after January 1, 2019, requires the recognition of an asset (the right of use) and a liability on the basis of discounted rents.

The Group will apply the standard from January 1, 2019 and plans to do so using the modified retrospective method, with the possibility of calculating the right of use retrospectively, on a case-by-case basis, from the start of the lease. In order to ensure the smooth transition between IAS 17 and IFRS 16, all lease and service agreements falling within the scope of IFRS 16 have been analyzed.

During 2018, the Group collected the necessary data on lease agreements falling within the scope of the standard in preparation for the transition to IFRS 16. The Group has adopted the exemptions provided under the standard for lease agreements shorter than 12 months or having an underlying asset replacement value of less than US$5,000. The Group has identified over 4,000 leases within the scope of IFRS 16, including nearly 630 property lease agreements, with the remainder almost exclusively consisting of equipment lease agreements.

To determine the lease term to be taken into account for each agreement, a twin approach that looks at both the contract (determination of the enforceable term of the agreements) and the economic and commercial criteria was used. The enforceable term identified for each agreement corresponds to the maximum period for which the lessee is entitled to benefit from the right to use the asset. It corresponds to the period during which the agreement cannot be terminated by the lessor, plus all renewal options available solely to the lessee. Within this enforceable term, the lease period used may be limited by considering, or not, early termination options for the lease agreements based on economic criteria for the leased assets, in order to determine the overall reasonably certain lease periods for each agreement. The economic criteria used to assess the exercise of renewal or early termination options of leases by type of asset take into account the quality of the locations (premium or standard), the strategic nature of the store and its profitability.

Given that the implicit rates of the leases are not readily determinable, the Group has calculated the discount rates by country on the basis of a marginal borrowing rate that reflects the specific characteristics of the entities that take out the lease agreements. The discount rates by currency are calculated using a Midswap index, by currency and by maturity, to which is added a spread (average spread of current Group borrowings + country risk premium + subsidiary rating). The maturity of the rate used depends on the duration of each lease agreement, which itself depends on its expiry.

The estimated impact of IFRS 16 application on the opening balance sheet as of January 1, 2019 will result in a lease debt of between €0.9-1.1 billion being recorded, as well as an increase in non-current assets due to recording of a right of use.

The difference noted between the estimated amount of the IFRS 16 debt and that of the off-balance sheet commitments relating to lease agreements (€0.5 billion at end-December 2018) can be mainly explained by the different methods used:

- period chosen for the calculation of lease agreement off-balance sheet commitments is limited to the first exit option of the lease; and
- no flow discounting for the calculation of lease agreement off-balance sheet commitments.

The main aggregates used by the Group will show the following impacts related to IFRS 16:

- increase in EBITDA;
- increase in financial expense;
- discontinuous change in net income, ultimately with no impact over the total period of the agreement;
- in the cash flow statement, impact on changes related to financing activities; and
- recognition of an asset (the right of use) and a liability on the basis of discounted rents.

Application of the standard will have no impact on the Group's financial covenants, as they are determined outside the scope of IFRS 16.

To enable the calculation of the impact and operational monitoring of leases, Fnac Darty acquired an IT solution designed to:

- centralize all lease agreements;
- update information in real time;
- generate accounting items;

- manage forecast data; and
- analyze financial impacts both at the Group level and for controlling areas.

Roll-out of this tool was completed in the second half of 2018.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2018

- **IFRS 9 – Financial instruments.** Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial instruments. These principles replaced, effective January 1, 2018, the principles in IAS 39 – Financial Instruments.

Fnac Darty has decided to apply the third part of IFRS 9 related to hedging instruments.

As permitted by IFRS 9, the Group chose not to restate its comparative figures.

The main impacts are as follows:

- investment: the Group has units in the Daphni Purple private equity fund, whose method of accounting is amended due to its change in classification between IAS 39 and IFRS 9. Under IAS 39, these fund units were classified as “available-for-sale securities” and their changes in fair value were recognized in shareholders’ equity. Under IFRS 9, they are classified as fair value instruments through the income statement and their changes are recognized as an adjustment to profit or loss. As of January 1, 2018, the Group reclassified -€0.3 million across other items of comprehensive income and retained earnings. The application of this standard had no impact on opening shareholders’ equity and an impact of +€1.2 million on the Group’s net financial income as of December 31, 2018, offsetting an equivalent increase in the value of non-current financial assets on the balance sheet. As such, the tax impact of the application of this standard was -€0.4 million on deferred taxes as of December 31, 2018;

- impairment of financial assets: the IAS 39 impairment model for financial assets, based on actual losses, has been replaced by a model based on expected credit losses. This new model applies to financial assets measured at amortized cost, to financial assets corresponding to debt instruments measured at fair value through other items of comprehensive income, and to loan commitments and financial guarantees.

  Within the Group, the IFRS 9 provisions on impairment of financial assets relate in particular to trade receivables. The Group examined its method for impairment of trade receivables. IFRS 9 requires the recognition of expected losses at maturity on trade receivables without a material financing component. In light of the consumer retail sales activity, which implies a low level of receivables and a very low risk of non-recovery, the implementation of IFRS 9 has no material impact on the Group. Furthermore, due to its consumer credit business, the Ménafinance joint venture is impacted by the implementation of IFRS 9. The application of this standard on the impairment of trade receivables had an impact of -€4.1 million on Group shareholders’ equity at January 1, 2018.

- **IFRS 15 – Revenue from Contracts with Customers.** IFRS 15 replaced, with effect from January 1, 2018, IAS 18 – Revenue and the IFRIC 13 Interpretation – Customer Loyalty Programmes.

In the second half of 2017, the Group had conducted a qualitative and quantitative analysis of the main questions that could impact the financial statements for the transition to IFRS 15. The questions analyzed in depth were the following:

- Agent/Principal classification;
- warranties;
- sales with right of return;
- group gift vouchers and cards;
- franchise agreements; and
- loyalty programs.

The IFRS 15 impact analysis was conducted in the second half of 2017 across the Group’s scope. Thematic interviews with the subsidiaries, along with the analysis of the various contracts, made it possible to assess the impact of the standard on current revenue recognition practices. In light of the analyses conducted, IFRS 15 does not have a material effect on the Group’s financial statements.

With respect to the Agent/Principal classification, the Group undertakes a portion of its activities in association with partners, raising the question of its role in these transactions. Following an analysis of contracts, the application of IFRS 15 does not materially change revenue recognition and presentation. The activities analyzed were primarily Marketplace, Subscriptions, Ticketing, Gift Boxes and Kitchen.

The main indicators for assessing the agent/principal classification were:

- primary responsibility for performance of the agreement;
- exposure to inventory risk; and
- determination of the selling price.

With regard to warranty contracts, the application of IFRS 15 entails the identification of two distinct performance obligations within contracts which include a take-back offer (a warranty obligation and a take-back obligation at the end of the warranty period). The impact in terms of revenue recognition rate and presentation is not material.

For sales with rights of return: in accordance with IAS 18, the Group recognized a net provision for estimated rights of return up to December 31, 2017. The estimate of returns is based on observed return statistics. For sales with a right of return, IFRS 15 does not permit set-off and leads to presenting a refund liability with contra item of revenues, and a returns asset with contra item of cost of the purchases. The impact of IFRS 15 is essentially a presentation impact on revenues and on purchasing costs, without net impact on margin.

For gift vouchers and cards, IFRS 15 impacts the recognition date for the income from the breakage which, as a variable element of the revenue linked to sale of the card, must be recognized in proportion to the customer's use of the card. Up to December 31, 2017, when it could be reliably estimated on a multi-year statistical basis, the income from the breakage of cards and gift vouchers was recognized in income from ordinary activities upon activation of the card or voucher. When the card or voucher was not used, this income was recognized at the card or voucher expiration. The impact of IFRS 15 on revenues is not material.

With respect to Fnac franchise agreements and Darty franchise agreements, under IFRS 15, royalties generated on the basis of sales must be recognized on the date on which the underlying sale takes place.

The analysis covers:

- royalty income; and
- initial franchise fees.

Following an analysis of contracts, the application of IFRS 15 does not change revenue recognition and presentation.

In the case of loyalty programs, income from the sale of loyalty cards is spread over the validity period of the cards in order to reflect the consumption schedule of benefits offered. Consequently, the application of IFRS 15 does not change revenue recognition and presentation.

The Group applied IFRS 15 retrospectively at January 1, 2018 with a cumulative adjustment of the effects set against shareholders' equity on the date of application.

Other standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2018:

- amendments to IFRS 15 and its clarifications;
- annual improvements to IFRS Standards 2014-2016 Cycle – Sundry provisions;
- amendments to IAS 40 – Transfers of Investment Property;
- amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 Interpretation – Foreign currency transactions and advance consideration;
- IFRIC 23 Interpretation – Uncertainty over Income Tax Treatments, applicable as of January 1, 2019. The application of this interpretation should not have a significant impact on the Group's financial statements;
- amendment to IFRS 9 – Prepayment Features with Negative Compensation, applicable as of January 1, 2019; and
- amendments to IAS 28 – Long-Term interests In Associates and Joint Ventures, applicable as of January 1, 2019 according to the IASB.

The application of these amendments has no significant impact on the Group's consolidated financial statements.

2.2.3 Standards, amendments and interpretations not yet adopted by the European Union and mandatory for post-2018 reporting periods

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

- amendments to IAS 19 – Plan Amendment, Curtailment or Settlement, applicable as of January 1, 2019 according to the IASB;
- annual improvements to IFRS Standards 2015-2017 Cycle – Sundry provisions, applicable as of January 1, 2019 according to the IASB;
- amendments to IAS 1 and IAS 8 – definition of “material”;
- revision of references to Conceptual Framework for Financial Reporting, applicable as of January 1, 2020 according to the IASB; and
- amendments to IFRS 3 – Definition of a Business.

2.3 / Bases for preparation and presentation of the consolidated financial statements

2.3.1 Bases for evaluation

The consolidated financial statements were prepared according to the historic cost convention with the exception of:

- certain financial assets and liabilities, valued at fair value;
- defined benefit plan assets, valued at fair value;
- the proportion of securities held by a subsidiary or associate, valued at fair value at the moment of loss of control or significant influence;
- non-current assets held for sale, valued and recognized at the lower amount between their net book value and their fair value minus disposal costs as soon as their sale is considered highly probable. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale.

2.3.2 Use of estimates and judgments

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

In the absence of standards or interpretations applicable to a specific transaction, the Group’s management uses its judgment to define and apply the accounting policies that will enable relevant, reliable information to be obtained when preparing the financial statements. When exercising its judgment, the Group looks at its past experience and all available information considered critical in light of its environment and circumstances. The estimates and assumptions used are continually reexamined. Given the uncertainties inherent in any valuation process, it is possible that the final amounts included in the Group’s future financial statements may differ from current estimates.

The main estimates made by the Group’s management in preparing the financial statements concern the valuation and useful lives of operating assets; property, plant and equipment; intangible assets and goodwill; the amount of the provisions for contingencies and other provisions relating to the business; as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred taxes and the fair values of financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

The main estimates and assumptions used by the Group are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate		Nature of the estimate and judgment
Notes 2.9 and 20	Inventories	Prospects for inventory run-down for calculating impairment
Notes 2.10 and 18	Impairment tests on non-financial assets	Level of cash generating unit combination for impairment test Main assumptions used for the construction of value-in-use (discount rates, growth rates in perpetuity, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Note 2.11.3	Fair value of hedging derivatives	Fnac Darty measures the fair value of derivatives by using the valuations provided by financial institutions
Notes 2.13 and 12	Tax	Assumptions used to recognize deferred tax assets related to tax loss carry-forwards and timing differences
Notes 2.15 and 25	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Notes 2.16 and 24	Employee benefits and similar payments	Discount rate and wage growth rate. The wage growth rate is based on historical observation and is in line with the euro zone's long-term inflation targets.
Notes 2.18 and 5	Income from ordinary activities	Spread of revenues related to sales of loyalty cards and sales of warranty extensions over the term for which services are rendered reflecting the schedule of benefits offered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent The main indicators for assessing the agent/principal classification are: ▪ primary responsibility for performance of the agreement; ▪ exposure to inventory risk; and ▪ determination of the selling price.
Note 2.19	Cost of merchandise sales	At period-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is based on the amount of the annual purchases, the quantities of articles purchased or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperation
Note 7	Performance-based compensation plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Note 32.3	Assets held for sale	Assets held for sale are valued and recognized at the lower amount between their net book value and fair value minus cost of disposal

2.3.3 Cash flow statement

The Fnac Darty cash flow statement has been prepared in accordance with IAS 7 and the amendment thereto, using the indirect method based on the net income of the consolidated entity, and can be broken down into three categories:

- cash flow from operating activities (including taxes);
- cash flow from investing activities (in particular, acquisitions and disposals of equity interests and non-current assets, excluding finance leases);
- cash flow from financing activities (in particular, the issuance and redemption of borrowings, share buybacks, dividend payments).

The acquisition of an asset as part of a finance lease has no impact on cash flow when setting up the transaction, as it is not monetary. However, rents paid during the life of the lease are broken down to identify the interest component (cash flow from operating activities) and the capital repayment component (cash flow from financing activities).

2.4 / Principles of consolidation

The consolidated financial statements include the financial statements of companies acquired since the date of effective control and of companies sold until the effective date of loss of control.

2.4.1 Subsidiaries

The subsidiaries are all entities over which the Group exercises control.

Entities are fully consolidated where the Group:

- has power over the entity in which it is invested, and obtains or is entitled to obtain variable returns as a result of its links with the entity in which it has invested; and
- has the ability to exercise its power over the entity in which it has invested so as to influence the returns the Group obtains.

Control is presumed to exist when the Group holds more than 50% of the voting rights in an entity or when the Group has power:

- over more than half of the voting rights under an agreement with other investors;
- to direct the financial and operating policy of the company under a contract;
- to name or dismiss the majority of the members of the Board of Directors or the equivalent governing body; or
- to cast a majority of the voting rights at the meetings of the Board of Directors or the equivalent governing body.

Reciprocal transactions, assets and liabilities between consolidated companies are eliminated. The results of internal transactions with controlled companies are fully eliminated.

The subsidiaries' accounting policies are adjusted as needed to ensure consistent treatment across the Group.

2.4.2 Equity associates

Fnac Darty exercises significant influence within certain companies, called associates. Significant influence means the power to participate in decisions affecting the company's financial and operating policies, without controlling or jointly controlling those policies. Significant influence is assumed when more than 20% of voting rights are held. Associates are recognized under the equity method. This method consists of recording an equity interest in equity associates in the consolidated statement of financial position on the date that the entity becomes an associate or partner in a joint venture. This equity interest is initially recognized at acquisition cost. After the acquisition date it is then adjusted by the Group's share in the undistributed comprehensive income of the entity concerned. These results may be further adjusted to comply with the Group's accounting principles. Goodwill relating to the Group's acquisition of an associate is included in the valuation of that equity associate's shares. Profit or loss due to revaluation at fair value of the equity interest previously held (at the takeover of an equity associate) is recorded in "Share of profit from equity associates".

The goodwill of equity associates is included in the book value of the shares and is not presented separately. Therefore, it was not subject to a separate impairment test.

Every company consolidated under the equity method comes under the continuation of the Group's operating activities and is assigned to an operating segment. They are consolidated in the Group's internal reporting in accordance with IFRS 8 and the operating performance is monitored at the level of each business division to which they belong. The Group therefore considers it appropriate to recognize its share of the income of equity associates in its operating income.

2.4.3 Business combinations

The Group applies IFRS 3 (Revised) – Business Combinations.

Business combinations are recognized using the purchase method:

- acquisition cost is measured at the fair value of the consideration transferred, including any price adjustment, on the date of takeover. Any subsequent change to the fair value of a price adjustment is recognized in income or other items of comprehensive income, in accordance with applicable standards;
- any difference between the consideration transferred (acquisition price) and the fair value of the identifiable assets acquired and liabilities assumed on the date of takeover is recognized as goodwill, on the asset side of the statement of financial position.

Adjustments to the projected fair value of identifiable assets acquired and liabilities assumed (adjustments resulting from statutory audits or additional analyses) are recognized as retrospective adjustments to goodwill if the adjustment occurs within one year following the acquisition date and if it results from facts and circumstances existing at the acquisition date. Impacts subsequent to this period are recognized directly in income, as is any change to an estimate.

For any takeover at less than 100% of share capital, the remaining component (non-controlling interests) is measured:

- either at fair value: in this case, goodwill is recognized for the percentage of the non-controlling equity interests (full goodwill method); or

- as a proportion of the identifiable net assets of the acquired entity: in this case, only the goodwill representing the acquired portion is recognized (partial goodwill method).

Costs directly attributable to the acquisition are expensed over the period in which they are incurred.

Earn-out payments and other price adjustments relating to a business combination are measured at fair value as of the acquisition date even if the transaction is not considered to be probable.

If a business combination is undertaken in stages, the Group's prior stake in the acquired business is remeasured at the moment of takeover and is recognized at fair value in the income statement. To calculate goodwill at the point of takeover, the fair value of the transferred asset (for example, the price paid) is added to the fair value of the equity interest previously held by the Group. The carrying value of other items of comprehensive income previously recognized as an equity interest prior to takeover is reclassified to profit or loss.

2.5 / Translation of foreign currencies

2.5.1 Functional currency and reporting currency

The items included in the financial statements of each entity in the Group are valued using the currency of the main economic environment in which the entity operates ("functional currency"). The Group's financial statements are presented in euros, which is its reporting currency.

2.5.2 Recognition of transactions in foreign currencies

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate in force on the date of the transaction.

Cash items in foreign currencies are converted at each period-end using the closing rate. The foreign exchange differences resulting or arising from the settlement of these cash items are recognized as an income or expense for the period.

Non-cash items in foreign currencies valued at historic cost are converted at the exchange rate on the date of the transaction, and non-cash items in foreign currencies valued at fair value are converted at the rate on the date when the fair value was determined. When a profit or loss on a non-cash item is recognized directly in other items of comprehensive income, the "foreign exchange" component of this profit or loss is also recognized in other items of comprehensive income. In the opposite case, this component is recognized in income for the period.

The treatment of currency hedges in the form of derivative instruments is described in paragraph 2.11.3 "Derivative instruments" of note 2.11 "Financial assets and liabilities".

2.5.3 Translation of the financial statements of foreign entities

The Group's consolidated financial statements are presented in euros. The financial statements of each of the Group's consolidated companies are prepared in their respective functional currencies, i.e. the currency of the main economic environment in which the company operates and therefore the local currency. The financial statements of companies whose functional currency is not the euro are translated into euros as indicated below:

- items on the statement of financial position are translated into euros on the basis of the applicable exchange rates at the period-end date;
- items on the income statement are translated into euros using the average exchange rate over the reporting period provided this is not called into question by significant fluctuations in the rates;
- any difference between the translation of the statement of financial position at the closing rate and the translation of the income statement at the average exchange rate over the period is recognized in other items of comprehensive income, which may be reclassified subsequently to profit or loss on the translation differences line.

2.5.4 Net investment in a foreign entity

Foreign exchange differences recognized on the conversion of a net investment of an entity abroad are recognized in the consolidated financial statements as a separate component in the comprehensive income statement and are recognized in profit or loss on the date of loss of control.

Translation differences relating to borrowings in foreign currencies for an investment in a foreign currency or to permanent advances to subsidiaries are also recognized in the comprehensive income statement for the effective portion of the hedge, under other items of comprehensive income, and are recognized in profit or loss on disposal of the net investment.

2.6 / Goodwill

Goodwill is recognized when businesses combine as described in note 2.4.3.

As of the acquisition date, goodwill is allocated to cash generating units defined by the Group. After initial recognition, goodwill is not amortized. The cash generating units to which the goodwill is allocated are subject to an annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. The impairment test for 2018 is described in section 5.2, note 18.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in the Group's operating income.

2.7 / Intangible assets

Intangible assets are primarily composed of brands. The entry value of the Darty and Vanden Borre brands was determined using the Relief From Royalties approach, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group's brands constitute non-current assets with an indefinite lifespan, they are not amortized but are systematically tested for impairment each year and when there is evidence of impairment. The brands recorded on the Group's balance sheet are the Darty and Vanden Borre brands, valued when Darty was purchased, and the WeFix brand, valued in October 2018 following the acquisition of the WeFix subsidiary.

Intangible assets include the relations with franchises which represent the contracts signed with the Darty franchise stores measured at the time of the Darty acquisition in July 2016. They are valued using the surplus profits approach, which consists of calculating the discounted sum of the future operating margins attributable to them, after taxes and remuneration of support assets. The franchise relations constitute non-current assets with a defined lifespan and are amortized over a period of 16 years.

Intangible assets also consist of software measured at the acquisition or production cost and the licensing fees paid when a property lease is signed.

Software acquired for current operations or developed internally by the Group that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and eight years.

The Group's leasehold rights are recognized by the Group as non-current assets for an indefinite period. These non-current assets are not therefore amortized and are subject to an annual impairment test at CGU level.

2.8 / Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment write-downs. The cost of property, plant and equipment includes expenses directly attributable to the acquisition of the asset.

The depreciation method used by the Group for property, plant and equipment is calculated on a straight-line basis, based on the acquisition cost, over a period corresponding to the useful life of each asset item, which is 8 to 20 years for fixtures and fittings on land and buildings, and 3 to 10 years for equipment.

Property, plant and equipment are subject to an impairment test whenever evidence of impairment is identified, such as a planned closure, reduction in the workforce or downward revision of market prospects. If the recoverable value of the asset is lower than its net book value, an impairment is recognized for it. If the recoverable value of the isolated asset cannot be precisely determined, the Group determines the recoverable value of the cash generating unit to which the asset belongs.

Lease agreements

Transactions are qualified as lease agreements for contracts whose execution depends on the use of one or more specified assets and which confer the right to use this asset.

Lease agreements that transfer to the Group almost all the risks and benefits inherent in ownership of an asset are classified as finance lease agreements.

Goods rented by virtue of agreements qualified as finance leases are recognized as an asset in property, plant and equipment and offset against a financial liability for the same amount, at the fair value of the leased goods or the discounted value of the minimum payments if lower. The corresponding goods are depreciated over a useful life identical to that of property, plant and equipment owned outright or over the term of the agreement if lower.

Lease agreements that do not confer on the Group virtually all the risks and benefits inherent in ownership are classified as ordinary leases. Lease payments on these leases are recognized as a current operating expense on a straight-line basis over the term of the lease.

The lessor's benefits obtained as part of the signing or renewal of ordinary lease agreements are spread on a straight-line basis over the term of the lease in accordance with the requirements of interpretation SIC 15. They mainly relate to the lessor's share in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full as profit or loss from the moment of disposal if the lease is qualified as an ordinary lease and to the extent that the transaction has been completed at fair value.

The same accounting treatment applies to agreements that, even though they do not have the legal form of a lease agreement, confer on the Group the right to use a particular item of property, plant or equipment in exchange for a payment or series of payments.

2.9 / Inventory

Inventory is valued at the lower end of its cost and its net realizable value. The net realizable value is equal to the sale price estimated according to the age of the products, net of costs yet to be incurred to achieve the sale.

These inventories are valued in accordance with the weighted average cost per unit method.

Inventories include their purchase cost and other costs incurred to ship inventories intact to their place of sale. Costs incurred mainly include variable logistics costs, parafiscal taxes, shipping costs and the provision for unknown markdowns between the last inventory date and period-end. The benefits obtained from suppliers and recognized as a deduction against the purchase cost of merchandise sold are deducted from the value of the inventory.

Finance costs are excluded from inventories. They are recognized as financial expenses in the year in which they are incurred.

The Group may need to record an impairment on inventories:

- based on likelihood of disposal;
- if they are partially damaged;
- if they are completely obsolete; or
- if their sale price is less than their net realizable value.

2.10 / Impairment of non-financial assets

Goodwill, intangible assets with an indefinite useful life, and the cash generating units containing these elements are systematically tested annually for impairment in the second half of the year.

The cash generating units are operating entities that generate independent cash flows. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

In addition, when events or circumstances indicate that impairment is possible on goodwill; other intangible assets; property, plant and equipment; and cash generating units, an impairment test is performed. Such events or circumstances may be linked to material adverse changes affecting the economic environment, or assumptions or objectives used on the acquisition date.

An impairment test consists of determining whether the recoverable value of an asset or a cash generating unit is less than the net book value.

The recoverable value of an asset or a cash generating unit is the higher of its fair value less selling costs and its value-in-use.

Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the asset or the cash generating unit. Expected future cash flow projections are based on medium-term plans and budgets. These plans are based on a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows. The fair value minus the costs to sell corresponds to the amount which could be obtained from the sale of the asset or group of assets in normal competition conditions between well-informed and consenting parties, minus the costs of disposal. It is determined from market information (comparison with similar listed companies, value attributed in recent transactions and share prices).

When the recoverable value of the asset or cash generating unit is lower than its net book value, an impairment of the asset or group of assets is recognized.

In the case of a cash generating unit, the impairment is first assigned to goodwill if applicable and is recorded on the line “Other non-current operating income and expense” in the income statement.

Impairment recognized for property, plant and equipment and other intangible assets may be written back eventually if the recoverable value becomes higher than the net book value. Impairment recognized for goodwill cannot be written back.

In the event of a partial sale of a cash generating unit, the income from disposal is calculated by including within the elements sold the portion of goodwill corresponding to those elements. In order to assign the portion of goodwill to the elements sold, IFRS propose using the values related to the operations sold and retained unless the entity demonstrates that another method better reflects the portion of goodwill sold.

2.11 / Financial assets and liabilities

Financial assets and liabilities are recorded on initial recognition in the balance sheet at their fair value.

All these instruments are disclosed in section 5.2, note 29.

2.11.1 Financial assets

IFRS 9 presents a new model for classifying and measuring financial assets, based on the contractual characteristics of cash flows and the economic model for managing these assets. The four categories provided under IAS 39 for the classification of financial assets have been replaced by the following three categories:

7Financial assets valued at fair value on the income statement

This category includes all debt instruments that are not eligible for classification in the category as financial assets measured at amortized cost or in the category as financial assets measured at fair value through other comprehensive income. It also includes investments in equity instruments for which the option of fair value recognition through other comprehensive income has not been selected.

These assets are valued at fair value; changes in their value are recorded in the net financial income.

Purchases and sales of financial assets are recognized on the transaction date, i.e. the date on which the Group committed to the purchase or sale of the asset.

A financial asset is derecognized if the contractual rights on the cash flows related to the financial asset expire or if the asset is transferred.

Financial assets recognized at fair value are:

- debt instruments that are not measured at amortized cost or at fair value through other items of comprehensive income;
- equity instruments that are held on a speculative basis; and
- equity instruments for which the option of fair value recognition through other items of comprehensive income has not been selected by the company.

Financial assets at amortized cost

Financial assets measured at amortized cost are debt instruments (in particular loans and receivables) whose contractual cash flows consist solely of payments representing principal and interest on the principal and whose management model consists in holding the instrument in order to collect the contractual cash flows.

These assets are recognized at fair value initially, then at amortized cost using the effective interest rate method. For short-term debts without a reported interest rate, the fair value is equivalent to the amount of the original invoice.

These assets are subject to impairment in the manner described in note 2.2.2.

The Group classifies its financial assets at amortized cost only if the following two criteria are met:

- financial assets are held as part of a management model designed to collect contractual cash flows; and
- the contractual cash flows consist only of interest and principal repayment flows (SPPI criterion).

Financial assets recognized at fair value through other items of comprehensive income

These assets are debt instruments whose contractual cash flows consist solely of payments representing principal and interest on the principal and whose management model consists in holding the instrument both to collect the contractual cash flows and to sell the assets. They are valued at fair value. Changes in fair value are recognized in other items of comprehensive income under “changes in fair value of debt instruments measured at fair value through other comprehensive income” until the disposal of the underlying assets, at which time they are transferred to the income statement.

This category also includes investments in equity instruments (mainly shares) using the irrevocable option. In this case, upon disposal of the securities, the unrealized gains or losses previously recognized in equity (other items of comprehensive income) will not be reclassified to income; only the dividends will be recognized in the income statement.

This category includes non-consolidated equity investments for which the option of fair value recognition through other comprehensive income has been selected.

Fair value for listed securities corresponds to a market price. For unlisted securities, it is determined as a priority by reference to recent transactions or by valuation techniques using reliable and observable market data. However, where there are no observable market data on comparable companies, the fair value of unlisted securities is most often measured on the basis of discounted cash flow projections or the adjusted NAV, determined using internal inputs (level 3 in the fair value hierarchy).

The financial assets recognized at fair value through other items of comprehensive income are:

- equity instruments that are not held on a speculative basis and for which the company irrevocably opted at the outset to recognize in this category. These are strategic investments and the Group considers this classification to be more appropriate; and
- debt instruments whose contractual cash flows consist solely of interest and principal repayment flows and whose management objective is to collect the contractual flows and sell the assets.

2.11.2 Financial liabilities

The valuation of financial liabilities depends on their classification under IFRS 9. For the Group, borrowings and financial debts, trade payables and other payables are recognized initially at their fair value minus transaction costs, then at amortized cost using the effective interest rate method.

The effective interest rate is calculated for each transaction and corresponds to the rate that enables the net book value of a financial liability to be obtained by discounting estimated future cash flows paid to maturity or to the closest date of resetting the price at the market interest rate. This calculation includes transaction costs and any premiums and/or discounts that may apply. The costs of transactions correspond to costs that are directly associated with the acquisition or issue of a financial liability.

Financial liabilities qualified as hedged items for hedging relations at fair value and valued at amortized cost are subject to a net book value adjustment for the hedged risk.

Debt renegotiation: on April 18, 2018, Fnac Darty renegotiated its Revolving Credit Facilities (€400 million) and term loan agreement (€200 million) with its banking partners. On the basis of qualitative analysis, the Group concluded that the debt renegotiation is analyzed according to IFRS 9 as settlement of the former debt. Consequently, the former debt was derecognized and the resulting loss was recognized in net financial income for €5.9 million.

Hedging relationships are detailed in section 2.11.3 “Derivative instruments”.

Financial liabilities designated at fair value on options, other than derivative liabilities, are valued at fair value. Changes in fair value are recognized in the income statement except for the change in fair value due to a change in Fnac Darty’s credit spread, which is recognized in other items of comprehensive income. Transaction costs connected with the establishment of these financial liabilities are recognized immediately as an expense.

2.11.3 Derivative instruments

In the normal course of business, the Group may need to use various financial instruments to reduce its exposure to currency risk.

Derivative instruments are recognized on the balance sheet under other current and non-current assets and liabilities depending on their maturity and their accounting qualification (hedged or unhedged), and they are valued at their fair value on the transaction date. Changes in the fair value of derivative instruments are recognized on the income statement except in the case of cash flow and net investment hedges for the effective portion.

Derivative instruments that are designated as hedging instruments are classified by category of hedge according to the nature of the hedged risks: As of December 31, 2018, Fnac Darty only had cash flow hedging derivatives in its portfolio. These derivatives are used to hedge the risk of changes in cash flows associated with recognized assets or liabilities or a highly probable planned transaction that could affect the consolidated income statement.

Hedge accounting is applicable if, and only if, the following conditions are met:

- the hedging relationship consists solely of items eligible for hedge accounting;
- a hedging relationship is clearly identified, formalized and documented from the date it is set up; and
- the hedging relationship meets the criteria for effectiveness:
    - economic relationship between the hedged item and the hedge,

- no preponderance of credit risk in the change in fair value of the hedging item and the hedged item, and
- the hedging ratio of the hedging relationship is equal to the ratio between the quantity of the hedged item that is hedged by the entity and the quantity of the hedging instrument that the entity uses to hedge that quantity of the hedged item.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is differentiated according to the type of hedging relationship.

As of December 31, 2018, Fnac Darty had in its portfolio only forward currency derivatives used to hedge commercial transactions and qualified as cash flow hedges:

- the effective portion of the change in fair value of the hedging instrument is recorded directly as a contra item to other items of comprehensive income. These amounts are reclassified to the income statement in line with the method of accounting for the hedged items, i.e., as gross margin for hedges of commercial transactions;
- the ineffective portion of the hedge is recognized in the income statement; and
- on the other hand, Fnac Darty considers the cost of hedging currency risk as a cost related to the hedged transaction. As a result, the change in the interest rate component of forward currency hedges is recognized in other comprehensive income and reclassified to the income statement in line with the method of accounting treatment for the hedged items, i.e., as gross margin for commercial transaction hedges.

2.11.4 Cash and cash equivalents

"Cash and cash equivalents" on the asset side of the consolidated balance sheet comprise liquid assets, money-market UCITS, short-term investments and other liquid and readily convertible instruments with negligible risk of fluctuation in value and maturing within three months or less of the acquisition date. As of December 31, 2018, under the item "Cash and cash equivalents", Fnac Darty had only cash and UCITS units recognized at fair value through the income statement.

Investments for a term of over three months and frozen or pledged bank accounts are not included in cash. Bank overdrafts appear under financial debt on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest not yet due on assets appearing under cash and cash equivalents and bank overdrafts. The cash flow statement is explained in detail in note 26.

2.11.5 Net financial debt

The Group's net financial debt includes:

- cash and cash equivalents (see 2.11.4);
- short-term and long-term credits, and bank overdrafts: this item essentially includes the bond maturing in 2023 and the medium-term credit facility (section 5.2, note 27).

2.12 / Share-based payments

Share-based transactions payable in cash

Performance-based compensation plans, with cash settlement, were allotted by the Group to employees. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, corresponding to the fair value of the instruments delivered, is valued on the allotment date, then revalued at each period-end. The mathematical models used for these valuations are described in note 7.1.

During the vesting period, the fair value of the commitment calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against a payable to personnel. The change in the fair value of the amount payable is recorded in the income statement for each year.

Share-based transactions paid in equity instruments

Performance-based compensation plans, with settlement in equity instruments, were allotted by the Group to employees. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, corresponding to the fair value of the instruments delivered, is valued on the allotment date with no further revaluation. The mathematical models used for these valuations are described in note 7.

During the vesting period, the fair value of the options and bonus shares calculated in this way is spread over the vesting period. This expense is recorded in personnel expenses and offset against an increase in shareholders' equity.

2.13 / Income tax

The tax expense for the year consists of due and deferred tax.

Deferred tax is calculated according to the balance sheet liability method on all timing differences between the book value on the consolidated balance sheet and the taxable value of assets and liabilities, except for goodwill, which is not tax deductible. The valuation of deferred tax is based on the way the Group expects to recover or pay the book value of the assets and liabilities using the enacted or substantively enacted tax rate at the period-end date.

Deferred tax assets and liabilities are not discounted and are classified on the balance sheet as non-current assets and liabilities.

A deferred tax asset is recognized on deductible timing differences and for the carry-forward of tax losses and tax credits.

Deferred tax assets are recognized only if it appears probable that the Group will have future taxable profits against which these assets can be charged.

The impact of changes in the tax rate for deferred taxes is recognized in income.

The likelihood of recovering deferred tax assets is reviewed periodically per tax entity and may, if applicable, lead to no longer recognizing deferred tax assets previously recorded. The likelihood of recovery is analyzed on the basis of fiscal planning in terms of projected future taxable income. The taxable income included at this stage is the income received over a two-year period. The assumptions used in fiscal planning are consistent with those used in the medium-term budgets and planning prepared by the Group's entities and approved by senior management. Tax payables and tax credit receivables on projected dividend payments by Group companies are recorded in the income statement.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, associates and joint ventures, unless the Group is able to control the date when the timing difference will reverse and if it is probable that it will not reverse in the foreseeable future.

Corporate value-added tax (CVAE), a levy assessed on a company's added value, in the Group's opinion meets the definition of a tax as defined in IAS 12. It is therefore presented in the income statement under income tax.

The treatment of taxation uncertainty

In the event of uncertainty over taxation, the Group exercises its judgment over whether each tax uncertainty should be treated separately or whether some uncertainties should be treated together when calculating taxable income (tax loss), tax bases, loss carry-forwards, unused tax credits, and tax rates.

2.14 / Treasury stock and other equity instruments

The Group may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for transactions and stabilize the share price. Treasury stock is recognized as a deduction from shareholders' equity at its acquisition cost. Any profits or losses on the purchase, sale, issue or cancellation of treasury stock are recognized directly in shareholders' equity with no impact on the income statement.

The amount of cash used in connection with this contract is specified in note 26.1.

The liquidity agreement and the share buyback program started in 2018 do not schedule any obligation to buy back treasury stock at the end of the period.

2.15 / Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as a current obligation due to a past event arises and will probably lead to the outflow of resources representing economic benefits whose amount can be reliably estimated. To estimate provisions for a dispute, the Group assesses the probability of an unfavorable judgment and makes an estimate of the amounts concerned. This assessment is based on legal analyses conducted with the Group's lawyers.

The amount recognized for provisions with a maturity of over one year represents the best estimate of the expenditure required to settle the present obligation at period-end. The discount rate used reflects the current assessments of the time value of money and the specific risks related to the liability concerned.

A provision for restructuring is constituted as soon as there is a formalized and detailed plan for this restructuring, and it has been announced or implementation has commenced before period-end. The restructuring costs recorded in provisions correspond mainly to employee-related costs (severance pay, early retirement, lack of notice periods etc.) and compensation for termination of contracts with third parties. Other provisions correspond to specifically identified risks and expenses.

2.16 / Post-employment benefits and other long-term employee benefits

Depending on the laws and practices in each country, Group companies provide various types of benefits for their employees.

For defined-contribution plans, the Group has no obligation to make supplementary payments over and above the contributions already paid to a fund, if that fund does not have sufficient assets to serve the benefits corresponding to services rendered by employees during the current and previous periods. For these plans, contributions are recorded as an expense when they are incurred.

For defined-benefit plans, liabilities are valued using the projected unit credit method based on agreements in place in each company. According to this method, each period of service generates an additional unit of rights to services, and each unit is valued separately to obtain the final obligation. The present value of the obligation is then discounted. The actuarial assumptions used to calculate the liabilities vary according to the economic conditions of the country in which the plan is based. The liabilities under these plans and end-of-service payments are actuarially calculated by independent actuaries each year for the largest plans and at regular intervals for the other plans. These calculations principally take into account the level of future remuneration, the probable length of employees' service, life expectancy and staff turnover.

Actuarial gains and losses arise from changes in assumptions and the difference between the results estimated according to actuarial assumptions and actual results. These differences are recognized immediately as other items of comprehensive income (and are never recorded as profit or loss) for all actuarial differences relating to defined-benefit plans, except for long-service awards where the actuarial differences are recognized in the income statement.

The cost of past services, namely the increase of an obligation following the introduction of a new plan or adjustment to an existing plan – or – the decrease of an obligation following the reduction of a plan is recognized immediately in the income statement even if the rights to the benefit have not been vested for the employees.

The expenses for this type of plan are recognized in current operating income (costs of services rendered) and in net financial income (net interest on the net liability or asset calculated based on a discount rate determined by reference to the level of obligations of companies deemed of high quality). Payments and costs of past services are recognized as current operating income. Reductions are recognized as current operating income in the case of departures of employees who are replaced and as non-current operating income for departing employees who are not replaced. The provision recognized on the balance sheet corresponds to the discounted value of the commitments thus calculated, after deducting the fair value of the plans' assets.

2.17 / Non-current assets (or group of assets) held for sale

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations requires particular accounting and specific reporting of the assets (or group of assets) held for sale and discontinued operations that have or are being sold.

Non-current assets or a directly linked group of assets and liabilities are considered as held for sale if their book value will be recovered mainly through their sale rather than continuing use. This definition applies if the asset (or group of assets) is available for immediate sale and if such sale is highly probable. Non-current assets (or group of assets) held for sale are valued and recognized at the lower amount between their net book value and fair value minus costs of disposal. These assets cease to be amortized from the date of their qualification as assets (or group of assets) held for sale. They appear on a separate line on the Group's balance sheet, with no restatement for past periods.

A discontinued operation that was sold or is held for sale is defined as a component of the Group having separate cash flows from the rest of the Group and which represents a principal and distinct business line or region. Over the reported periods, the income from these activities is presented on a separate line in the income statement, under "Discontinued operations", and is restated in the cash flow statement.

2.18 / Recognition of income from ordinary activities

Income from ordinary activities consists of pre-tax revenue and other revenues.

Pre-tax revenue corresponds to revenues made in stores, on e-commerce sites (sales to end customers) and in warehouses (sales to franchises).

Other revenues consist of ticketing activities, the sale of gift boxes, certain warranty extensions and internet sales generated on behalf of suppliers (Marketplace).

Recognition of revenue and other revenues

Revenue from in-store sales, which represents the bulk of the Group's revenues, is recognized at the time of customers' checkout transactions in accordance with IFRS 15. Transfer of control occurs when the goods and services are transferred to the customers. Sales do not include any other performance obligations that have not been fulfilled at that date. When in-store sales are accompanied by a right of return, the conditions for exercising this right are limited to certain categories of products and are time-limited in accordance with the regulations of the countries concerned and/or in accordance with the Group's general terms and conditions of sale.

E-commerce sales consist both of revenue from sales made on the Group's e-commerce sites (direct sales) and of commissions received for e-commerce sales made by the Group on behalf of third parties (Marketplaces). The Group acts as the principal for sales it makes on its own behalf on the Group's e-commerce sites (direct sales). Revenue from direct sales is recognized when delivery has taken place (date of transfer of control of the goods sold). As with in-store sales of goods, direct e-commerce sales are subject to a right of return, for which conditions of exercise are time-limited. For sales in the Marketplaces, the Group acts as an agent; the revenues recognized correspond to fees invoiced to suppliers for the sales made.

Revenue from sales to the franchises is recognized when delivery has taken place (date of transfer of control of the goods sold).

The accounting treatment of franchise fees is governed by the specific provisions of IFRS 15 on licenses of intellectual property (right of access license).

Recognition of customer loyalty programs

The sale of a good or service accompanied by the awarding of loyalty points constitutes a contract comprising two distinct "performance obligations":

- a good or service delivered immediately; and
- a right to receive goods or services at a reduced price in the future.

The amount received for the sale is allocated between the two "performance obligations" in proportion to their respective specific selling prices and recognized as a deduction from the initial sale, after taking into account an expiration rate corresponding to the probability of use of the benefits by the members, estimated according to a statistical method.

Revenues consist primarily of the sale of merchandise and services provided by the Group's stores and e-commerce websites, the sale of merchandise to the franchises and franchise fees, which are recognized in net revenues when the services are provided. As from 2015, income from breakage of gift vouchers and cards are recognized in income from ordinary activities at the time that the cards and vouchers are issued.

Customer loyalty programs and the benefits customers receive as part of the loyalty programs are counted separately from the original sale. These benefits are valued at their fair value and recognized as a deduction from the original sale, after applying a redemption rate corresponding to the probability that the member will use the benefit, estimated using a statistical model.

Income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the schedule of benefits offered.

Sales of goods are recognized when a Group entity has transferred control of a good to the buyer. Control is generally transferred at the moment of delivery, when the amount of income can be measured reliably and collection of the amount is reasonably certain.

Following the sale of goods, and depending on the contractual clauses attached to these sales, liabilities may be recognized as a reduction from the proceeds of ordinary activities, in order to allow for any return of merchandise that could take place after period-end.

The provision of services, such as sales of warranty extensions or services related directly to the sale of the goods, is recognized in the period in which the services are rendered. If the Group entity acts as an agent in the sale of these services, the revenues are recognized at the time of the sale and correspond to the margin generated or the commission received. This mainly concerns ticketing activities, the sale of gift boxes, certain warranty extensions and internet sales generated on behalf of suppliers (Marketplace).

2.19 / Operating income

Operating income includes all the income and costs directly related to Group operations, whether the income and expenses are recurrent or whether they result from one-off operations or decisions.

The cost of merchandise sales includes, among other items, purchases net of returned products, and commercial cooperations, which are measured on the basis of contracts signed with the suppliers and result in the invoicing of installment payments during the year. At period-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contract conditions, such as thresholds reached or growth in purchasing volumes for discounts and the performance of services rendered to suppliers for commercial cooperation.

For the reader's benefit, unusual and material items at Group level are identified under operating income as "Other non-current operating income and expense".

Other non-current operating income and expense, excluding current operating income, includes:

- restructuring costs and costs relating to staff adjustment measures;
- impairment on capitalized assets identified primarily in the context of impairment tests on cash generating units (CGU) and goodwill;
- gains or losses linked to changes in the scope of consolidation (acquisition or disposal);
- major disputes that do not arise from the Group's operating activities.

2.20 / Earnings per share

Net earnings per share are calculated by dividing net income, Group share by the weighted average number of shares outstanding during the period.

Diluted net earnings per share are calculated by dividing the net income, Group share for the period by the average number of shares outstanding together with all instruments giving deferred access to the capital of the consolidating company, whether these were issued by it or by one of its subsidiaries. The dilution is determined for each instrument.

For non-current items, net income excluding non-current items per share is calculated by correcting the net income, Group share for non-current items in the amount of those items net of tax and non-controlling interests. The non-current items used for this calculation correspond to items under "Other non-current operating income and expense" on the income statement.

2.21 / Operating segments

In accordance with IFRS 8 – Operating Segments, the segment information presented is established on the basis of internal management data used to analyze the performance of activities and the allocation of resources by the Chairman and CEO and the Executive Committee members who constitute the Group's principal decision-making body.

An operating segment is a distinct component of the Group, engaged in activities likely to generate income and incur expenses, whose operating income is regularly reviewed by the operating decision-making body and for which separate information is available. Each operating segment is individually monitored in terms of internal reporting, according to performance indicators common to all segments.

The segments presented in segment information are operating segments or combinations of operating segments. They correspond to countries or geographical regions composed of several countries in which the Group conducts its operations through stores:

- France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France and French territories, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast and Congo, which are managed from France;
- Iberian Peninsula: this segment consists of Group activities performed and grouped in Spain and Portugal;
- Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by the Group for its consolidated financial statements.

NOTE 3 HIGHLIGHTS

3.1 / Changes in the scope of consolidation

In 2018, Fnac Darty and the Carrefour Group created the GIE *(Groupement d'intérêt économique*) called Fourty, tasked with pooling purchases of consumer electronic products and appliances in France for both groups. GIE Fourty is a joint venture within the meaning of IFRS 11. As from the first half of 2018, this company is consolidated using the equity method.

In 2018, the scope of consolidation was also impacted by the acquisition of a 51% stake in WeFix, a company specialized in the express repair of smartphones, with 59 points of sale in France and Belgium. Its team of experts offers a fast repair service for the main smartphone models. WeFix carries out over 12,000 repairs per month and offers a range of reconditioned smartphones and accessories. By joining forces with Fnac Darty, WeFix can accelerate the development of its network of points of sale and set up dedicated corners in Group stores, with the aim of doubling the size of the network over the next two years. WeFix can also complete its service offering through the Fnac Darty offering. Furthermore, the Group is committed to purchasing minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

3.2 / Other significant events

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023.

On the basis of qualitative analysis, the Group concluded that the debt renegotiation is analyzed according to IFRS 9 as settlement of the former debt. Consequently, the former debt was derecognized and the resulting loss was recognized in net financial income for €5.9 million.

In 2018, Fnac Darty's first Employee Stock Ownership Plan was rolled out for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland. Nearly 4,500 employees chose to buy Fnac Darty shares on preferential terms. The subscription price per share as part of this transaction was set at €73.72. This was equal to the average opening price of Fnac Darty shares on the Euronext Paris market for the 20 trading days prior to the allotment decision, less a 20% discount. All subscribers to the Offer benefited from a matching contribution made by the Company corresponding to 100% of their initial contribution, up to a limit of €700 gross. The Offer resulted in a capital increase in the total gross amount of €90,558 through the issuance of 90,558 new shares at a subscription price per unit of €1, on July 16, 2018. 4,464 employees in the six countries concerned, representing 18% of the Group's workforce as of June 30, 2018, chose to subscribe to the Offer. The shares were issued on July 16, 2018. The new shares issued as part of the Offer are ordinary shares of the Company. They were admitted to trading on the Euronext Paris market immediately after their issue, on the same listing line as existing shares. The shares issued will bear immediate rights and will be fully assimilated upon issue to existing shares. The total matching contribution was expensed as personnel expenses and amounted to €2.4 million net of social security charges. Charges relating to the implementation of the plan were recorded as a deduction on the issue premium. This transaction had no material dilutive impact.

Fnac Darty is continuing its partnership strategy in connection with the Confiance+ plan and announced on July 4 the signing of an exclusive agreement between BCC, its Dutch subsidiary specializing in electronics and household appliances, and Dutch online retailer Wehkamp. According to this agreement, which came into effect in October 2018, BCC made its entire product line available to Wehkamp and manages purchasing (electronics and household appliances) for both banners. In return, it benefits from the digital expertise of its partner, as well as its logistical capacity for small parcels. BCC delivers and installs large household appliances and televisions. In the long term, both companies wish to extend their partnership to other services, such as after-sales service, operated by BCC at home or in-store, or financing solutions.

On July 27, 2018, the French Competition Authority published a decision on the conditions for executing the commitments made under Decision 16-DCC-111 of July 27, 2016 for the exclusive takeover of Darty by Fnac. Before July 31, 2017 Fnac Darty was to dispose of six points of sale. Three points of sale were sold to buyers approved by the French Competition Authority. Regarding Darty's points of sale not sold in Belleville and Saint-Ouen, Fnac Darty proposed a buyer in accordance with its commitments, which the Authority did not authorize. Regarding the Fnac point of sale in Beaugrenelle, Fnac Darty requested an extension to the deadline for execution of its commitment, which the Authority also refused. The Board of the French Competition Authority decided to intervene as of April 18, 2017 to verify the conditions under which the Group executed the commitments it made. The intervention has been ongoing since that date. In its decision of July 27, 2018, the Authority requested the disposal of the Darty Passy and Darty Montmartre stores in lieu of the commitments to sell the Darty Saint-Ouen, Darty Belleville and Fnac Beaugrenelle points of sale, and issued a fine in the amount of €20 million. The fine was paid in November 2018. An appeal is currently pending before the French Council of State in respect of this fine. As of December 31, 2018, the Group sold the Darty Passy store and signed a promise of sale for the Darty Montmartre store.

On October 19, 2018, Fnac Darty announced the implementation of a treasury stock buyback program, in the amount of 535,000 shares, or approximately 2% of its capital. This program will have a maximum term of 24 months and the unit price of each share will be capped at €130. These shares are intended to be canceled so as to offset the dilutive effects of performance share plans or past stock option plans. As of December 31, 2018, the number of shares purchased and canceled stood at 198,250 shares for an amount of €11.2 million. Fnac Darty reserves the right to revoke the stock buyback mandate at any time. As a result, no debt was recognized in the financial statements as of December 31, 2018.

NOTE 4 OPERATING SEGMENTS

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

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

Income and expense with no impact on cash mainly includes current and non-current additions and reversals of depreciation and amortization and provisions for non-current assets, and provisions for contingencies and expenses.

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

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

The operating segments break down as follows:

- France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France and French territories, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast, Cameroon and Congo, which are managed from France;
- Iberian Peninsula: this segment consists of Group activities performed and grouped in Spain and Portugal;
- Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

The new operating segments reflect the new structure of Fnac Darty. The principle of "one Group, two banners" requires the consolidation of activities by country. This means that the operating segments consolidate the different brands according to their geography.

4.1 / Information by operating segment

(€ million)	**France-Switzerland**	**Iberian Peninsula**	**Benelux**	**Total**
DECEMBER 31, 2018				
INCOME FROM ORDINARY ACTIVITIES	**5,835.2**	**703.1**	**936.4**	**7,474.7**
Consumer electronics	2,881.4	406.8	491.3	3,779.5
Editorial products	973.7	220.1	55.9	1,249.7
Household appliances	1,326.4	0.0	344.2	1,670.6
Other products and services	653.7	76.2	45.0	774.9
OPERATING INCOME	**228.2**	**24.7**	**4.3**	**257.2**
Income and expense with no impact on cash[a]	63.7	10.3	5.6	79.6
Acquisitions of intangible assets, property, plant & equipment[b]	97.4	10.6	9.9	117.9
SEGMENT ASSETS	**3,811.6**	**196.4**	**420.9**	**4,428.9**
SEGMENT LIABILITIES	**2,322.1**	**302.4**	**249.0**	**2,873.5**

(€ million)	France-Switzerland	Iberian Peninsula	Benelux	Total
DECEMBER 31, 2017				
INCOME FROM ORDINARY ACTIVITIES	**5,855.9**	**675.5**	**916.8**	**7,448.2**
Consumer electronics	2,955.9	404.1	484.7	3,844.7
Editorial products	975.9	215.4	58.5	1,249.8
Household appliances	1,325.2	0.0	334.2	1,659.5
Other products and services	598.9	56.0	39.3	694.2
OPERATING INCOME	**184.5**	**22.7**	**9.6**	**216.8**
Income and expense with no impact on cash[a]	116.0	9.8	7.8	133.6
Acquisitions of intangible assets, property, plant & equipment[b]	93.2	9.8	10.9	113.9
SEGMENT ASSETS	**3,732.7**	**186.5**	**402.3**	**4,321.5**
SEGMENT LIABILITIES	**2,284.8**	**288.2**	**216.6**	**2,789.6**

(a) Income and expense with no impact on cash include:
current and non-current depreciation and amortization and impairment of non-current assets;
current & non-current additions and reversals and provisions for contingencies and expenses;
allocations, reversals and discounting of provisions for pensions and other similar benefits;
non-disbursable income and expenses related to stock options and similar items;
income from disposal of operating and financial assets;
allocations to and reversals of deferred taxes.
(b) Purchases of intangible assets and property, plant & equipment, including change in receivables and payables on assets.

4.2 / Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2018	2017
Goodwill	1,559.5	1,541.4
Intangible assets	480.0	473.0
Property, plant & equipment	620.2	611.2
Other non-current assets	0.0	0.0
Non-current segment assets	**2,659.7**	**2,625.6**
Inventories	1,091.8	1,072.8
Trade receivables	271.8	265.1
Other current assets	405.6	358.0
SEGMENT ASSETS	**4,428.9**	**4,321.5**
Non-current financial assets	20.6	15.9
Equity interests	19.7	22.0

Deferred tax assets	66.8	59.9
Tax receivables due	41.8	50.2
Other current financial assets	14.2	22.3
Cash and cash equivalents	918.6	774.9
Assets held for sale	0.0	3.1
TOTAL ASSETS	**5,510.6**	**5,269.8**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	**2018**	**2017**
Trade payables	1,876.7	1,765.6
Other current liabilities	805.5	828.6
Other non-current liabilities	191.3	194.6
SEGMENT LIABILITIES	**2,873.5**	**2,788.8**
Shareholders' equity – Group share	1,253.5	1,096.0
Shareholders' equity – Share attributable to non-controlling interests	7.5	7.0
Long-term borrowings and financial debt	855.1	853.8
Deferred tax liabilities	189.9	192.7
Provisions for pensions and other similar benefits	161.5	179.8
Short-term borrowings and financial debt	56.1	7.2
Other current financial liabilities	15.9	18.5
Provisions	51.9	72.5
Tax liabilities payable	44.4	47.3
Payables relating to assets held for sale	1.3	6.2
TOTAL LIABILITIES	**5,510.6**	**5,269.8**

NOTE 5 INCOME FROM ORDINARY ACTIVITIES

(€ million)	**2018**	**2017**
Net sales of goods	6,699.8	6,754.0
Net sales of other Products and Services	774.9	694.2
INCOME FROM ORDINARY ACTIVITIES	**7,474.7**	**7,448.2**

Sales of goods are presented net of various sales discounts granted to customers, including deferred discounts connected with loyalty programs.

Sales of services include sales of loyalty cards and certain warranty extensions, which are recognized on a straight-line basis throughout the term of the warranty, reflecting the schedule of benefits offered. They also include commissions received on the sale of goods and services for which the Group acts as agent (especially: ticket sales, gift boxes, "NES" warranty extensions, commissions on sales of credit, insurance and subscriptions, and Marketplace commissions and franchise fees), as well as reinvoicing of shipping costs and commissions, and the proceeds from breakage of gift vouchers and cards.

The breakdown of income from ordinary activities is detailed in note 4.

NOTE 6 PERSONNEL EXPENSES

Personnel expenses mainly include fixed and variable compensation, social security contributions, expenses related to employee profit-sharing and other incentives, training costs and expenses related to employee benefits recognized in current operating income.

(€ million)	**2018**	**2017**
France-Switzerland	(900.5)	(893.0)
Iberian Peninsula	(70.0)	(67.5)
Benelux	(134.7)	(132.6)
TOTAL PERSONNEL EXPENSE	**(1,105.1)**	**(1,093.1)**

In 2018, personnel expenses included an expense of €9.1 million related to the application of IFRS 2 for all share-based transactions involving Group shares. In 2017, the expense related to the application of IFRS 2 was €9.0 million.

In 2018 the IFRS 2 expense of €9.1 million is allocated between an IFRS 2 expense of €0.2 million related to the Employee Stock Ownership Plan and €8.9 million related to performance-based compensation plans.

In 2018, the Group's first Employee Stock Ownership plan was rolled out for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland. Nearly 4,500 employees chose to buy Fnac Darty shares on preferential terms. The subscription price per share as part of this transaction was set at €73.72. This was equal to the average opening price of Fnac Darty shares on the Euronext Paris market for the 20 trading days prior to the allotment decision, less a 20% discount. All subscribers to the Offer benefited from a matching contribution made by the Company corresponding to 100% of their initial contribution, up to a limit of €700 gross. The Offer resulted in a capital increase in the total gross amount of €90,558 through the issuance of 90,558 new shares at a subscription price per unit of €1, on July 16, 2018. 4,464 employees in the six countries concerned, representing 18% of the Group's workforce as of June 30, 2018, chose to subscribe to the Offer. The shares were issued on July 16, 2018. The new shares issued as part of the Offer are ordinary shares of the Company. They were admitted to trading on the Euronext Paris market immediately after their issue, on the same listing line as existing shares. The shares issued will bear immediate rights and will be fully assimilated upon issue to existing shares. The total matching contribution was expensed as personnel expenses and amounted to €2.7 million including social security charges. As such, the total net impact of the Employee Stock Ownership plan (IFRS 2 expense included) in personnel expenses is €2.9 million.

Charges relating to the implementation of the plan were recorded as a deduction on the issue premium. This transaction had no material dilutive impact.

The average paid workforce for the Group's activities, in full-time equivalent, breaks down as follows:

	2018	**2017**
France-Switzerland	16,205	17,049
Iberian Peninsula	2,836	2,801
Benelux	2,963	3,078
TOTAL AVERAGE PAID WORKFORCE	**22,004**	**22,928**

The registered workforce as of December 31, for the Group's activities was as follows:

	2018	2017
France-Switzerland	17,985	18,561
Iberian Peninsula	4,017	4,022
Benelux	3,145	3,236
TOTAL REGISTERED WORKFORCE	**25,147**	**25,819**

NOTE 7 PERFORMANCE-BASED COMPENSATION PLANS

The fair value of all performance-based compensation plans was measured using the Black & Scholes method assuming 25% price volatility of Fnac Darty shares.

7.1 / Performance option plans

The total IFRS 2 expense recognized as of December 31, 2018 for the performance stock option plans awarded in 2015, 2017 and 2018 amounted to €1.1 million.

2018 plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018, the Board of Directors decided to award performance options to certain Group executives, in an effort to retain them by aligning their interests with those of the Company and its shareholders. Settlement will be in equity instruments.

The options will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.

The total IFRS 2 expense recognized as of December 31, 2018 for the 2018 performance stock option plan amounted to €0.7 million.

The main features are summarized below:

Main features	2018-2021 performance option plan
Date of Board of Directors' meeting	May 18, 2018
Vesting period	2 years/3 years
Exercise price	€89.43
Number of beneficiaries at inception	11
Number of beneficiaries as of December 31, 2018	11
Performance condition	Yes

Number of stock options	2018-2021 performance option plan
Allotted	97,438
Being vested as of January 1, 2018	**0**
Vested in 2018	0
Canceled in 2018	0
Being vested as of December 31, 2018	**97,438**

2017 plan

The total IFRS 2 expense recognized as of December 31, 2018 for the 2017 performance option plan amounted to €0.4 million.

The main features are summarized below:

Main features	2017-2020 performance option plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	2 years/3 years
Exercise price	€66.23
Number of beneficiaries at inception	15
Number of beneficiaries as of December 31, 2018	7
Performance condition	Yes

Number of stock options	2017-2020 performance option plan
Allotted	300,000
Being vested as of January 1, 2018	**112,786**
Vested in 2018	0
Canceled in 2018	25,482
Being vested as of December 31, 2018	**87,304**

2015 plan

The second tranche of the 2015 performance option plan was vested on September 30, 2018. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2018 (average of €70.25) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2018. These options may be exercised between October 1, 2018 and September 30, 2019. The total IFRS 2 expense recognized as of December 31, 2018 for the 2015 performance option plan amounted to €0.0 million.

The main features are summarized below:

Main features	2015-2018 performance option plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	3 years and 7 months
Exercise price	€44.10
Number of beneficiaries at inception	12
Number of beneficiaries as of December 31, 2018	0
Performance condition	Yes

Number of stock options	2015-2018 performance option plan
Allotted	164,954
Being vested as of January 1, 2018	**35,051**
Vested in 2018	32,300
Canceled in 2018	2,751
Being vested as of December 31, 2018	**0**

7.2 / Bonus share plan

The total IFRS 2 expense recognized as of December 31, 2018 for the bonus share plans granted in 2015, 2016, 2017 and 2018 amounted to €7.8 million.

2018 plan

On the recommendation of the Appointments and Compensation Committee, on May 18, 2018 the Board of Directors noted the allotment of bonus shares to certain Group employees (167 beneficiaries) in order to make them partners in the Company's performance through an increase in the value of its stock. Settlement will be in equity instruments.

The duration of this plan is three years (May 18, 2018 – May 17, 2021). These shares will only be vested gradually, by tranche, at the end of two successive vesting periods (May 18, 2018 to May 17, 2020 and May 18, 2018 to May 17, 2021). Vesting is dependent on the beneficiary still being a Group employee at each vesting period expiration. It will also be subject to a market performance condition for Fnac Darty based on the Company's Total Shareholder Return (TSR) compared to that of SBF120 companies. This will be measured annually: for the first period, in 2019 for 2018 and in 2020 for 2018-2019; and for the second period, in 2021 for 2018-2020. It will also be subject to a performance condition tied to a target level of current operating income that will be set: for the first period, in 2019 after the publication of the Group's 2018 annual results, and in 2020 after publication of the Group's 2019 annual results; and for the second period, in 2021 after the publication of the Group's 2020 annual results.
The total IFRS 2 expense recognized as of December 31, 2018 for the 2018 bonus share plan amounted to €1.5 million.
The main features are summarized below:

Main features	2018-2021 bonus share plan
Date of Board of Directors' meeting	May 18, 2018
Vesting period	2 years/3 years (May 18, 2018 to May 17, 2020 for the first period and May 18, 2018 to May 17, 2021 for the second period)
Number of beneficiaries at inception	167
Number of beneficiaries as of December 31, 2018	164
Performance condition	Yes

Number of bonus shares	2018-2021 bonus share plan
Allotted	109,817
Vested in 2018	0
Canceled in 2018	873
Being vested as of December 31, 2018	**108,944**

2017 plans

The total IFRS 2 expense recognized as of December 31, 2018 for the December 2017 bonus share plan amounted to €3.0 million.

The main features are summarized below:

Main features	2017-2019 bonus share plan
Date of Board of Directors' meeting	December 15, 2017
Vesting period	Greater than 2 years (December 15, 2017 – third trading day following the publication of the annual results for 2019)
Number of beneficiaries at inception	39
Number of beneficiaries as of December 31, 2018	37
Performance condition	Yes

Number of bonus shares	2017-2019 bonus share plan
Allotted	92,500
Being vested as of January 1, 2018	**92,500**
Vested in 2018	0
Canceled in 2018	7,927
Being vested as of December 31, 2018	**84,573**

The total IFRS 2 expense recognized as of December 31, 2018 for the 2017 bonus share plan amounted to €2.7 million.

The main features are summarized below:

Main features	2017-2021 bonus share plan
Date of Board of Directors' meeting	April 28, 2017
Vesting period	
French residents	2 years (May 2, 2017 – May 1, 2019)
Non-French residents	4 years (May 2, 2017 – May 1, 2021)
Holding period	
French residents	2 years (May 2, 2019 – May 1, 2021)

Number of beneficiaries at inception	150
Number of beneficiaries as of December 31, 2018	129
Performance condition	Yes

Number of bonus shares	2017-2021 bonus share plan
Allotted	122,000
Being vested as of January 1, 2018	**92,124**
Vested in 2018	0
Canceled in 2018	6,594
Being vested as of December 31, 2018	**85,530**

2016 plan

The 2016 bonus share plan expired on June 16, 2018 for French residents. Based on the average closing price of the Fnac Darty share over the 20 trading days prior to June 17, 2018 (average of €89.80) and the performance conditions, 100% of the shares were vested for the beneficiaries employed on June 16, 2018. These shares may be sold at the end of a two-year holding period.

The total IFRS 2 expense recognized as of December 31, 2018 for the 2016 bonus share plan amounted to €0.5 million.

The main features are summarized below:

Main features	2016-2020 bonus share plan
Date of Board of Directors' meeting	April 4, 2016
Vesting period	
French residents	2 years (June 17, 2016 – June 16, 2018)
Non-French residents	4 years (June 17, 2016 – June 16, 2020)
Holding period	
French residents	2 years (June 17, 2018 – June 16, 2020)
Number of beneficiaries at inception	125
Number of beneficiaries as of December 31, 2018	29
Performance condition	Yes

Number of bonus shares	2016-2020 bonus share plan
Allotted	96,525
Being vested as of January 1, 2018	**54,067**
Vested in 2018	44,245
Canceled in 2018	330
Being vested as of December 31, 2018	**9,492**

2015 plan

The total IFRS 2 expense recognized as of December 31, 2018 for the 2015 bonus share plan amounted to €0.1 million.

The main features are summarized below:

Main features	2015-2019 bonus share plan
Date of Board of Directors' meeting	February 26, 2015
Vesting period	
French residents	2 years (March 2015 – February 2017)
Non-French residents	4 years (March 2015 – February 2019)
Holding period	
French residents	2 years (March 2017 – February 2019)
Number of beneficiaries at inception	132
Number of beneficiaries as of December 31, 2018	26
Performance condition	Yes

Number of bonus shares	2015-2019 bonus share plan
Allotted	82,494
Being vested as of January 1, 2018	**10,721**
Vested in 2018	0
Canceled in 2018	374
Being vested as of December 31, 2018	**10,347**

7.3 / Sensitivity analysis to changes in market performance conditions and to changes in non-market performance conditions

As of December 31, 2018, changes in the fair value of plan commitments, with respect to market and non-market performance conditions (current operating income, synergies), are assessed according to actual performance using the criteria that can be measured at the time, and the best estimate of future performance conditions for the others.

At the end of each plan, the fair value of the commitment in respect of market and non-market performance conditions is adjusted if necessary depending on the effective execution of the performance conditions measured.

NOTE 8 ASSOCIATES

Fnac Darty exercises significant influence within certain companies, called associates. Associates are consolidated using the equity method. The activity of these companies is part of the extension of the Group's operating activity. These companies are consolidated in the Group's internal reporting in accordance with IFRS 8, and the operating performance is monitored at the level of each business division to which they belong.

The Fnac Darty consolidated financial statements include the transactions executed by the Group within the normal context of its activities with associates. These transactions are executed under normal market conditions.

8.1 / Share of profit from equity associates

(€ million)	**2018**	**2017**
France-Switzerland	1.9	2.2
Iberian Peninsula	0.0	0.0
Benelux	(0.2)	(0.3)
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**1.7**	**1.9**

Profit from equity associates primarily represents the income of Ménafinance and Izneo, in which the Group has a 50% stake.

(€ million)	**2018**	**2017**
Ménafinance	2.0	2.4
Izneo	(0.1)	(0.2)
Vanden Borre Kitchen	(0.2)	(0.3)
SHARE OF PROFIT FROM EQUITY ASSOCIATES	**1.7**	**1.9**

Ménafinance is a financial company held by the Group jointly with Crédit Agricole Consumer Finance. It offers credit solutions for the Group's customers in France.

Izneo is a player in the French-speaking digital comics market and offers an online comics reading service in the form of a website and mobile applications. Izneo is held by Fnac Darty jointly with a group of publishers in the comic book industry.

Vanden Borre Kitchen is a company operating in the equipped kitchen market in Belgium. It is held jointly by the Group and FBD Group.

8.2 / Investments in associates

The change in the item "Investments in associates" can be analyzed as follows:

(€ million)	**Associates**	**Ménafinance**	**Izneo**	**Vanden Borre Kitchen**
INVESTMENTS IN ASSOCIATES AS OF DECEMBER 31, 2017	**22.0**	**21.1**	**1.2**	**(0.3)**
Profit from equity associates	**1.7**	2.0	(0.1)	(0.2)
Dividends paid	**0.0**			
Change to scope of consolidation	**0.0**			
Translation differences	**0.0**			
Impact of first application of IFRS 9	**(4.1)**	(4.1)		
INVESTMENTS IN ASSOCIATES AS OF DECEMBER 31, 2018	**19.7**	**19.1**	**1.1**	**(0.5)**

8.3 / Data on investments in associates

The data below is presented at 100% under IFRS:

(€ million)	2018 Ménafinance
Assets:	
Interbank transactions and similar	6.7
Transactions with customers	309.2
Accruals and other assets	10.7
Liabilities:	
Interbank transactions and similar	269.8
Other liabilities excluding shareholders' equity	29.2
Net banking income	25.6
Operating income (loss)	6.9
Net income	4.1

(€ million)	2018 Izneo	 Vanden Borre Kitchen
Non-current assets	1.9	0.0
Current assets	1.8	0.4
Non-current liabilities	0.8	0.0
Current liabilities	2.1	1.5
Revenues	2.4	0.9
Operating income	(0.3)	(0.3)
Net income	(0.2)	(0.4)

NOTE 9 CURRENT OPERATING INCOME

Current operating income represents the main indicator for monitoring the Group's operating performance. It is broken down as follows:

(€ million)	2018	2017
France-Switzerland	265.4	234.4
Iberian Peninsula	25.4	23.6
Benelux	5.2	12.1
CURRENT OPERATING INCOME	**296.0**	**270.1**

Current operating income was €296.0 million in 2018 (compared to €270.1 million in 2017).

In addition to depreciation, amortization and provisions, other operating income and expense are mainly composed of rental charges, transport costs and external communication costs.

NOTE 10 OTHER NON-CURRENT OPERATING INCOME AND EXPENSE

(€ million)	**2018**	**2017**
Fine from French Competition Authority	(20.0)	0.0
Fnac Darty restructuring costs	(9.7)	(46.7)
Costs related to the acquisition and consolidation of Darty	(1.4)	(1.4)
Costs connected with WeFix acquisition	(1.0)	0.0
Other restructuring costs	(6.4)	(5.1)
Other risks	(0.3)	(0.1)
OTHER NON-CURRENT OPERATING INCOME AND EXPENSE	**(38.8)**	**(53.3)**

For the reader's benefit, unusual and material items at Group level are identified under operating income as "Other non-current operating income and expense".

As of December 31, 2018, they represented a net expense of €38.8 million, comprised of:

- €20.0 million in expenses related to the fine levied by the French Competition Authority in connection with the store disposal process;
- €1.4 million in expenses related to costs derived from the consolidation of Darty;
- €9.7 million in restructuring costs, related mainly to the implementation of the Group's new organizational structure. In 2018, these expenses were mainly attributable to the Remote Customer Service restructuring plan to streamline the industrial processes of this activity and refocus on technical expertise, the core business of Darty's sales staff;
- €1.0 million in costs related to the acquisition of WeFix;
- €6.4 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty. These costs also include the termination of the Fnac Tourisme business.

As of December 31, 2017, they represented a net expense of €53.3 million composed of:

- €46.7 million in restructuring costs in France and internationally related to:
  - the implementation of the new Group organizational structure. The Group announced an independent voluntary departure plan for employees which was opened at the Group's registered office at the end of an employee consultation process. 111 positions are expected to be eliminated. Jobs were discontinued exclusively on a voluntary basis, without a forced departure phase, and resulted in 81 voluntary departures. A complete set of measures to support reorganization was proposed and discussed with trade union organizations,

- the project to change the organization and optimize the After-Sales Service that was announced September 14, 2017 in the Group Committee. The mission of this project will be to continue to improve our quality of service in home servicing call-outs and to continue to adapt our repair workshops and supplier return management, and

  - the closing of the Wissous 2 Fnac logistics warehouse with the move of products to the Fnac warehouse in Massy and the Darty warehouse in Moussy, with the proposed reclassification at the other Fnac warehouses for all Wissous 2 employees;

- €1.4 million in costs derived from the consolidation of Darty; and

- €5.1 million for employee and structural adaptation plans in France and abroad not directly related to the acquisition and consolidation of Darty.

NOTE 11 (NET) FINANCIAL EXPENSE

Net financial expenses break down as follows:

(€ million)	2018	2017
Costs related to Group debt	(36.0)	(34.2)
Cost of consumer credit	(4.9)	(6.1)
Other net financial expenses	(1.7)	(3.7)
TOTAL	**(42.6)**	**(44.0)**

In 2018, net financial income comprised a financial expense of €42.6 million, compared with a financial expense of €44.0 million in 2017.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023.

The cost of net financial debt for the Group mainly comprised the financial interest for the €650 million bond and the €200 million medium-term credit facility. In 2018, it also included a €5.9 million expense in connection with the renegotiation of the terms governing the credit facilities and factored in the remaining costs to be amortized from the previous agreement.

Other net financial expenses primarily include financial costs related to employee benefits, and impairments of financial assets. The improvement of this item is primarily linked to a reclassification at fair value through the income statement of the Daphni financial asset pursuant to the application of the new IFRS 9.

NOTE 12 TAX

12.1 / Analysis of the tax expense on continuing operations

12.1.1 Tax expense

(€ million)	2018	2017
PRE-TAX INCOME	**214.6**	**172.8**
Current tax expense excluding corporate value-added tax (CVAE)	(55.0)	(40.3)
Current tax expense related to corporate value-added tax (CVAE)	(20.2)	(20.4)
Deferred tax income/(expense)	10.2	12.4
TOTAL TAX EXPENSE	**(65.0)**	**(48.3)**
EFFECTIVE TAX RATE	**30.29%**	**27.95%**

Income tax includes the tax expense paid, or for which a provision is recorded for the period, together with any potential tax reassessments paid or provisioned during the period. For 2018, the Group recognized a total income tax expense of €65.0 million, compared to €48.3 million for 2017, an increase of €16.7 million. The current tax expense in 2017 included the temporary corporation tax surcharge in the amount of €9.0 million, but was offset by the favorable impact of deferred tax, and specifically by the recognition for the first time of the tax effect of timing differences and the outlook for reduced tax rates in France. Overall, the increase in tax expense in 2018 is associated with the improvement in income (which, as was the case in 2017, is offset to a lesser extent by the favorable impact of deferred tax).

12.1.2 Streamlining of the income tax rate

(as % of pre-tax income)	2018	2017
TAX RATE APPLICABLE IN FRANCE	**34.43%**	**34.43%**
Impact of the taxation of foreign subsidiaries	(1.65%)	(1.65%)
THEORETICAL TAX RATE	**32.78%**	**32.78%**
Impact of items taxed at a lower rate	0.00%	0.00%
Impact of permanent timing differences	1.15%	(0.98%)
Impact of unrecognized timing differences	(0.02%)	(9.01%)
Impact of unrecognized tax-loss carry-forwards	1.29%	(0.27%)
Impact of the corporate value-added tax (CVAE)	6.33%	7.90%
Impact of the reduction of the French income tax rate	(10.09%)	(3.17%)
Impact of tax reassessments	0.00%	0.00%
Other exceptional taxes	(1.15%)	0.70%
EFFECTIVE TAX RATE	**30.29%**	**27.95%**

The income tax rate applicable in France is the basic rate of 33.33%, increased by the social security contribution of 3.3% for French companies, bringing it to 34.43%. The 2018 finance law included a gradual reduction of the normal corporate tax rate from 33.3% to 28.0% by 2020, 26.5% by 2021 and 25.0% by 2022. The Group net tax expense takes these reductions into consideration.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

12.2 / Change in balance sheet items

12.2.1 Tax due

(€ million)	2017	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2018
Tax receivables due	50.2				41.8
Tax liabilities payable	(47.3)				(44.4)
TAXES PAYABLE	**2.9**	**(75.2)**	**69.8**	**(0.1)**	**(2.6)**

(€ million)	2016	On income	WCR cash flows	Changes in scope of consolidation and foreign exchange rates	2017
Tax receivables due	19.4				50.2
Tax liabilities payable	(62.2)				(47.3)
TAXES PAYABLE	**(42.8)**	**(60.7)**	**98.3**	**8.1**	**2.9**

12.2.2 Deferred tax

(€ million)	2017	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2018
Deferred tax assets	59.9	7.2	(0.5)	0.2	66.8
Deferred tax liabilities	(192.7)	2.9		(0.1)	(189.9)
NET DEFERRED TAXES	**(132.8)**	**10.2**	**(0.5)**	**0.1**	**(123.1)**

(€ million)	2017	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2018
Provisions for pensions and other similar benefits	39.9	(0.4)	(0.7)		38.8
Tax losses and tax credits recognized	10.7	(10.7)		0.2	0.2
Darty & Vanden Borre brands	(94.4)	2.2		(0.3)	(92.5)
Other assets & liabilities	(89.0)	19.1	0.2	0.2	(69.6)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**(132.8)**	**10.2**	**(0.5)**	**0.1**	**(123.1)**

(€ million)	2016	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Deferred tax assets	41.5	16.9	0.0	1.5	59.9
Deferred tax liabilities	(188.8)	(2.3)	(0.1)	(1.5)	(192.7)
NET DEFERRED TAXES	**(147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

(€ million)	2016	On income	Items recognized in shareholders' equity	Changes in scope of consolidation and foreign exchange rates	2017
Provisions for pensions and other similar benefits	39.3	0.8	(0.1)	(0.1)	39.9
Tax losses and tax credits recognized	12.3	(1.6)	0.0	0.0	10.7
Darty & Vanden Borre brands	(104.1)	9.7	0.0	0.0	(94.4)
Other assets & liabilities	(94.8)	5.7	(0.0)	0.1	(89.0)
ASSETS (LIABILITIES), NET OF DEFERRED TAXES	**147.3)**	**14.6**	**(0.1)**	**(0.0)**	**(132.8)**

12.3 / Deferred tax not recognized

The change in tax losses and unused tax credits is as follows:

(€ million)	2018	2017
Unrecognized tax losses	238.2	288.7
Unrecognized timing differences	0.0	0.0
TOTAL UNRECOGNIZED TAX BASES	**238.2**	**288.7**

The non-capitalized tax losses represent the tax losses of the Group's subsidiaries in the United Kingdom, the Netherlands and Belgium, where the fiscal outlook does not permit capitalization.

12.4 / Tax loss changes and schedule

(€ million)	Total	Unrecognized	Recognized
AS OF DECEMBER 31, 2017	**319.6**	**288.7**	**30.9**
Deficits generated during the period	28.1	28.1	
Losses charged and time-barred during the period	(108.8)	(77.9)	(30.9)
Changes in scope of consolidation and foreign exchange rates	(0.8)	(0.8)	
AS OF DECEMBER 31, 2018	**238.2**	**238.2**	**0.0**
Tax-loss carry-forwards with a maturity of	110.7	110.7	0.0
Less than 5 years	47.0	47.0	
More than 5 years	63.7	63.7	
Indefinite tax-loss carryforwards	127.5	127.5	0.0
TOTAL	**238.2**	**238.2**	**0.0**

NOTE 13 EARNINGS PER SHARE

Net earnings per share are calculated based on the weighted average number of shares outstanding less the weighted average number of shares held by the consolidated companies.

In 2018, the Group held an average of 48,584 treasury stocks as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque and transferred to Natixis Oddo BHF as of September 26, 2018.

As of December 31, 2018, the Group held 61,000 treasury stocks.

Diluted net earnings per share take into account the weighted average number of shares defined above, plus the weighted average number of potentially dilutive ordinary shares. Potentially dilutive shares are the shares granted to employees as part of share-based payment transactions settled with equity instruments.

The instruments issued by the Group had a diluting effect of 173,681 shares over 2018.

The number of shares that could potentially become diluting during a subsequent year is 309,947.

Earnings per share as of December 31, 2018

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**149.5**	**149.2**	**0.3**
Weighted average number of ordinary shares issued	26,721,890	26,721,890	26,721,890
Weighted average number of treasury stocks	(48,584)	(48,584)	(48,584)
Weighted average number of ordinary shares	**26,673,306**	**26,673,306**	**26,673,306**
BASIC EARNINGS PER SHARE *(€)*	**5.60**	**5.59**	**0.01**

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**149.5**	**149.2**	**0.3**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**149.5**	**149.2**	**0.3**
Weighted average number of ordinary shares	26,673,306	26,673,306	26,673,306
Potentially dilutive ordinary shares	173,681	173,681	173,681
Weighted average number of diluted ordinary shares	**26,846,987**	**26,846,987**	**26,846,987**
DILUTED EARNINGS PER SHARE *(€)*	**5.57**	**5.56**	**0.01**

Earnings per share as of December 31, 2017

	Group share		
(€ million)	**Consolidated Group**	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares issued	26,447,149	26,447,149	26,447,149
Weighted average number of treasury stocks	(18,289)	(18,289)	(18,289)
Weighted average number of ordinary shares	**26,428,860**	**26,428,860**	**26,428,860**
BASIC EARNINGS PER SHARE *(€)*	**1.41**	**4.70**	**(3.29)**

(€ million)	Group share		
	Consolidated Group	**Continuing operations**	**Discontinued operations**
NET INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**37.2**	**124.2**	**(87.0)**
Convertible and exchangeable instruments			
DILUTED NET INCOME, GROUP SHARE	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares	26,428,860	26,428,860	26,428,860
Potentially dilutive ordinary shares	123,418	123,418	123,418
Weighted average number of diluted ordinary shares	**26,552,278**	**26,552,278**	**26,552,278**
DILUTED EARNINGS PER SHARE *(€)*	**1.40**	**4.68**	**(3.28)**

NOTE 14 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items mainly represent:

- profit and loss from the translation of the financial statements of operations outside France;
- items relating to the measurement of employee benefit bonds: revaluation of net liabilities for defined benefit plans;
- the effective portion of the change in fair value of the hedge instrument offset against other items of comprehensive income.

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

(€ million)	**Gross**	**Tax**	**Net**
Translation differences	0.7		0.7
Effective portion of the change in fair value of instruments designated as cash flow hedges	1.3	0.2	1.5
Change in fair value as a result of the change in own credit risk on a liability financial instrument recognized at fair value through profit or loss	0.0	0.0	0.0
Change in fair value of asset debt instruments recognized at fair value through other comprehensive income	0.0	0.0	0.0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**2.0**	**0.2**	**2.2**
Revaluation of net liabilities for defined benefit plans	13.6	(0.7)	12.9
Change in fair value of equity instruments recognized by option in the fair value category through other comprehensive income	0.0	0.0	0.0
Items that may not be reclassified subsequently to profit or loss	**13.6**	**(0.7)**	**12.9**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2018	**15.6**	**(0.5)**	**15.1**

(€ million)	Gross	Tax	Net
Translation differences	(0.8)		(0.8)
Effective portion of the change in fair value of instruments designated as cash flow hedges	(2.6)	0.3	(2.3)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(3.4)**	**0.3**	**(3.1)**
Revaluation of net liabilities for defined benefit plans	0.3	(0.1)	0.2
Items that may not be reclassified subsequently to profit or loss	**0.3**	**(0.1)**	**0.2**
OTHER ITEMS OF COMPREHENSIVE INCOME AS OF DECEMBER 31, 2017	**(3.1)**	**0.2**	**(2.9)**

NOTE 15 GOODWILL AND BUSINESS COMBINATIONS

15.1 / Goodwill

(€ million)	Gross	Impairment	Net
GOODWILL AS OF JANUARY 1, 2017	**1,616.5**	**(75.4)**	**1,541.1**
From acquisitions	0.2		0.2
GOODWILL AS OF DECEMBER 31, 2017	**1,616.7**	**(75.4)**	**1,541.4**
From acquisitions	18.2		18.2
GOODWILL AS OF DECEMBER 31, 2018	**1,634.9**	**(75.4)**	**1,559.5**

In 2018, the increase of goodwill in the amount of €18.2 million was related to the acquisition of a 51% stake in WeFix, along with the Group commitment to acquire the minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

The goodwill related to the acquisition of WeFix is positive goodwill, born of the difference between the purchase price, plus the valuation of the commitment to acquire minority interests, and the fair value of identifiable assets and liabilities acquired from WeFix as of October 1, 2018. IFRS prohibit the amortization of goodwill and make it mandatory to conduct impairment tests each time the financial statements are closed and each time there is evidence of impairment.

The valuation of assets and liabilities acquired from WeFix began on their date of acquisition. For more details on the calculation of the allotted purchase price, refer to section 15.2.

As of December 31, 2018, there was no evidence of impairment. Pursuant to IFRS, annual impairment tests were conducted on the assets. These impairment tests show a value-in-use greater than the value of the net assets for each of the cash generating units tested. No additional impairment of goodwill was therefore necessary.

Goodwill was allocated as follows:

(€ million)	2018	2017
France-Switzerland	1,420.4	1,402.2
Benelux	139.2	139.2
TOTAL	**1,559.5**	**1,541.4**

15.2 / Allocation of the acquisition price

WeFix was consolidated in the Group's financial statements as of October 1, 2018.

The following table shows:

- the consideration for WeFix of €17.2 million;
- the identifiable assets acquired less the liabilities assumed, recognized after remeasurement at fair value on the acquisition date in the amount of -€1.0 million; and
- definitive goodwill of €18.2 million corresponding to the difference between the consideration transferred and the fair value of net assets acquired.

(€ million)	**Total consideration**	**Fair Value**
TOTAL CONSIDERATION	**17.2**	
NET ASSETS ACQUIRED AT FAIR VALUE		**(1.0)**
Valuation of the WeFix brand		1.1
Property, plant and equipment and intangible assets		1.5
Financial assets		0.3
Working capital requirement		(1.7)
Net Financial Debt		(2.1)
Other net liabilities		(0.1)
GOODWILL		**18.2**

For the period from October 1, 2018 to December 31, 2018, the contribution of WeFix to the Group's consolidated revenues was €3.8 million. The contribution made by WeFix to consolidated net income over the same period was -€0.8 million.

NOTE 16 INTANGIBLE ASSETS

(€ million)	**Brands**	**Software**	**Other intangible assets**	**Total**
GROSS VALUE AS OF DECEMBER 31, 2017	**337.0**	**625.6**	**67.3**	**1,029.9**
Amortization, depreciation and impairment	0.0	(533.0)	(23.8)	(556.8)
NET VALUE AS OF DECEMBER 31, 2017	**337.0**	**92.6**	**43.5**	**473.1**
Acquisitions		22.3	20.7	43.0
Disposals		0.0		0.0
Amortization, depreciation and impairment		(34.7)	(1.3)	(36.0)
Change in scope	1.1		0.2	1.3
Assets held for sale				0.0
Changes in foreign exchange rates		0.0		0.0
Other changes	0.0	15.2	(16.6)	(1.4)
NET VALUE AS OF DECEMBER 31, 2018	**338.1**	**95.4**	**46.5**	**480.0**

(€ million)	**Brands**	**Software**	**Other intangible assets**	**Total**
GROSS VALUE AS OF DECEMBER 31, 2016	**337.0**	**579.3**	**71.8**	**988.1**
Amortization, depreciation and impairment	0.0	(502.1)	(23.7)	(525.8)
NET VALUE AS OF DECEMBER 31, 2016	**337.0**	**77.2**	**48.1**	**462.3**
Acquisitions		48.1	(4.5)	43.6
Disposals		(0.2)		(0.2)
Amortization, depreciation and impairment	0.0	(32.4)	(1.2)	(33.6)
Change in scope				0.0
Assets held for sale				0.0
Changes in foreign exchange rates		(0.1)		(0.1)
Other changes			1.1	1.1
NET VALUE AS OF DECEMBER 31, 2017	**337.0**	**92.6**	**43.5**	**473.1**

Group brands consist of the following:

(€ million)	**2018**	**2017**
Darty brand	301.7	301.7
Vanden Borre brand	35.3	35.3
WeFix brand	1.1	0.0
TOTAL BRANDS	**338.1**	**337.0**

NOTE 17 PROPERTY, PLANT & EQUIPMENT

(€ million)	**Land & buildings**	**Fixtures, fittings and commercial facilities**	**Technical and telephony equipment**	**Other property, plant and equipment**	**Total**
GROSS VALUE AS OF DECEMBER 31, 2017	**456.8**	**1,163.6**	**167.7**	**46.3**	**1,834.4**
Amortization, depreciation and impairment	(104.2)	(954.2)	(144.7)	(20.1)	(1,223.2)
NET VALUE AS OF DECEMBER 31, 2017	**352.6**	**209.4**	**23.0**	**26.2**	**611.2**
Acquisitions	3.4	51.1	11.4	13.6	79.5
Disposals					
Amortization, depreciation and impairment	(10.5)	(50.8)	(10.3)	(3.5)	(75.0)
Change in scope		0.9	0.1	0.2	1.3
Assets held for sale					0.0
Changes in foreign exchange rates		0.1	0.0	0.1	0.2
Other changes	(27.6)	16.0	9.5	5.1	3.0
NET VALUE AS OF DECEMBER 31, 2018	**318.0**	**226.8**	**33.8**	**41.7**	**620.2**

(€ million)	Land & buildings	Fixtures, fittings and commercial facilities	Technical and telephony equipment	Other property, plant and equipment	Total
GROSS VALUE AS OF DECEMBER 31, 2016	**458.9**	**1,144.3**	**163.8**	**45.6**	**1,812.6**
Amortization, depreciation and impairment	(100.1)	(937.6)	(139.7)	(21.7)	(1,199.1)
NET VALUE AS OF DECEMBER 31, 2016	**358.8**	**206.7**	**24.1**	**23.9**	**613.5**
Acquisitions	1.1	53.3	6.0	9.7	70.1
Disposals		(1.2)	(0.1)	(0.2)	(1.5)
Amortization, depreciation and impairment	(11.0)	(53.5)	(6.9)	(1.0)	(72.4)
Change in scope					0.0
Assets held for sale					0.0
Changes in foreign exchange rates		(0.3)		(0.1)	(0.4)
Other changes	3.7	4.4	(0.1)	(6.1)	1.9
NET VALUE AS OF DECEMBER 31, 2017	**352.6**	**209.4**	**23.0**	**26.2**	**611.2**

Depreciation and amortization additions are recognized in "Other current operating income and expense" in the income statement.

NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles of impairment of non-financial assets are detailed in note 2.10.

Goodwill, intangible assets with an indefinite useful life, and the cash generating units containing these elements are systematically tested annually for impairment in the second half of the year. The cash generating units are operating entities that generate independent cash flows. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

The entry value of the Darty and Vanden Borre brands was determined using the Relief From Royalties approach, which consists of evaluating the discounted amount of the royalty savings (net of maintenance costs and taxes) they generate and corresponds to the fair value of the brands on the acquisition date. To the extent that the Group's brands constitute non-current assets with an indefinite lifespan, they are not amortized but are systematically tested for impairment each year and when there is evidence of impairment. The brands recorded on the Group's balance sheet are Darty, Vanden Borre and WeFix.

Any impairment is recognized in operating income for the period. The goodwill recorded on the Group balance sheet comes primarily from the acquisition of Darty. The principal values of the goodwill and the brands are analyzed in Note 15.

18.1 / Assumptions used for impairment tests

The perpetual growth rates and discount rates after tax applied to projected cash flows under the economic assumptions and estimated operating conditions used by the Group for the brands and for the cash generating units with goodwill as of December 31, 2018 are as follows:

	Discount [(a)]		Perpetual growth	
	2018	**2017**	**2018**	**2017**
Cash Generating Unit France	8.2%	7.6%	1.0%	1.0%
Cash Generating Unit Belgium	8.1%	7.6%	1.0%	1.0%
Darty brand	9.2%	8.6%	1.0%	1.0%
Vanden Borre brand	9.1%	8.6%	1.0%	1.0%

(a) Weighted average cost of capital.

In 2017, the Group launched a new strategic plan known as “Confiance+”. This is the first Fnac Darty plan. This plan is backed by the strength of the two banners and by the solid progress of their consolidation. In addition to the plan for synergies of €131 million completed in late 2018, the Group’s goal is to create the benchmark omnichannel platform in Europe. This open platform of products and services will allow Group customers to enjoy an experience with the best standards, and will allow partners to rely on a powerful specialist retailing platform. The manufacturing agreement signed with the Carrefour Group to conduct shared purchases for consumer electronics and household appliances in France illustrates the Group’s strengths in knowledge of product lines and is part of the framework for the deployment of the Fnac Darty platform. In this way, Fnac Darty is targeting medium-term growth greater than its markets, and an operating margin of 4.5% to 5%.

During impairment tests on goodwill and the brands, the long-term growth assumptions used were determined by taking into account the growth rates recorded in recent years and the growth outlook resulting from the budget and strategic plan. Thus, the impacts expected from the “Confiance+” strategic plan have been integrated in the medium-term assumptions used for the impairment tests.

18.2 / Impairment tests of principal values

18.2.1 Determination of the recoverable value of the cash generating units and brands

For all cash generating units, the recoverable value of the cash generating unit was determined on the basis of its value-in-use. Value-in-use is determined based on an estimate of expected future cash flows, taking into account the time value and specific risks related to the cash generating unit. Estimates of future expected cash flows were made during the second half of the year based on budgets and medium-term plans over a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows.

The recoverable value of a cash generating unit is the higher of its fair value less selling costs and its value-in-use.

The recoverable value of the brands was determined on the basis of the value-in-use of the brands defined by discounting the royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half of the year based on budgets and medium-term plans over a three-year period. To calculate value-in-use, a terminal value equal to capitalization in perpetuity of a normative savings is added to the value of the expected future savings.

The recoverable value of a brand is the higher of its fair value less selling costs and its value-in-use.

18.2.2 Assets and brands to be tested

- The book values for each of the cash generating units consist of the following:
  - goodwill;
  - net intangible assets;
  - net property, plant and equipment;
  - deposits and securities related to operating assets;
  - deferred taxes;

- working capital requirement;
- provisions for contingencies and expenses.

- The Darty and Vanden Borre brands are subject to a specific impairment test.

Pursuant to IAS 36, property, plant and equipment and intangible assets are tested for impairment when there is evidence of impairment, and at least once a year for assets with an indefinite lifespan (goodwill and brands). The assets subject to impairment tests are grouped within cash generating units, the use of which generates identifiable cash flows.

When the recoverable value of a cash generating unit is lower than its net book value, an impairment is recognized in operating income.

The book value of a cash generating unit includes the book value of only the assets that can be directly attributed or assigned, on a reasonable and consistent basis, to the cash generating unit, and which will generate future cash inflows used to determine the CGU's value-in-use.

The book value of a brand corresponds to the value of the brand recorded on the Group's balance sheet.

18.2.3 Sensitivity analyses

Sensitivity analyses performed as of December 31, 2018, in the event of a reasonable change in base assumptions and, in particular, in the event of a change of plus or minus 0.5 percentage points in the discount rate and plus or minus 0.5 percentage points in the growth rate in perpetuity, did not result in any additional impairment on the Group's cash generating units or brands.

18.3 / Impairment recognized during the period

Asset impairment tests did not lead the Group to recognize impairment on any of the Group's cash generating units.

NOTE 19 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of the following items:

(€ million)	**2018**	**2017**
Equity investments	0.0	0.0
Debt instruments at fair value through profit or loss	4.6	0.0
Financial assets available for sale	0.0	2.0
Deposits and guarantees	15.8	13.8
Other	0.2	0.1
TOTAL	**20.6**	**15.9**

As of December 31, 2018, in accordance with IFRS 9, debt instruments at fair value represent the investment in the Daphni Purple fund. In 2017 pursuant to IAS 39, investment in the Daphni Purple fund was classified under assets available for sale. The evolution of the investment in the Daphni Purple fund is related to two calls for funds for a total amount of €1.4 million, and the valuation of this investment at net asset value for €1.2 million.

Deposits and securities represent the real estate lease guarantees.

NOTE 20 INVENTORIES

(€ million)	2017	Other changes	Changes in scope	Changes in foreign exchange rates	2018
Gross sales inventory	1,106.5	10.7	1.1		1,118.3
Inventory impairment	(33.7)	7.2	(0.1)		(26.6)
NET INVENTORY VALUE	**1,072.8**	**18.0**	**1.0**	**0.0**	**1,091.8**

The Group may need to record an impairment on inventories:

- based on likelihood of disposal;
- if they are partially damaged;
- if they are completely obsolete; or
- if their sale price is less than their net realizable value.

Change in impairment *(€ million)*	2018	2017
AS OF JANUARY 1	**(33.7)**	**(38.0)**
(Additions)/reversals	7.1	4.2
Foreign exchange differences		0.1
AS OF DECEMBER 31	**(26.6)**	**(33.7)**

NOTE 21 TRADE RECEIVABLES

(€ million)	2017	Other changes	Changes in scope	Changes in foreign exchange rates	2018
Gross trade receivables	270.4	10.3	0.2		280.9
Impairment of trade receivables	(5.2)	(3.9)			(9.1)
NET VALUE	**265.1**	**6.4**	**0.2**	**0.0**	**271.8**

An impairment on trade receivables is recognized according to the receivable's estimated recoverable value. The assessment of recoverable value varies by sales channel.

Change in impairment *(€ million)*	2018	2017
AS OF JANUARY 1	**(5.2)**	**(8.0)**
(Additions)/reversals	(3.9)	2.8
AS OF DECEMBER 31	**(9.1)**	**(5.2)**

NOTE 22 CURRENT ASSETS AND LIABILITIES AND OTHER NON-CURRENT

22.1 / Current assets and liabilities

(€ million)	2017	Change in working capital requirements	Change in scope	Foreign exchange rate differences	2018
Inventories (1)	1,072.8	17.3	1.0	0.8	1,091.8
Trade receivables due (2)	265.1	6.5	0.2	(0.0)	271.8
Trade receivables payable (3)	(22.0)	(52.3)	0.0	(0.1)	(74.4)
NET TRADE RECEIVABLES (4)=(2)+(3)	**243.1**	**(45.7)**	**0.2**	**(0.2)**	**197.4**
Trade payables due (5)	(1,765.6)	(96.8)	(2.1)	(0.6)	(1,865.1)
Trade payables receivable and provisions (6)	172.1	68.8	0.0	0.0	240.9
NET TRADE PAYABLES (7)=(5)+(6)	**(1,593.5)**	**(28.0)**	**(2.1)**	**(0.6)**	**(1,624.2)**
Payroll liabilities (8)	(341.7)	87.3	(0.8)	(0.0)	(255.2)
Tax payables and receivables (excluding income tax) (9)	12.1	(88.7)	(0.2)	0.0	(76.7)
Other operating payables and receivables (10)	(272.3)	44.4	0.1	0.0	(227.7)
OTHER OPERATING WCR (∑ 8 TO 10)	**(601.9)**	**43.1**	**(0.9)**	**0.0**	**(559.7)**
OPERATING WCR (∑ 1 TO 10)	**(879.5)**	**(13.4)**	**(1.8)**	**0.0**	**(894.7)**
Other current financial assets and liabilities	3.8	(5.5)	0.0	0.0	(1.7)
Payables and receivables for operating assets	(18.8)	0.6	0.0	(0.0)	(18.3)
Tax receivables and payables due	2.9	(5.4)	(0.1)	0.0	(2.6)
CURRENT ASSETS AND LIABILITIES [(a)]	**(891.6)**	**(23.7)**	**(1.9)**	**(0.0)**	**(917.2)**

(a) Excluding current provisions, borrowings and short-term financial debt, and cash and cash equivalents.

Because of the nature of its business activities, the Group's exposure to the risk of default by its debtors does not have a material impact on the Group's business, financial position or net assets. The "Other operating payables and receivables" item includes loyalty program membership, warranty extensions, ticketing and customer gift boxes.

Trade payables due primarily reflect the debts contracted with Group suppliers. They also include the debts that Group suppliers have assigned to financial institutions in the context of reverse factoring programs. The substance and characteristics of the payables in question are not substantially different.

22.2 / Other non-current liabilities

As of December 31, 2018, other non-current liabilities stand at €191.3 million, €182.6 million of which represents the portion of income from Darty warranty extensions of one year or more. As of December 31, 2018, this item also includes the valuation of the commitment to purchase minority interests in WeFix for €8.7 million. As of December 31, 2017, non-current liabilities stood at €194.6 million, representing the portion of income from Darty warranty extensions in excess of one year.

NOTE 23 SHAREHOLDERS' EQUITY

23.1 / Share capital

As of December 31, 2018, share capital was €26,605,439, consisting of 26,605,439 fully paid-up shares with a par value of €1. Compared with 2017, share capital saw a net reduction of 52,696 shares, representing a value of €4.5 million, including issue premium. In 2018, the net decrease in the share capital is related firstly to capital increases arising from the employee stock ownership plan (90,558 shares) and the settlement of performance stock option plans (54,996 shares), and secondly, to a reduction following the cancellation of 198,250 shares as part of the treasury stock buyback program announced by the Group as of October 19, 2018.

23.2 / Appropriation of earnings

No dividend was paid in 2018 for 2017.

NOTE 24 EMPLOYEE BENEFITS AND SIMILAR PAYMENTS

According to the laws and practices specific to each country, Group employees are eligible for long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits are either in the form of defined contribution plans or defined benefit plans.

Under the defined contribution plans, the Group does not have to make supplementary payments in addition to the contributions already paid. For such plans, contributions are expensed as incurred.

Defined-benefit plans require an actuarial valuation by independent experts. These benefits are primarily retirement benefits and length-of-service awards in France, and mandatory supplementary pension plans (LPPs) in Switzerland.

Retirement benefits and length-of-service awards in France

Retirement benefits in France consist of a lump sum paid by a Company to an employee upon retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement at industry or company level. Under the pension plan, employees' accrued benefits do not vest until the employee reaches retirement age (non-vested benefits). Retirement benefits are not linked to other standard retirement benefits, such as pensions paid by social security or supplementary plans (Arrco and Agirc).

In France, length-of-service awards are not mandatory but discretionary. There is no legal obligation to pay a benefit to an employee. However, the French entities in the Group have elected to give a bonus to their employees when they receive a length-of-service award for 10 and 20 years of service in the Group.

Mandatory supplementary pension plans (LPP) in Switzerland

In Switzerland the pension plan is affiliated with a collective foundation. The foundation bears the investment and longevity risks and transfers a portion of the risk benefits to an insurance company.

The Group has no obligations with respect to medical costs.

UK pension fund

The British Comet pension fund reflects the pension commitment for former Comet employees in the United Kingdom.

Supplementary pension plans

A defined benefit group pension plan reserved for certain members of senior management.

24.1 / Changes during the period

Changes in the current value of the obligation for defined benefit plans are as follows:

(€ million)	**2018**	**2017**
DISCOUNTED VALUE OF THE COMMITMENT AS OF JANUARY 1	**798.0**	**816.3**
Cost of services provided during the period	10.5	10.5
Contributions paid by the members	0.5	0.5
Financial interest expense	2.7	2.9
Cost of past services	0.6	0.3
Revaluation of liabilities	(32.4)	21.3
Reductions	(8.4)	(7.1)
Benefits paid	(28.0)	(23.5)
Change in scope	0.0	0.0
Change in foreign currency exchange rates	(3.8)	(23.2)
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**739.7**	**798.0**

The reduction of the commitment in 2018 is primarily related to the revaluation of the liabilities (explained by the increase in discount rates producing a reduction in the commitment) as well as the services provided (€28.0 million in total for the Group, including €20.7 million for the British pension fund of the Comet company, acquired following the purchase of Darty in 2016).

The breakdown of the discounted value of the commitment by type of plan and by country as of December 31, 2018 is as follows:

(€ million)	**2018**	**2017**
Pension funds – United Kingdom	554.9	610.2
Retirement benefits – France	159.5	160.2
Supplementary pension plans (LPP) – Switzerland	12.3	12.1
Supplementary pension plans – France	4.9	7.7
Long-service awards – France	7.8	7.4
Other	0.3	0.4
DISCOUNTED VALUE OF THE COMMITMENT AS OF DECEMBER 31	**739.7**	**798.0**

Changes in the fair value of the assets of defined benefit plans are as follows:

(€ million)	**2018**	**2017**
FAIR VALUE OF THE DEFINED BENEFIT PLAN ASSETS AS OF JANUARY 1	**618.2**	**630.0**
Employer contributions	5.7	9.6
Contributions paid by the members	0.5	0.5
Financial interest on assets	0.4	0.4
Benefits paid	(23.3)	(21.7)
Actual return on assets	(19.0)	21.3
Other	(0.1)	(0.1)
Change in scope	0.0	0.0
Change in foreign currency exchange rates	(4.2)	(21.8)
FAIR VALUE OF THE DEFINED BENEFIT PLAN ASSETS AS OF DECEMBER 31	**578.2**	**618.2**

For all plans, the payments of expected services in 2019 are estimated at €21.5 million.

As of December 31, 2018, 45.0% of funded defined benefit plans were invested in debt instruments.

The assets of the British Comet pension fund can be divided into two types of categories:

1. investment funds structured on the return; and

2. guarantee funds with limited risk.

A liability hedge was set up to cover the risks related to interest rates and inflation.

The reconciliation of the balance sheet data and the actuarial obligation of the defined benefit plans is as follows:

(€ million)	**2018**	**2017**	**2016 restated ***	**2015**	**2014**
Discounted value of the commitment	739.7	798.0	816.3	88.3	79.2
Fair value of the defined benefit plan assets	(578.2)	(618.2)	(630.0)	(10.9)	(10.1)
DEFICIT/(SURPLUS)	**161.5**	**179.8**	**186.3**	**77.4**	**69.1**
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**161.5**	**179.8**	**186.3**	**77.4**	**69.1**
including provisions – continuing operations	*161.5*	*179.8*	*186.3*	*77.4*	*69.1*
including provisions – discontinued operations	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

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

(€ million)	**2018**	**2017**
Pension funds – United Kingdom	3.4	18.6
Retirement benefits – France	140.5	141.1
Supplementary pension plans (LPP) – Switzerland	4.6	4.6
Supplementary pension plans – France	4.9	7.7
Long-service awards – France	7.8	7.4
Other	0.3	0.4
NET PROVISIONS RECOGNIZED UNDER LIABILITIES ON THE BALANCE SHEET	**161.5**	**179.8**

24.2 / Expenses recognized

The total expense of €5.2 million in 2018 (versus €6.3 million in 2017) recognized for defined benefit plans breaks down as follows:

(€ million)		**2018**	**2017**
Cost of services provided		10.5	10.5
Other costs		0.1	0.1
Net financial cost		2.4	2.5
Cost of past services taken to income		0.6	0.3
Decreases and payments		(8.4)	(7.1)
TOTAL EXPENSE		**5.2**	**6.3**
Recognized	*as operating expenses*	*2.8*	*3.8*
	as net financial expense	*2.4*	*2.5*
	as discontinued operations	*0.0*	*0.0*

The decrease in the expense in 2018 (€5.2 million) compared to 2017 (€6.3 million) is due primarily to a high level of curtailment (effect of the voluntary departure plan during the period).

24.3 / Actuarial assumptions

The main actuarial assumptions used to calculate Fnac Darty’s obligations are as follows:

	2018	**2017**
Discount rate	2.9% (United Kingdom) – 1% (Switzerland) – 1.65% (France)	2.4% (United Kingdom) – 0.75% (Switzerland) – 1.55% (France)
Expected rate of increase in salaries	1.50%	1.50%

Pursuant to amended IAS 19, a single rate is applied to the difference between plan liabilities and plan assets. This rate is the discount rate of the actuarial liability. It is determined on the basis of underlying AA-rated corporate bonds and a term consistent with that of plans for which an actuarial assumption has been made.

The sensitivity analysis given the assumed discount rates plus or minus 50 basis points is provided in the following table:

(€ million)	Retirement benefits	Long-service awards – France	Supplementary pension plans (LPP) – Switzerland	Supplementary pension plans – France	Pension funds – UK	Other	Total
Discount rate -50 basis points	169.8	8.1	13.1	5.0	613.1	0.3	**809.4**
Discounted value of the 2018 commitment	159.5	7.8	12.3	4.9	554.9	0.3	**739.7**
Discount rate +50 basis points	150.0	7.5	11.5	4.9	502.2	0.3	**676.4**

NOTE 25 PROVISIONS

(€ million)	2017	Additions	Reversal used	Reversal not used	Change in scope	Foreign exchange rate differences	Reclassification	2018
Provisions for restructuring	41.0	8.5	(21.3)	(0.7)	0.0	0.0	0.0	27.5
Provisions for litigation and disputes	26.8	5.8	(5.4)	(6.6)	0.0	0.0	(0.7)	19.9
Other provisions	4.7	1.8	0.0	(2.0)	0.0	0.0	0.0	4.5
CURRENT PROVISIONS	**72.5**	**16.1**	**(26.7)**	**(9.3)**	**0.0**	**0.0**	**(0.7)**	**51.9**
TOTAL	**72.5**	**16.1**	**(26.7)**	**(9.3)**	**0.0**	**0.0**	**(0.7)**	**51.9**
IMPACT ON OPERATING INCOME		**(16.1)**		**9.3**				**(6.8)**
▪ Current operating income		(5.9)		3.9				(2.0)
▪ Other non-current operating income and expense		(10.2)		5.4				(4.8)

In 2018, the reduction in provisions for contingencies and expenses is primarily linked to the reversal of restructuring provisions for implementing the new Group organizational structure following the Darty acquisition, the after-sales service organizational structure and optimization plan, and closure of the Wissous 2 Fnac logistics warehouse. The additions mainly correspond to the remote customer service restructuring.

The provisions for litigation and disputes primarily cover commercial and labor disputes and litigation.

(€ million)	2016	Additions	Reversal used	Reversal not used	Change in scope	Foreign exchange rate differences	Reclassification	2017
Provisions for restructuring	0.5	41.0	(0.5)	0.0	0.0	0.0	0.0	41.0
Provisions for litigation and disputes	26.8	11.7	(6.6)	(5.1)	0.0	0.0	0.0	26.8
Other provisions	5.1	0.0	0.0	(0.4)	0.0	0.0	0.0	4.7
CURRENT PROVISIONS	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
TOTAL	**32.4**	**52.7**	**(7.1)**	**(5.5)**	**0.0**	**0.0**	**0.0**	**72.5**
IMPACT ON OPERATING INCOME		**(52.7)**		**5.5**				**(47.2)**
▪ Current operating income		(6.1)		4.5				(1.6)
▪ Other non-current operating income and expense		(46.6)		1.0				(45.6)

In 2017, the increase in provisions for contingencies and expenses was mainly linked to the implementation of the Group's new organizational structure following the acquisition of Darty.

NOTE 26 CASH AND CASH EQUIVALENTS

26.1 / Analysis by cash category

This item breaks down as follows:

(€ million)	2018	2017
Cash	916.0	766.4
Cash equivalents	2.6	8.5
TOTAL	**918.6**	**774.9**

As of December 31, 2018, cash equivalents consisted of €2.6 million allocated as part of the establishment of the liquidity agreement. That contract is designed to promote transaction liquidity and consistency of the Group's share listing.

In 2018, the net increase in Cash and cash equivalents of €143.7 million was primarily due to the change of net cash flows relating to operating activities and net operating investment flows representing a total of €152.7 million.

As of December 31, 2017, cash equivalents relating to this liquidity agreement stood at €8.5 million.

The items recognized by the Group as "Cash and cash equivalents" meet the criteria set out in the ANC's response of November 27, 2018 to the AMF concerning the accounting treatment of approved money market funds under the MMF Regulation. In particular, investments are regularly reviewed in compliance with Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and the ANC's response. As of December 31, 2018, these analyses did not lead to changes in the accounting classification already adopted.

26.2 / Analysis by currency

(€ million)	2018	%	2017	%
Euro	902.7	98.3%	756.8	97.7%
Swiss franc	7.3	0.8%	9.0	1.2%
US dollar	8.4	0.9%	8.8	1.1%
Pound sterling	0.0	0.0%	0.3	0.0%
Other currencies	0.2	0.0%	0.0	0.0%
TOTAL	**918.6**	**100.0%**	**774.9**	**100.0%**

NOTE 27 FINANCIAL DEBT

27.1 / Analysis of debt by maturity schedule

(€ million)	2018	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**855.1**	**0.0**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**
2023 Bond	650.0					650.0	
Medium-term credit facility	200.0		20.0	50.0	80.0	50.0	
Other financial debt	2.6		0.1	0.4	0.9	0.2	1.0
Finance lease agreement payables	2.5		1.9	0.6			
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**56.1**	**56.1**					
Capitalized interest on 2023 bond	5.3	5.3					
Negotiable debt instruments	50.0	50.0					
Finance lease agreement payables	0.8	0.8					
TOTAL	**911.2**	**56.1**	**22.0**	**51.0**	**80.9**	**700.2**	**1.0**
%		**6.2%**	**2.4%**	**5.6%**	**8.9%**	**76.8%**	**0.1%**

As of December 31, 2018, gross financial debt consisted mainly of the €650 million bond issue maturing in 2023 and the €200 million medium-term credit facility.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value was extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving credit facility of €400 million in notional value was also extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial costs through this transaction reflects the strengthening of its business model as well as Fnac Darty's new scale.

Furthermore, in 2018, Fnac Darty issued short-term negotiable debt instruments to finance its operations. This totaled €300 million, and as of December 31, 2018 €50 million had been used.

(€ million)	2017	N+1	N+2	N+3	N+4	N+5	Beyond
LONG-TERM BORROWINGS AND FINANCIAL DEBT	**853.8**	**20.0**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
2023 Bond	650.0						650.0
Medium-term credit facility	200.0	20.0	50.0	80.0	50.0		
Finance lease agreement payables	3.8		1.9	1.4	0.5		
SHORT-TERM BORROWINGS AND FINANCIAL DEBT	**7.2**	**7.2**					
Capitalized interest on 2023 bond	5.3	5.3					
Finance lease agreement payables	1.9	1.9					
Bank overdrafts	0.0	0.0					
Other financial debt	0.0	0.0					
TOTAL	**861.0**	**27.2**	**51.9**	**81.4**	**50.5**	**0.0**	**650.0**
%		**3.2%**	**6.0%**	**9.5%**	**5.9%**	**0.0%**	**75.5%**

27.2 / Analysis by repayment currency

(€ million)	2018	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2017	%
Euro	911.2	855.1	56.1	100.0%	861.0	100.0%
TOTAL	**911.2**	**855.1**	**56.1**		**861.0**	

27.3 / Gross debt by category

The Group’s gross debt is as follows:

(€ million)	2018	2017
2023 Bond	655.3	655.3
Medium-term credit facility	200.0	200.0
Finance lease agreement payables	3.3	5.7
Negotiable debt instruments	50.0	0.0
Other financial debt	2.6	0.0
TOTAL	**911.2**	**861.0**

NOTE 28	EXPOSURE TO MARKET RISK, INTEREST RATE RISK, CURRENCY RISK AND SHARE PRICE FLUCTUATIONS

As of December 31, 2018, exposure to various market risks was as follows:

28.1 / Exposure to interest rate risks

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		Maturity for 2018		
(€ million)	**2018**	**Less than one year**	**One to five years**	**More than five years**
Investment securities and cash	718.5	718.5		
FLOATING-RATE FINANCIAL ASSETS	**718.5**	**718.5**	**0.0**	**0.0**
Other financial debt	255.9	50.8	204.1	1.0
FLOATING-RATE FINANCIAL LIABILITIES	**255.9**	**50.8**	**204.1**	**1.0**

		Maturity for 2017		
(€ million)	**2017**	**Less than one year**	**One to five years**	**More than five years**
Investment securities and cash	675.1	675.1		
FLOATING-RATE FINANCIAL ASSETS	**675.1**	**675.1**	**0.0**	**0.0**
Other financial debt	205.7	21.9	183.8	0.0
FLOATING-RATE FINANCIAL LIABILITIES	**205.7**	**21.9**	**183.8**	**0.0**

Interest rate risk sensitivity analysis

The Group’s debt is mainly composed of a fixed-rate bond for €650 million. A change in interest rates would primarily concern Group floating-rate bank financing, comprising a variable component (Euribor) floored at 0%.

Consequently, as of December 31, 2018 and on the basis of the items presented above, an interest rate change of plus or minus 50 basis points would not have a material impact on the Group’s pre-tax income over a full year.

(€ million)	**Impact on income**
As of December 31, 2018	
Increase of +50 basis points	(0.0)
Decrease of -50 basis points	0.0

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

28.2 / Exposure to currency risks

Fnac Darty uses forward exchange instruments to manage currency risk and thus hedge its commercial export and import risks.

In addition, the Group may implement simple optional strategies (purchase of options or collars) to hedge future exposure.

In accordance with IFRS 9, these derivative instruments are analyzed with regard to hedge accounting eligibility criteria. These foreign exchange derivative instruments are recognized on the balance sheet at their market value at period-end.

Fnac Darty's currency derivative instruments managed for hedging purposes are not documented as part of the IFRS 9 hedge accounting and are therefore recognized as derivative instruments for which a change in fair value impacts other comprehensive income items.

As of December 31, 2018 and December 31, 2017, these derivative instruments mainly included a currency hedge contract in dollars.

(€ million)	2018	US dollar
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**43.7**	**43.7**
Forwards & forward swaps	43.7	43.7

(€ million)	2017	US dollar
HEDGING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**50.4**	**50.4**
Forwards & forward swaps	50.4	50.4

The Group's balance sheet exposure to non-euro currencies as of December 31, 2018 was as follows:

(€ million)	2018	US dollar	Swiss franc	Hong Kong dollar
Exposed trade receivables	0.8		0.8	
Other exposed financial assets	15.9	8.4	7.3	0.2
Exposed trade payables	16.8		16.8	
Exposed financial debt	0.0			
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**8.4**	**(8.7)**	**0.2**
Hedging instruments	0.0			
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**8.4**	**(8.7)**	**0.2**

(€ million)	2018	US dollar	Swiss franc	Hong Kong dollar
Monetary assets	16.7	8.4	8.1	0.2
Monetary liabilities	16.8	0.0	16.8	0.0
GROSS BALANCE SHEET EXPOSURE	**(0.1)**	**8.4**	**(8.7)**	**0.2**
Hedging instruments	0.0			
GROSS EXPOSURE AFTER MANAGEMENT	**(0.1)**	**8.4**	**(8.7)**	**0.2**

Trade receivables and payables in currencies exposed to currency risk involved only current activities.

Other exposed financial assets consist of loans and receivables, as well as bank balances, investments and cash equivalents where the maturity is less than three months at the acquisition date.

The Group's currency risk management policy consists of reducing the inherent currency risk for transactions at Group entities by securing price policies and gross margins on the Group's imports and exports before the entity is committed, and of prohibiting any speculation. The management of currency risk is governed by an internal procedure aimed at hedging risks as soon as they are identified.

Currency risk sensitivity analysis

Sensitivity analysis excludes the impact related to the translation of the financial statements of each Fnac Darty entity into its reporting currency (the euro) as well as the valuation of the balance sheet foreign exchange position, considered non-material as of period-end.

Based on market data at period-end, the impact of currency derivative instruments would be non-material in the event of an immediate 10% change in the exchange rate of the euro against the main currencies to which the Group is most exposed (primarily the US dollar).

28.3 / Exposure to risks of share price fluctuations

In the context of its current operations, the Group trades the shares issued by the Group. As of December 31, 2018, no derivative instrument was used to hedge equity risk in the sense of IFRS 9.

28.4 / Other market risks – Credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by the Group. In general, the Group does not consider itself to be exposed to a particular credit risk on its financial assets.

28.5 / Liquidity risk

Management of the liquidity risk of the Group and each of its subsidiaries is closely and periodically assessed by the Group using its financial reporting procedures.

The analysis below sets forth the contractual commitments related to financial debt and trade payables, including interest. Future cash flows shown have not been discounted.

Based on the data at period-end, the cash flows shown are not expected to be generated early or in significantly different amounts than those shown in the maturity schedule.

Cash flow relating to currency derivatives is not material.

	2018				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**More than five years**
Other financial debt	911.2	(911.2)	(56.1)	(854.1)	(1.0)
Trade payables	1,865.2	(1,865.2)	(1,865.2)		
TOTAL	**2,776.4**	**(2,776.4)**	**(1,921.3)**	**(854.1)**	**(1.0)**

	2017				
(€ million)	**Book value**	**Cash flows**	**Less than one year**	**One to five years**	**More than five years**
Other financial debt	861.0	(861.0)	(27.2)	(183.8)	(650.0)
Trade payables	1,764.0	(1,764.0)	(1,764.0)		
TOTAL	**2,625.0**	**(2,625.0)**	**(1,791.2)**	**(183.8)**	**(650.0)**

NOTE 29	ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

	2018	Breakdown by accounting classification					2017
(€ million)	**Market value**	**Balance sheet value**	**Fair value through profit or loss**	**Fair value through equity**	**Amortized cost**	**Valuation level**	**Balance sheet value**
NON-CURRENT ASSETS							
Non-current financial assets	20.6	20.6	4.6		16.0		15.9
Debt instruments at fair value	*4.6*	*4.6*	*4.6*			*Level 2*	*2.0*
Deposits and guarantees	*15.8*	*15.8*			*15.8*		*13.8*
Other non-current financial assets	*0.2*	*0.2*			*0.2*		*0.1*
CURRENT ASSETS							
Trade receivables	271.8	271.8			271.8		265.1
Other current financial assets	14.2	14.2			14.2		22.3
Derivative instrument assets with hedge accounting	*0.5*	*0.5*		*0.5*		*Level 2*	*0.0*
Other current financial assets	*13.7*	*13.7*	*13.7*				*22.3*
Cash and cash equivalents	918.6	918.6	918.6			Level 1	774.9
NON-CURRENT LIABILITIES							
Long-term borrowings and financial debt	841.4	855.1			855.1		884.0
2023 Bond	*636.3*	*650.0*			*650.0*	*Level 1*	*680.2*
Medium-term credit facility	*200.0*	*200.0*			*200.0*		*200.0*
Finance lease agreement payables	*2.5*	*2.5*			*2.5*		*3.8*
Other financial debt	*2.6*	*2.6*			*2.6*		
CURRENT LIABILITIES							
Short-term borrowings and financial debt	56.1	56.1			56.1		7.2
Negotiable debt instruments	*50.0*	*50.0*			*50.0*		*0.0*
Capitalized interest on 2023 bond	*5.3*	*5.3*			*5.3*		*5.3*
Finance lease agreement payables	*0.8*	*0.8*			*0.8*		*1.9*
Other current financial liabilities	15.9	15.9			15.9		18.5
Derivative instrument liabilities with hedge accounting						*Level 2*	*0.8*
Other current financial liabilities	*15.9*	*15.9*	*15.9*				*17.7*
Trade payables	1,876.7	1,876.7			1,876.7		1,765.6

IFRS 13 requires the ranking of different valuation techniques for each of the financial instruments. As a result, the Group distinguishes three categories of financial instruments based on the two valuation methods used (quoted prices and valuation techniques) and adopts this classification, in compliance with international accounting standards, to show the features of the financial instruments recognized on the balance sheet at fair value through profit or loss at the closing date:

- **level 1 category:** financial instruments quoted on an active market;
- **level 2 category:** financial instruments for which valuation at fair value uses valuation techniques based on observable market parameters;
- **level 3 category:** financial instruments for which valuation at fair value uses valuation techniques based on unobservable parameters (parameters whose value is produced by assumptions that are not based on observable transaction prices on the markets on the same instrument, or on observable market data available at period-end) or on parameters that are only partially observable.

NOTE 30 NET FINANCIAL DEBT

The Group's net financial debt can be broken down as follows:

(€ million)	**2018**	**2017**
Gross financial debt	911.2	861.0
Cash and cash equivalents	(918.6)	(774.9)
NET FINANCIAL DEBT	**(7.4)**	**86.1**

NOTE 31 CASH FLOW STATEMENT

Net cash from bank overdrafts stood at €918.6 million as of December 31, 2018 and corresponds to the cash and cash equivalents presented in the cash flow statement.

(€ million)	**2018**	**2017**
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	**918.6**	**774.9**
Bank overdrafts	0.0	0.0
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**918.6**	**774.9**

The change in cash and cash equivalents between December 31, 2017 and December 31, 2018 was an increase of €143.7 million.

(€ million)	**2018**	**2017**
Net cash flows from operating activities	270.3	311.1
Net cash flows from investing activities	(131.1)	(113.7)
Net cash flows from financing activities	5.6	(19.9)
Net cash flows from discontinued operations	(0.6)	(56.2)
Impact of changes in foreign exchange rates	(0.5)	(2.3)
NET CHANGE IN CASH	**143.7**	**119.0**

31.1 / Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

(€ million)	**2018**	**2017**
Cash flow before tax, dividends and interest	341.0	353.1
Change in working capital requirement	1.1	56.3
Income tax paid	(71.8)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**270.3**	**311.1**

In 2018, net cash flows from operating activities generated a resource of €270.3 million.

The composition of cash flow before tax, dividends and interest was as follows:

(€ million)	**2018**	**2017**
Net income from continuing operations	**149.6**	**124.5**
Current & non-current additions and reversals on non-current assets and provisions for contingencies and expenses	93.5	140.7
Impairment on non-current operating assets	0.0	0.0
Non-cash expenses/income related to stock options and similar	0.0	0.0
Current proceeds from the disposal of operating assets	(4.9)	0.9
Non-current proceeds from the disposal of operating assets	0.0	1.1
Non-current proceeds from the disposal of financial assets	0.0	0.2
Deferred tax income and expense	(10.2)	(12.4)
Discounting of provisions for pensions & other similar benefits	2.4	3.1
Financial additions and reversals on non-current financial assets	(1.2)	0.0
Other items with no impact on cash	0.0	0.0
CASH FLOW	**229.2**	**258.1**
Financial interest income and expense	36.5	34.4
Dividends received	0.0	(0.1)
Net tax expense payable	75.3	60.7
CASH FLOW BEFORE TAX, DIVIDENDS AND INTEREST	**341.0**	**353.1**

31.2 / Net cash flows from investing activities

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

The operating and financial investments made by the Group in 2018 amounted to €131.1 million. Over 2017, they represented an expenditure of €113.7 million.

(€ million)	**2018**	**2017**
Net operating investments	(117.6)	(111.9)
Net financial investments	(13.5)	(1.8)
CASH FLOWS FROM INVESTING ACTIVITIES	**(131.1)**	**(113.7)**

The net operating investments made by the Group in 2018 represented an expense of €117.6 million. Investments were made specifically to open new stores (in France, Switzerland, Spain and Belgium), automate logistics warehouses, create Darty spaces in Fnac stores, install kitchen spaces in the Darty network, develop the Group's websites, increase IT costs to support the generation of synergies within the Group, and digitize existing stores in order to improve the customer experience.

Generally, investments are intended to support the Group's strategy, particularly the complementary features of the Fnac and Darty banners, the omnichannel and the digital segments.

(€ million)	**2018**	**2017**
Acquisitions of intangible assets	(43.0)	(43.2)
Acquisitions of property, plant & equipment	(79.5)	(69.4)
Change in advances & installments on assets	0.0	0.0
Change in payables for assets	4.6	(1.3)
TOTAL ASSET ACQUISITIONS	**(117.9)**	**(113.9)**
Disposals of non-current assets	0.3	2.0
TOTAL ASSET ACQUISITIONS AND DISPOSALS	**(117.6)**	**(111.9)**

The Group's net financial investments represented an outflow of €13.5 million in 2018 versus an outflow of €1.8 million in 2017.

(€ million)	**2018**	**2017**
Acquisitions of subsidiaries net of cash acquired	(11.2)	(0.3)
Disposals of subsidiaries net of cash transferred	0.0	0.0
Acquisitions of other financial assets	(2.3)	(1.5)
Sales of other financial assets	0.0	0.0
Interest and dividends received	0.0	0.0
FINANCIAL INVESTMENTS (NET)	**(13.5)**	**(1.8)**

In 2018, acquisitions of subsidiaries net of cash acquired represent the disbursement relating to the acquisition of a 51% stake in WeFix. Furthermore, the Group committed to purchasing minority interests in WeFix via a shareholders' agreement governing the conditions of this acquisition.

Acquisitions of other financial assets primarily include the two calls for funds from Daphni Purple in the amount of €1.4 million. The Group also agreed to underwrite the remaining 49% of Daphni shares for €3.4 million.

In 2017, acquisitions of subsidiaries net of cash acquired represented the adjustments to the Darty acquisition price.

Acquisitions of other financial assets included a €1.5 million investment in the Daphni Purple Fund.

31.3 / Net cash flows from financing activities

Financing activities are activities that result in changes to the size and composition of the entity's contributions to equity and borrowings.

(€ million)	**2018**	**2017**
Capital increase/(decrease)	6.8	11.9
Other transactions with shareholders	0.0	(3.9)
Purchases or sales of treasury stock	(14.4)	4.2
Dividends paid to shareholders	0.0	(0.2)
Bonds issued	0.0	0.0
Bonds repaid	0.0	0.0
Increase/decrease in other financial debt	50.2	(2.5)
Interest and equivalent payments	(32.5)	(20.9)
Financing of the Comet pension fund	(4.5)	(8.5)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**5.6**	**(19.9)**

Net cash flows from financing activities amounted to a resource of €5.6 million in 2018 compared to an expenditure of €19.9 million in 2017.

In 2018:

- the capital increase of €6.8 million represents the creation of 90,558 shares to support the Group's Employee Stock Ownership plan implemented for employees in Belgium, Spain, France, the Netherlands, Portugal and Switzerland;
- disbursements of €14.4 million for the purchase of treasury stock include €11.2 million in respect of the first tranche of the treasury stock buyback program. This item also includes a net payment of €3.2 million related to the acquisition and sale of Fnac Darty shares made under the liquidity agreement. As of December 31, 2018, the Group held 61,000 treasury stocks;
- the €50.2 million net increase in financial debt includes the issuance of short-term negotiable debt instruments (NEU CP) for €50.0 million net of repayments. In 2018, Fnac Darty issued short-term negotiable debt instruments to fund its operations;
- the interest and equivalent payments represent the financial interest on the instruments set up to finance the new Group.

In 2017:

- the capital increase of €11.9 million represented the 535,364 shares created to remunerate the performance option plans settled in 2017 and 2016. This increase was offset by the change in the payables to the option plan beneficiaries who had paid cash of €3.9 million over 2016;
- inflows for the purchase of treasury stock primarily represented the redemption of Darty shares held by UBS within the framework of share-based payments to managers of the former Darty Group. This item also included the outflows and inflows related to the purchase of Fnac Darty shares made under the liquidity agreement. As of December 31, 2017, the Group held no treasury shares;
- in 2017, the decrease of €2.5 million in other financial debt reflected the reductions in finance lease agreement payables. This flow has no cash counterpart;
- the interest and equivalent payments represented the financial interest on the instruments set up to finance the new Group. In addition, in 2017, this item included an amount of €10.0 million received by the Group as a cash advance made by Crédit Agricole for the financial compensation receipts from loans and payment cards.

31.4 / Financing of the Comet pension fund

The financing of the British Comet pension fund, which was integrated in the Darty Ltd. acquisition, represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom. The financing of the Comet pension fund was renegotiated in 2017. As of July 2017, it was GBP 4.0 million per year, versus GBP 10.0 million previously.

NOTE 32	DISCONTINUED OPERATIONS

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

32.1 / Net income from discontinued operations

(€ million)	2018	2017
INCOME FROM ORDINARY ACTIVITIES		**58.5**
Cost of sales		(45.7)
GROSS MARGIN	**0.0**	**12.8**
Personnel expenses		(6.8)
Other current operating income and expense		(13.1)
CURRENT OPERATING INCOME	**0.0**	**(7.1)**
Other non-current operating income and expense	0.3	(75.1)
OPERATING INCOME	**0.3**	**(82.1)**
(Net) financial expense	0.0	(4.8)
PRE-TAX INCOME	**0.3**	**(87.0)**
Income tax	0.0	0.0
NET INCOME	**0.3**	**(87.0)**

In 2018, net income from discontinued operations included a post of +€0.3 million in respect of the Group’s discontinued operations in Italy.

In 2017, Fnac Darty sold its Fnac Brazil subsidiary to the Livraria Cultura Group. In 2017, the income from discontinued operations included the Fnac Brazil business for a net loss of -€87.6 million; and net income of €0.6 million for the discontinued operations of the Darty banner in Italy and Turkey.

32.2 / Net cash flows from discontinued operations

(€ million)	2018	2017
Net cash flows from operating activities	(0.6)	(19.2)
Net cash flows from investing activities		0.0
Net cash flows from financing activities		0.0
NET CASH FLOWS	**(0.6)**	**(19.2)**
Cash at start of period or net cash flow and change in intra-group cash flows		(37.0)
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	**(0.6)**	**(56.2)**

In 2018, net cash flows from discontinued operations include the Group’s business in Italy in the amount of €0.6 million.

In 2017, net cash flows from discontinued operations include the activity of Fnac Brazil until the date of disposal for a net flow of -€15.0 million, as well as its flows related to the recapitalization and debt write-offs of -€41.2 million.

32.3 / Assets held for sale and payables associated with assets held for sale

(€ million)	**2018**	**2017**
Assets held for sale	**0.0**	**3.1**
Assets relating to stores being sold	*0.0*	*3.1*
Payables associated with assets held for sale	**1.3**	**6.2**
Liabilities relating to stores being sold	*1.3*	*6.2*

In 2018 and 2017, the assets held for sale and payables associated with assets held for sale represent the assets and debts related to points of sale to be sold as part of the decision of the French Competition Authority pursuant to Decision 16-DCC-111 of July 27, 2016.

On July 27, 2018, the French Competition Authority published a decision on the conditions for executing the commitments made under Decision 16-DCC-111 of July 27, 2016 for the exclusive takeover of Darty by Fnac. Before July 31, 2017 Fnac Darty was to dispose of six points of sale. Three points of sale were sold to buyers approved by the French Competition Authority. Regarding Darty's points of sale not sold in Belleville and Saint-Ouen, Fnac Darty proposed a buyer in accordance with its commitments, which the Authority did not authorize. Regarding the Fnac point of sale in Beaugrenelle, Fnac Darty requested an extension to the deadline for execution of its commitment, which the Authority also refused. The Board of the French Competition Authority decided to intervene as of April 18, 2017 to verify the conditions under which the Group executed the commitments it made. The intervention has been ongoing since that date. In its decision of July 27, 2018, the Authority requested the disposal of the Darty Passy and Darty Montmartre stores in lieu of the commitments to sell the Darty Saint-Ouen, Darty Belleville and Fnac Beaugrenelle points of sale, and issued a fine in the amount of €20.0 million. The fine was paid in November 2018. An appeal is currently pending before the French Council of State in respect of this fine. As of December 31, 2018 the Group sold the Darty Passy store and signed a promise of sale for the Darty Montmartre store.

NOTE 33 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

33.1 / Contractual obligations

The table below sets out all of the Group's contractual commitments and obligations, excluding the commitments relating to employee benefits detailed in the notes above.

	Payments due according to maturity			
(€ million)	**Less than one year**	**One to five years**	**More than five years**	**2018**
Operating lease agreements	211.0	260.8	48.0	519.8
Irrevocable purchase obligations	27.0	7.0	0.0	34.0
TOTAL COMMITMENTS GIVEN	**238.0**	**267.8**	**48.0**	**553.8**

(€ million)	Payments due according to maturity Less than one year	 One to five years	 More than five years	2017
Operating lease agreements	206.4	279.6	49.0	535.0
Irrevocable purchase obligations	21.9	13.5	0.0	35.4
TOTAL COMMITMENTS GIVEN	**228.3**	**293.1**	**49.0**	**570.4**

Operating leases

The amount of the contractual obligations featured on the "Operating lease agreements" line corresponds to the amounts of the future minimum payments due under operating lease agreements that cannot be canceled by the lessee. They mainly correspond to non-cancelable lease payments for stores, logistics platforms and other buildings (head offices and administrative buildings).

Finance leases

The discounted value of future lease payments included in "Borrowings and financial debt" and relating to capitalized assets that meet the IAS 17 definition of finance lease agreements is as follows:

(€ million)	2018	2017
Less than one year	(0.8)	(3.9)
One to five years	(2.5)	(1.8)
More than five years	0.0	
Financial expenses included	0.0	0.0
DISCOUNTED VALUE OF FUTURE LEASE PAYMENTS	**(3.3)**	**(5.7)**

33.2 / Pledges and guarantees

In the context of the Darty acquisition, the Group established new sources of financing intended to fund the cash component of the acquisition and to refinance all existing borrowings and bank lines in each of the two companies.

The maturity of the Senior Credit Facility in the amount of €600 million, initially for five years from the date it was signed, April 20, 2016, was renegotiated in 2018, and it is now due to mature in April 2023. The Senior Credit Facility is broken down into two lines:

- a medium-term loan (Senior Term Loan Facility) in the amount of €200 million, amortizable from the 54th month, compared to the 30th month initially, following the renegotiation conducted in 2018;
- a revolving credit facility in the amount of €400 million to finance fluctuations in cash flows related to the seasonal nature of its business.

In addition, on September 22, 2016, Fnac Darty issued senior bonds in the amount of €650 million maturing after seven years.

In order to secure these financing lines obtained by Fnac Darty SA, the following companies of the Group were the guarantors: Fnac Darty Participations et Services SA, Fnac Direct, Établissements Darty et fils, Darty Grand Est, Darty Grand Ouest, Fnac Belgium and Fnac Vanden Borre.

33.3 / Other commitments

Other commitments are as follows:

(€ million)	Payments due according to maturity: Less than one year	One to five years	More than five years	2018	2017
Amount of credit facility not used at period-end	0.0	400.0	0.0	400.0	400.0
Other guarantees received	24.5	16.9	26.1	67.5	47.7
TOTAL COMMITMENTS RECEIVED	**24.5**	**416.9**	**26.1**	**467.5**	**447.7**
Rent guarantees and real estate guarantees	9.6	15.3	16.9	41.8	40.6
Other commitments	86.2	34.6	84.8	205.6	213.8
TOTAL COMMITMENTS GIVEN	**95.8**	**49.9**	**101.7**	**247.4**	**254.4**

The revolving credit facility in the amount of €400 million was not drawn as of December 31, 2018 and thus represents an off-balance sheet commitment received.

The increase in other guarantees received can be explained in part by the sharp increase in deposits linked to new franchise agreements (up €6.5 million).

The decrease in other commitments given of €8.2 million is related primarily to the non-renewal of a $15 million guarantee in favor of Apple, guaranteeing the commitments with Fnac Brazil, since this subsidiary was sold in 2017.

In addition, the other commitments given include two guarantees for a total amount of GBP 83.0 million (equivalent to €92.8 million):

- a guarantee of GBP 23.0 million given by Darty in 2012, during the disposal of Comet, and extended on June 23, 2017 until February 2022; and
- an additional guarantee of GBP 60.0 million, for a term of 20 years, given on June 23, 2017 by the Group to cover its obligations in respect of the British Comet pension fund.

33.4 / Group dependence on patents, licenses or supply contracts

The Group is not heavily dependent on patents, licenses or supply contracts.

33.5 / Proceedings and litigation

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

According to their experts, none of the disputes in which the Group's companies or businesses are involved threatens the Group's normal and foreseeable course of business or its planned development.

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

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

NOTE 34 RELATED PARTY TRANSACTIONS

Related party having control over Fnac Darty

As of December 31, 2018, the Ceconomy Retail International group held 24.3% of the share capital and 24.3% of the voting rights in Fnac Darty. In 2018, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

As of December 31, 2018, the SFAM company held 11.4% of the share capital and 11.4% of the voting rights in Fnac Darty and did not have a representative on the Fnac Darty Board of Directors. Therefore, the company SFAM is not a related party.

As of December 31, 2018, the Vivendi Universal Group had two independent members on the Board of Directors of Fnac Darty, although it is not a shareholder. Therefore, the Vivendi Group is no longer a related party.

As of December 31, 2017, the Ceconomy Retail International group held 24.2% of the share capital and 24.2% of the voting rights in Fnac Darty.

As of December 31, 2017, the Vivendi Universal Group held 11.05% of the share capital and 11.05% of the voting rights in Fnac Darty.

In 2017, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

In 2017, the main transactions between the Vivendi Universal Group and all Fnac Darty consolidated companies were as follows:

- reinvoicing by the Universal company, a musical products supplier, in the total amount of €25.3 million excluding taxes;
- reinvoicing by Activation Blizzard, a digital products supplier, for a total of €5.9 million excluding tax;
- reinvoicing by the Universal company, a musical products customer, in the total amount of €0.2 million excluding taxes;
- reinvoicing by L'Olympia, ticket sales provider, for a total of €5.3 million excluding taxes;
- reinvoicing by the Canal+ Group, subscription services provider, in the total amount of €0.2 million excluding taxes.

NOTE 35 REMUNERATION OF EXECUTIVE OFFICERS

Short-term benefits

The scope for the principal executives corresponds to the Executive Committee of the Group. The remuneration recorded as expense was the following:

(€ million)	**2018** [(a)]	**2017** [(a)]
Short-term benefits	6.4	11.6
Severance packages	0.2	1.0

(a) Amounts including employee social security costs.

Long-term benefits

In 2018, two multi-year variable compensation plans based on performance options and bonus shares expired in whole or in part.

In line with IFRS 2, the number of instruments expiring, canceled and allotted during the year was updated. The volatility rate of the Fnac Darty share price was maintained at 25%. The expense measured in accordance with IFRS 2 of these multi-year remuneration systems amounted to €3.6 million expensed in 2018 and €6.0 million in 2017. Final vesting of these multi-year plans is subject to performance and continued employment conditions. All these plans are listed in section 5, note 7.

The 2016 bonus share plan expired on June 16, 2018 for French residents. Vesting in the plan was subject to performance conditions (average of 20 stock market closing prices for Fnac Darty shares prior to June 17, 2018 of €89.80), which were achieved; 100% of the shares were vested for the beneficiaries employed as of June 16, 2018. These shares may be sold at the end of a two-year holding period.

The second tranche of the 2015 performance option plan was vested on September 30, 2018. Based on the average closing price of the Fnac Darty share over the last 20 trading days before September 30, 2018 (average of €70.25) and the performance conditions, 100% of the options in the second tranche were vested to beneficiaries employed on September 30, 2018. These options may be exercised between October 1, 2018 and September 30, 2019.

NOTE 36 STATUTORY AUDITORS' FEES

The fees (excluding taxes) paid to the Statutory Auditors of Fnac Darty, the parent company of the Group and associated network, can be analyzed as follows:

	2018							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
▪ Issuer	0.3	46%		0%	0.3	44%		0%
▪ Fully-consolidated subsidiaries	0.3	54%	0.2	76%	0.3	51%	0.2	53%
SUBTOTAL	**0.6**	**99%**	**0.2**	**76%**	**0.6**	**95%**	**0.2**	**53%**
Services other than certification of financial statements								
▪ Issuer	0.0	0%		0%	0.0	5%		0%
▪ Fully-consolidated subsidiaries	0.0	1%	0.1	24%	0.0	0%	0.2	47%
SUBTOTAL	**0.0**	**1%**	**0.1**	**24%**	**0.0**	**5%**	**0.2**	**47%**
TOTAL	**0.6**	**100%**	**0.3**	**100%**	**0.6**	**100%**	**0.3**	**100%**

Services other than certification of the financial statements consist primarily of consulting assignments on internal control, technical consultations and various certifications.

	2017							
	Deloitte & Associés				KPMG			
	Statutory Auditors		Network		Statutory Auditors		Network	
(€ million)	Amount	%	Amount	%	Amount	%	Amount	%
Certification and limited half-year review of parent company and consolidated financial statements								
▪ Issuer	0.2	27%	0.0	0%	0.2	33%	0.0	0%
▪ Fully-consolidated subsidiaries	0.3	45%	0.2	86%	0.3	54%	0.2	100%
SUBTOTAL	**0.5**	**72%**	**0.2**	**86%**	**0.5**	**86%**	**0.2**	**100%**
Services other than certification of financial statements								
▪ Issuer	0.2	25%	0.0	0%	0.1	13%	0.0	0%
▪ Fully-consolidated subsidiaries	0.0	3%	0.0	14%	0.0	1%	0.0	0%
SUBTOTAL	**0.2**	**28%**	**0.0**	**14%**	**0.1**	**14%**	**0.0**	**0%**
TOTAL	**0.7**	**100%**	**0.2**	**100%**	**0.6**	**100%**	**0.2**	**100%**

NOTE 37 POST-BALANCE SHEET EVENTS

On January 17, 2019, Fnac Darty announced it was in exclusive negotiations with the Lagardère Group, in view of the acquisition of Billetreduc.com by its subsidiary France Billet, a specialist in cultural and leisure ticketing.

The ticketing leader in France, with an offering of 60,000 shows per year, France Billet has a strong local presence that is expressed through a multi-channel and multi-banner distribution network. By way of this acquisition, France Billet would offer a wider, more diversified ticketing offering to strengthen its promotion of cultural diversity, the discovery of new talent and access to culture by all audiences.

As a key player in the distribution of “last minute” tickets to events in France, Billetreduc.com can provide France Billet with an additional ticketing offering in the growing last-minute market, so it can attract a new audience and enhance its attractiveness to event organizers.

Fnac Darty aims to finalize the transaction during Q1 2019.

On February 18, 2019, Fnac Darty announced the signing of a loan agreement for €100 million with the European Investment Bank (EIB). Performed as part of the “Juncker Plan”, this loan is intended to finance Fnac Darty’s digital transformation investments to support the roll-out of “Confiance+”. This new financing will allow Fnac Darty to benefit from the support of a leading European financial institution, in a highly competitive environment of non-European pure players. The Group already has a very solid financing structure, balanced between bond and bank debt, as well as excellent liquidity thanks to a revolving credit facility of €400 million that is not drawn down. This financing will allow the Group to take the opportunity to set up long-term debt, with a maximum maturity of 9 years, on very attractive terms. The Group has 18 months to draw down this line.

Together with the implementation of this financing, the Group’s financial strength was also confirmed by Standard & Poor’s, which raised Fnac Darty’s long-term credit rating to BB+ in March 2019, after having raised its rating outlook to positive in April 2018. Furthermore, to show its support for independent credit research in Europe, the Group announces in parallel that it has received a BBB- rating from Scope Ratings. This rating is in addition to the BB+ (stable outlook) and Ba2 (stable outlook) ratings received from Standard & Poor’s and Moody’s, respectively.

NOTE 38 LIST OF SUBSIDIARIES CONSOLIDATED AS OF DECEMBER 31, 2018

The Group's subsidiaries are as follows:

- Fully consolidated: F
- Consolidated under the equity method: E

Company	% interest 12/31/2018		12/31/2017	
FNAC BANNER				
Fnac Darty (Parent company)				
France				
Alize – SFL	F	100.00	F	100.00
Codirep	F	100.00	F	100.00
Eazieer	F	100.00	F	100.00
Fnac Darty Participations et Services	F	100.00	F	100.00
Fnac Accès	F	100.00	F	100.00
Fnac Appro Groupe	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Jukebox	UTH* as of 05/01/2018		F	98.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Tourisme	F	100.00	F	100.00
Fourty	E	50.00		0.00
France Billet	F	100.00	F	100.00
Izneo	E	50.00	E	50.00
MSS	F	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
Tick & Live	F	50.00	F	50.00
WeFix	F	51.00		0.00
Belgium				
Belgium Ticket	F	75.00	F	75.00
Fnac Belgium	F	100.00	F	100.00
Spain				
Fnac España	F	100.00	F	100.00

Company	% interest 12/31/2018		12/31/2017	
Monaco				
Fnac Monaco	F	100.00	F	100.00
Portugal				
Fnac Portugal	F	100.00	F	100.00
Switzerland				
Fnac Suisse	F	100.00	F	100.00
Swissbillet	F	100.00	F	100.00
DARTY BANNER				
United Kingdom				
Darty Limited	F	100.00	F	100.00
Kesa Holdings Limited	F	100.00	F	100.00
Kesa International Limited	UTH* as of 04/30/2018		F	100.00
Kesa Sourcing Limited	F	100.00	F	100.00
Kesa Turkey Limited	dissolved 08/28/2018		F	100.00
France				
A2I Darty Ouest SNC	F	100.00	F	100.00
A2I Darty Rhône Alpes SNC	F	100.00	F	100.00
A2I Île-de-France SNC	F	100.00	F	100.00
Compagnie Européenne de Commerce et de Distribution SAS “C.E.C.D”	F	100.00	F	100.00
Darty Développement SAS	F	100.00	F	100.00
Darty Grand Est SNC	F	100.00	F	100.00
Darty Grand Ouest SNC	F	100.00	F	100.00
Darty Holdings SAS	F	100.00	F	100.00
Etablissements Darty & Fils SAS	F	100.00	F	100.00
Kesa Electricals SAS	UTH* as of 04/30/2018		F	100.00
Kesa France SA	F	99.70	F	99.70
Ménafinance SA	E	50.00	E	50.00
Participations Distribution Services SNC	F	100.00	F	100.00
Netherlands				
BCC Holding BV	F	100.00		0.00
BCC Elektro-Speciaalzaken BV	F	100.00	F	100.00

Company	% interest 12/31/2018		12/31/2017	
BCC Holding Amstelveen BV	F	100.00	F	100.00
BCC Vastgoed Holding BV	F	100.00	F	100.00
Bouwerij Amstelveen BV	F	100.00	F	100.00
Bouwerij Amstelveen OG BV	F	100.00	F	100.00
Oude Haagweg Holding BV	F	100.00	F	100.00
Oude Haagweg OG BV	F	100.00	F	100.00
Polectro BV	F	100.00	F	100.00
Polectro Plaza BV	F	100.00	F	100.00
Rivieradreef Holding BV	F	100.00	F	100.00
Rivieradreef OG BV	F	100.00	F	100.00
Belgium				
New Vanden Borre	F	100.00	F	100.00
New Vanden Borre Transport	F	100.00	F	100.00
Vanden Borre Kitchen	E	50.00	E	50.00
Other countries				
Darty Asia Consulting Limited (CH)	F	100.00	F	100.00
Fnac Darty Asia Limited (HK)	F	100.00	F	100.00

* *UTH = Universal Transfer of Holdings.*

NOTE 39 EXCHANGE RATES USED FOR THE TRANSLATION OF COMPANIES WORKING WITH FOREIGN CURRENCY

The following exchange rates were used for the translation of Group companies earning in a foreign currency:

	2018		2017	
for €1	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Pound sterling	0.89	0.88	0.89	0.88
Swiss franc	1.13	1.15	1.17	1.11

Material change in financial or commercial positions

To the best of Fnac Darty's knowledge, no event likely to have a material influence on the Group's activity, financial position and net assets has occurred since December 31, 2018.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2018

To the Fnac Darty General Meeting of Shareholders,

Opinion

In execution of the mission assigned to us by the General Meetings, we have audited the Fnac Darty consolidated financial statements for the year ended December 31, 2018, as attached to this report.

We hereby certify that the consolidated financial statements present a true and fair view of the results of the operations for the past year and of the financial position and net assets at year-end of the group formed by the persons and entities included in the consolidation in accordance with IFRS guidelines as adopted in the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with professional standards applicable in France. We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our responsibilities under these standards are set forth in the section "Auditors' Responsibilities for the audit of the consolidated financial statements" contained in this report.

Independence

We conducted our audit in compliance with the applicable rules on independence over the period from January 1, 2018 to the date we issued our report, and specifically we provided no services prohibited by Article 5, Section 1 of Regulation (EU) 537/2014 or by the Code of Ethics of the auditing profession.

Justification of the assessments – Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the justification of our assessments, we are hereby informing you of the key points of the audit relating to material risks of anomalies which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, and our responses to these risks.

The assessments made are part of our process of auditing the consolidated financial statements as a whole and thus contributed to our opinion as expressed above. We are expressing no opinion on elements of these consolidated financial statements taken in isolation.

Valuation and recognition of discounts and commercial cooperation received and to be received from suppliers

(Notes 2.3.2 and 2.19 of the notes to the consolidated financial statements)

Risk identified	**Audit response provided**
Within the group, there is a large number of purchasing contracts and agreements with suppliers that stipulate: ■ commercial discounts given to the group based on quantities purchased or other contractual conditions, such as reaching thresholds or growth in purchasing volumes ("discounts"); ■ amounts paid to the group in respect of services to suppliers ("commercial cooperation"). Discounts and commercial cooperation received and to be received by the group from its suppliers are valued on the basis of contracts signed with suppliers. This valuation is primarily based on total annual purchases, quantities of articles purchased or other contractual conditions, such as thresholds reached or growth in purchasing volumes for discounts, and the performance of services rendered to suppliers as regards commercial cooperation. These are recognized as a reduction in the cost of sales. Given the large number of contracts and the features specific to each supplier, the correct valuation and recognition of discounts and commercial cooperation to be received with respect to contractual provisions and annual purchasing volumes constitute a key point of the audit.	We were informed of the internal control process and key controls established by the group concerning the process to value and recognize discounts and commercial cooperation, and tested their effectiveness on a sampling of contracts. Our other work, involving surveys, consisted of: ■ reconciling the commercial terms used in the calculation of discounts and commercial cooperation with the conditions stipulated in the purchasing contracts and agreements with suppliers; ■ comparing the estimates made of discount and commercial cooperation amounts for the previous year with the corresponding actual data in order to assess the reliability of the estimation process; ■ corroborating the volumes of business chosen with the volumes of business recorded in the group's purchasing information systems to calculate the expected amount of discounts; ■ obtaining evidence of the completion of the services rendered as of December 31, 2018; ■ obtaining evidence of payment for amounts already collected as of December 31, 2018.

Valuation of the Darty and Vanden Borre brands

(Notes 2.3.2, 2.7, 2.10, 16 and 18 of the notes to the consolidated financial statements)

Risk identified	Audit response provided
The values-in-use of the Darty and Vanden Borre brands are recognized for a net amount of €301.7 million and €35.3 million, respectively. They were valued using the relief from royalty method by an independent expert, in the context of the allocation of the Darty acquisition price in 2016. During each fiscal year, when events or circumstances indicate that impairment is likely to occur, management ensures that the net book value of these brands is not greater than their recoverable value. The recoverable value of the brands is their fair value minus exit costs or their value-in-use, whichever is higher. The recoverable value of the brands was determined on the basis of the value-in-use of the brands defined by discounting royalty savings (net of maintenance costs and taxes) that they generate. Royalty savings were projected in the second half of the year based on budgets and medium-term plans over a three-year period. To calculate value-in-use, a terminal value equal to capitalization in perpetuity of a normative savings is added to the value of the expected future savings. In this context, we considered the measurement of the recoverable value and specifically the calculation of the value-in-use of the Darty and Vanden Borre brands to be a key point of the audit because of their particularly material amount on the balance sheet assets as of December 31, 2018, uncertainties related to the probability of achieving the budgets and medium-term plans used as the basis for projections of flows of future royalty savings used in the measurement of their value-in-use, and sensitivity to changes in the data and assumptions on which the estimates were based.	We were informed of the process implemented by management in order to determine the value-in-use of the Darty and Vanden Borre brands. Our work consisted of: ■ assessing the relevance of the principles and method for determining values-in-use in terms of market practices used to value brands; ■ assessing the consistency of the projected revenue growth rates with available outside analyses; ■ assessing the royalty rates applied to the brands in calculating value based on future revenues; ■ assessing the reasonable nature of the discount rates applied to the estimated royalty flows, specifically by verifying that the various parameters comprising the weighted average cost of capital for each brand can approach the rate of return expected by market participants for similar activities. We also assessed the appropriateness of the information presented in Note 18 of the notes to the consolidated financial statements.

Assessment of goodwill allocated to the France cash generating unit

(Notes 2.3.2, 2.6, 2.10, 15 and 18 of the notes to the consolidated financial statements)

Risk identified	Audit response provided
Cash generating units containing goodwill are subject to a systematic annual impairment test in the second half of the year and whenever events or circumstances indicate that a loss of value may occur. If the recoverable value of a cash generating unit is lower than its net book value, an impairment is recognized. The recoverable value of a cash generating unit is its fair value less exit costs or its value-in-use, whichever is higher. Value-in-use is determined in relation to projections of expected future cash flows, taking into account the time value and specific risks related to the cash generating unit. Projections of expected future cash flows were made during the second half of the year based on budgets and medium-term plans over a three-year period. For the value-in-use calculation, a terminal value equal to capitalization in perpetuity of a normative annual cash flow is added to the value of expected future cash flows. As of December 31, 2018, the net book value of the goodwill allocated to the France cash generating unit was €1,420.4 million. We considered the measurement of the recoverable value of the goodwill allocated to the France cash generating unit to be a key point of the audit because of its weight in total assets as of December 31, 2018, uncertainties related to the probability of achieving the projected future cash flows used in the measurement of the value-in-use, and sensitivity to changes in the financial data and assumptions used.	We were informed of the process implemented by management to determine the recoverable value of the goodwill allocated to the France cash generating unit. Our work consisted of: ■ verifying the items making up the net book value of the cash generating unit to which goodwill is allocated by the Group; ■ assessing the relevance of the principles and methods for determining the recoverable value of the cash generating unit under IAS 36; ■ assessing the reasonableness of the cash flow projections in terms of management's assumptions and the economic environment in which the Group operates in France; ■ assessing the consistency of the growth rate used for projected flows with available outside analyses; ■ assessing the reasonableness of the discount rate applied to the estimated cash flows by specifically verifying that the various parameters comprising the weighted average cost of capital of the cash generating unit approaches the rate of return expected by market participants for similar activities; ■ comparing the accounting estimates of cash flow projections from previous periods with the corresponding actual data in order to assess reliability. We also assessed the appropriateness of the information presented in Notes 15 and 18 to the consolidated financial statements.

Specific verifications

Consistent with professional standards applicable in France, we also performed the specific verifications required by the legal and regulatory requirements of information relating to the group, provided in the Board of Directors' Management Report.

We have no observations to make on its fair presentation and its consistency with the consolidated financial statements.

We certify that the declaration on the consolidated non-financial performance provided for by Article L. 225-102-1 of the French Commercial Code is included in the information relating to the group given in the Management Report, on the understanding that, pursuant to the provisions of Article L. 823-10 of the said Code, we have not verified the fairness or consistency of the information contained in this report with the consolidated financial statements, and that it must be the subject of a report by an independent third party.

Information arising out of other legal and regulatory requirements

Appointment of the Auditors

Deloitte & Associés was appointed auditor of Fnac Darty by the General Meeting of June 22, 1993, and KPMG Audit, a division of KPMG S.A., was appointed at the General Meeting of April 17, 2013.

As of December 31, 2018, the two firms were in the sixth year of their appointment since the Company's shares were admitted to trading on a regulated market. Deloitte & Associés is in the twenty-sixth year of its appointment without interruption, and KPMG S.A. in its sixth year.

Responsibilities of management and the individuals comprising corporate governance for the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a fair image, in accordance with IFRS guidelines as adopted in the European Union, and to implement the internal controls it believes necessary for the preparation of consolidated financial statements containing no material anomalies, whether as a result of fraud or errors.

During preparation of the consolidated financial statements, it is management's responsibility to assess the Company's ability to continue operations, to present in these statements any information concerning operating as a going concern, and to apply the going concern accounting principle, unless it is planned to liquidate the Company or cease operations.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and to monitor the effectiveness of the internal control and risk management systems and, if applicable, the internal audit system, with regards to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Auditor for auditing the consolidated financial statements

Audit purpose and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements, considered in their entirety, contain no material anomalies. Reasonable assurance corresponds to a high level of assurance without, however, guaranteeing that an audit conducted in accordance with professional standards will systematically detect any material anomaly. Anomalies may result from fraud or error and are considered material when one can reasonably expect that, individually or together, they could influence the economic decisions made by users of the financial statements based on those statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to certify the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. Moreover:

- the auditor identifies and measures the risks that the consolidated financial statements contain material anomalies, whether as a result of fraud or error, defines and implements audit procedures in light of these risks, and collects information deemed sufficient and appropriate on which to base an opinion. The risk of failure to detect a material anomaly resulting from fraud is greater than the risk of failure to detect a material anomaly resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or bypassing of internal controls;
- the auditor reviews the internal controls relevant to the audit in order to define appropriate audit procedures under the circumstances, and not in order to express an opinion on the effectiveness of the internal controls;
- the auditor assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as information on these elements provided in the consolidated financial statements;
- the auditor assesses the appropriateness of management's application of the going concern accounting convention and, based on information collected, the existence or absence of material uncertainty related to events or circumstances that could call into question the Company's ability to continue operations. This assessment is based on information collected up to the date of the auditor's report; it is, however, noted that subsequent circumstances or events could call into question the Company operating as a going concern. If the auditor concludes that a material uncertainty exists, he calls the attention of readers of the audit report to information provided in the consolidated financial statements concerning this uncertainty or, if this information is not provided or is not pertinent, the auditor certifies with reservations or refuses to certify the financial statements;
- the auditor assesses the overall presentation of the consolidated financial statements and evaluates whether they reflect and provide a fair picture of the underlying transactions and events;
- for financial information on persons or entities included within the scope of consolidation, the auditor collects information believed to be sufficient and appropriate in order to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and completion of the audit of the consolidated financial statements and for the opinion on those statements.

Report to the Audit Committee

We are submitting a report to the Audit Committee specifically describing the scope of the audit work and the work conducted, as well as the conclusions arising from our work. We are also informing the Committee of any significant weaknesses in the internal controls we have identified in the procedures for preparing and processing the accounting and financial information.

The elements communicated in the report to the Audit Committee include the risks of material anomalies which we believe were the most important for the audit of the annual consolidated financial statements and which therefore constitute the key points of the audit which it is our responsibility to describe in this report.

We are also providing to the Audit Committee the declaration stipulated by Article 6 of Regulation (EU) 537/2014 confirming our independence, under the rules applicable in France specifically as established by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics for the auditing profession. As necessary, we discuss with the Audit Committee any risks impacting our independence and the safeguards taken.

Paris La Défense, March 15, 2019

Statutory Auditors

Deloitte & Associés	KPMG Audit
	A department of KPMG S.A.
Stéphane Rimbeuf *Partner*	Éric Ropert *Partner*

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Fnac Darty S.A.

€300,000,000 1.875% Senior Notes due 2024
€350,000,000 2.625% Senior Notes due 2026

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Joint Bookrunner

Société Générale

Co-Managers

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