fnac

REGISTRATION DOCUMENT FNAC #2013

Including the Financial Annual Report

fnac

Registration Document | 2013

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AUTORITÉ DES MARCHÉS FINANCIERS

AMF

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1

Presentation of the Group

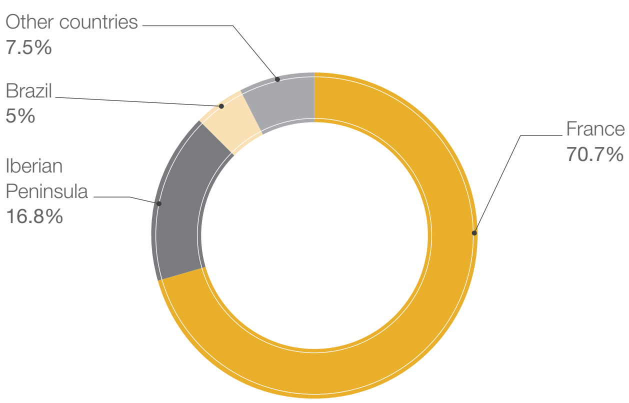
1.1 Overview of Fnac

1.1.1 Consolidated key figures

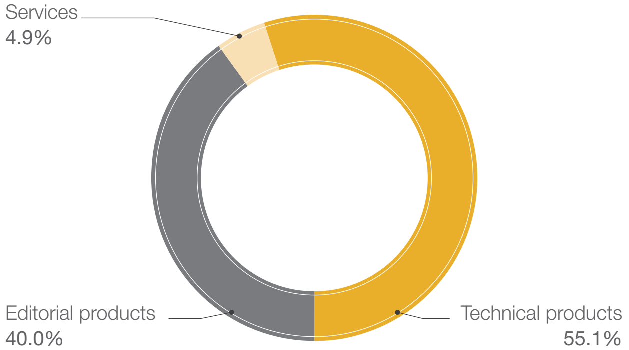
(€ million)	**2013**	**2012**	**2011**
Revenues	3,905	4,061	4,163
Gross margin	1,164	1,219	1,271
EBITDA	140	134	156
Current operating income	72	63	81
Operating margin	1.8%	1.6%	1.9%
Net income from continuing operations	16	(116)	(19)
Net income, Group share	15	(142)	(28)
Operating free cash flow	48	(57)	(36)
Net financial debt	(461)	(292)	152

1.1.2 Key figures

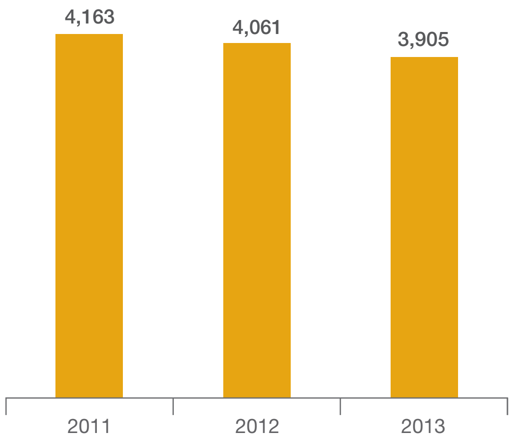
2013 revenues by geographic region



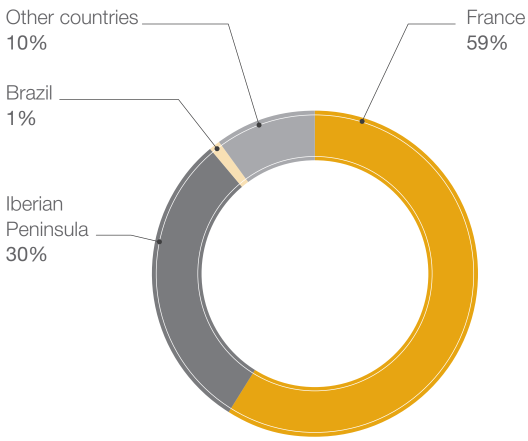
2013 revenues by category



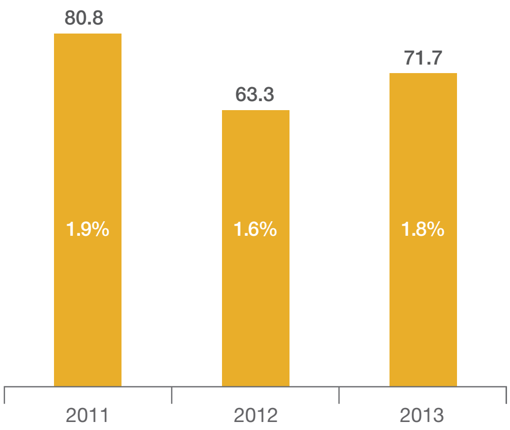
Change in revenues in €m



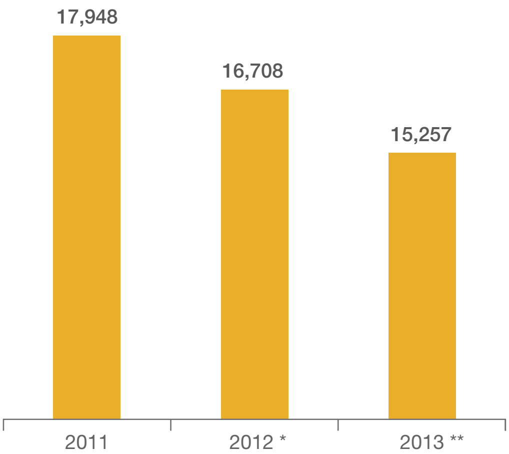
2013 current operating income by geographic region



Change in current operating income (€m) and operating margin



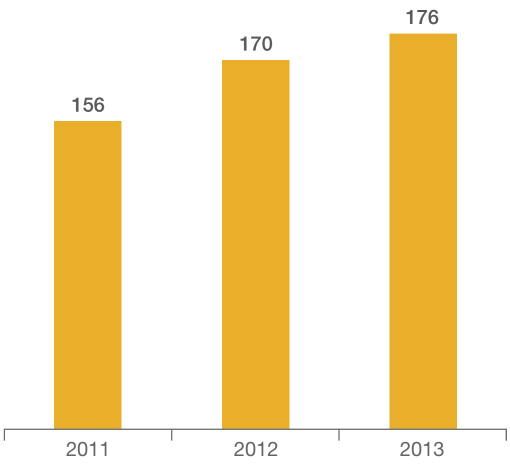
Workforce



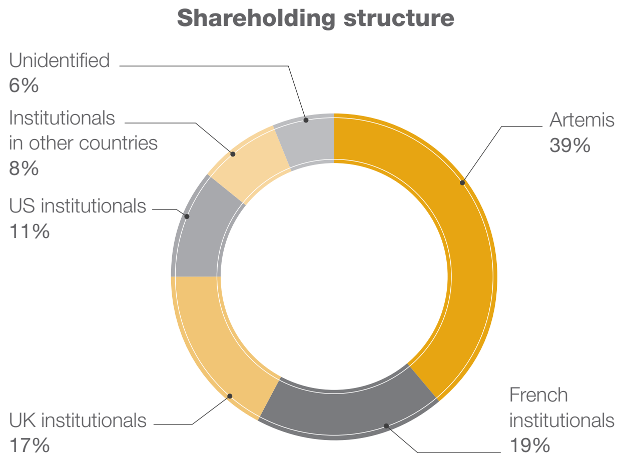
** corrected in 2012 after modification of data by Switzerland post-publication.*

*** Excluding DATASPORT Ouest Eurl, DATASPORT SA et J.F.C.L. SAS which were consolidated on December 31, 2013, but excluding Information System applied to Human Resources.*

Number of stores



Fnac share closing price



1.1.3 Presentation of Fnac

With revenues of nearly €4 billion and over 15,000 employees in 2013, Fnac is the leader in the leisure and entertainment retail market in France and a major market player on the markets in other countries where it operates, such as Spain, Portugal, Brazil, Belgium and Switzerland.

Fnac offers an unrivaled range of editorial products (40% of sales) and consumer electronics (55% of sales), along with a full range of other services (5% of sales) that complement its core product offering, as well as ticketing and box office services.

Fnac is a strong brand that encompasses the values of innovation, independence and expertise. It is the leading player in almost all of the product categories it offers and enjoys an excellent reputation and brand recognition.

Fnac has a dense network of 176 multi-format stores in key locations combined with a fast-developing internet offering that attracts a high number of visitors. With over 10 million unique visitors per month, fnac.com is the third-largest e-commerce website in France, and the most visited e-commerce website of all brick & mortar retailers. In 2013, online sales accounted for 13% of Fnac's revenues.

This gives Fnac a *click & mortar* network that enables it to benefit from synergies between its retail store network and its internet presence and implement its omni-channel strategy.

The brand's reputation and marketing concept enable it to generate a huge amount of traffic both in-store and online. As a result, Fnac has a large customer base, with a core platform of five million loyalty program customers who account for more than half of its revenues. This is unique in the retail sector. These loyalty program members are customers with high purchasing power and are generally more urban-based and more adept internet users than the average consumer.

1.2 History

Since its foundation by André Essel and Max Théret in **1954**, Fnac has had a remarkable history built on passion, daring and adapting to changing consumption patterns.

From the outset, the two founders had no desire to conduct business in the usual fashion, so they based their enterprise on the idea of consumer protection. When it was created, "Fnac" was an acronym for the *Fédération Nationale d'Achats des Cadres* (National Federation for Purchases by Executives). At that time, it was set up to enable executives to buy photographic and cinematographic equipment at attractive prices. Fnac subsequently opened up to a wider customer base by introducing new kinds of products like books and music.

Fnac opened its first store, which specialized in photography and audio equipment, on boulevard Sébastopol in the 4th arrondissement of Paris in **1957**. A few years later, this store was expanded with the introduction of a dedicated record line.

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 in consumer electronics.

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

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

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

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

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

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

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

In **1998**, the Group opened its first store in Lisbon, Portugal.

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

In **2000**, Fnac expanded its international presence, opening stores in two new countries, Italy and Switzerland.

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

In **2011**, at the beginning of Alexandre Bompard's term as Chairman of Fnac, the Group launched a new strategic plan, called "Fnac 2015", which places the customer at the heart of its growth policy, by expanding the product range to leisure activities and accelerating the roll-out of the "multi-channel to omni-channel" sales strategy. In **2012**, the company disposed of its activities in Italy and speeded up and strengthened its network with the opening of new store formats operated directly or via a franchise.

In keeping with its strategic refocus, Kering embarked on the spin-off of Fnac with the Stock Exchange listing on June 20, **2013**.

1.3 Strategy

1.3.1 Groupe Fnac's competitive advantages

1.3.1.1 The benchmark brand within its markets

Since its creation 60 years ago, Fnac has become the benchmark brand on its markets thanks to its unique multi-specialist positioning and specific values, which underpin the brand and differentiate it from the competition.

These three values are:

* **Expertise** in the form of knowledgeable and enthusiastic sales staff, a very broad range within each category of products, as well as 1,217 tests conducted each year at its testing laboratory,
* Genuine **independence** with regard to suppliers reflected in the unbiased advice given to customers,
* The initiating mission driving the Group, which promotes access to diversity and **culture** through the particularly close attention it pays to the selection of newly discovered talents for editorial and entertainment products and the promotion of technological innovations.

It is this positioning as an expert, independent and retail company that has caused Fnac to become the No.1 brand in terms of reputation and recognition for virtually all its product families.

1.3.1.2 A strong, relatively high-income base of loyal customers

Fnac has a strong customer loyalty program, with a total of 5.3 million members, of whom 3.4 million are in France (data at end of 2013). In return for a membership fee, members receive ongoing benefits (discounts, private sales, gift vouchers and exclusive offers) and advance information. This membership base represents a key competitive advantage for Fnac and the number of members increased significantly between 2010 and 2013 (by over 30%). Revenues generated by members account for 56% of all Fnac's revenues.

The customer loyalty program is designed as a customer loyalty and retention tool that also allows the Company to carry out better targeted and more effective sales promotions.

Fnac's customer loyalty program members are an asset that sets the Company apart from its peers. Members visit the store four times more often than non-member customers and spend on average double the amount of a non-member on each visit.

These loyalty program members are customers with high purchasing power and are generally more urban-based and more adept internet users than the average consumer.

1.3.1.3 An omni-channel strategy that draws on a dense network of retail stores and an increasingly integrated powerful online presence

At the end of 2013, Fnac had a network of 176 stores (108 in France) located in key city-center locations or outskirts sites.

Fnac has had an online presence for over 10 years and has e-commerce websites in all its countries of operation. fnac.com is the third most-visited website in France after Amazon and Cdiscount and the leading *click & mortar* site (in terms of average hits per month – source Fevad).

The brand's online offering was enhanced in September 2009 by the creation of the Marketplace in France (see section 1.4.3.3 "Website and Marketplace" of this Registration Document) and the development of m-commerce solutions; these enable access to a mobile-enhanced website via a mobile device or a mobile app.

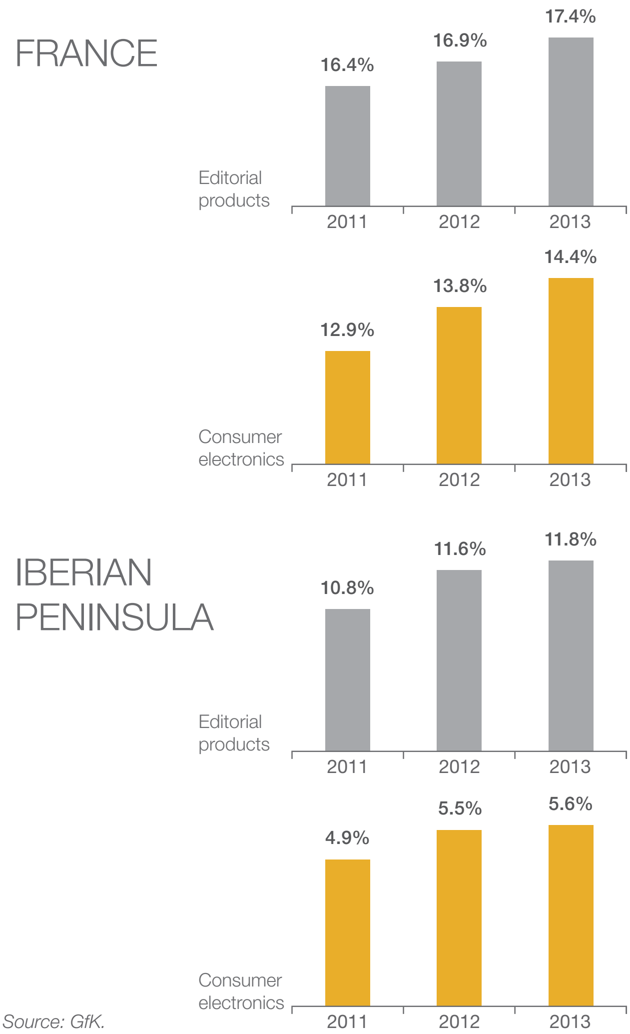
1.3.1.4 Leading positions on its markets

Fnac owes its leadership position in the retailing of editorial products and consumer electronics to the high level of traffic it generates (127 million visitors to stores in France in 2013).

Fnac is France's leading retailer of books (50 million books sold in 2013), music (14 million audio CDs sold in 2013), videos (15 million DVDs and Blu-Ray discs sold in 2013), computers (laptops and tablets) and photography products, and a key player in the camcorder and MP3 markets [1].

Despite a difficult economic environment since 2010, the Group has demonstrated its resilience by improving its market shares in consumer electronics and editorial products.

Increase in Fnac's market share



Source: GfK.

(1) Ranking source: Company on GfK database.

Fnac has steadily expanded its extensive product range to include ticketing and box-office activity and a high-margin service offer. Fnac is now the leader in France for event ticket sales with a market share of 50% (nearly 60,000 events offered and 13 million tickets sold in 2013, over 50% of them online). Naturally, this activity reinforces Fnac's image as the leader in cultural promotion.

The development of the Marketplace has also made it possible for the range of products available to customers to expand significantly. As a result, the diversity of the products offered by Fnac allows it not to be overexposed to certain categories of products for which consumer habits are evolving.

Fnac also generates significant traffic and holds strong market positions in the other countries in which it operates (particularly Spain and Portugal). Fnac had a market share of 11.8% in editorial products and 5.6% in consumer electronics in the Iberian Peninsula in 2013.

1.3.2 Markets

1.3.2.1 Description of the markets

Fnac is the leading retailer of entertainment and leisure goods in France and operates on three main markets:

* **Editorial products**: books (physical or digital), CD audio, DVD / Blu-Ray, new and used video games, stationery;
* **Consumer electronics**: photography, TV, video, sound (hi-fi and roaming products), microcomputing (computers and tablets), small domestic appliances, games and toys;
* **Services**: after-sales, insurance, tickets.

The size of the main markets where Fnac is present is detailed in the table below:

Size of markets in France in €M (source: GfK, February 2014)

Consumer electronics		Editorial products	
Consumer electronics devices	4,297	Books	3,996
Photo	1,304	Audio	685
Small domestic appliances	2,705	Video	1,174
Telecom	2,012	Gaming	2,553
IT (hardware)	5,396	Toys Games	2,655

1.3.2.2 Market trends

Internet revolution

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

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

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

The rapid development of the internet has given rise to digitization, i.e. the transition from physical media to digital media, which encourages downloading and streaming and has radically altered consumer spending patterns on editorial products. Consumers prefer digital editorial products more than ever, partly because they are cheaper than their physical counterparts, but also because of such advantages as saved space, accessibility and immediate consumption. However, this digitization phenomenon affects each segment of editorial products differently. The segments that have been most affected are audio CD, DVD and gaming, with penetration of the digital sector of 16.6%, 20.4% and 18.0% [1] respectively. Although the digital book market is growing in France, it is still a nascent segment, with less than 3% of the book market in 2013.

Competitive environment

Fnac's main competitors are:

* Specialist internet retailers, known as pure players, who account for the majority of online sales. They rely on competitive pricing and an ever-expanding product range. Fnac's main competitors in France are the Amazon, Cdiscount, Pixmania and Rue du Commerce websites.
* Specialist retailers who offer products to their customers through a network of physical retail outlets (brick-and-mortar) and, where applicable, via a website (*click & mortar*). 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 Darty, HTM Boulanger and Cultura.
* Mass-market retailers (mainly hypermarket chains like Carrefour, Auchan, Leclerc, Géant Casino and Cora) also offer consumer electronics and editorial products.
* ISPs (internet service providers) and digital platforms (Spotify, Deezer) that offer music, VOD and online gaming.

Markets correlated to household income

The growth of the consumer electronics and editorial product markets is sensitive to changes in available household income, which in turn depends on changes in GDP (gross domestic product), household tax levels and savings.

Since 2008, the deterioration in macroeconomic conditions has had the effect of reducing non-essential household spending and has led to significant declines in the consumer electronics and editorial product markets, especially in France and the Iberian Peninsula.

1.3.3 "Fnac 2015" strategic plan

To address the structural changes in the markets and the deterioration of macroeconomic conditions, in September 2011, Fnac implemented a new strategic plan called "Fnac 2015", which is based around four objectives:

* ramping up the omni-channel strategy;
* developing closer ties with customers;
* developing levers for growth, both in terms of new products and new store formats;
* improving operational efficiency.

1.3.3.1 Ramping up the omni-channel strategy

In recent years, the major development in retail has been the increase in points of contact with customers, whether in-store, online from home, or through mobile web access using smartphones and other devices.

Consumers are increasingly mixing different channels in the purchase process. For example, 81% do research online before buying in-store and 70% visit a store before purchasing online.

This raises significant challenges for Fnac. The company has in fact identified a potential seven million customers who are store customers but not fnac.com customers when they buy on the internet. The goal, therefore, is to convert them to becoming omni-channel customers.

Since 2011, the Group has invested substantially to link the two sales channels (stores and internet) so it can offer customers a seamless purchasing process.

Connections between stores and warehouses have been improved in order to offer "click-and-collect" (the customer orders online and the goods are delivered to a store) and "click-and-mag" (the customer is in the store, the product he or she wants is not available in the store, the sales assistant suggests ordering it online, and the customer chooses whether to have the goods delivered to his home or the store).

A new warehouse for online sales was opened in September 2012. It was fully operational at the end of 2013 and has helped to substantially increase the range of ready-to-dispatch products stored and halved order preparation time.

The Marketplace range in France has been expanded to increase the number of products available to over 19 million online offers.

(1) Source: GfK study, February 2014 .

A Marketplace was successfully launched in Spain in June 2013 and in Portugal in November 2013.

The Group has also upgraded its m-commerce platform. In 2013, this generated around 20% of the traffic on fnac.com. The new mobile app launched in December 2013 has a number of new functionalities to enhance the purchase experience, and will contribute to increased m-commerce sales.

All these initiatives have led to a rapid increase in omni-channel sales. For example, in France, store-linked internet purchases (purchases delivered in-store or initiated in-store) jumped from 12% in 2011 to 29% in 2013.

Added to this, the fact that a quarter of customers who choose to collect their online purchases in a store make an additional purchase in-store highlights the importance of a well-constructed and efficient omni-channel strategy.

1.3.3.2 Increasing commercial attractiveness and strengthening customer relationship

To increase its price competitiveness compared to e-commerce players, Fnac has thoroughly overhauled its marketing policy, chiefly to reverse the decline in its price image in recent years.

The main levers used were:

* more advertising for entry-level products;
* coordinating the pricing policies between Fnac's different channels;
* aligning prices offered online to those of its pure player competitors for image products;
* rationalizing marketing operations to correspond to the company's key sales periods (back to school, Christmas, sales).

The combination of all these actions has enabled Fnac to gain ten percentage points in price image compared to 2011.

The price-repositioning effort was also accompanied by rebalancing investments to benefit loyalty program members and give them access to the most competitive prices on the market through the loyalty program (i.e., permanent discounts and special offers).

As a result, the price differential with pure players has narrowed in the last two years. On fnac.com, in particular, Fnac also offers members very competitive prices compared to the internet pure players.

Fnac has also set up new tools to establish closer ties with customers and encourage their loyalty. The aim is to develop the Fnac culture from a "product"-centric culture to a "customer"-centric culture and enable it to respond better to consumers' new requirements in terms of service, choice and product availability.

The three main initiatives deployed are:

* to better understand consumer preferences and tailor the customer experience, Fnac has developed a unique customer record (UCR) database that consolidates all the information relating to a customer that can be found in the Group's various databases (purchase history, loyalty program points available, preferred stores, birthday, etc.). The UCR tool will enable Fnac to implement a targeted marketing policy and offer clients product and service offers that correspond to their preferences. It will also help Fnac promote its omni-channel mix by sending personalized web-only offers to customers who only shop in stores to encourage them to make purchases on fnac.com;
* the second initiative is the introduction of a customer satisfaction measurement tool, the Net Promoter Score, which enables the systematic measurement via e-mail of satisfaction rates for members who have made a purchase (extending to all customers from 2013). Members who give a customer satisfaction score of 6 or less out of 10 are considered potential critics of the Group, and are therefore the focus of targeted and personalized service. Since it was deployed in the fall of 2012, the Net Promoter Score has gained ten percentage points;
* a major training program for sales staff called REVER has been set up to improve attitudes to customers and improve the quality of service. By the end of 2013, the entire sales force had been trained under this program.

1.3.3.3 Developing the product offering

To offset the decline in certain categories of editorial products affected by digitization, Fnac is enlarging the brand's scope to leisure products and targeting family customers more widely. New categories of products have been introduced.

First, Toys & Games, which are featured in areas covering the whole offering for children, and Home & Design, which offers domestic appliances with high added value in terms of innovation and design. By the end of December 2013, these sections had been created in all Fnac stores.

Stationary sections are also being rolled-out, based around premium-position brands. Sections for Connected Devices were deployed in September 2013 in all the stores in France. These devices are linked to mobile apps and represent a high-potential market, with uses in a variety of areas such as Sport (sports tracking and guidance), Well-Being (balance, blood pressure monitoring, life coaching) and Home (home automation, video surveillance).

Also, after changes to its partnership with SFR, since February 2014, Fnac has created Telephony sections in its stores in France, which offer a comprehensive range of sim free devices (mobile phones and smartphones).

These new product families accounted for nearly 6% of revenues in 2013, up two points from 2012.

In March 2014, Fnac also announced the launch of a general public music streaming service called "Fnac Jukebox", which further strengthened its presence in the music segment.

1.3.3.4 Increasing the density of the store network

To continue growing the network and target smaller catchment areas, two new store formats have been developed:

* the "Travel" format which is used to penetrate high-traffic areas such as stations and airports with a specific product range. This format raises Fnac's profile and enables it to serve customers with a new shopping experience;
* a "Proximity" format, with a surface area of between 300 and 600m ^{2}, stocking the full catalogue of Fnac products and services, which will allow the Company to open stores in medium-sized towns (under 100,000 inhabitants) that cannot support "Traditional" or "Outskirts" formats. The "Travel" and "Proximity" formats have omni-channel functionalities and thus contribute to the development of fnac.com.

These new formats Fnac is going priority to expansion through a franchise model. This is an asset light model, that enables the company to benefit from the operating know-how of partners and their knowledge of the local market.

At the end of December, there were 20 such new-format stores in France (five of which opened in 2013). The new formats have also started to be deployed internationally, with the opening of a travel store and a proximity store in Lisbon.

While this is happening, Fnac intends to ramp up the establishment of its brand in high-potential countries using the franchise system. In December 2011, Fnac opened its first store in Morocco (Casablanca) under a partnership agreement with Aksal, one of the Moroccan leaders in the specialist retailing segment. The Group also announced that it had signed a franchise agreement with Darwish Holding, a pioneer in specialist retailing in the Middle East. The first Fnac store is due to open in Qatar in the fall of 2014.

1.3.3.5 Improving operational efficiency

To strengthen its competitiveness, since January 2012, Fnac has launched initiatives to optimize its productivity and transform its structure to adapt to changing markets, with the objective of generating full-year savings of €80 million over two years.

These measures include a cost-reduction program for general expenses (including current expenditures, rent and technical services), an all-country hiring freeze and the elimination of around 300 positions in France and 200 positions abroad through attrition. In 2012, the swift deployment of these measures generated savings of €60 million, representing €80 million over a full year.

The Group intends to pursue its policy of improving organizational efficiency with the aim of generating a further €80 million of savings in 2013-2014. Cost-reduction measures implemented in 2013 generated €55 million of savings over the financial year (including the favorable impact of the CICE tax credit for competition and employment).

In 2012-2013, the cost base was thus reduced by nearly 12%.

1.4 Activities

1.4.1 Geographical breakdown

As the leading retail distributor of entertainment and leisure products (including consumer electronics), Fnac is a strong market player in France. The Group also maintains operations internationally in six countries: Spain, Portugal, Brazil, Belgium, Switzerland and Morocco. The Group conducts its business through both a network of stores and e-commerce websites, making it a *click & mortar* retailer. Within each country, the stores are laid out according to an identical format and market the same range of products, subject to local market adaptations.

1.4.1.1 France

At year-end 2013, Fnac's retail network in France included 108 stores (87 fully-owned stores and 21 franchises). Since the opening of the first store in Paris in 1957, this network has become progressively concentrated in Paris and the major provincial cities. The stores occupy key locations in the city center or outskirts sites and thus attract strong traffic, with 127 million visits in 2013. In 1999, Fnac also launched a website (fnac.com), which is the third-largest e-commerce website in France in terms of average number of unique visitors per month [1].

In 2013, Fnac continued to expand:

Location	Date of opening	Format [a]
Mrw Marseille Provence	January 2013	Travel
Pontault Combault	May 2013	Proximity
Toulouse Blagnac	June 2013	Travel
Roissy 2F	October 2013	Travel
Beaugrenelle (Paris)	October 2013	Traditional
Vichy	November 2013	Proximity

(a) The store formats are described in section 1.4.3.1 on the stores network.

In France, Fnac is the leading retail distributor of entertainment and leisure products (based on revenues from all sales channels) in terms of the traffic it generates and its sales. Fnac is the leading retailer on the book, music, video, computer and photography markets.

	Data at end 2013
Revenues	€2,761.9m
% revenues online	15.1%
Current operating income	€42.6m
Number of loyalty program members	3.4 million
Number of stores	108

1 Source: Médiamétrie/Netratings, December 2012 (excluding travel websites)

1.4.1.2 Iberian Peninsula

Fnac's retail network in the Iberian Peninsula included 44 stores at year-end 2013. It generated consolidated revenues of €654.3 million and current operating income of €21.3 million (across all channels).

At the end of 2013, the subsidiary in Spain had 25 stores, including one "Travel" format store in Valencia's railway station. The first store opened in 1993 in Madrid, and the fnac.es website was launched in 2000. In 2013, Fnac's footfall in Spain was 34 million.

In Portugal, Fnac has a network of 19 stores. The first store opened in 1998 in Lisbon and the fnac.pt website was launched in 2002. In 2013, Fnac's footfall in Portugal was 28 million. A proximity store and a travel store were opened in Lisbon in 2013.

	Data at end 2013
Revenues	€654.3m
% revenues online	8.7%
Current operating income	€21.3m
Number of loyalty program members	1.2 million
Number of stores	44

1.4.1.3 Brazil

Fnac's retail network in Brazil includes 11 stores, each of which is designed based on the same concept as Fnac's French stores, and a website, fnac.com.br. The first store opened in 2000 in São Paulo. In 2013, Fnac had 16 million visitors in Brazil.

	Data at end 2013
Revenues	€197.2m
% revenues online	19.2%
Current operating income	€0.7m
Number of loyalty program members	0.2 million
Number of stores	11

1.4.1.4 Other countries

Fnac's Other Countries network included 13 stores at year-end 2013, and generated consolidated revenues of €291.9 million in 2013 and current operating income of €7.1 million (across all channels). In Belgium, Fnac has 9 stores. Fnac's first Belgian store opened in Brussels in 1981, and the fnac.be website was launched in 2006.

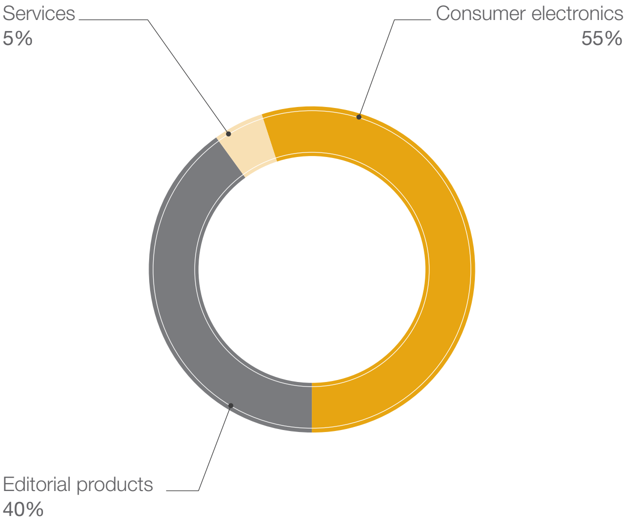
Fnac has 4 stores in French-speaking Switzerland. Fnac's first Swiss store was opened on Rue de Rive, Geneva, in 2000. The fnac.ch website, launched in 2004, has limited functions, and focuses primarily on services such as ticketing and box office services, gift boxes, photo processing and e-books.

	Data at end 2013
Revenues	€291.9 m
% revenues online	0.8%
Current operating income	€7.1m
Number of loyalty program members	0.5 million
Number of stores	13

1.4.2 Product range

Fnac offers a comprehensive range of entertainment and leisure products. Fnac is positioned as a multi-specialist retailer that aims to offer its customers the widest possible range of products in each of the product categories it carries, and to ensure such products are available both in-store and/or online.

2013 revenues by category



1.4.2.1 Consumer electronics

Consumer electronics includes photography, TV-video, audio, and IT products. In 2013, Fnac generated consolidated revenues of €2,150 million from the sale of consumer electronics, representing 55% of its consolidated revenues.

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

In France, Fnac is the leading distributor of Apple products, and it has entered into an agreement to set up dedicated Apple ("shop-in-shop") areas 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.

Fnac 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 specific tables presenting 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.

In 2013, this form of collaboration was extended to other strategic suppliers such as Google and Samsung.

1.4.2.2 Editorial products

Editorial products include music, video, books, and gaming products. In 2013, Fnac generated consolidated revenues of €1,563 million from editorial products sales, representing 40% of its consolidated revenues. In France, Fnac is a trendsetter in its markets, with a rich and diverse editorial products catalog.

Fnac is the leading music store in France with a product list of 85,000 titles.

It is the leader on the video market with some 30,000 video, DVD and Blu-Ray titles.

Fnac is the leading bookseller in France [1] and offers the widest range of products on the market with a catalogue covering all sub-segments. Fnac has a catalogue of around 4.5 million titles on its fnac.com website. In France in 2013, Fnac sold 49 million books (representing over 350,000 different titles), around 170,000 e-readers (an increase of over 20% compared to 2012) and around 500,000 digital books.

In gaming, Fnac has a catalogue of 11,000 titles in France, including 5,000 used video game titles. In the last three years, Fnac has launched a secondhand video games offering based on the buyback of used video games.

To be in line with and position itself on a digitalized market, Fnac entered into a partnership with the Canadian company Kobo in September 2011 and now offers an innovative digital reading solution: *Kobo by Fnac*.

Kobo's role is to provide and maintain the technology platform, provide the devices, and develop applications, while Fnac is responsible for the cost of marketing and advertising in France. Both parties combine their platforms and share the income and costs of adjusting and connecting the Kobo system to the fnac.com website interfaces.

Similarly, Fnac is expanding its digital content offerings. In March 2014, Fnac announced the launch of a general public music streaming service called "Fnac Jukebox", which further strengthened its presence in the music segment.

(1) Ranking source: Company on GfK database.

1.4.2.3 New segments

Home & Design

In 2012, in line with the strategic focus of the "Fnac 2015" plan, Fnac launched "Home & Design" sections in its stores, which showcase innovative, technologically sophisticated and well-designed small domestic appliances such as vacuum cleaners, breakfast products and food preparation machines.

Fnac intends to offer a small, high value-added, household appliances range, based on innovation and design, in keeping with Fnac's overall positioning. Fnac aims to differentiate itself from other brands in the sector and from premium brands, by showcasing mid-range to high-end trendsetting brands, such as Dyson, Nespresso, Krups, Magimix, Alessi, Kitchenaid, Cuisinart, and Bodum. This positioning is also reflected in the specific lay-out of these areas, which enhance the stores' attractiveness. Products are presented on islands in a self-promoting eco-system that includes books, gift boxes, utensils and accessories.

Toys & Games

Since November 2011, Fnac has been developing new sections for 0-12 year olds within its stores called "Fnac Kids". These sections create a single area for toys, games, books, DVDs, CDs, consumer electronics and gaming for children.

The lighting, furniture and color schemes of these dedicated areas have been tailored to meet the tastes of younger customers, with products available by age range (from infant to twelve-year-old). They also have a layout designed to welcome children and create a space for them to read, listen to music or stories, and play on interactive tablets. Emphasis is also placed on Fnac's technological positioning.

To consolidate its presence in the toys and games market, Fnac entered into a partnership agreement with the French subsidiary of the Walt Disney Company in October 2012. As part of this agreement, Fnac agreed to reserve a section for Disney items, such as DVDs, books, toys, within the "Fnac Kids" areas and to implement joint promotional efforts. In return, Disney will extend this partnership to all its products, including fashion and furnishings, as well as to the Disney TV channel. It has also agreed to finance or manage workshops for children offered in "Fnac Kids" areas. This partnership is to be implemented in all stores with a "Fnac Kids" area in France.

Stationery

To supplement its books offering, Fnac also offers stationery sections based around premium-position brands. It will extend the deployment of these sections in 2014.

Connected Devices

Since September, within its 87 stores in France, Fnac has created a new section devoted to Connected Devices. This new product range is also available on fnac.com. Fnac is the only company in France to offer a section entirely devoted to innovative, on-trend, Connected Devices.

The range is segmented into four themes:

- **Sport,** with products based around sports tracking and guidance, accessories, competition (innovative watches);
- **Well-Being,** with products that enable users to be monitored by a life coach, balance and blood pressure monitoring, etc.;
- **Leisure**, for various activities including games, weather forecasting, etc.;
- **Home**, with innovations in home automation, video surveillance, baby monitors etc.

Telephony

Since the second half of 2011, Fnac stores in France have included new sections that are entirely operated by SFR and offer a comprehensive range of products and services for mobile telecommunications and internet access. There are currently 67 SFR sections in operation.

At the beginning of 2014, Fnac developed its partnership with SFR with a position on sim free devices to benefit from this very dynamic market which saw massive growth in 2013. From February 2014, in the "Micro" sections of all its stores, it will gradually offer a range of hands-free products (mobile phones and smartphones), supplemented by SFR's no-contract RED package. This offering is also available on fnac.com. Under this partnership, 24 stores will have an SFR corner.

Revenues from new segments

In 2013, the new product families (Home & Design, Kids, Stationery, Connected Devices and Telephony) accounted for nearly 6% of total revenues.

1.4.2.4 Services

To promote its services within the stores, Fnac has created dedicated "Service Area" sections where customers can get advice on after-sales service, home delivery, guarantees or at-home training. At the end of 2013, 38 stores in France (franchises included) had a Service Area.

Fnac also offers a number of financing options in partnership with Finaref.

1.4.2.5 Fnac ticketing

Fnac has a ticketing and box office services division, known as “France Billet”, with a market share of over 50% [1] in France, making it the leading ticketing and box office player in the shows and events. France Billet has the widest network of sales outlets in France (1,222 outlets), two brand-owned sites (fnacspectacles.com and francebillet.com), 432 white-label websites and 6,943 affiliates. It sold nearly 12.6 million tickets in 2013, over 50% of which were sold online, and generated revenues of around €466 million. This service has the largest offering in France, with nearly 58,000 events per year across all segments.

In June 2012, Fnac entered into a partnership with Groupon to launch a joint discount ticketing and box office service, which is accessible through a single interface, the Groupon Tickets by Fnac website. Through this partnership, Fnac has expanded its catalog of promotional pricing, while Groupon has strengthened its box office services.

France Billet also operates ticketing sites under a white label (which means the sites use solutions and resources provided by Fnac without mention of its name), especially those for Showroom Privé, Toys”R”Us and Pixmania, and it has long-term partnerships with Carrefour, Super U and Géant for which it manages ticketing solutions.

After the acquisition of 100% of KYRO in 2011, France Billet also became the owner of a proprietary software solution, which provides venues and show producers with a complete box office services solution. KYRO supplies a range of client types: theatres, sports organizers, producers, events such as Marseille 2013, etc. In October 2013, the FIMALAC Group is partnering with Groupe Fnac by acquiring a 50% stake in the company KYRO. This acquisition, via an increase in the share capital of KYRO, will help finance the acquisition of the company DATASPORT (DSP), a key player in sports ticketing management for more than 20 years. The transaction is subject to the approval of the *Autorité de la Concurrence* (French Competition Authority).

1.4.2.6 Fnac Voyages

In France, Fnac Voyages is a travel agency that offers a selection of trips, chosen for the breadth of their cultural content, via its website and eleven in-store agencies.

1.4.3 The omni-channel distribution network

1.4.3.1 Store network

Since its foundation in 1954, Fnac has developed an original store design concept, which brings together all the products sold by Fnac in one place. This diverse range of products, the specific layout of the stores, and the expertise of the sales staff are key characteristics of the Fnac store concept. The stores are operated directly or as a franchise and benefit from unique city-center or outskirts locations. While Fnac had traditionally developed mainly city-center stores, the Group has more recently developed new store formats adapted to the outskirts shopping experience (with a broader range of consumer electronics products, greater use of self-service and more entry-level products). At the end of 2013, Fnac had 176 stores in total, including 108 stores in France. Fnac’s stores are in one of four formats.

Format	Date of concept	Average surface area	Location	Offering	Number of stores
Traditional	1974	2,400 m²	• City center - Shopping mall	Entire range	136
Outskirts	2006	2,000 m²	• City outskirts	Entire range	18
Proximity	2012	300 to 1,000 m²	• Mid-size town - City to supplement the store locations	Entire range	4
Travel *(Aelia and MRW)*	2011	60 to 300 m²	• Airports and stations	Topical editorial products - Consumer electronics for use on the move	18

(1) Source: Company estimate (based on the box office market).

1.4.3.2 Franchise operations

As part of its "Fnac 2015" plan, Fnac has started to diversify its footprint and to continue opening in new areas through the development of stores operated on a franchise basis in new regions in France and abroad. This mode of operation limits investment costs while furthering the goal of increasing Fnac's visibility at a rapid pace. At the end of 2013, this type of operation involved 21 stores.

The strategic partnership agreement signed with Lagardère Services in March 2011 is part of this strategy. It aims to develop a network of small-format stores (Travel) operated on a franchise basis in stations and airports. Lagardère Services (through Aelia and MRW) pays a fee for the use of these distinctive signs, which amounts to a percentage of the revenues for the sales outlet in question.

1.4.3.3 Website and Marketplace

Fnac has had a website in France since 1999 and internationally since 2000. Through the fnac.com website, Fnac is currently the third-biggest e-commerce merchant in France in terms of average unique visitors per month. In 2013, the fnac.com website generated total revenues of €417.1 million (Marketplace commissions included), and Fnac Direct, the company running fnac.com, generated positive current operating income. This was not the case for all comparable players in its sector.

fnac.com provides access to an extended product range for the product categories available in-store thanks to additional products available online supplemented by product categories not available in the stores. The website offers products that are sold either under the Fnac logo or via Marketplace. The fnac.com website offers approximately 19 million new and second-hand articles in France, that can be accessed by both online customers and customers in the Group's stores.

Marketplace, which is an intermediary platform linking buyers and sellers, supports Fnac's online strategy by increasing the choice available on fnac.com and the number of items available to online shoppers. This helps increase the website's traffic and visibility and contributes to customer loyalty. The platform allows more than 1,950 professional sellers and several hundred thousand private sellers, who meet Fnac's service quality criteria and are managed by a dedicated Fnac team, to be listed and to use the fnac.com site as a sales interface, making the most of Fnac's visibility, reputation and transaction security. Marketplace generated business volume (the volume of sales achieved on Marketplace) of nearly €70 million in 2013.

In order to reap the full benefit of developing m-commerce, a mobile version of the fnac.com website and apps for Android and IOS have also been available since the end of 2010. Since the update to the app was launched at the beginning of 2014, customers have been able to get the full online offer from their mobile device.

1.4.3.4 Omni-channel strategy positioning

With the growth of e-commerce and fundamental changes in consumer habits over the last ten to fifteen years, Fnac's omni-channel positioning puts the company in a perfect situation to benefit from this growth, increase its presence and engage with new consumer trends. This positioning gives Fnac numerous advantages (see section 1.3.1.3 on the omni-channel concept) over its main competitors, especially the pure players of e-commerce.

The Group's omni-channel presence allows it to leverage the synergies between its network of stores and its online presence to offer its customers a comprehensive range of services. Fnac offers customers a flexible range of shopping experiences that leverages the respective strengths of its stores and the fnac.com website. Examples include:

* "click-and-mag": where a sales assistant places an order for the customer on fnac.com when a store does not have a product in stock, with delivery to the location of the customer's choice. This allows every store in the Group's network, regardless of size or format, to offer the full range of products Fnac offers;
* "click-and-collect": where the customer orders a product on fnac.com that is in stock in a nearby Fnac retail store and collects it from that store within the hour, free of charge. This allows customers to obtain their products quickly and at the same time to ensure the product will be available before making the trip to the store;
* "click et relais colis": where the customer purchases a product on fnac.com and collects the product free of charge within two to four days from the Fnac store of his or her choice; and
* "Customer Service Centers" in Fnac stores, which provide after-sales service to fnac.com customers.

1.4.4 Fnac's customers

1.4.4.1 Characteristics of the customer base

In France, Fnac has a good mix of customers. They are mainly town and city dwellers (58%) and regular internet users (80%) [1].

The following table shows the distribution of Fnac's customers and loyalty program members in France.

2013	% Men	Average Age	% Family [a]	% Urban [b]	% CSP+	Student	Paris Region	Daily web visitors
Members [c]	54% [d]	46	27%	70%	41%	9%	41%	82%
Customers [c]	50%	43	31%	58%	37%	13%	30%	80%
French Average [e]	48%	47	28%	47%	27%	8%	19%	66% [d]

(a) Including at least one child under 15.
(b) Living in cities of over 100,000 inhabitants.
(c) Source: BVA Report, February 2013.
(d) Source : Dataming.
(e) Source: INSEE.

Fnac's priority customer targets are (i) existing customers, especially its loyalty members, (ii) families in the upper socio-professional category (CSP+) with children at home, and (iii) young people, especially students.

In addition to consumers, Fnac also caters to corporate clients through B2B activity that has two components: "key accounts" activity targeting large companies and "Fnac Pro" activity for small businesses, artisans and self-employed professionals.

1.4.4.2 Members and the customer loyalty program

Fnac has a strong customer loyalty base, with a total of 5.3 million members, of whom 3.4 million are in France (data at end 2013). Revenues generated by loyalty program members accounted for 56% of Group revenues, one percentage point higher than in 2012. The number of loyalty program members increased by 31% from 2010 to 2013. This membership base gives Fnac a strong competitive advantage as described in section 1.3.1.2 on loyalty membership.

The customer loyalty program is designed as a customer loyalty and retention tool that also allows the Company to carry out better-targeted and more effective sales promotions. Fnac's customer loyalty program members are an asset that sets the Company apart from its peers. Members visit the store four times more often than non member customer and spend on average double the amount of a non-member on each visit. The Group has also observed that the average yearly expenditure of a customer loyalty program member is eight times higher than that of a non-member.

In October 2013, Fnac and American Express announced the establishment of a strategic partnership. This partnership has a dual purpose:

* enhancing customer loyalty programs through exclusive offers for all Fnac members and American Express cardholders;
* acquiring new customers for both brands through special offers for their customers.

1.4.4.3 The One card

The One membership card, which was launched in France in 2009, is a program dedicated to Fnac's most loyal members. At the end of 2013, Fnac had over 124,000 One card members (approximately 4% of the members in France) who benefit from the One program's exclusive services and premium-quality service.

1.4.4.4 Recognition

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

The Fnac brand name has strong spontaneous recognition, meaning the percentage of people who independently (without any aids or suggestions) recall a brand's name in a given sector. In the summer of 2012, 57% of survey respondents in France spontaneously cited Fnac's name as a go-to retail brand for editorial products and consumer electronics (1st place) [2]. Similarly, Fnac's "top-of-the-mind" popularity (i.e. the number of times a

(1) Source: BVA Report, February 2014.
(2) Source: To luna online study, Summer 2012.

brand is mentioned in first place in spontaneous awareness surveys) was 35% (1st place) [1]. This high level of recognition gives it a strong competitive advantage, as described in section 1.3.1.1 on the brand.

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

* **Expertise -** Among specialty retail brands, Fnac is known for its expertise in the products it sells. The Company maintains its reputation for expertise by focusing on three main areas: laboratory testing (cf. section 2.5.2.1 on dialogue with stakeholders), the quality of its sales force and advertising.
* **Independence -** Since its foundation, Fnac has sought to maintain its image as a retailer that is independent from its suppliers. This culture of independence gives credibility to Fnac's recommendations to customers and enables it to develop closer ties with them.
* Cultural promotion **-** Fnac is a major cultural player and a company committed to artists, not just through its extensive range of cultural products, but also through the events (over 12,000) organized in-store or externally:
  - in the literary field: the Prix Goncourt des Lycéens, the Prix du Roman Fnac, and the launch of the Prix de la BD Fnac in 2013;
  - in the music field: the "Fnac Live" free music festival at the Hôtel de Ville in Paris (formerly the Fnac Indétendances festival);
  - in the photographic and film field: photo marathons, photography exhibitions in-store or externally, and master classes with top film-makers;
  - in the video games field: gaming trophies and a presence at major trade fairs.

1.4.5 Other activities

1.4.5.1 Purchasing policy

The Group Purchasing Department, created in 2007, negotiates with consumer electronics suppliers to set annual terms, product purchase prices, and promotional offers. It also sets out the Group's strategy for each product category with the sales and marketing departments in each European country.

In 2011, Fnac initiated a program to centralize and manage as much of its procurement as possible from France and generate synergies between the countries in which the brand is based (economies of scale, optimization of logistics, cost savings etc.). The first stage of the program saw the integration of Belgium in 2011 into the Purchasing Division's negotiating scope. This format was replicated for Switzerland in 2012 for small consumer electronics and editorial products before being deployed for other products in 2013.

Group-wide, Fnac has adopted a strong, centralized purchasing strategy, which aims to generate large volumes and optimize the purchase price. Relations with suppliers are set down in framework agreements with a legal duration of one year. Returns clauses are systematically included in book purchasing agreements, and to a lesser extent, in audio and video disc purchasing agreements.

1.4.5.2 Logistics and transport

In France, logistical support for the Group's business is organized around three logistics warehouses, which are all located in the Essonne département (91) in the Paris region: one warehouse at Massy (70,000 m²), opened in 1998, and two warehouses at Wissous. The Wissous 1 warehouse, which is for online sales, was fully operational at the end of 2013. It has enabled Fnac to reconfigure its logistics to underpin the "Fnac 2015" strategic plan. It has substantially extended the range of ready-for-dispatch products stored and has halved the order preparation time.

These three facilities are located very close to one another, allowing great flexibility in terms of delivery, thanks to the creation of inter-facility shuttles to cater for the omni-channel routes offered to customers.

In Spain, Fnac has a single 14,000 m² integrated warehouse. In Portugal, Fnac has a single 9,000 m² integrated warehouse. The Group intends to strengthen the logistics links between France and the Iberian Peninsula countries, specifically via common handling of small consumer electronics.

In Brazil, Fnac uses an external service provider that has its own warehouse.

Logistics in Belgium and Switzerland were outsourced to DHL in 2012. For both these countries, products in common with France (consumer electronics and some editorial products) are increasingly being processed from France.

The transportation of Group products is outsourced to reputable carriers.

(1) Source: To luna online study, Summer 2012.

1.5 Property, plant and equipment

All of the Group's properties (offices, stores, warehouses, etc.) for the purposes of its operations are leased, primarily through operating leases.

The following table summarizes the areas occupied by the Group (including franchises) as at December 31, 2013 in the various countries where the Group maintains operations (excluding discontinued operations). The Group's geographical locations are described more fully in section 1.4.1 on geographic presence.

Stores (including franchises)	Number of sites	Customer retail area (in m^2)
France	108	232,880
Spain	25	56,015
Portugal	19	31,336
Brazil	11	25,582
Belgium	9	18,885
Switzerland	4	7,683
TOTAL	**176**	**372,380**

Warehouses/Offices (excluding franchises)		Number of sites	Surface area occupied (in m^2)
France	Warehouses	5	138,186
	Offices	9	24,629
Belgium	Offices	1	1,332
Brazil	Offices	1	1,400
Switzerland	Stores and warehouses	1	50
	Offices	1	1,535
Spain	Warehouses	1	13,755
	Offices	1	3,024
Portugal	Warehouses	1	9,262
	Offices	1	1,876
TOTAL		**22**	**195,048**

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

The Group's main current and planned investments, as at the filing date of this Registration Document, are detailed in sections 4.4.1 "Investments made in 2013" and 4.4.2 "Main investments envisaged" in this Registration Document.

1.6 Research and development, patents and licenses

By virtue of 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 approximately 589 trademarks registered across the world for the name "Fnac" and its derivatives used in the context of commercial promotions.

The Group also owns a portfolio of approximately 792 domain names.

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

2

Corporate and Environmental Responsibility

2.1 Our commitments

2.1.1 Our commitments

Fnac has been committed to corporate responsibility since 2005. This allows it to improve risk management, reduce certain costs, and meet the needs of consumers who are conscious of transparency and the efforts made by the Company to improve its impact on society.

The Group's actions are based on three key goals:

* Social: attract staff, foster commitment and promote best practices, particularly with regard to equal opportunity and diversity;
* Environmental: reduce the environmental impact related to its operations by reducing its CO_2 emissions and promote product recycling or reuse (repurposing);
* Societal: improve access to culture for as many people as possible and contribute more to the local economy.

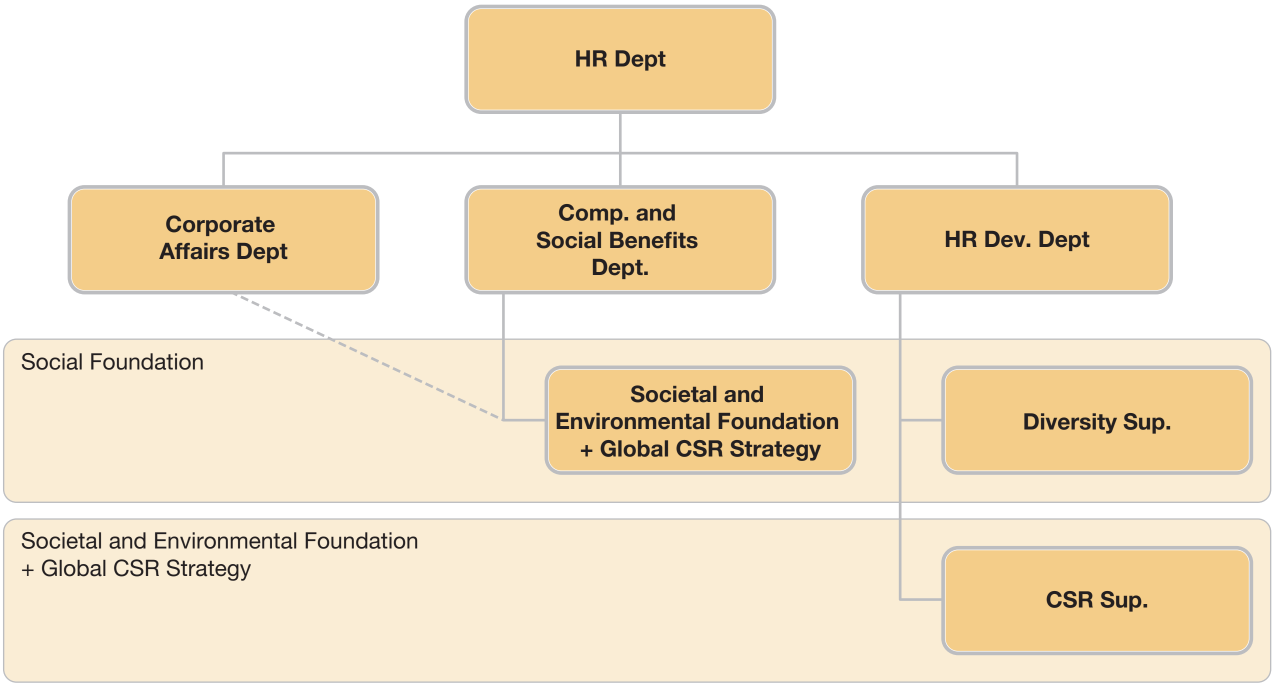
Fnac also distributes a Suppliers CSR Charter and a Code of Business Ethics to involve suppliers and employees in its commitment to responsibility.

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

2.1.2 Organization

The head of CSR reports to the human resources department.

Three sub-departments have contributed to the editorial content of this section. Data is collected by the heads of "social data," "diversity" and "CSR" from country subsidiaries, French sites and head office business groups.



Since 2013, Fnac has had a Corporate, Environmental and Social Responsibility Committee tasked with reviewing the social, environment and corporate policies pursued by the Company along with related published information. Its composition and a more detailed description of its duties are contained in section 3.1.

2.2 Methodology note

2.2.1 Background

Fnac has reported on its social and environmental performance since 2005, with data consolidated by the Kering Group using its collection and consolidation tool, Enablon.

As Fnac left the Kering Group in 2013, it will produce its own report starting in 2014. It will still use the Enablon tool because of its proven effectiveness and for the purposes of data consistency.

For environmental and societal data, a thorough review was conducted of Kering's indicators to collect data more efficiently and eventually manage the Company's environmental and societal performance.

This meant:

* eliminating irrelevant indicators (such as leather and precious stones) and adding indicators applicable to our operations (such as cultural impact, transport related to online sales);
* adapting the reporting period to Fnac's seasons: no estimates for December, which is the busiest month of the year;
* simplifying the input from stores by centralizing as much data as possible at the head office;
* ensuring that the indicators used address the Company's key challenges and the 42 issues listed in Article 225 of the Grenelle II environment law.

Having reviewed the indicators and ascertained the reliability of the data, we consider this to be a baseline report (year 0). This means that we will limit the comparison of our impact with the previous year's impact to a few indicators whose reliability was deemed satisfactory over the two-year study.

For social data, no changes were made to the structure of the indicators themselves in order to maintain a reliable history. Data on companies no longer within the Fnac reporting scope was removed, although hard copies were archived outside the application (i.e. the files were not incorporated in Enablon). The same indicators have been kept, along with alerts of changes compared with the previous year, to help remain consistent with data at the Country level for contributors and at the Group consolidation level.

2.2.2 Organization of data collection

Two separate channels are used: one to collect social data, and the other to collect environmental and societal data.

With regard to social data, data relating to France are collected centrally by the Social Data Manager. These data are extracted from payroll only. As Training and Employee Relations are not identified separately in this database, this information is provided directly by the companies' HR departments, which are given a kit detailing requirements.

Country reporting is done directly by the Country HR departments, which have access to Enablon in order to upload collected data. They are given a kit detailing the indicators and calculation rules, along with a practical, step-by-step guide on using the Enablon application.

Final approval is done at head office.

The following table summarizes the procedure for collecting HR indicators:

Preliminary phase. Before Dec. 31

- Approval of Country contributors
- Drafting and forwarding of information kits for contributors (indicator guides and step-by-step guide to Enablon app)

Collection period. First half of January

- HR departments in France asked for data not included in payroll
- Application open to contributors to collect international HR indicators (country)
- Data for France collected at head office and integrated into Enablon

Consolidation. Second half of January

- Data centralized and checked for consistency
- Group HR indicators consolidated and prepared for inclusion in the Registration Document

With regard to environmental and societal data, there are several collection levels. “French store” data are collected by the logistics or maintenance manager of each store or by a manager at head office, depending on the nature of the indicator; “country store” data is collected by the country’s CSR manager; and “Group” data is collected by a manager at head office.

The CSR manager checks that all data has been collected, performs consistency checks and signs off on the results.

2.2.3 Scope

The reporting scope for a given year applies to all Group entities financially consolidated in the Group’s consolidated financial statements. This target scope is updated each year in agreement with the Group’s Finance Department, which advises the CSR manager of any disposals, acquisitions or subsidiary reclassification.

All data collected must be accompanied by information on the actual scope to which it relates.

Methodological specifications for the social portion

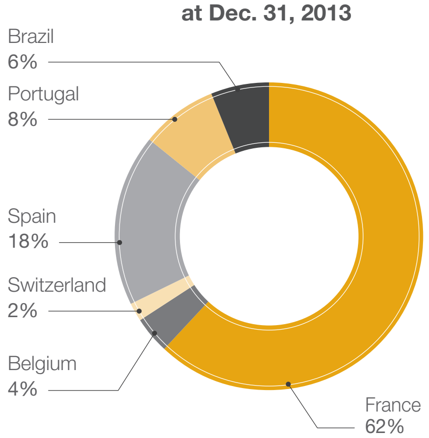
For the social portion, data are collected based on the calendar year, from January 1 to December 31. The application scope is based on employees listed in the payroll software. In addition, data relating to DATASPORT Ouest Eurl, DATASPORT SA, JFCL SAS (as well as that of franchises and stores at train stations or airports) are not included in the 2013 HR indicators below.

Methodological specifications for the environmental and societal portion

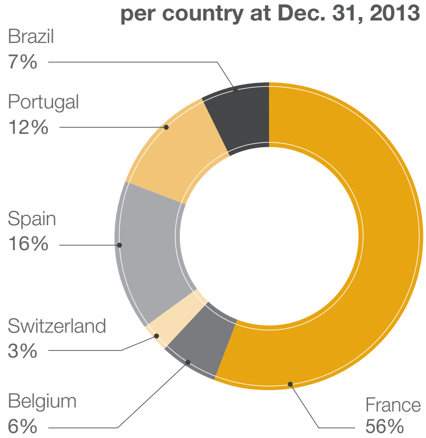
For environmental and societal data, collection took place in December 2013 and therefore the reporting period covered by this document is one year from December 1, 2012 to November 30, 2013 (12 actual months).

In order to facilitate understanding of the portion represented by potential exclusions from the scope in respect of certain indicators, the graphics below depict the proportion per country in terms of workforce, number of stores and revenues.

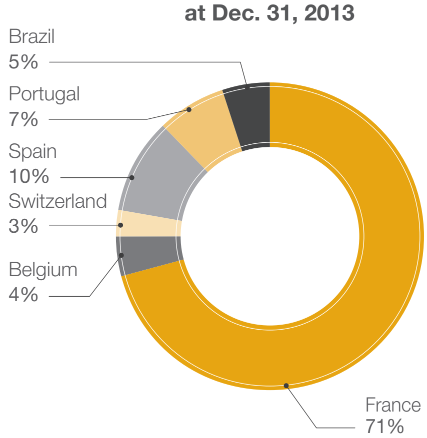
Total workforce at Dec. 31, 2013



Number of stores per country at Dec. 31, 2013



Actual revenues at Dec. 31, 2013



With regard to stores, the scope covers actual Fnac stores (excluding franchises and corners) opened between December 1 of the previous year and November 30 of the reporting year.

It should also be noted that for timing reasons, data relating to the KYRO, DATASPORT Ouest Eurl, DATASPORT SA, and JFCL SAS subsidiaries included in the social and financial section of the report are not included in the environmental and societal section. Furthermore, Brazil is often excluded from environmental data because of the unreliability of its data.

More information on Fnac's strategy and performance in terms of sustainable development can be found in our sustainable development report published annually and available on our corporate website.

Indicators

The published indicators correspond to the Company's main challenges and impacts.

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

With regard to the reporting of greenhouse gas emissions, the conversion factors used are from the carbon accounting method suggested by the French environment and energy management agency ADEME in version 7 of its Bilan Carbone.

To achieve the transparency required under Article 225 of the Grenelle II law, this document adheres meticulously to the themes listed therein.

For each of the Article's themes, we have reported on the most relevant indicator(s) and as necessary indicated where they do not apply.

This document was audited by an independent third party whose conclusions are presented in section 2.6.

2.3 Social information

The Group's human resources policy has for a long time been centered on human and cultural diversity, which presents a constant challenge as well as an economic and competitive advantage. This policy aims to create a balance between the need to help the Group develop its markets and corporate and economic model, and the desire to maintain meaningful social dialogue.

Overhauling Fnac's model involves making the customer the focus of each employee's sales and management activities. This priority is characterized by a major customer-centric training effort and the quest to develop the skills and talent required to promote customer satisfaction.

For the social aspect, Fnac is a brand that respects its legal and regulatory obligations and attempts to anticipate legislative developments aimed in particular at improving employees' working conditions. The Group's scope is covered by numerous unilateral agreements and action plans underscoring this commitment.

2.3.1 Workforce

2.3.1.1 Employees

The table below shows the number of Group employees on open-ended or fixed-term contracts over the last two years by geographical region.

Geographical regions (employees on open-ended and fixed-term contracts)	December 31, 2013	December 31, 2012
France	9,430	10,555
Iberian Peninsula	3,951	4,164
Brazil	888	918
Rest of the world	988	1,071 [a]
TOTAL	**15,257 [b]**	**16,708 [a]**

(a) Adjustment of 2012 figures following amendment to Swiss data after publication.

(b) Excluding the entities DATASPORT Ouest Eurl, DATASPORT SA and J.F.C.L. SAS, which were incorporated into the Group on December 31, 2013 but are outside the Information System applied to Human Resources.

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

As a consequence of the job preservation plans ("PSEs") implemented during fiscal 2012 and 2013, the number of employees at year-end decreased by almost 8.7% in accordance with Group policy.

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

Socio-professional categories (employees on open-ended contracts only)	December 31, 2013	December 31, 2012
Executives and Supervisors (Managers)	2,405	2,438
Manual workers, office workers, technicians (Non-Managers)	10,890	11,215
TOTAL	**13,295**	**13,653**

The table below shows the distribution of Group employees (in France and abroad) during the course of the last two years by gender.

Share of women	December 31, 2013	December 31, 2012
Percentage of women in the workforce	44.7%	44.8%
Percentage of women managers	41.2%	42.5%

The gender breakdown remained constant relative to 2012. The situation is consistent with the measures taken by the companies, including negotiating equal opportunity agreements.

The table below shows the change in the breakdown of the workforce by type of contract over the last two years.

Percentage of type of contract	December 31, 2013	December 31, 2012
Open-ended employment contracts	87.1%	81.8%
Other	7.0%	18.2%
of which temporary workers	*5.9%*	*4.1%*

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

Age distribution	December 31, 2013	December 31, 2012
Under 25	7.6%	7.6%
25-30	18.1%	19.7%
31-40	38.0%	38.4%
41-50	25.5%	24.4%
51-55	6.7%	6.3%
56-60	3.3%	3.2%
Over 60	0.8%	0.4%

The age structure changed little in 2013. Groupe Fnac is a dynamic organization with more than 60% of its employees in the 31-50 age bracket, which is the dominant employee profile.

The senior workers bracket is up slightly not only as a result of Fnac's commitment to safeguarding the jobs of talented, experienced employees, but also because of targeted recruitment campaigns. All of these measures are detailed in the equal treatment section (2.3.6).

2.3.1.2 Working hours

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

Breakdown of working hours for employees on open-ended contracts	December 31, 2013	December 31, 2012
Full-time	9,879	10,230
Part-time	3,416	3,423
Percentage of part-time employees on open-ended contracts	*25.7%*	*25.1%*

The percentage of part-time employees did not change over the last two years. In France, the stores account for most of the part-time workforce (close to 30%). This is also the case in Belgium and Spain, where the percentage can be as high as 50%.

The table below shows the overall rate of absenteeism and sickness in France and abroad over the last two years.

	2013	2012
Overtime	95,642	90,098

2.3.1.3 Recruitment and departures

In this section, the term "recruitment" refers to all acts related to engaging a person and linking such person to a Company through a work contract to perform a specific work task. It includes apprenticeship or vocational training contracts but excludes internships. The term "termination" refers to the means by which an employer unilaterally terminates a work contract that connects the employer to the employee.

In fiscal 2013, the Group hired 1,338 employees on open-ended contracts in its six host countries. Moreover, in the 2013 fiscal year, the Group employed 905 agency workers.

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

Workforce	2013	2012
Turnover of staff with open-ended employment contracts [(a)]	15.8%	11.3%
Turnover of staff with open-ended employment contracts through voluntary redundancy	8.4%	5.9%
Hiring rate of staff with open-ended employment contracts	10.1%	16.0%
Number of disabled workers/registered employees	3.3%	2.6%

(a) Excluding internal transfers.

The Group had no major difficulty in recruiting staff in 2013.

The table below shows the distribution of departures of staff with permanent employment contracts in France and abroad by reason for departure:

	2013		2012	
Reason for departure (%)	**Number of departures**	**% of total**	**Number of departures**	**% of total**
Departures on the initiative of the employee	1,123	48.6%	983	49.6%
Termination for economic reasons	173	7.5%	71	3.6%
Termination for non-economic reasons	726	31.4%	743	37.5%
Departures because of retirement	46	2.0%	33	1.7%
Other departures	221	9.6%	102	5.1%
Breach of contract	20	0.9%	50	2.5%
TOTAL	**2,309**	**100%**	**1,982**	**100%**

Of the various reasons for departure, there is a noticeable increase in the number of terminations for economic reasons. This is due to the job preservation plan introduced in 2012, one of the results of which was the departure of affected employees in the first half of 2013.

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

Working conditions	2013	2012
Absenteeism rate [(a)]	5.7%	5.6%

(a) Number of days of absence out of the total number of theoretical working days for illness, maternity leave, accidents and unpaid leave.

2.3.2 Remuneration

As of December 31, 2013, the Group's payroll (in France and abroad) amounted to €386,744,400.40, compared with €404 million as of December 31, 2012.

2.3.2.1 Remuneration policy

The 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 tailored to the various activities.

Remuneration is composed of the basic salary, systems of individual or collective variables, and employment benefits.

The basic salary remunerates good job performance. It is determined by reference to minimum salary matrices per level of job. The respect of wage equilibrium (men/women, seniors, part-time, etc.) is a main component of the Group's human resources.

At the end of 2013, 90% of employees, managers and non-managers, benefited from variable remuneration systems linked to economic indicators and the achievement of individual targets. For example, the variable system for store employees in France rewards individual and collective performance and promotes customer satisfaction.

Profit-sharing and incentive plans enable Group employees in France to benefit collectively from a share of profits. Incentive plans are governed by agreements specific to each of the Group's French subsidiaries. Profit-sharing comes under a discretionary agreement at Group level, which was renegotiated in 2013 for the period 2013 to 2015. Group employees with more than three months' service can allocate the sums paid to them under incentive and profit-sharing plans to a Group Savings Plan immediately and in full.

This scheme benefits from exemptions from tax and social security contributions under applicable regulation.

All employees in France are covered by health insurance plans, providing a very high level of coverage and considered among the best on the market. In the other countries, where applicable, employees have additional coverage in compliance with the legal obligations of the country.

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

2.3.2.2 Remuneration of Directors

Remuneration of Group Directors is monitored by the Group Human Resources Department to ensure internal consistency and equity.

In addition, the Remuneration and Appointments Committee, comprising Group board members, reviews the components and terms and conditions of corporate officers' remuneration and issues recommendations to the Board of Directors accordingly. Information is provided to the Committee by Senior Management regarding the remuneration components of Fnac Executive Committee members as well as the main criteria of the Group's remuneration policy.

Fnac's Board of Directors uses the principles of the AFEP-MEDEF Code as the framework of its corporate governance and therefore adheres to the AFEP-MEDEF guidelines of October 6, 2008, revised in June 2013, regarding the remuneration of Corporate Directors of listed companies. It considers these guidelines to be consistent with the Group's corporate governance procedures detailed herein.

2.3.3 Employee relations

2.3.3.1 Organization of social dialogue

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

Until the Group left Kering and was listed on the Stock Exchange, the Group's bodies were part of the holding company.

Since then, negotiations have been conducted in France to create a Group Committee. As a result of these negotiations, an agreement was signed in 2013 defining the Group's scope in France and establishing how a Group Committee would be implemented and run.

Negotiations are expected to take place in the coming months to set up a European Works Council covering France, Spain, Belgium and Portugal.

In France, social dialogue has three levels of structure: the establishment, the "company" and the "Group."

In each establishment, there are staff representatives and an establishment council. The management of each establishment chairs the bodies, and may negotiate establishment agreements with the establishment's union representatives. As regards health and safety, all Group establishments are covered by health, safety and working conditions committees (CHSCT).

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

Lastly, at the "Group" level, management regularly negotiates agreements to be applied in all Group companies with unions (for example, agreements on employee profit sharing, employee savings plans, employee benefits or employment of seniors).

The Group also has staff representative bodies within the companies Fnac Spain, Fnac Portugal, Fnac Brazil, Fnac Belgium and Fnac Switzerland.

2.3.3.2 Collective agreements in France

Group subsidiaries are covered by agreements that are either mandatory or left to the initiative of management and social partners.

The background of the agreements has led to a significant improvement in employees' individual and collective benefits in respect of legal provisions for each area. Five Group subsidiaries are thus covered by "company agreements" covering areas of labor law (including leave and indemnities, breaks, etc.) on a company-wide basis.

At Group level, negotiations resulted in a profit-sharing plan and the creation of a Group Committee. Negotiations on health insurance agreements are expected to conclude in early 2014. Meanwhile, Group negotiations also took place on miscellaneous issues such as union rights, France's intergenerational employment system, and the profit-sharing bonus.

In addition to Group or subsidiary agreements, the Group has acted on a number of unilateral decisions, primarily to introduce basic measures relating to certain fundamental issues.

The social dialogue is at the heart of several negotiations with Group Subsidiaries, including in respect of reorganizations.

Social dialogue has led to agreements with major unions under two job preservation plans implemented in 2013 at Fnac Relais and Codirep, in accordance with the provisions of France's job security law of June 4, 2013.

2.3.4 Health and safety

2.3.4.1 Occupational health and safety practices

The Group pays close attention to employee health protection (at the head office, in stores and distribution depots), and will continue to implement all measures necessary to meet its occupational health protection obligations.

Thus, pursuant to its legal obligations, management annually updates a single document for each establishment to identify the risks for employees' physical and mental health and automatically associates an action plan to each identified risk. This update is performed with the help of employees and in collaboration with CHSCT members.

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

The Group also has two social assistants and a telephone support program to provide employees with assistance in identified difficult situations.

2.3.4.2 Signed health and safety agreements

No workplace health and safety agreements were signed in 2013.

2.3.4.3 Work injuries and occupational illnesses

The Group considers it a fundamental duty to ensure its employees' physical and mental health and safety. To this end, the Group annually updates the documents that apply individually to each of its establishments. This practice allows existing physical and physiological risks to be identified within work units. For each identified risk, Fnac implements a measure to reduce or remove the risk, in cooperation the CHSCTs. Fnac will therefore identify, assess and mitigate the main risks associated with its operations to reduce the number of work injuries and limit the number of declarations of occupational illness or musculoskeletal disorders. To meet these goals, some of the sites more likely to be affected, such as Fnac Logistique establishments, turn to external firms to help create ergonomic work stations or assist with operational automation and mechanization (limiting the weight of loads carried, systems for moving merchandise, and so on).

In 2013, the total number of lost-time accidents occurring in the workplace or during work-related travel in France and abroad was 365, compared with 409 in 2012, a decrease of 12%. There were no fatal accidents in 2013. There were 16 declarations of occupational illness during the period.

Employees on open-ended and fixed-term contracts, excluding interns – Group	2013	2012
Lost-time accident frequency rate [a]	17.3%	17.7%
Serious accident frequency rate [b]	0.4%	0.5%

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

In 2013, work injuries resulted in 7,985 days of absence.

In 2013, 18,160 hours of safety training were given to 4,409 Group employees (in France and abroad).

2.3.5 Training

In 2013, the Group allocated a budget of around €3.8 million to staff training, which represents 1% of the Group's payroll.

As part of its "Fnac 2015" strategic plan, and in accordance with its legal requirements, Fnac has continued its training policy which is based on two key components:

* the first component is that which enables Fnac employees, irrespective of the country, to maintain or acquire the skills needed to carry out their duties in light of developments in the areas in which they work and changes in product trends. The Group also dispenses in-house or outside training enabling employees to progress within the Group, while acquiring the relevant skills;
* the second component is underpinned by the desire to promote the customer path, whether in stores or in any contact with Group employees.

As part of this strategy, Fnac has based its training since 2012 on the REVER (DREAM) program (Recevoir, Explorer, Vendre, Élargir, Remercier – Receive, Explore, Sell, Broaden, Thank).

This training has been rolled out in 48 stores to 3,800 employees over the last two years. The final 1,900 people requiring training will be trained by the end of June 2014.

This major training campaign is accelerating the overhaul of the Group, which wants to promote the improved customer in-store experience. Sales associates provide customers with expert advice as part of a personal approach that makes the customer want to return.

As part of the omni-channel strategy, and given the era of online orders, Fnac wants to ensure its customers are fully satisfied each time they visit a store and thus build up loyalty.

For example, in 2013, a total of 207,267 hours were spent on training in France and abroad, and 9,973 employees attended at least one training course. 84% of those trained in 2013 were not managers.

The number of people trained in 2013 was down 1.6% compared with 2012, while total training expenditure dropped 14%. This trend reflects the Group's desire for more targeted training, not only for budgetary reasons, but also to ensure that a set number of employees benefit from training that is both high quality and geared toward first-class customer service, such as the REVER program.

Data for 2013	France	Iberian Peninsula	Brazil	Rest of the world	Total
Total training expense *(in euros)*	3,150,303	340,279	46,235	344,575	3,881,392
Employees having received training	4,829	3,303	1,466	375	9,973
Managers	*1,001*	*325*	*145*	*131*	*1,602*
Non-managers	*3,828*	*2,978*	*1,321*	*244*	*8,371*
Total number of hours of training	72,049	114,327	12,818	8,073	207,267
Average length of training course [(a)] *(in hours)*	15	35	9	22	21

(a) Items relating to training in 2013 are provisional in view of first-quarter consolidation periods. They will not be finalized until the annual statement on employers' participation in the development of ongoing professional training, sent to the relevant institution at the end of May 2014.

2.3.6 Equal treatment

Fnac meets some of its strategic challenges through its commitment to equal treatment, non-discrimination and diversity. The Group has implemented group-wide initiatives to promote talent, encourage staff commitment and creativity, and lift any barriers to performance and innovation.

This commitment is one of the elements upholding the Group's values, which are Commitment, Passion, Respect and Innovation – the cornerstones of the Group's enterprise project.

Equal treatment within Groupe Fnac relies in particular on:

* Sharing the commitment:
  - with all staff; for example, sharing the Value Charter (France and Countries), posters about disability, intranet articles, CSR report (in France),
  - with all HR teams and managers, particularly via awareness campaigns (France and Countries) on disability and equal opportunities (France) which serve as a reminder of their meaning, goal and legal framework and are accompanied by appropriate tools,
  - with job applicants, particularly via Fnac's corporate website, the Fnac Talents website, the widespread publication of job vacancies (on dedicated websites such as Agefiph.fr, Cap Emploi, and so on), presence of Fnac at dedicated trade shows, etc.,
  - with customers; for example, publication of *Contact* in braille, themed presentation of works during Disability Week in certain stores, etc.,
* Procedures, tools, and training in the area of Management and Human Resources, geared toward applicants' and employees' skills, experience and potential at different career stages:
  - when they are hired (e.g. skills guidelines, Handi2day memo and guide for recruiters),
  - during skills and performance assessments (e.g. annual job appraisal, manager guides),
  - to identify training needs (e.g. work interview, catalog of training available online on the intranet),
  - to build on each career stage (e.g. publication of jobs available on the intranet, development reviews to offer different perspectives, evaluating employees' potential using the assessment method),
  - for diplomas recognizing workplace-acquired skills (VAE) (e.g. helping employees obtain a school-leaving certificate, vocational qualifications, Bachelors' and Masters' degrees),
  - careful communication by HR to reflect the diversity of job applicants and employees, particularly through imagery.

Fnac actively supports the initiatives of its staff to obtain diplomas and degrees as part of a program developed in conjunction with France's national education system. Since 2004, almost 500 employees in France (30% of them women) benefited from mentoring and received diplomas recognizing their skills and know-how acquired on the job.

An internal opinion survey (conducted in France and in the Group's host countries in October 2011, with an 84% participation rate) showed that employees understood these challenges and felt they belonged to a responsible company. For example, 87% of them believed that equal treatment applies in the company regardless of an employee's origin, and 85% believed it applies regardless of gender.

A member of the HR department is in charge of managing initiatives relating to diversity.

2.3.6.1 Gender equality

In addition to the gender breakdown in the workforce (in France and abroad, women account for 46.4% of hires, 41.2% of managers, and 44.7% of the overall workforce), gender equality efforts in France are based on dialogue between management and employees. Equal Opportunity Agreements and Action Plans managed by the companies seek to promote gender equality in jobs at all levels of responsibility. It means – on the basis of equal skills – implementing initiatives in terms of recruitment, access to training and professional promotion, parenthood, and so on.

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

As part of the ongoing Leadership and Gender Equality program introduced in 2011, the Group signed a corporate Parenthood Charter in April 2013 to change perceptions related to parenthood in the company, create a favorable environment for working parents and particularly for pregnant women, and comply with the anti-discrimination principle regarding the professional development of working parents.

Fnac continued to raise awareness of these equal opportunity issues among managers (educating managers from Fnac Paris and Fnac Logistique in 2013, for example) and employees, who were informed about them via the intranet.

2.3.6.2 Supporting seniors

The Group is committed to employing seniors.

In France, this commitment was the subject of a three-year Group agreement (2010-2012) to employ seniors in Fnac companies, with records shared with trade unions in 2013.

The main action areas focused on job security (for example, the possibility of flexible working hours from age 57 with an adjustment to pension contributions by the Group), recruitment of people aged 45 and over, preparation for a later career (meetings offered with the HR manager, skills assessments, etc.), and the transition into retirement, especially through workshops.

During those three years, the HR division and most supervisory staff received awareness training on employing seniors and intergenerational employment. Most employees aged 50 or over had a meeting to discuss the second half of their careers.

Pursuant to its legal obligations, in 2013 the Group began negotiating an "intergenerational" agreement addressing the employment of seniors and young people, and knowledge transfer.

Discussions with unions will continue in 2014.

2.3.6.3 Recruiting and integrating disabled staff

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

The Disability Project has been in existence since 2005.

As at December 31, 2013, the Group had 505 employees with disabled worker status (in France and abroad).

The Group releases information on its initiatives in this area every year during France's National Disabled Workers Week when it takes part in "Handichat," organized by AGEFIPH (France's Fund Management Organization for the Professional Integration of People with Disabilities). In 2013, a poster campaign was launched entitled "The real handicap is how others look at you" along with other events to raise employee awareness. The Group also attends dedicated employment forums, particularly online forums such as Handi2day (in April and October 2013), publishes all its job offers on the AGEFIPH website, and sends job offers to Cap Emploi.

The Disabled Mission informs and provides assistance to the disabled, during recruitment and throughout the career path, in administrative procedures, to develop their working conditions, access training, develop skills, as well as employees who become beneficiaries of the law on disability.

To promote the recruitment of disabled workers, the Group has introduced a special professional development program offering more than 300 hours of block-release training. In 2013, two new sessions were organized with France's adult education network GRETA:

* the first was aimed at deaf and hard-of-hearing people and led to ten people getting jobs as cashiers;
* the second, held for the first time, related to warehousing (integration of twelve people).

The Group also works with temporary employment agencies so that it can employ temporary workers.

In addition, the Group develops partnerships with the disabled sector under France's "ESAT" and "EA" initiatives (establishments or services that help people with disabilities return to work). For example, it outsources the laundering of Fnac waistcoats to this sector. (In 2012 it had forged 50 partnerships in the sector).

In 2013 it awarded contracts to the disabled sector for the printing and mailing of documents and letters, and the upkeep of green spaces. Disabled workers were also "called on" to enter marketing data and wrap gifts ordered on fnac.com.

In 2014, the task of recycling of paper, drinking cups and cans at the head office was outsourced to a company that helps people with disabilities return to work, at the same time addressing the Group's social and environmental commitment.

2.3.7 Policy on the fight against discrimination

The initiatives implemented to promote diversity, equal treatment and equal opportunities help combat discrimination.

Sessions are held to educate managers about these issues, reaffirming Groupe Fnac's commitment in this regard and creating a common culture so that the issues are understood, adapted and consequently implemented. This commitment has been taken to the highest level and requires specific standards of performance. For example, in 2013, the variable portion of remuneration of Executive Board members was based on achievement of CSR strategic targets (see section 2.1 Our Commitments).

These components of the Group's strategy – affirmation, communication, education, legal framework, social dialogue, managerial and HR processes, practical action and concrete measures – underpin our policies regarding anti-discrimination and diversity.

2.3.8 Promoting and respecting the provisions of the ILO core agreements

Through all its commitments and agreements in all countries in which it is present, Fnac respects and promotes the principles and rights recognized in the ILO.

In this respect, and drawing on the laws in each Fnac country, the Group respects freedom of association, bans forced and child labor, and conducts a policy free of any discriminatory measure.

In addition, freedom of association is reinforced by staff representative bodies at each Group level.

For example, in December 2013, after leaving the Kering Group, Fnac drew up an agreement to establish a Group Committee. It also has employee bodies in each of its companies and in the coming months will be negotiating to set up a European works council.

2.4 Environmental information

The Group pays close attention to the environmental footprint of its operations (CO_2 emissions linked to transport and to the various forms of energy consumed, electric and electronic waste, packaging, paper, cardboard, etc.) and the products it retails ("repurposing" system and environmental labeling).

2.4.1 General environmental policy

2.4.1.1 Organization of assessment or certification systems

Monitoring the environmental impact of the Group's operations is handled by the Human Resources and CSR departments.

Data relate for the most part to transport and energy consumption and are reported by each business group.

In 2013, following an environmental management initiative launched in 2010, the Group's subsidiary Société Française du Livre (SFL) was awarded ISO 14001 certification. Teams at both sites (Saint Denis and Rottembourg) adhere to sustainability principles and apply best practices in an effort to improve SFL's environmental performance.

2.4.1.2 Staff training and information initiatives

Group staff are made aware of good practices to reduce stores' environmental impact through the dissemination of a document called "GreenToolBox," which Kering created for all of its subsidiaries. In June 2013, the document was tailored to the Group and renamed "Fnac Ecoguide."

The CSR manager informs staff of the Group's social and environmental responsibility strategy, measures taken and results obtained via a CSR page on the Group's intranet. This also provides access to CSR reports and monthly updates on project progress.

2.4.1.3 Resources allocated to the prevention of environmental and pollution risks

Even though its primary business is retail, which has few environmental and pollution risks compared to other sectors, the Group strives to minimize its environmental impact.

In France, Fnac set itself the goal of cutting its energy footprint by 20% over five years beginning in 2009. As a result, at the end of 2013, it had cut consumption by 17%, despite increasing its surface area by 14%. Furthermore, four years after the initial commitment, power consumption fell by 27% in France on a like-for-like basis. This was due to the introduction of numerous measures, particularly in stores, such as the installation of low-energy lighting and the application of best practices.

Beyond this energy target, the Group is seeking to contain and reduce all its environmental impacts as described below.

2.4.1.4 Provisions and guarantees earmarked for environmental risk

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

2.4.2 Pollution and waste management

2.4.2.1 Waste

Waste in the air, water and ground does not constitute a material impact for the Group. The only emissions that may significantly affect the environment are greenhouse gas emissions.

2.4.2.2 Waste prevention, recycling and elimination measures

Aware of the negative impact on the environment of consumer electronics that have increasingly short lifespans, Fnac promotes product repurposing and responsible management of a product's end of life.

Repurposing consumer electronics

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

* either through repair or reconditioning by Fnac customer services teams, following by re-sale to our customers via the fnac.com Marketplace;
* or reselling them to third-sector and community outreach players such as Emmaüs-Ateliers du Bocage, which repair them and sell them on their networks or recycle them at special recycling facilities.

One of the structure's first tasks is to control the upstream and downstream product recycling processes, to ensure that the products actually reach the recycling plant.

Repurposing editorial products

In 2013 Fnac launched a national program to collect books, CDs and DVDs at its stores in France to benefit Libraries Without Borders. This annual event is described in the section devoted to the Company's societal initiatives.

Waste management

The nature of the waste produced by the Group is mainly linked to its business as a retailer. Product packaging or pallets used for transport generally produce non-hazardous waste (mainly cardboard, paper and so forth).

Given the Group's substantial use of cardboard boxes, Fnac makes every effort to recover these from the French logistics center, which returns 2,668 metric tons of cardboard annually to its contractor for recycling.

Although the waste produced by Fnac is mainly from packaging, which is considered non-hazardous, it still manages the end of life of hazardous waste resulting from its own use and from customer returns: fluorescent tubes, batteries, electrical and electronic equipment waste, used oils, photo lab waste, paint, aerosols, soiled packaging, and ink cartridges.

WEEE, batteries and ink cartridges within France (57% of Fnac's hazardous waste)

(In metric tons)	2013	2012
Waste from electrical and electronic equipment (WEEE) sent for recycling or re-use [excluding Monaco]	469	710
Batteries collected and sent for recycling [excluding Monaco]	16	25
Ink cartridges sent for recycling and reconditioning	7	11

The above relates to waste produced by stores, head office and warehouses as well as waste returned by customers.

Although the random nature of customer returns in this area does not fully explain the variation, the table nevertheless highlights the reduction in quantities of WEEE collected, despite a major initiative regarding the end of life of Fnac's products. For example, during the last quarter of 2013, Fnac reintroduced collection bins at its stores in France for electrical and electronic equipment waste, batteries, small equipment and mobile phones. These recycling bins, which are now more visible and have a more functional design, are available to anyone going into a Fnac store regardless of whether they make a purchase. In 2014, the stores are expected to renew their campaign to collect hazardous waste.

Breakdown of waste at the French logistics center

Production in metric tons	2013
Non-hazardous waste	2,701
Hazardous waste	257
TOTAL WASTE	**2,958**

In 2013, total waste produced by Fnac Logistique (France only) was 2,958.5 metric tons, more than 90% of which was non-hazardous.

Between 2012 and 2013, hazardous waste production fell from 257 to 339 metric tons, due, among other things, to a reduction in the battery and WEEE collections centralized at Massy.

2.4.2.3 Noise pollution

The Group's activities produce little noise pollution.

2.4.3 Sustainable use of resources

2.4.3.1 The Consumption and sourcing of water depending on local restrictions

Water is not a major issue for Fnac. Firstly, as a retailer, Fnac only uses water for sanitary use, and secondly, it does not operate in countries that exceed the threshold for water scarcity indicating a situation of water stress [1].

It is also difficult to extract meaningful information from the reported water consumption figures because many stores are on commercial leases that include water costs and therefore the volumes consumed are not visible.

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

Paper consumption

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

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

The next step is to provide information on best practices, similar to the initiative taken at head office where office paper consumption was reduced by 19.3% as a result of a communication campaign.

Fnac's goal for 2014 is to introduce these best practices at all of its facilities and set up a paper recycling chain. It is already involved in a responsible paper purchasing initiative.

Packaging consumption

Packaging is a major challenge for the Group, which uses large quantities of cardboard and plastic to protect and transport products sold in stores or via mail order.

Cardboard

Below is the cardboard consumption per country.

Scope: logistics centers of each country excluding Spain, Switzerland and Portugal for 2012.

(In metric tons)	2013	2012
France	1,468	1,311
Belgium	0	15
Switzerland	0	Not available
Spain	453	Not available
Portugal	150	Not available
TOTAL CARDBOARD CONSUMPTION	**2,071**	**1,326**

Here, cardboard consumption corresponds to cardboard purchased over the entire year.

(1) The water stress threshold is defined by convention as below 1,700m^3 per capita/year. Source: Aquastat – FAO data.

It should also be noted that Belgium no longer uses cardboard because logistics are handled by an outside contractor.

As part of ongoing improvements, the French logistics center has starting using solid, durable plastic bins for store deliveries, instead of cardboard boxes.

Plastic packaging

The table below gives an overview of the total consumption of plastic packaging. The two main sources of plastic packaging included are shopping bags and stretch film used over packages (particularly for palletization).

Scope: entire group

(In metric tons)	2013	2012	Change 2012-2013
France	291	502	-42%
Belgium	26	33	-25%
Switzerland	8	15	-50%
Spain	42	77	-46%
Portugal	104	93	11%
Brazil	30	39	-23%
TOTAL PLASTIC PACKAGING	**501**	**759**	**-29%**

In 2013, the use of plastic bags dropped by 50% compared to 2012 thanks to the widespread sale of reusable totes and fees charged for plastic bags. This policy has allowed France to halve the number of types of plastic bags it orders (two types versus four in 2012).

Giftwrap

Scope: entire group

In 2013, total giftwrap consumption fell by 5% despite increases in France and Switzerland.

(In metric tons)	2013	2012	Change 2012-2013
France	126	108	16%
Belgium	8	16	-48%
Switzerland	4	4	7%
Spain	19	36	-47%
Portugal	22	24	-6%
Brazil	0	1	-100%
TOTAL GIFTWRAP	**179**	**189**	**-5%**

Energy consumption, measures taken to improve energy efficiency and use of renewable energies

Since 2010, the Group Maintenance Director has conducted a policy for streamlining energy consumption of equipment by introducing good practices summarized in “GreenToolBox” and the choice of low-energy lighting and air conditioning equipment. This streamlining policy will be continued in line with the “Fnac Ecoguide,” which was distributed to all Group stores in June 2013.

In parallel with these initiatives, the Indirect Purchasing Department linked to the Security, Maintenance and Facilities Departments of the Fnac Logistique site and the head office in France launched a tender aimed at optimizing energy consumption at these two sites. For the head office (Le Flavia), optimization largely relates to steam energy (the Paris heating network, CPCU) and electricity. Thanks to this optimization, energy consumption fell by 5% or 190 Mwh. For Fnac Logistique sites, the decreases in energy consumption are mainly allotted to gas and electricity.

In Belgium and Switzerland, Fnac makes every effort to procure energy from renewable sources [1].

In Switzerland, the Group has an exclusive supply of electricity from renewable sources for its head office, warehouse and two stores (Rive and Balexert). This accounts for 56% of its electricity supply in that country. Of that supply, 60% is from hydraulic sources (from Switzerland and other parts of Europe) and 40% from solar and biomass (from Switzerland, including Geneva).

With regard to Belgium, the Group signed a contract to obtain all of its power from renewable sources starting in 2014 and at all sites.

The table below illustrates the changes in MWh of electricity-related consumption.

Scope: group excluding Brazil.

(In MWh)	2013	2012	% from renewable sources	Change 2012-2013
France	77,365	81,125		-5%
Belgium	6,150	6,727		-9%
Switzerland	2,156	2,505	56%	-14%
Spain	21,550	24,646		-13%
Portugal	12,618	13,852		-9%
TOTAL ELECTRICITY	**119,839**	**128,856**		**-7%**

In 2013, energy consumption related to electricity fell by 7% (versus 2012).

2.4.3.3 Ground Use

The Group is not concerned by environmental issues linked to ground use, given its area of business.

2.4.4 Climate change

2.4.4.1 Greenhouse gas emissions

The Group's main two sources of CO_2 emissions are energy consumption (mainly for heating, air conditioning and lighting at points of sale, warehouses and offices) and transport of goods and people.

CO_2 emissions related to energy consumption

The table below shows the Group's direct (due to natural gas combustion) and indirect (due to power generation) greenhouse gas emissions and energy consumption for 2013 and 2012 (excluding Brazil and the subsidiaries).

	2013	2012
Natural gas	12 GWh	8.7 GWh
Electricity	120 GWh	129 GWh
TOTAL ENERGY	**132 GWH**	**138 GWH**
Emissions related to natural gas (direct)	2,405 tCO_2 eq.	Not available
Emissions related to electricity (indirect)	20,017 tCO_2 eq.	Not available
TOTAL ENERGY-RELATED EMISSIONS	**22,422 TCO2 EQ.**	**NOT AVAILABLE**

In 2013, the Group's total energy consumption amounted to approximately 132 GWh (excluding Brazil and the subsidiaries). Electricity is the Group's main source of energy, and represents 91% of its energy consumption. In 2013, the Group's total CO_2 emissions (excluding Brazil and the subsidiaries) due to energy

(1) Renewable energy: Energy produced by various natural processes (sunlight, wind, wood, falling water, geothermal energy, etc.). In contrast to fossil fuels, these energy sources are inexhaustible and do not emit greenhouse gases. Source: ADEME.

consumption amounted to 22,422 metric tons. More than 90% of these emissions are from electricity.

The increase in natural gas consumption is not an actual increase but reflects improvements in data collection during the reporting period. In France, natural gas consumption per site is now reported using a centralized management system run by the indirect purchasing department. This practice, which is very effective, is encouraged in order to improve data reliability.

In addition, Fnac has elected not to provide information about CO_2 emissions in 2012 because the change in reporting tool does not allow for comparisons. In previous periods, Kering used its own methodology for assigning emission factors based on major international benchmarks. Since 2013, Fnac has used a new version of the existing reporting tool so it can link each Group site to the corresponding geographical region and thereby assign it the proper emission factor and most accurate level of uncertainty [1]. This change therefore affects the results.

Note that direct and indirect emissions only represent an order of magnitude of the greenhouse gases emitted per source in order to prioritize and quantify improvements; they do not correspond to exact figures.

The Group aims to continue its efforts over the coming years to make the data more reliable.

CO_2 emissions related to transport

Transport flows included in the reporting correspond only to transport controlle d by the Group, meaning transport paid for by the Group.

When it comes to shipping goods, Fnac's goal is to ensure that the products it retails are available at all of its points of sale while keeping its environmental impact to a minimum. For ease and clarity, transport has been split into two categories:

* **BtoB** transport, covering deliveries from suppliers to our sites and supply flows from warehouses to the stores;

These flows, which are exclusively by road, are expressed in ton-kilometers (tkm). This unit corresponds to the distance covered per journey, multiplied by the total tonnage transported during that journey. This makes it possible to calculate the tonnage of emitted CO_2.

For the 2013 reporting period, data are provided by Logistics which cover:

- Round trip deliveries from the logistics site in France to our French stores, European subsidiaries (in Belgium, Spain, Portugal and Switzerland), our stores in train stations and at airports, and SFL,
- Shuttles between the three warehouses at the French logistics site: Massy, Wissous 1 and Wissous 2,
- Transport to and from our suppliers: Legendre, Prisme, Publidispatch,
- Upstream carriage from publishers: collection of flows directly from certain book publishers paid for by Fnac (Hachette, MDS, Sodis, Volumen).

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

* **BtoC** transport, covering customer deliveries of fnac.com purchases

To calculate emissions related to fnac.com shipments, the number of parcels shipped is multiplied by an approximate emission factor provided by the Post Office, which is our largest carrier in this segment (80% of shipments).

The parcels affected are:

- fnac.com orders,

(1) These data are from Version 7 of the ADEME protocol.

- deliveries of non-urgent, in-store purchases in the Paris region,
- deliveries of regional non-stocked in-store purchases (excluding televisions over 42").

CO_2 emissions related to the shipment of goods are listed in the table below:

(In tCO_2 eq.)	2013	2012	2011
BtoB transport	2,270	2,711	2,841
BtoC transport	4,947	Not available	Not available
TOTAL TRANSPORT	**7,217**	**NOT AVAILABLE**	**NOT AVAILABLE**

With regard to BtoB transport, CO_2 emissions dropped substantially in 2013 by 16% versus 2012, and 20% versus 2011. This was due firstly to fewer kilometers travelled as a result of increasing the number of products per pallet and optimizing store delivery schedules, and secondly, to a decline in business.

BtoC transport, meanwhile, accounts for almost 70% of total transport-related emissions.

As the method used to calculate fnac.com data was changed this year, comparisons with 2012 results are not relevant.

2.4.4.2 Adaptation to consequences of climate change

The Group's business does not require the introduction of measures to adapt to the consequences of climate change.

2.4.5 Protecting biodiversity

The Group's activity has no major impact on biodiversity.

2.5 Societal information

2.5.1 Fnac's territorial, economic and social impact

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

In 2013 in France, Fnac had stores in more than 8% of towns with over 10,000 inhabitants (8.2% versus 7.5% in 2009), and just under 2% in Spain.

Meanwhile, the stores' cultural initiatives reflect the Group's societal policy and investment. These include:

* Free in-store or outdoor events (1,200 in 2013 in France), such as concerts, book signings, interviews, and talks, so that local artists in particular can meet the public. These events are attended by more than 200,000 people every year;
* Partnerships with local cultural institutions (concert halls or theaters, festivals, museums, operas, etc.) to increase the reach of their initiatives and to which Fnac customers (more than two million of them members) are invited so they can discover the stores' programs.

Even though our greatest local impact is in France, we carry out cultural initiatives in each Group country. In 2013, 200 free cultural events were organized in Belgium and more than 1,500 in Brazil, divided among the eleven stores.

2.5.2 Relations with individuals or organizations interested in Fnac's business

2.5.2.1 Dialogue with concerned parties

For many years, Fnac has strived to maintain ongoing, constructive dialogue with its stakeholders, whether internal or external, local or national. The table below lists Fnac's key stakeholders along with the main means offered by the Group to conduct dialogue.

Stakeholders	Main methods of dialogue
Customers	Social media Consumer surveys Free cultural events
Employees	Internal survey every two years up to 2011; new method planned for 2015 Intranet
Employee partners	Regular meetings with employee representative bodies Corporate agreements
Shareholders, investors and rating agencies	Corporate website Press releases and financial reports General Meeting
Suppliers	Suppliers CSR Charter Annual Supplier/Vendor meeting organized by Fnac
NGOs and non-profits	National partnerships and ad hoc initiatives set up by stores

With regard to its customers, Fnac is deeply committed to providing independent advice generated by Labo Fnac (Fnac laboratory), which assesses and compares the characteristics and performance of consumer electronics. For more than 40 years, Labo Fnac has stood out for its product expertise and independence vis-à-vis its suppliers. The results of its studies are provided to customers free of charge. In 2013, its team of highly qualified technicians tested more than 842 products (versus 658 in 2012) and compared them based on performance criteria that could be difficult to assess at the point of sale. There is no equivalent to Labo Fnac in any other retail store: it embodies a culture of independence that differentiates it from its competitors. The credibility of its specifications allows it to develop an unrivalled relationship of trust with consumers.

A new system of environmental labeling on televisions was implemented in stores and on fnac.com in September 2013, underscoring Fnac's role in providing advice.

Customers now have access to new selection criteria related to a product's impact on the climate and on non-renewable natural resources throughout its life cycle, from manufacture to shipping, use and its eventual waste.

At fnac.com, customers can get additional advice on more energy efficient use, plus information on how Fnac recycles old electronics.

An assessment of the system's first three months showed that 150 different types of televisions were rated.

2.5.2.2 Partnership and patronage initiatives

For a number of years, Fnac has sponsored the social integration company Emmaüs-Ateliers du Bocage, to which it has donated, to help its development, mobile telephones collected in-store and computers of Group staff. As a result, a batch of 110 computers was given to Ateliers du Bocage in March 2013.

In June 2013, Fnac launched its first National Collection in aid of Libraries Without Borders. This huge collection of books, CDs and DVDs from employees and customers resulted in the non-profit association receiving 72,000 editorial products. The aim is to make this a major annual event so that Fnac can boost its position as gateway to culture.

Meanwhile, April 2013 saw the launch of the “Ze GIVE” program, whereby fnac.com customers can round up their purchase to the nearest euro with the proceeds benefiting the Group’s long-term partner associations Libraries Without Borders, Ateliers du Bocage, Sport dans la Ville (Sport in the City) and ELA (a non-profit association focusing on ALS). On a more ad hoc basis, Fnac helped generate 334 micro-donations totaling €1,600 for the non-profit association Children of Mekong during the emergency situation in the Philippines in September, and the Abbé Pierre Foundation during the Christmas period.

2.5.3 Relations with subcontractors and suppliers

Since the Group is a retailer, its purchases are substantial. To limit the social and environmental impact of its purchases, departments in charge of traded and non-traded purchases have circulated a Fnac Suppliers CSR Charter to its commercial partners since 2009. The Charter contains the key principles relating to the respect of human rights, labor law, environmental safeguarding and the battle against corruption.

Fnac also tends to favor socially responsible companies and to this end has set up a structure within Fnac Occasion to deal responsibly with all products bearing its “100% refund” guarantee. This system is part of the Company’s effort to expand product repurposing and is described in more detail in the environmental section herein.

Fnac also supports the disabled sector (ESAT and EA disabled worker initiatives) by including it in the many tenders launched for non-traded purchases. Today, Fnac uses these companies primarily for laundering its waistcoats, replying to unsolicited employment applications, printing its in-house promotional materials (posters, in-house newsletters, information mailed to employees, pens) and sorting waste at head office.

2.5.4 Fair practices

2.5.4.1 Anti-corruption initiatives

Fnac has formalized its commitment to human rights (including compliance with all rules adopted by the International Labor Organization) and business ethics (prevention of misuse of corporate assets, vigilance regarding conflicts of interest, political neutrality, supplier gifts, and so on) in a Code of Business Conduct, updated in 2013, which applies Group-wide to promote integrity and responsible behavior.

2.5.4.2 Measures taken regarding consumer health and safety

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

In addition, daily security rounds are made by Fnac staff when stores open, focusing in particular on emergency means and equipment and keeping emergency exits and aisles clear. Fnac store managers are given a guide to preventing customer accidents which they share with their staff. The guide is produced by the risk prevention department in partnership with the CNPP and Perifem [(1)] and provides information about risks that may occur in an establishment. It also has guidance on implementing preventative measures to ensure the safety of customers and consumers.

Given its area of business, Fnac does not provide information relating to consumer health.

(1) CNPP: National Center for Prevention and Protection.
Perifem: Technical Association for Businesses and Retail.

2.6 Report by an independent third party on the consolidated social, environmental and societal information set out in the Management Report

Fiscal year ended December 31, 2013

Dear Shareholders,

In our capacity as licensed accountants appointed as the independent third party and whose accreditation request has been authorized by COFRAC (the French Accreditation Committee), we hereby present our report on the consolidated social, environmental and societal information presented in the Management Report (hereinafter the "CSR Information"), for the fiscal year ended December 31, 2013, pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

The Company's responsibility

It is the responsibility of the Board of Directors to prepare a Management Report including the CSR Information provided for in Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), a summary of which is provided in the Methodology Note and available on request at the Company's head office.

Independence and quality control

Our independence is defined by regulatory requirements and the code of ethics of our profession included in the Decree of March 30, 2012, regarding practicing as licensed accountants. We have also established a quality control system compliant with the professional quality-control standards that govern our profession.

Independent third party's responsibility

Our responsibility, on the basis of our work, is:

* to certify that the CSR Information required is included in the Management Report, or is the subject of an explanation pursuant to the third sub-paragraph of Article R. 225-105 of the French Commercial Code (Certificate of inclusion of the CSR Information), in the event that it is omitted;
* to draw a conclusion expressing moderate assurance on the fact that all the material aspects of the CSR Information, taken as a whole, have been presented in a fair manner in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was performed by a team of four people between the beginning of January and the end of February 2014, over a period of around four weeks. We called on our CSR experts to help us perform this work.

1. Certification of the inclusion of CSR Information

In accordance with professional standards applicable to specific certifications and the Order of May 13, 2013, determining the conditions under which the independent third party conducts its assignment, we performed the following tasks:

* We have familiarized ourselves with the presentation of the sustainable development guidelines, in accordance with the social and environmental consequences linked to the Company's business activities, and with its societal commitments, and, where applicable, with the initiatives or programs arising therefrom, based on meetings with the managers of the departments concerned.
* We compared the CSR Information set out in the Management Report with the list provided for by Article R. 225-105-1 of the French Commercial Code.
* Where some consolidated information was missing, we checked that explanations were provided in accordance with the provisions of paragraph 3 of Article R. 225-105 of the French Commercial Code.
* We checked that the CSR Information covered the scope of consolidation, namely the Company and its subsidiaries, within the meaning of Article L. 233-1 of the French Commercial Code, and the companies that it controls within the meaning of Article L. 223-3 of that Code, in accordance with the limits specified in the methodology note in section 2.2 of the Management Report.

Based on this work, we attest that the CSR Information required is included in the Management Report.

2. Reasoned opinion on the fairness of the CSR Information

In accordance with professional standards applicable to specific certifications and the Order of May 13, 2013, determining the conditions under which the independent third party conducts its assignment, and in accordance with the International Standard on Assurance Engagements (ISAE 3000), we performed the following tasks:

We held two meetings with the persons responsible for preparing the CSR Information at the departments responsible for the information-gathering process, and where applicable, with the persons responsible for the internal control and risk management procedures, in order to:

* assess the appropriate nature of the Guidelines in terms of their relevance, completeness, reliability, objectivity, and comprehensibility, taking good sector practices into consideration, where applicable;
* verify the implementation of an information-gathering, compilation, processing and control process aimed at providing complete and consistent CSR Information, and familiarize ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and scope of our tests and controls on the basis of the nature and materiality of the CSR Information, in view of the Company's characteristic features, the social and environmental issues pertaining to its business activities, of sustainable development guidelines, and good practices in the sector.

In the case of the CSR Information that we considered to be most material [(1)]:

* At the level of the consolidated entity and sites, we consulted the documentary sources and held meetings to corroborate the qualitative information (organization, policies and initiatives), we implemented analytical procedures in the case of the quantitative information, and checked the calculation and the consolidation of the data based on spot checks, and also checked their coherence and consistency with the other information provided in the Management Report;
* For a representative sample of entities that we selected [(2)] on the basis of their business activities, their contribution to the consolidated indicators, their operating location, and a risk analysis, we held meetings to check the correct application of procedures, and conducted detailed tests on the basis of samples, which consisted in checking the calculations made and in cross-checking them with the data in the supporting documents. The contribution of the selected sites represents 66% of the headcount and between 70% and 100% of the reviewed environmental quantitative information.

In the case of the consolidated CSR Information, we assessed the consistency of the information with our knowledge of the Company.

Lastly, we assessed the relevance of the explanations regarding the total or partial absence of some information, where applicable.

We believe that the sampling methods and size of the samples that we selected when exercising our professional judgment enable us to draw a conclusion expressing moderate assurance; a more definite conclusion would have required more extensive verification work. Given the use of sampling techniques and the other limits inherent to the operation of any information and internal control system, the risk that a material misstatement in the CSR Information was not identified cannot be completely eliminated.

Conclusion

Based on our work, we did not observe any material misstatement likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in compliance with the Guidelines.

Observations

Without calling into question the above conclusion, we draw your attention to the fact that for the calculation of environmental indicators, particularly materials and energy consumption and waste production, we identified a lack of formal, automated tracking documentation at several sites.

Paris, February 26, 2014

Independent third party

Grant Thornton
French member of Grant Thornton International

Vincent Papazian
Partner

(1) Quantitative indicators: workforce by age and gender; training hours; waste production; cardboard consumption; energy consumption; transport-related CO_2 emissions.
Qualitative information relating to equal treatment; the regional, economic and social impact of Fnac's business activities (presence in towns of more than 10,000 inhabitants in France and stores' cultural initiatives); environmental labeling; and repurposing consumer electronics.
(2) Massy logistics platform, Fnac France, Fnac Belgium, and Fnac store at Saint-Lazare.

3

Corporate governance

3.1 Administrative and executive bodies

3.1.1 Composition of the administrative and executive bodies

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

3.1.1.1 Board of Directors

The following table shows the composition of the Board of Directors and the main positions and offices held by the directors outside the Company in the past five years.

At December 31, 2013, the Board of Directors had ten members, of whom six were independent.

Alexandre Bompard

41 years old

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

Chairman, Chief Executive Officer

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at December 31, 2013

- Chairman, Chief Executive Officer, Fnac
- Director, Les Éditions Indépendantes [a]

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

- Chairman, Europe 1 Télécompagnie
- Chairman, Europe 1 Sport
- Manager, Europe News
- Manager, Europe Interactive
- Permanent Representative, Lagardère Active
- Director, Lagardère Active Broadcast

Number of shares held

364

(a) Listed French companies.

Patricia Barbizet

59 years old

12, rue François 1er
Paris (75008) – France

Director and Vice Chairman

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at December 31, 2013

- Non-Board Member Chief Executive Officer and Member of the Supervisory Committee, Financière Pinault
- Chief Executive Officer and Director, Artémis
- Vice Chairman of the Board of Directors and Director, Kering [(a)]
- Permanent Representative of Artémis to the Board of Directors, AGEFI
- Permanent Representative of Artémis to the Board of Directors, Sebdo Le Point
- Member of the Supervisory Board, Yves Saint Laurent
- Director, Total [(a)]
- Director, Peugeot SA [(a)]
- Director, Société Nouvelle du Théâtre Marigny
- Member of the Management Board, Société Civile du Vignoble du Château Latour
- Chairman, Christie's International Plc
- *Administratore*, Palazzo Grassi
- Non-executive Board Member, Kering Holland (formerly Gucci)

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

- Director, TF1 [(a)]
- Director, Bouygues [(a)]
- Director, Air France-KLM [(a)]
- Director, Fonds Stratégique d'Investissement
- Director, Gucci Group N.V.
- Non-executive Director, Tawa Plc
- Delegated Chief Executive Officer, Société Nouvelle du Théâtre Marigny
- Director, Piasa
- Chairman of the Board of Directors and Chief Executive Officer, Piasa
- Director, Fnac SA

Number of shares held

1,130

(a) Listed French companies.

Stéphane Boujnah

50 years old

40, rue de Courcelles
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Wednesday, December 31, 2014

Positions and offices held at December 31, 2013

- Chief Executive Officer, Santander Global Banking and Markets
- Member of the Board of Directors, Paris Europlace
- Director, Cinétévé
- Chairman of the Board of Directors, En Temps Réel, Association pour la Recherche et le Débat
- Chairman of the Board of Directors of the Orchestral Ensemble "Accentus/Erda/ Insula"

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

- Managing Director, Deutsche Bank

Number of shares held

300

Carole Ferrand

43 years old

12, rue François 1er
Paris (75008) – France

Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Tuesday, December 31, 2013

Positions and offices held at December 31, 2013

- Honorable Chairman and Director, Terra Nova
- Director, Sebdo, Le Point
- Director, Artémis 21

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

- Director and Chairman of the Board of Directors, EuropaCorp [a]
- Director, Hoche Artois Image

Number of shares held

250

(a) Listed French companies.

Antoine Gosset-Grainville

48 years old

44, avenue
des Champs-Élysées
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at December 31, 2013

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

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

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

Number of shares held

250

(a) Listed French companies.

Alban Gréget

37 years old

12, rue François 1er
Paris (75008) – France

Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Tuesday, December 31, 2013

Positions and offices held at December 31, 2013

- Director, Artémis 21, Artémis 31 and Artémis 32
- Director and Chairman of the Board of Directors, AGEFI
- Director and Chief Executive Officer, Finintel
- Director, Capi
- Director, Immobilier Neuf
- Director and Chief Executive Officer Délégué, La Centrale de Financement
- Permanent Representative of Artémis, Director, Michel and Augustin
- Chairman, Marigny
- Permanent Representative of Artémis, Director, Optimhome Portugal
- Chairman and permanent representative of Rocka, Director, Optimhome SAS

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

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

Number of shares held

250

Nonce Paolini

65 years old

1, quai du Point du Jour
Boulogne (92656) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Wednesday, December 31, 2014

Positions and offices held at December 31, 2013

- Chairman and CEO, TF1 [(a)]
- Chairman and Director, Monte Carlo Participation
- Chairman and Director, Fondation d’entreprise TF1
- Chairman, HOP (Holding Omega Participations)
- Director, Bouygues [(a)]
- Director, Bouygues Telecom
- Permanent Representative of TF1 Director, Groupe AB
- Permanent Representative of TF1 Director, Extension TV
- Permanent Representative of TF1 Director, TF6 Gestion
- Permanent Representative of TF1 Director, GIE TF1 Acquisitions de droits
- Vice President and Director, TMC (Télé Monte Carlo)
- Permanent Representative of TF1, Director, École de la Cité, du Cinéma et de la Télévision

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

- Vice Chairman, France 24
- Director, Mediamétrie
- Director, TF1 Thématiques
- Chairman, NT1
- Chairman, TF1 Management
- Permanent Representative of TF1 Management, Managing Director, La Chaîne Info
- Permanent Representative of TF1 Management, Managing Director, TF1 DS
- Chairman, TF1 Publicité
- Permanent Representative of TF1, Director, WB Télévision
- Chairman, Programmes européens francophones audiovisuels spéciaux

Number of shares held

250

(a) Listed French companies.

Arthur Sadoun

42 years old

133, avenue
des Champs-Élysées
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Wednesday, December 31, 2014

Positions and offices held at December 31, 2013

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

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

- NA

Number of shares held

250

Brigitte Taittinger-Jouyet

54 years old

74, rue Raynouard
Paris (75016) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended Tuesday, December 31, 2013

Positions and offices held at December 31, 2013

- Director, HSBC France [(a)]
- Director, L'Orchestre de chambre de Paris
- Director, Association des Amis et Mécènes de l'Opéra-Comique (AMOC)
- Director, Centre Georges Pompidou

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

- Chairman, Société des Parfums Annick Goutal

Number of shares held

250

(a) Listed French companies.

Jacques Veyrat

51 years old

4 rue Eule
Paris (75008) – France

Independent Director

Term of office expiration date: Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015

Positions and offices held at December 31, 2013

- Chairman, Impala Holding
- Director, Neoen
- Director, HSBC France [(a)]
- Director, Imerys
- Director, Louis Dreyfus Armateurs
- Director, Nexity [(a)]
- Member of Supervisory Committee, Eurazeo [(a)]

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

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

Number of shares held

250

(a) Listed French companies.

All the Company's directors, as listed above, were appointed by the General Meeting of the Company's shareholders on April 17, 2013.

So that the terms of the directors would expire on a rolling basis, following the Company's admission to listing on the Euronext Paris stock market, the directors (apart from the Chairman of the Board of Directors) drew lots to divide themselves into three groups:

* the first group, comprised of three Directors (Carole Ferrand, Brigitte Taittinger-Jouyet and Alban Gréget), will resign from office prior to the Company's annual General Meeting called to approve the financial statements for the 2013 fiscal year;
* the second group, also comprised of three Directors (Stéphane Boujnah, Nonce Paolini and Arthur Sadoun), will resign from office prior to the Company's annual General Meeting called to approve the financial statements for the 2014 fiscal year; and
* the third group, comprised of the remaining three Directors (Patricia Barbizet, Antoine Gosset-Grainville and Jacques Veyrat), will serve out their terms of office until the Company's annual General Meeting called to approve the financial statements for the 2015 fiscal year.

In accordance with the bylaws, at the meeting of the Company's Board of Directors on October 22, 2013, Patricia Barbizet was duly appointed as Vice Chairman.

Personal information regarding the members of the Board of Directors

Alexandre Bompard – Chairman and Chief Executive Officer – Graduate of the Institut d'Études Politiques in Paris, degree in public law and a postgraduate degree in economics and a graduate of the École Nationale de l'Administration (Cyrano de Bergerac class). After being appointed to the French General Inspectorate of Finance (1999-2002), Mr. Bompard became technical adviser to François Fillon, then Minister for Social Affairs, Labor and Solidarity (April-December 2003). From 2004 to 2008, Mr. Bompard was assigned many roles within the Canal + Group. He was Director of Chief of Staff for Bertrand Méheut (2004-2005), then Director of Sport and Public Affairs within the Group (June 2005 to June 2008). In June 2008, he was appointed Chairman and CEO of Europe 1 and Europe 1 Sport. Since January 2011, he has been Chairman and Chief Executive Officer of Fnac and was an advisory member of the Board and member of the Kering Executive Committee until April 2013.

Patricia Barbizet – Vice Chairman of the Board of Directors – Graduate of the École Supérieure de Commerce de Paris. Ms. Barbizet started her career in the Renault Group as Treasurer of Renault Véhicules Industriels before becoming Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as a financial officer. In 1992, she became the Chief Executive Officer of Artémis, and in 2004, Chief Executive Officer of Financière Pinault. She is currently the Chief Executive Officer of Artémis Group, Vice Chairman of the Board of Directors of Kering and the Chairman of Christie's International.

Stéphane Boujnah – Independent Director – Graduate of the Institut d'Études Politiques de Paris, DEA in international economic law, an LLM in international law from the University of Kent in Canterbury and an MBA from INSEAD. From 1991 to 1997, Mr. Boujnah was an attorney at Freshfields and specialized in mergers and acquisitions and international investment projects. He became a consultant for Dominique Strauss-Kahn at the Ministry of Economy, Finances and Industry, where he was in charge of innovation, new technologies, risk capital, foreign investments and certain structural reforms (1997-1999). From 2000 to the end of 2002, he was the director of mergers and acquisitions at Crédit Suisse First Boston Technology Group in Palo Alto and later in London. He then created KM5 Capital, a company specializing in mergers and acquisitions in the technology sector and in advising risk-capital funds and private equity operators (2003-2004) and became Managing Director in charge of business development for the Deutsche Bank's investment bank in Paris (2005-2010). Since May 2010, he has been the Chief Executive Officer of Santander Global Banking and Markets for France and Benelux.

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

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

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

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

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

Brigitte Taittinger-Jouyet – Independent Director – Graduate of the Institut d'Études Politiques de Paris with a master's degree in history from the Université des Sciences Humaines. Ms. Taittinger-Jouyet was Head of Advertising at Publicis (1984-1988), and in 1988, she became the mission chief for the Directors of Marketing at the Groupe du Louvre in charge of industrial and economic hospitality products. From 1991 to 2012, she was Chairman of the Société des Parfums Annick Goutal. Since 2013, she has been Director of Strategy and Development at the Institut d'Études Politique de Paris (Sciences Po – Paris).

Jacques Veyrat – Independent Director – Graduated from École Polytechnique (class of 1983) and the Collège des Ingénieurs (class of 1989), engineering degree from Ponts et Chaussés (class of 1988). Mr. Veyrat was appointed to the Treasury Department, where he served as Secretary for the Inter-ministerial Committee on Industrial Reconstruction (Comité Interministériel de Restructuration Industrielle) for the period 1989-1991, then as deputy Secretary General to the Club of Paris from 1991 to 1993. From 1993 to 1995, he served as Technical Adviser to the Ministry of Transport Equipment, Tourism and the Seas. In 1995, he joined the Louis Dreyfus group as Chief Executive Officer of Louis Dreyfus Shipbuilders (1995-1998), before becoming Chairman and Chief Executive Officer of Louis Dreyfus Communications, which became Neuf Cegetel (1998 to 2008), and then Chairman and Chief Executive Officer of the Louis Dreyfus Group (2008 to 2011). Since 2011, he has been Chairman of Impala.

3.1.1.2 Executive Management

In accordance with Article 16 of the Company's bylaws, Mr. Alexandre Bompard serves as Chairman of the Board and Chief Executive Officer of the Company. He was appointed Chairman and Chief Executive Officer of the Company on April 17, 2013 for a period of three years expiring at the close of the Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2015.

3.1.1.3 Management Committee

The Group's Management Committee consists of seven members, as follows:

* Alexandre Bompard, Chairman and Chief Executive Officer;
* Enrique Martinez, Managing Director, Northern Europe;
* Matthieu Malige, Group Chief Financial Officer ;
* Frédérique Giavarini, Director of Organization, Strategy and Public Affairs;
* Philippe Valade, Human Resources Director;
* Claudia Almeida e Silva, Managing Director, Southern Europe;
* Olivier Theulle, Operations Director;
* Laurent Glepin, Communications Director;
* Katia Hersard, Brand, Marketing and e-commerce Director;
* Benoit Fremaux, Director of Information Systems.

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

3.1.1.4 Statement relating to the Board of Directors

To the Company's knowledge, at the date of this document's registration, there were no family ties between the members of the Company's Board of Directors.

To the Company's knowledge, over the past five years: (I) no conviction for fraud has been charged against any of the above persons, (II) none of the above persons has been associated with bankruptcy, receivership or liquidation, (III) no incrimination and/or official public sanction has been delivered against any of the above persons by statutory or regulatory authorities (including designated professional bodies) and (IV) none of the above persons have been disqualified by a court from acting as a member of the administrative, executive or supervisory body of any company, or from being involved in the management or performance of business of any company.

To the Company's knowledge, there exists no service agreement binding the directors to the Company or any of its subsidiaries subject to the commercial contracts mentioned in section 3.1.2.

3.1.2 Conflicts of interest

To the Company's knowledge, at this document's registration, there were no potential conflicts of interest between the duties of the members of Board of Directors towards the Company and their private interests.

To the Company's knowledge, no pact or agreement of any kind, other than commercial contracts signed with companies (of which some of the Company's Directors are the legal representatives) as part of the normal conduct of business and on regular market terms and conditions, has been made with shareholders, clients, suppliers or other parties by virtue of which any members of the Company's Board of Directors has a direct interest.

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

3.2 Functioning of the administrative and executive bodies

3.2.1 Terms of office of members of the administrative and executive bodies

The dates on which the appointments of each member of the Company's Board of Directors and executive management bodies expire are shown in section 3.1.1 "Composition of the administrative and executive bodies".

So that the terms of the directors would expire on a rolling basis, the directors (apart from the Chairman of the Board of Directors) drew lots to divide themselves into three groups as described in section 3.1.1 "Composition of the administrative and executive bodies".

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

To the Company's knowledge, at the date of this document's registration, there are no service contracts linking members of the Board of Directors to the Company or to any of its subsidiaries that provides them with benefits.

3.2.3 Board of Directors Committees

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

In accordance with this provision, the Company's Board has established three committees: an Audit Committee; an Appointments and Compensation Committee; and a Corporate, Environmental and Social Responsibility Committee. The composition, duties and practices of these committees are set forth below.

3.2.3.1 Audit Committee

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

Composition

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

The composition of this committee was determined by the Company's Board of Directors at its meeting on June 24, 2013. Its Chairman is Stéphane Boujnah (Independent Director) and its two other members are Carole Ferrand (Director) and Jacques Veyrat (Independent Director).

Duties

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

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

* *Monitoring the preparation of financial information* – The Audit Committee is responsible for examining the annual or interim reports and consolidated financial statements of the company prior to their presentation to the Board, including any provisions and related adjustments and any situation that could create a material risk for the Group, as well as any financial information, any report concerning quarterly, semi-annual or annual performance, or reports prepared for a specific transaction (such as a capital contribution, merger or market transaction).
* *Monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and accounting information* – The Audit Committee is tasked with ensuring the relevance, reliability and correct implementation of the Company's internal control, identification, hedging and risk management procedures relating to its business activities and its financial and accounting information. The committee also regularly examines the mapping of business risks, as well as the material off-balance sheet risks and commitments of the Company and its subsidiaries.
* *Monitoring the review of the individual company and consolidated financial statements by the Company's Statutory Auditors* – The Audit Committee will request information from and oversee the Company's Statutory Auditors (including in the absence of senior executives), particularly in relation to their general work schedule, any difficulties encountered while conducting their audit, changes they believe should be made to the Company's financial statements or other accounting documents, accounting irregularities, discrepancies or inaccuracies, material uncertainties and risks relating to the preparation and treatment of accounting and financial information, and any material weaknesses they may have discovered in internal control procedures.
* *Monitoring the independence of the Statutory Auditors* – When appointing, or renewing the appointment of the Statutory Auditors, the Audit Committee manages the selection process and submits its results to the Board. Furthermore, to enable the committee to monitor the independence and objectivity of the Statutory Auditors throughout their appointment, the Audit Committee shall have the Statutory Auditors deliver to them each year (i) a statement of independence; (ii) the amount of fees paid to the network of Statutory Auditors by the companies controlled by the Company, or the entity that controls the Company, for services that are not directly related to the Statutory Auditors' responsibilities; and (iii) information on services rendered in respect of tasks falling directly within the Statutory Auditors' responsibilities. The Audit Committee, together with the Statutory Auditors, must also examine any risks to their independence and the measures taken to guard against such risks.

Practices

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

3.2.3.2 Appointments and Compensation Committee

The Company's Board has decided to establish an Appointments and Compensation Committee and has set the following rules for its internal governance:

Composition

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

The composition of this committee was determined by the Company's Board of Directors at its meeting on June 24, 2013. Its Chairman is Nonce Paolini (Independent Director) and its two other members are Patricia Barbizet (Director) and Antoine Gosset-Grainville (Independent Director).

Duties

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

Accordingly, it carries out the following functions:

* *Proposing the appointment of members of the Board of Directors, executive management and the Board's committees* – The Appointments and Compensation Committee is responsible for making proposals to the Board concerning appointments to the Board (by General Meeting or by co-option), of managing directors, as well as of members and the Chairman of each of the other Board committees. When making its recommendations, the Committee takes into consideration such criteria as (i) the desired balance of the Board's composition in view of the composition of and changes in the Company's shareholders, (ii) the desired number of independent members, (iii) the proportion of men and women required under applicable regulations, (iv) the desirability of renewing terms of office and (v) the integrity, competence, experience and independence of each candidate. The Appointments and Compensation Committee must also establish a procedure for selecting future independent members and conduct its own examination of potential candidates before they are approached. When it makes its recommendations, the Appointments and Compensation Committee must ensure that the Board and its specialized committees, including the Audit Committee and the Appointments and Compensation Committee, have at least the minimum number of independent members required by the corporate governance principles to which the Company adheres.
* *Conducting an annual assessment of the independence of the Board members* – Each year, before publication of the Company's annual report, the Appointments and Compensation Committee assesses whether each Board member meets the Company's independence criteria and submits an opinion to the Board for its consideration on the situation of each individual in relation to these criteria.
* *Examining and proposing all aspects of and conditions to the compensation of principal senior executives and the Group's executive management* – The Appointments and Compensation Committee is responsible for preparing proposals that include both fixed and variable compensation, as well as, where applicable, share subscription and share purchase options, the allotment of performance shares, pension and private health care plans, retirement benefits, benefits in kind or specific benefits, and any other direct or indirect compensation that the compensation of executive management might include. It is informed of these aspects of the compensation of the Group's senior company officers and the relevant compensation policies that have been implemented within the Group. In preparing these proposals, the Appointments and Compensation Committee will take into account the corporate governance standards to which the Company adheres.
* *Examining and making proposals to the Board of Directors concerning the distribution of Directors' attendance fees* – The Appointments and Compensation Committee makes suggestions to the Board regarding the amount of attendance fees and the individual payments to be made to members of the Board, taking into account their attendance at Board and Committee meetings, their responsibilities and the time they are required to devote to their duties. The Committee also makes suggestions regarding the compensation awarded to the Company's Chairman and Vice Chairman of the Board.

Practices

A meeting of the Appointments and Compensation Committee is valid when there is a quorum of two members in attendance. Committee proposals and proposed compensation are adopted by a simple majority of those attending the meeting, each member having one vote.

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

3.2.3.3 Corporate, Environmental and Social Responsibility Committee

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

Composition

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

The composition of this committee was determined by the Company's Board of Directors at its meeting on June 24, 2013: Brigitte Taittinger-Jouyet is the Chairman (Independent Director) and the other members are Alexandre Bompard (Chairman of the Board of Directors), Alban Gréget (Director) and Arthur Sadoun (Independent Director).

Duties

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

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

* *Examining the social, environmental and corporate policies enacted by the Company* – The Corporate, Environmental and Social Responsibility Committee is responsible for the annual examination of the social, environmental and corporate policies enacted by the Company, the targets set and results obtained in these areas. The Corporate, Environmental and Social Responsibility Committee assesses these areas in light of the business activities of the Company and of its subsidiaries and any information it may have on suppliers and their subcontractors. In this respect, it reviews the Fnac CSR charter distributed to the Group's suppliers and, where necessary, suggests improvements to it. Once a year, the Corporate, Environmental and Social Responsibility Committee also examines a summary of the ratings awarded to the Company and its subsidiaries by the extra-financial rating agencies.
* *Examining the principal social, environmental and corporate risks and opportunities for the Company* – Each year, the Corporate, Environmental and Social Responsibility Committee is responsible for preparing a presentation mapping any risks posed to the corporate, environmental and social responsibilities of the Company in light of specific challenges in the Company's business activities. It examines the risks identified, reviews the procedures for protecting against those risks and monitors their development.
* Examining the Company's publications in the areas of social, environmental and corporate responsibility – Each year, the Corporate, Environmental and Social Responsibility Committee must review all information published by the Company that relates to issues of corporate, environmental and social responsibility. In this respect, the Corporate, Environmental and Social Responsibility Committee reviews the reporting, assessment and control systems annually, to enable the Group to produce reliable information for these areas.
* *Examining the promotion of diversity, equity and equality* – Each year, the Corporate, Environmental and Social Responsibility Committee examines all issues relating to the promotion of diversity, equity and equality within the Group. Where necessary, it summarizes its observations as recommendations and submits them to the Board. It also monitors and distributes the recommendations adopted by the Board.
* *Examining the environmental impact of the Group's activities* – Each year, the Corporate, Environmental and Social Responsibility Committee examines the impact of the Group's activities on the environment. It prioritizes questions concerning energy consumption, carbon dioxide emissions arising directly or indirectly from the Group's activities, and initiatives promoting the collection and recycling of end-of-life products. Where necessary, it summarizes its observations as recommendations and submits them to the Board. It also monitors and distributes the recommendations adopted by the Board.
* *Establishing a focus on social sustainability within the Group* – The Corporate, Environmental and Social Responsibility Committee is responsible for highlighting changes in social trends that are materially linked to the Group's activities, such as freedom of expression and the fight against cultural exclusion. It supports initiatives to promote these values among the public, inviting people to become involved with initiatives undertaken by the Company (such as offering to act as partners with non-profit associations, a solidarity sign-up scheme, collecting cultural products for redistribution those most in need of them, etc.).
* *Including employees in the Group's corporate, environmental and social policies* – Each year, the Corporate, Environmental and Social Responsibility Committee draws up proposals to strengthen employees' involvement in the Group's corporate, environmental and social policies. In this respect, it chooses how to communicate the key messages to the highest number of people, furthers employees' awareness of them and provides training on its key corporate, environmental and social policies. It also reviews changes to proposals that have previously been adopted and implemented and, where necessary, proposes additional changes and/or further actions to be undertaken.

Practices

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

3.2.4 Statement relating to corporate governance

The Company refers to the MEDEF and AFEP Corporate Governance Code for listed corporations (the "AFEP-MEDEF Code"), updated in June 2013, particularly in the context of preparing the Chairman of the Board's report required by Article L. 225-37 of the French Commercial Code on the composition of the Board and application of the principle of balanced representation of men and women within it, the conditions for preparing and organizing the Board's work, as well as the internal control and risk management procedures implemented by the Company.

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

With the exception of the absence of tables concerning the remuneration of Alexandre Bompard, the Company in no way deviates from the AFEP-MEDEF Code. This year, no comparison with previous years needed to be shown in the tables regarding the compensation of Alexandre Bompard insofar as the company was first publicly traded in 2013.

The Company also has a code of conduct for trading in securities. This code seeks to prevent insider trading and prohibit any insiders and their beneficiaries from using and/or disclosing privileged information, and recommending, on the basis of inside information, that another person conduct transactions on the Company's financial instruments.

The code provides for blackout periods related to the Group's financial information, the holding of bonus shares and the granting of stock options.

The Legal Department has been designated as the compliance officer and, as such, is responsible for answering any insider questions and queries relating to the Charter.

3.3 Compensation and benefits for administrative and executive bodies

3.3.1 Compensation and benefits of the Chairman and Chief Executive Officer

The Company is a French limited liability company with a Board of Directors. The positions of the Chairman of the Board of Directors and the Chief Executive Officer are combined and have been exercised by Mr. Alexandre Bompard since April 17, 2013.

Alexandre Bompard does not have an employment contract.

At its meeting on July 30, 2013, on the recommendation of the Appointments and Compensation Committee, the Board of Directors considered and decided upon the elements of the compensation package for its Chairman and Chief Executive Officer, Alexandre Bompard. At its meeting on October 22, 2013, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided on the methods for establishing a multi-year variable compensation mechanism.

The Company discloses the compensation paid by itself, the companies it controls and the companies it is controlled by at December 31, 2013.

The amount of compensation paid in 2013 to Alexandre Bompard totaled €1,254,386 and is broken down below.

3.3.1.1 Fixed compensation for 2013

For fiscal year 2013, the fixed annual compensation of the Chairman and Chief Executive Officer was set at €900,000 gross on an annual basis.

Based on the effective date of his appointment as Chairman and Chief Executive Officer of Groupe Fnac, the amount owed and paid to him by Groupe Fnac for 2013 came to €670,000.

(1) http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Guide_AFEP-MEDEF_An__18-11.pdf

For the period from January 1 to April 2, 2013, prior to the effective date of his appointment, the amount of fixed compensation owed and paid by Fnac SA to Alexandre Bompard totaled €193,182.

The amount owed and paid in full and final settlement from Fnac SA up to April 2, 2013 totaled €92,683.

3.3.1.2 Variable compensation for 2013 (paid in 2014)

For fiscal 2013, the variable annual compensation of the Chairman and Chief Executive Officer is a maximum of 105% of the fixed compensation.

Eighty percent of it is tied to financial targets and 20% to qualitative targets.

The financial targets set for the variable portion are specified below:

* the Group's current operating income;
* the Group's free cash flow;
* the Group's revenues;
* expansion of the Group's market share.

The level of attainment of the variable targets in 2013 was 96.37% of fixed annual compensation and the amount payable for fiscal 2013 totaled €867,329.

The amount owed and paid by Fnac SA for the variable portion in 2012 totaled €293,756.

3.3.1.3 Multi-year variable compensation

On the recommendation of the Appointments and Compensation Committee, on July 30, 2013, the Board of Directors awarded 197,925 value units to Alexandre Bompard. These value units will be earned on July 31, 2015, subject to conditions of presence and performance. The value of the unit is based on an average price of the Groupe Fnac share. If the share price in July 2015 is below a predefined price, no payment will be made.

At December 31, 2013, these value units were recognized in the financial statements (using the IFRS 2 method) for an amount payable of €1,349,570. This amount is a liability for Groupe Fnac, but, because of the performance and presence conditions, it has not yet been earned by the individual.

A portion of the associated payment, in cash, will be implemented in October 2015 and a portion in July 2016, subject to the condition of presence on each of these dates.

On the recommendation of the Appointments and Compensation Committee, on October 22, 2013, the Board of Directors decided to award stock options to Alexandre Bompard. These options will only be definitively earned in progressive stages, at the end of three successive vesting periods (December 2013 - March 2015, December 2013 - March 2016, and December 2013 - March 2017), subject to the beneficiary's presence in the Group at the end of the period in question, and will be subject to a performance condition defined for the Groupe Fnac share for each of the three periods. These options will be paid in cash. If the Groupe Fnac share price is below a predefined price, no payment will be made.

On March 31, 2015, 67,160 options could be earned, subject to presence and performance conditions, 79,959 options on March 31, 2016, and 115,495 options on March 31, 2017.

At December 31, 2013, these options were recognized in the financial statements (using the IFRS 2 method) for an amount payable of €130,186. This amount is a liability for Groupe Fnac, but, because of the performance and presence conditions, it has not yet been earned by the individual.

The global ceiling of this multi-year variable compensation cannot be defined as it is strictly correlated to the Groupe Fnac share price.

Payments in connection with multi-year variable compensation for Alexandre Bompard will be itemized for each year under «directors' compensation and benefits» in the Registration Document.

No multi-year variable compensation was paid in 2013 to Alexandre Bompard.

3.3.1.4 Performance shares

In addition, Alexandre Bompard was definitively vested with 2,917 Kering shares, which were awarded under the Kering plan of May 19, 2011. In April 2014, Alexandre Bompard will be the beneficiary of 4,408 shares awarded under the Kering plan of April 25, 2012, subject to conditions of presence and the achievement of the performance conditions described in the plan regulations. For fiscal 2013, Groupe Fnac was reinvoiced by Kering with €521,530 and €259,160 for these performance shares.

3.3.1.5 Stock options, bonus shares

In 2013 no stock options or bonus shares were awarded to Alexandre Bompard.

3.3.1.6 Non-competition undertaking

The Board of Directors has signed a limited non-competition commitment with Alexandre Bompard in the specialized retail sector for cultural and/or technological and entertainment products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil. This non-competition undertaking is limited to two years from the end of his term of office. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office. The Board of Directors has the right to waive the implementation of this clause.

No amount is owed for fiscal year 2013.

This commitment referred to in Article L. 225-42-1 of the French Commercial Code is the subject of the Fifth Resolution submitted to the General Meeting called to approve the financial statements for the year ended December 31, 2013.

With the exception of the non-competition undertaking, there is no arrangement to pay Alexandre Bompard any severance pay or benefits that are or may be due in the event of his resignation or change of function.

3.3.1.7 Supplemental pension plan

The Board of Directors has authorized the membership of Alexandre Bompard in the supplemental defined-contribution pension plan, to which all Groupe Fnac executives in France belong.

The cost of contributing to these policies for 2013 amounted to €7,589.56.

This commitment referred to in Article L. 225-42-1 of the French Commercial Code is the subject of the Sixth Resolution submitted to the General Meeting called to approve the financial statements for the year ended December 31, 2013.

3.3.1.8 Attendance fees

Attendance fees payable to Alexandre Bompard for his service in 2013 on Groupe Fnac’s Board of Directors totaled €18,720.

No attendance fees were paid in 2013 to Alexandre Bompard.

3.3.1.9 Other benefits

Alexandre Bompard is covered under the same health insurance and pension plans (2013 contributions totaled €4,514), on the same basis as Fnac employees, as well as unemployment insurance and an additional training allowance to which no contribution was made during 2013.

He also has a company car, which represented a benefit in kind of €4,765, which was paid in 2013.

3.3.2 Remuneration of non-executive directors – attendance fees

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors determines the allocation of attendance fees according to the actual attendance of members to meetings of the Board and the specialized Committees held during the year in question.

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors on February 26, 2014, determined the allocation of attendance fees to members of the Board and the specialized committees held during 2013.

Based on the date of the Company’s listing on the Euronext Paris stock market (June 20, 2013) and the significant amount of work carried out in 2013, the sum of €240,000 was allocated out of the total €300,000.

Sixty percent of this amount was allocated to members of the Board of Directors, divided into a fixed portion equivalent to 30% and a variable portion equivalent to 70%, with the variable portion being awarded based on the Board members’ attendance at meetings.

The balance (40% of the amount) was divided equally between the members of the Audit Committee and members of the Appointments and Remuneration Committee as no meeting of the Corporate, Environmental and Social Responsibility Committee was held in 2013. This amount is allocated based on members’ attendance at the Committee meetings.

The Chairman of the Board of Directors and the Chairmen of the Committees are paid a 50% higher fee for their attendance at each meeting.

During fiscal 2013, no payment of attendance fees was made to the members of the Board of Directors. The directors do not receive any other compensation, except for Alexandre Bompard, Chairman and CEO, as indicated in section 3.3.1 of the Registration Document.

3.4 Profit-sharing, collective incentive schemes and long-term incentive schemes

3.4.1 Profit-sharing agreements and incentive schemes

3.4.1.1 Profit-sharing agreements in France

For companies with 50 or more employees and taxable income of more than 5% of its equity, it is compulsory to implement a profit-sharing agreement in accordance with Article L. 3322-2 of the French Labor Code. Accordingly, the Group entered into a profit-sharing agreement on June 21, 2013 for a fixed period of three years.

3.4.1.2 Collective incentive schemes in France

Collective incentive schemes are optional schemes whose purpose is to establish a closer link, by means of a calculation formula, between employees as a whole and the company's results and performance, through the payment of immediately available bonuses, in accordance with Article L. 3312-1 of the French Labor Code. As a result, incentive scheme agreements have been entered into for a certain number of French entities of the Group. Each agreement includes its own formula for calculating the incentive bonus. Some agreements that expired at the end of 2013 will need to be renegotiated in 2014.

3.4.1.3 Group savings schemes

Companies that implemented a profit-sharing agreement must implement a company savings scheme in accordance with Article L. 3332-3 of the French Labor Code. A company savings scheme was entered into within the Group on April 15, 2002, for one year, renewable by tacit consent. This scheme allows Group employees having more than three months' seniority to allocate, immediately and in full, the sums paid to them under profit-sharing and incentive schemes to acquire shares in corporate investment funds (FCPE).

3.4.2 Long-term incentive plan

On the recommendation of the Appointments and Compensation Committee, on July 30, 2013, the Board of Directors decided to award value units to certain Group employees (112 beneficiaries) with the aim of retaining them and aligning their interests with those of the Company and its shareholders. These value units will be earned on July 31, 2015, subject to conditions of presence and performance. The value of the unit is based on an average price of the Groupe Fnac share. If the share price in July 2015 is below a pre-defined price, no payment will be made. The associated payment, in cash, will be made in October 2015 and July 2016.

On the recommendation of the Appointments and Compensation Committee, on October 22, 2013, the Board of Directors decided to award performance options to certain directors of the Group in order to link them to the company's performance through an increase in the share price.

These options will be definitively earned only in progressive stages, at the end of three successive vesting periods (December 2013 – March 2015, December 2013 – March 2016, and December 2013 – March 2017), subject to the beneficiary's presence in the Group at the end of the period in question, and will be subject to a performance condition defined for the Groupe Fnac share for each of the three periods.

3.5 Report of the Chairman of the Board of Directors on the conditions governing the preparation and organization of the Board's work and the internal control and risk management procedures instituted by the Company

Pursuant to Article L. 225-37, paragraph 6 of the French Commercial Code, as amended by Law No. 2008-649 of July 3, 2008, the conditions for the preparation and organization of the work of the Board of Directors and the internal control and risk management procedures instituted by the company are reiterated below, specifically detailing the procedures relating to the development and treatment of the accounting and financial information for the consolidated financial statements and parent company financial statements. The first part of this report was presented to the Appointments and Compensation Committee on February 21, 2014, and the second part was discussed by the Audit Committee on February 24, 2014.

The entire report was approved by the Board of Directors at its meeting of February 26, 2014 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

3.5.1 Composition of the Board of Directors

3.5.1.1 Current composition of the Board

The Board is composed of directors with broad and diversified experience, especially in terms of corporate strategy, finance, economics, retail, manufacturing industry, accounting, and the management and control of commercial and financial companies. The statutory term of office for a director is three years and is renewable.

In order to avoid a mass renewal of members of the Board of Directors and encourage a seamless process for replacing directors, a staggered renewal of the Board of Directors was defined by the Board of Directors' internal regulations and adopted at its meeting of April 17, 2013. Lots were drawn to create three groups, each composed of three directors, with the directors concerned being required to resign their office prior to the Annual General Meeting called to approve the 2013 and 2014 financial statements respectively. The term of office of the final group of four directors (including the Chairman and Chief Executive Officer) will expire at the Annual General Meeting called to approve the 2015 financial statements.

The Board is currently composed of ten directors:

							Membership of a Committee		
Name	Age	Nationality	Independent Director	Office	Start of 1st term	Expiration of current term	Audit	Appointments and Compensation	Corporate, Environmental and Social
Alexandre Bompard	41	French		Chairman and CEO	2013	2016			X
Patricia Barbizet	59	French		Vice Chairman	2013	2016		X	
Stéphane Boujnah	50	French	X	Director	2013	2015	X		
Carole Ferrand	43	French		Director	2013	2014	X		
Antoine Gosset-Grainville	48	French	X	Director	2013	2016		X	
Alban Gréget	37	French		Director	2013	2014			X
Nonce Paolini	65	French	X	Director	2013	2015		X	
Arthur Sadoun	42	French	X	Director	2013	2015			X
Brigitte Taittinger-Jouyet	54	French	X	Director	2013	2014			X
Jacques Veyrat	51	French	X	Director	2013	2016	X		

The Board created three committees whose role is to assist it in its mission: the Audit Committee, the Appointments and Compensation Committee and the Corporate, Environmental and Social Committee.

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

3.5.1.2 Composition of the Board

Pursuant to the provisions of the Law of January 27, 2011 (amending Article L. 225-37 of the French Commercial Code) on the balanced representation of men and women on Boards of Directors and Supervisory Boards and on gender equality at work, which governs the drafting of this report, the principle of balanced representation of men and women has been taken into account on the Board in accordance with the law. Accordingly, it can be seen that women represent 30% of the members of the Board of Directors, thus exceeding the minimum proportion of 20% that must be respected by the time of the Annual General Meeting to be convened in 2014.

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

3.5.2.1 Internal regulations of the Board of Directors

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

It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly conferred at General Meetings and within the limits of the corporate purpose, it concerns itself with all issues affecting the Company's operations and regulates the Company's affairs.

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

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

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

A code of conduct for securities trading has been adopted by the Board of Directors reiterating their regulatory obligations, to prevent insider trading by company officers, and it defines the rules imposed on Directors restricting them from dealing in the

Company's or Group's shares, by stipulating the establishment of "blackout periods":

* the Directors must abstain from directly or indirectly trading shares or listed financial instruments of the Company or Group for 30 calendar days prior to each of the periodic publications concerning the consolidated financial statements up to the stock market trading day on which the corresponding official press release is published. This obligation of neutrality and confidentiality is not a replacement for the legal or regulatory rules on insider dealing that every Director is required to comply with at the time of his or her decision to trade and irrespective of the date of this trade outside the blackout periods;
* the same obligations apply to Directors where they have knowledge of privileged information for any financial instrument listed on a regulated market whose issuer has confidential relations with the Group. The internal regulations consequently require any dealings on these securities to be declared.

The internal regulations define the frequency and conditions for Board meetings and provide for the possibility of taking part in them using video or teleconference facilities.

They also establish the principle of regular evaluation of the Board's functioning and define the procedures for allocating attendance fees.

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

3.5.2.2 Executive Management

At the meeting of Groupe Fnac's Board of Directors on April 17, 2013, it was decided to maintain the concentration of the functions of Chairman of the Board of Directors and Chief Executive Officer in a single person given that Alexandre Bompard has managed the Group's affairs since January 2011 and therefore has in-depth experience in this area. He is assisted by a nine-member Executive Committee in charge of the functional and operational divisions, thus enabling him to maintain efficiency in governance.

3.5.2.3 Limitations imposed by the Board of Directors on the powers of the Chief Executive Officer

As regards the Board of Directors' legal mission to determine the strategic guidelines for the Company's activity and supervise their implementation, and without prejudice to the legal provisions concerning authorizations that have to be granted by the Board, the internal regulations of the Board of Directors require certain decisions made by the Chief Executive Officer to be submitted to the Board of Directors for prior approval, due to the type of decision or its significance.

At its meeting on June 24, 2013, the Board of Directors decided that due to the size of the Group, only amounts in excess of the following thresholds for the dealings listed below would require the Board's prior authorization:

* any investment or divestment, including an acquisition or sale or exchange of interests in any companies currently existing or to be created, that exceeds €25 million;
* any deposit or guarantee of any kind that exceeds €25 million;
* any borrowing (or series of borrowings) or lending of money of any kind or early repayment of a loan that exceeds €40 million.

The Board decided that these authorizations and thresholds should be set for a period of two years expiring on June 30, 2015.

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

3.5.2.4 Compliance with a corporate governance code

The Company refers to the AFEP-MEDEF "Corporate Governance Code of Listed Companies" revised in June 2013.

3.5.2.5 Independence of Directors

To assess a Director's qualification as independent and prevent potential risks of conflicts of interest, the Board has adopted the criteria defined in the AFEP-MEDEF Code, which are as follows:

* not being or having been in the past five years a Company employee or officer, or an employee or Director of any company consolidated by the Company;
* not being an officer of a company for which the Company, directly or indirectly, is a Director, or for which a Company employee designated in that capacity or an officer (current or within the last five years) is a Director;
* not being a significant customer, supplier, investment banker, or commercial banker of the Company or its Group, or for which the Company or its Group represents a significant proportion of its business, nor being directly or indirectly associated with any such person;
* not being a close family relation of an officer;
* not having been the Company's Statutory Auditor during the past five years;
* not having been a member of the Company's Board for more than twelve years as of the date on which his or her current office was bestowed on him or her.

Considering these criteria, the following are considered to be Independent Directors: Brigitte Taittinger Jouyet, Stéphane

Boujnah, Antoine Gosset-Grainville, Nonce Paolini, Arthur Sadoun and Jacques Veyrat.

Accordingly, six Directors out of ten on the Board may be classified as Independent Directors.

3.5.2.6 Work of the Board and its Specialized Committees

Work of the Board of Directors in 2013 through to February 26, 2014

Work of the Board of Directors in 2013

In 2013, after the Company's shares were listed on Euronext Paris, the Board met four times with an average attendance rate of 95%. Each meeting was chaired by the Chairman and Chief Executive Officer.

Dates	Directors present (attendance rate)
June 24	10/10 (100%)
July 1	10/10 (100%)
July 30	08/10 (80%)
October 22	10/10 (100%)

On June 24, the Board devoted most of its work to establishing the Committees and adopting the various regulations concerning them.

On July 1, the Board considered the work of the Appointments and Compensation Committee concerning the details of the Chairman and Chief Executive Officer's compensation, and the terms of the long-term incentive schemes to benefit a broader group of managers.

At its meeting on July 30, on the recommendation of the Appointments and Compensation Committee, the Board decided on the elements of compensation for the Chairman and Chief Executive Officer and the terms of the long-term incentive scheme for the Group's executive officers. The Board also considered the work of the Audit Committee, which had met on July 29, heard from the Statutory Auditors, reviewed the report of work conducted in the first half of 2013 and approved the interim financial statements and report.

At its meeting on October 22, the Board primarily considered the work of the Group to the end of September, and approved the terms of a long-term incentive plan for certain Executive Directors.

Work of the Board of Directors in 2014 through to February 26, 2014

The Board of Directors met twice between January 1 and February 26, 2014:

* at its meeting on January 29, 2014, the Board considered the work of the Audit Committee meeting held on December 6, 2013 (specifically the work of the Audit Committee in 2013, the audit plan for 2014 and the risk mapping for 2013), the business market in the fourth quarter of 2013 and the guidelines for the 2014 budget;
* on February 26, 2014, the Board of Directors met, having considered the work of the Audit Committee, to approve the annual financial statements and reports for fiscal 2013, in preparation for the Annual General Meeting, and to approve this report.

The Board of Directors also considered and approved the budget for 2014.

It considered the work of the Appointments and Compensation Committee and decided on the variable compensation for 2013 of the Chairman and Chief Executive Officer and the amount and terms of his variable compensation for fiscal 2014.

It also decided on the allocation of attendance fees for fiscal 2013 and adopted an allocation method for 2014.

The Board of Directors also considered the work of the Corporate, Environmental and Social Responsibility Committee and approved the social and environmental information to appear in the management report.

Board of Directors' assessment

In accordance with its internal regulations, the Board of Directors conducted an annual assessment of its operation at its meeting on February 26, 2014.

Audit Committee

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

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

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

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

Groupe Fnac's Audit Committee is composed of three Directors: Stéphane Boujnah, Chairman of the Committee and Independent Director, Carole Ferrand and Jacques Veyrat, Independent Director.

All the members of the Audit Committee have recognized expertise in financial or accounting matters, together contributing their knowledge in executive, operational and financial management gained in the course of their professional careers in banks and companies (see section 3.1.1 "Personal information regarding the members of the Board of Directors" of the Registration Document).

In accordance with the AFEP-MEDEF Code, two thirds of the Committee's members are Independent Directors.

Work of the Audit Committee in 2013 through to February 24, 2014

Work of the Audit Committee in 2013

In 2013, The Audit Committee met three times.

Dates	Directors present (attendance rate)
July 29	3/3 (100%)
October 21	2/3 (67%)
December 6	3/3 (100%)

The first meeting was held on July 29, 2013 and was mainly devoted to:

* the presentation of Groupe Fnac's financial statements at June 30, 2013 and the interim financial report;
* the work of the Statutory Auditors on the financial statements at the end of June 2013;
* the Audit Committee's work program for the year-end 2013.

The Committee's meeting on October 21, 2013, was mainly devoted to:

* approval of the minutes of the Audit Committee meeting held on July 29, 2013;
* a review of the risk management and internal control mechanism;
* a review of prior major legal, tax and commercial disputes;
* a review of the projected banking covenants at December 31, 2013;
* a review of the share price performance;
* update on the "Fnac 2015" project;

The meeting held on December 6, 2013 was mainly devoted to the following points:

* a review of the 2013 risk mapping;
* a summary and assessment of the audit missions conducted in 2013;
* the proposed audit plan for 2014;
* approval of the 2014-2016 Business Plan per Cash Generating Unit (CGU) serving as the base for impairment tests and goodwill at December 31, 2013.

The Committee met again on February 24, 2014, primarily to review the December 31, 2013 financial statements.

Appointments and Compensation Committee

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

The Compensation and Appointments Committee is composed of the following three Directors: Nonce Paolini, Chairman of the Committee and Independent Director, Patricia Barbizet, Director and Antoine Gosset-Grainville, Independent Director.

According to the criteria of the AFEP-MEDEF Code, Independent Directors thus comprise two thirds of the Appointments and Compensation Committee.

Work of the Appointments and Compensation Committee in 2013 and through to February 21, 2014

In 2013, the Committee met twice, with an attendance rate of 100%.

After preliminary discussions during July, the meeting held on July 26, 2013, was devoted to finalizing the terms of compensation for the Chairman and Chief Executive Officer and the establishment of a long-term incentive plan for a wider group of managers. The Board also met on October 21, 2013 to discuss the long-term incentive plan for certain executive officers.

On February 21, 2014, the Committee met to examine the statement of variable elements for the compensation of the Chairman and Chief Executive Officer for 2013 and the conditions for his fixed and variable compensation for 2014. It examined the conditions for the compensation of the Group's senior executives and the principles of the long-term incentive plan. The Committee also proposed the renewal of members of the Board of Directors and its committees. At the same meeting, the Committee conducted the annual assessment of the independence of members of the Board of Directors and a review of the financial or accounting expertise of members of the Audit Committee.

Other items on the agenda for that meeting were the allocation of attendance fees for 2013 and the definition of the distribution method for attendance fees for 2014 and a review of the Board's draft report on corporate governance.

The Appointments and Compensation Committee reported on its work and recommendations to the Board of Directors.

Compensation policy for Directors

Directors' fees paid to members of the Board of Directors

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors determines the allocation of attendance fees according to the actual attendance of members to meetings of the Board and the specialized Committees held during the year in question.

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

Based on recommendations from the Appointments and Compensation Committee, the Board of Directors on February 26, 2014, determined the allocation of attendance fees to members of the Board and the specialized Committees held during 2013.

Based on the date of the Company's listing on the Euronext Paris stock market, i.e. June 20, 2013, and the significant amount of work carried out in 2013, the sum of €240,000 was allocated out of the total €300,000.

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

The balance (40% of the amount) was divided equally between the members of the Audit Committee and members of the Appointments and Remuneration Committee as no meeting of the Corporate, Environmental and Social Responsibility Committee was held in 2013. This amount was allocated according to members' attendance at the Committee meetings.

The Chairman of the Board of Directors and the Chairmen of the Committees are paid a 50% higher fee for their attendance at each meeting.

For fiscal 2013, a total amount of €230,629 was paid.

Other compensation

The compensation and benefits awarded to the Chief Executive Officer were decided by the Board of Directors at its meeting held on July 30, 2013, on the recommendations of the Appointments and Compensation Committee. The annual and multi-year variable compensation was structured so as to strengthen the link between the compensation paid and the Group's performance.

In addition to a fixed compensation, a mechanism for annual variable compensation was established, 80% of which is based on financial targets. The Board of Directors used four financial criteria for 2013. These were based on the Group's performance indicators in terms of the generation of free cash flow, current operating income, Group revenues and the increase in the Group's market share. If the targets are achieved, the variable portion amounts to 105% of the Chairman and Chief Executive Officer's fixed compensation.

The Chief Executive Officer also benefits from a multi-year variable compensation designed to link him to the company's performance through the performance of the Groupe Fnac share.

The Board of Directors of July 30, 2013, awarded value units to Alexandre Bompard. These value units will be earned on July 31, 2015, subject to conditions of presence and performance. The value of the unit is based on an average price of the Groupe Fnac share. If the share price in July 2015 is below a predefined price, no payment will be made. Part of the associated payment, in cash, will be implemented in October 2015 and part in July 2016, subject to the condition of presence on each of these dates.

The Board of Directors of October 22, 2013 awarded performance options to Alexandre Bompard. These options will only be definitively earned in progressive stages, at the end of three successive vesting periods (December 2013 - March 2015, December 2013 - March 2016 and December 2013 - March 2017) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for the Groupe Fnac share for each of the three periods. These options will be paid in cash. If the Groupe Fnac share price is below a predefined price, no payment will be made.

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

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

Corporate, Environmental and Social Responsibility Committee

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

It is responsible for conducting an annual review of all the information published by the Company in this respect.

Work of the Corporate, Environmental and Social Responsibility Committee in 2013 and through to February 18, 2014

The Corporate, Environmental and Social Responsibility Committee did not meet in 2013.

On February 18, 2014, the Corporate, Environmental and Social Responsibility Committee checked that the Group had met its obligation to publish information in accordance with the requirements of Article L. 225-102-1 paragraphs 5 and 6. It also reviewed the general approach adopted by the Group with regard to corporate, environmental and social issues, together with the summary of actions performed in 2013 and the guidelines for 2014 for its CESR policy.

3.5.2.7 Shareholder participation

Every shareholder is entitled to participate in General Meetings under the conditions prescribed by law. The methods for participating are detailed in the provisions of Article 22 of the bylaws and are reiterated in section 7.1.2.5 of the Registration Document.

3.5.2.8 Factors likely to have an impact in the event of a public tender offer

No factor other than those relating to (i) the current capital structure (Groupe Artémis currently holds 38.88% of the capital and voting rights of Groupe Fnac), (ii) the cases for early repayment of the Credit Agreement (as described in section 4.2.2.2 "Financing under the Loan Agreement"), and (iii) the authorizations given by the General Meeting to increase the capital, as expressly described in the Registration Document, is likely to have a significant impact in the event of a public tender offer, or have the effect of delaying, deferring or preventing a change of control.

To the Company's knowledge, there is no agreement between shareholders that could place restrictions on the transfer of shares or the exercise of voting rights.

3.5.3 Internal control and risk management procedures implemented by the Company

This section of the Chairman of the Board of Directors' report on the risk management and internal control procedures implemented by Fnac is based on the AMF's reference framework published on July 22, 2010. This reference framework takes into account changes in the laws and regulations that have occurred since it was first published in 2007, including the law of July 3, 2008 and order of December 8, 2008.

AMF's reference framework takes into account not only the aforesaid French and EU laws and regulations, but also the good practices and international guidelines of internal control and risk management including ISO 31000: 2009 and COSO II.

3.5.3.1 General principles of risk management

The AMF defines risk as the possibility of an event occurring, of which the consequences would impact the persons, assets, environment and objectives of the Company or its reputation.

Risk management includes themes that encompass more than just financial risks: strategic, operational, reputational or compliance. Risk management is a management tool that contributes to:

* creating and preserving the Company's value, assets and reputation;
* securing the Company's decision-making process and other processes to help meet its targets;
* encouraging consistency between the Company's actions and values;
* mobilizing the Company's workforce around a shared approach to managing the main risks.

Components of risk management

Fnac's risk management procedures provide an organizational framework, a three-step risk management process and ongoing management of these procedures.

An organizational framework

This organizational framework includes:

* an organization that defines the roles and responsibilities of those concerned, establishes clear and coherent procedures and standards, and
* a risk management policy that formalizes the goals of the procedures.

Organization of risk management at country level

Managing the exposure to decentralized risks is the responsibility of the country CEO and local managers, who are closest to the risks associated with the activities they exercise or supervise:

* Monthly performance reviews help to detect the appearance or occurrence of risks.
* Country Security Departments are responsible for the security of the Company's tangible and intangible assets and all those present across all the Group's sites, and implement all human, organizational and technical means to handle risks of an accidental or intentional nature.
* The Support Services Departments, in their role of securing and driving progress, may identify risks and propose an action plan for their containment.

Organization of risk management at Group level

* The Internal Audit Department manages, for management, the process of mapping the Group's major internal and external risks based on an institutionalized approach of identifying and assessing risks.
* The Risk Prevention Department coordinates and manages the network of Country Security Directors, and disseminates all the rules and good practices on managing risks under its responsibility.
* The Legal Department identifies and analyzes the Group's material legal risks and the insurable risks to be included in the Group's financial statements.
* The preparation of the strategic plan by the Strategy Department provides the opportunity to assess the major external risks and update the mapping of the Group's major risks. In accordance with the guidelines, these are sent to the Internal Audit Department.

Risk management policy

Fnac instituted its risk management policy in 2011, which is based on the COSO II guideline. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

A Three-Step Risk Management Process

* Identifying risks: with respect to Fnac activities, risk identification is carried out on an ongoing basis. Risk identification helps to categorize and centralize major risks either with the Risk Prevention Department, or the Internal Audit Department depending on the type of risk.
* Risk analysis: with respect to Fnac activities, this process is ongoing and completed at least once a year, when the Internal Audit Department carries out its own risk assessment. The risk management policy sets out the criteria and the manner in which these assessments are conducted, which include the examination of the potential impact of the main risks (impact that can notably be financial, human, legal or reputational) and the assessment of their possible occurrence and level of risk management.
* Handling risk: the last step of the risk management process includes the identification of action plan(s) best suited to the Company.

Managing Risk Management Procedures

The risk management process is audited and reviewed regularly: monitoring the process ensures that it is continually improved.

The Audit Committee meets at least once a year to examine the risk mapping prepared by the Group's Audit Department and monitor the progress of dedicated action plans.

3.5.3.2 Links between risk management and internal control

The risk management and internal control procedures are complementary to the management of the Group's activities:

* The risk management procedures aim to identify and analyze the main risks. Such risks are addressed and are the subject of action plans. These plans may propose a change to the organization, the implementation of projects and the introduction of controls. These controls to be implemented are in line with internal control procedures and may be reviewed in light of the risks mapping.
* The internal control procedures rely on the risk management procedures to identify the main risks to be contained.
* The audit plan relies on the risks mapping to test the assessment of the level of control of identified risks.

The coordination and balance between the two systems depend on the control environment, which constitutes their shared foundation, and, more specifically, the Company's specific risk and control culture and the Group's ethical values.

3.5.3.3 General internal control principles

Definition and objectives of internal control

The internal control system at Fnac encompasses a set of adapted resources, policies, behaviors, procedures and actions, which purpose is to ensure that the required measures are taken to address:

* the activities, efficiency of its operations and efficient use of resources;
* the risks likely to have a material impact on the Company's assets or its ability to meet its objectives, whether of an operational, financial or compliance nature.

Internal control is defined as a process conducted by the executive management under the control of the Board of Directors, implemented by the Directors and all employees. Irrespective of its quality and extent of application, it cannot entirely guarantee that the objectives in the following areas will be achieved:

* compliance with applicable laws and regulations;
* implementation of instructions and strategy adopted by the executive management;
* proper functioning of internal processes, including those contributing to protecting the assets;
* reliability of financial information.

Limits of internal control

The following limitations inherent in any internal control system affect the probability that the Company will achieve its established objectives:

* human errors or malfunctions that occur when decisions are taken or implemented;
* deliberate collusion between several persons making it possible to elude the control system in place;
* deliberate fraud of the management; or
* where the implementation, or maintenance of the control, is more burdensome than the risk which it is supposed to alleviate;
* moreover, when endeavoring to achieve the above-mentioned objectives, companies are confronted with events and hazards that are outside of their control (unforeseen changes in markets and competition, unforeseen change in the geopolitical situation, errors in forecasting or estimating the impact of such changes on the organization, etc.).

Components of internal control

The quality of the internal control system depends on the following components:

* a control environment based on rules of conduct and integrity upheld by the executive management and communicated to all employees;
* the existence of a clear and appropriate definition of roles and responsibilities;
* a system for categorizing, analyzing and managing the main risks;
* ongoing monitoring of the internal control system, and regular examination of its performance.

Fnac's Internal Control Environment

This environment is structured around the principles and values shown in the internal Codes or Charters governing the behavior and ethics of all employees and is based on the management of human resources guaranteeing the competence, ethics and involvement of employees.

Principles and values

* The Business Code of Conduct, which was first distributed in 2005 and then redistributed in 2009 to all employees, was updated and supplemented in 2013. It sets forth the ethical principles and the main rules of conduct and behavior expected of Fnac employees.
* A "Suppliers gifts and benefits charter" distributed in 2006 sets forth the rules concerning the various gifts and enticements from suppliers and third parties.
* A Fnac Values Charter, distributed in 2012 as the result of an internal collective process, specifies four key values: Commitment, Passion, Respect and Innovation.
* An Internal Control Charter, issued in 2010, was updated and supplemented in 2013. It defines the role, as set forth by the AMF framework, of each individual involved in internal control.
* A code of conduct for securities trading circulated in 2013, in compliance with AMF instructions, defines the obligations incumbent on persons holding privileged information.
* A charter relating to the appropriate use of computer equipment was first released in 2008, then re-issued in 2012, for computer systems users to raise awareness and increase user responsibility for the rights and duties incumbent on them.

These Codes and Charters have been validated by the Group's Executive Management.

* "Fnac's Essential Rules", distributed in 2012, set forth the fourteen main operational and administrative cycles of Fnac's activities, the key rules of internal control related to legal or regulatory compliance, and how to achieve such objectives while efficiently allocating resources. In addition to these rules, there is a "Store Good Practices" corpus and a "Risk Prevention in Management" glossary, which was also updated in 2012.

Human resources policy

The human resources policy contributes to internal control, in particular by delegations of power and responsibilities, descriptions of functions, an employee assessment system and investments in training.

* Descriptions of duties have been established for the main functions. These descriptions refer to the necessary controls for the supervision of the activity and also serve as a framework for the individual assessment system. The identification and description of key skills (managerial and business specific) for the Group allows for the gradual implementation of a shared system for managing skills.
* Training, a component of annual plans, is focused on business-specific skills, combining specific know-how and management expertise. It is provided from the time new recruits first join the Group and continues throughout their careers ensuring their individual development.
* All Group managers and employees benefit from an annual meeting to appraise their performance and skills and take into account their training and professional development needs. Group Human Resources is responsible for Group senior executives (recruitment, international mobility, career management and training). Succession plans are in place for the principal Group management positions.
* A survey of employees is conducted every two years.
* Remuneration policies are managed and controlled by Group Human Resources for principal management functions and by Country Human Resources for other functions, in accordance with the main defined goals.
* Group Human Resources deploys and coordinates the Group's Corporate Social and Environmental Responsibility policy.

Organization

The organization of the Group's internal control involves persons in the entire chain of responsibility, from the Executive Committee to all employees and supervisory and assessment bodies, including the Board of Directors, the Audit Committee, the Appointments and Compensation Committee, the Corporate, Environmental and Social Responsibility Committee, and the Statutory Auditors.

The allotment of responsibilities and division of functions ensures control and provides the basis on which the respective roles of the various decision-making bodies are built.

Executive Committee

The Executive Committee determines the Group's main strategic axis and their impact on the major financial and management equilibrium. It examines the work of internal and external auditors. It decides which directions to take and which action plans to follow.

It is chaired by the Chairman and Chief Executive Officer, and in addition to him, was comprised in 2013 of the Director of Organization, Strategy and Public Affairs, the Managing Director for Northern Europe (France-Belgium-Switzerland), the Managing Director for Southern Europe (Spain-Portugal), the Director of Operations, the Director of Information Systems and Digitalization, the Finance Director, the Communications Director , the Brand, Marketing and e-commerce Director, and the Human Resources Director.

The Director of Organization, Strategy and Public Affairs manages and coordinates the projects of the Executive Committee.

Investment Committees

Since 2008, the Group Investment Committee has examined and validated all investment decisions on major projects and projects related to:

* the creation of directly-owned or franchised stores;
* the acquisition or disposal of companies or businesses.

The Group Investment Committee is chaired by the Group's Chairman and Chief Executive Officer and its permanent members are the Finance Director and the Financial Control Director. Country projects are presented by the country CEO assisted by his Finance Director and the experts concerned by the projects (e.g., the Property Department for a real estate project).

The IT Investment Committee has examined and authorized all investment decisions on major IT projects since 2012.

The IT Investment Committee is chaired by the Group Chief Financial Officer and its permanent members are the Director for Information Systems and Digitalization and the Financial Control Director. Country projects are presented by the country CEO, assisted by his Finance Director.

Operational managers and employees

Management is the operational agent for internal control and is essential to the achievement of its targets; the exercise of appropriate controls is therefore one of the prime responsibilities of every Fnac manager. This responsibility begins at the first level of supervision. The delegation of powers and responsibilities is the first step in raising awareness of the principal actors of internal controls.

As part of his delegation of powers and formalized responsibilities, each director and manager defines, implements and manages the internal control system. In particular, store, subsidiary and entity directors are responsible for maintaining a satisfactory level of internal control on the assets and cash flows of the unit or company they manage.

Employees must be aware of the internal control systems in respect of the objectives they have been assigned, and must respect the control principles and rules, and can be a source of improvement and malfunction detection. They are informed of the existing provisions when they sign their employment contract and by the internal regulations of the legal entities to which they are attached.

Other internal control participants

* The Legal Department advises and assists the operational departments and subsidiaries on major legal questions.
* The Tax Department, which was created in 2012, advises and assists the operational departments and subsidiaries on major tax questions.
* The Financial Control Department is in charge of implementing and ensuring the respect of reporting procedures and the preparation of the consolidated financial statements.
* The Human Resources Department advises and ensures that internal practices comply with labor laws and regulations.
* The Risk Prevention Department conducts specific risk analyses and proposes action plans on security, safety and the environment.

Supervisory and internal control assessment bodies

* The Board of Directors contributes to the general control environment through the skills of its members. It is regularly informed of major internal control and risk management methodologies and describes them in its activity report.
* Part of the Audit Committee's responsibility is "to implement and ensure the relevance of internal controls; identify and hedge risks of the Company, in particular of its financial or commercial, tangible or intangible assets, staff, customer or third party risks of any type arising from the activities of the Company and/or its subsidiaries".
* Part of the Appointments and Compensation Committee's responsibility is "to evaluate the independence of the members of the Board of Directors, propose the appointment of its members, executive management and the specialized committees, and examine and propose to the Board all elements and conditions for the compensation of members of executive management and the Group's senior executives".
* Part of the Corporate, Environmental and Social Responsibility Committee's responsibility is "to examine the principal risks and opportunities for the Group in corporate, environmental and social matters".
* The Internal Audit Department, through its mandate, contributes to the assessment of the internal control system and draws up recommendations for the improvement of its practices. The Internal Audit Department is in charge of managing and coordinating risk management, through annual mapping of risks and monitoring of action plans. It is also in charge of the central administration and analysis of internal control pursuant to the Law of Financial Security and the AMF's reference framework set out in the section below, "Surveillance of the system". The Internal Audit Committee, which is linked to the Group Chief Financial Officer, reports the main results of its assessments to the executive management and the Audit Committee.
* The Statutory Auditors review the internal control systems to certify the accounts by identifying strengths and weaknesses, assessing the risk of material misstatement and, if necessary, making recommendations.

System for Managing Main Risks

The risk management system described above in paragraph I.1 "General principles of risk management" is structured as described above in paragraph I.2 "Links between risk management and internal control" with the internal control system in order to contribute to its ongoing assessment and improvement.

Surveillance of the system

The ongoing surveillance of the internal control system and regular examination of how it is functioning comprises three types of tasks: annual self-assessment exercises, Internal Audit mandates and observations made by the Statutory Auditors.

Self-assessment

Those in charge are asked to apply the internal control system to assess the level of internal control achieved through key controls for the proper functioning of their activities.

This approach helps to:

* raise awareness among operational and functional managers of the internal control procedures for which they are responsible;
* provide a structured and objective framework of risks, and exchange internal control best practice;
* launch action plans and, if necessary, improvement plans.

The internal control analysis strategy is based on the following principles:

* an annual self-assessment of Fnac's Essential Rules, through questionnaires filled in by key operational staff in each Fnac country organization. In 2013, fourteen cycles were self-assessed. The questionnaire for the "Finance, Accounting and Management" cycle sent to country finance directors takes into account AMF's reference framework and, in particular, its application guide.

  These questionnaires help operational staff to assess the quality of internal control procedures for which they are responsible. They standardize the level of internal control across all activities and have them benefit from best practices. They enable the launch improvement action plans based on the results obtained;
* an annual self-assessment of "Essential" in-store controls, which is based on "Store Good Practices", is managed and coordinated by the finance network of country organizations. In 2013, all stores in France and abroad were self-assessed.

Internal Audit

In 2013, the Audit Department continued to strengthen its system for assessing organizations' internal control and risk control. The main actions undertaken concern:

* Internal Control Committees for all French and foreign subsidiaries. The purpose of these committees includes:
  - formalizing feedback from operational managers concerning identified and/or proven risks, and
  - ensuring that control activities are implemented and that they cover the subsidiary's risks.

  Twelve committees were held between January and December with the country and subsidiary CEOs and Finance Directors, and the Legal Department, Financial Control Department and Internal Audit Department.
* Around twenty on-site audit missions were carried out, both in France and abroad, including audits of store operational cycles and audits of the cycles of the main support functions at the head offices of subsidiaries (product procurement, HR, marketing etc.).

Statutory Auditors

As part of their mandate of certifying the financial statements, the Statutory Auditors included internal control in their assessment.

3.5.3.4 Description of internal control procedures relating to the preparation of accounting and financial information

General principles of organizing accounting and financial internal control

Definition and Objectives

Accounting and financial internal control includes the processes that provide accounting data: financial information production and account-closing processes and, from 2013, communication actions.

The accounting and financial internal control system aims to ensure:

* adherence to accounting regulations and the proper implementation of the principles on which the accounts are prepared;
* implementation of instructions given by the executive management in respect of financial information;
* the preservation of assets;
* the quality of information reported for the preparation of published financial statements and the reliability of their centralized treatment for group consolidation with a view to their distribution and use for management purposes;
* the control of production of financial, accounting and management items.

Scope

The scope of application of internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all subsidiaries included in the consolidated accounts.

Organization and management process of the accounting and finance function

Organization

Group financial and accounting information is prepared by the Group Finance Department.

In 2013, the Group Finance Department supervised the Financial Control Department, the France Finance Department, the Legal and Insurance Department, the Tax Department, the Investor Relations and Financing Department, the Risk Prevention Department, the Corporate Development Department, the Property and Expansion Department and the Internal Audit Department.

Standards

Accounting standards

The Group has a body of accounting rules and methods, the use of which is mandatory for all consolidated subsidiaries to ensure the reporting of homogeneous and reliable financial information.

These accounting rules, which are regularly updated and were last updated in the 2013 fiscal year, take into account changes in accounting regulations and standards.

* The accounting standards establish the principles required for a homogeneous treatment of operations. They specify, in particular, the recording methods pursuant to International Financial Reporting Standards (IFRS).
* The single and centralized chart of accounts and budgetary and closure procedures ensure homogeneous treatment of data.

Management standards

Management standards not only specify the rules applying to the valuation of certain major nominal and income statement accounts, but also the controls and validations applying to key processes.

The Financial Control Department is responsible for the improvement of the quality of formalization and the update of such rules.

Management Process

The production and analysis of financial and accounting information is based on a set of management procedures, such as:

* Medium-term plans that measure the consequences and strategic directions on the major Group financial and management axes. Such plans are also used annually to assess the Group's values in the use of assets relating to the various cash-generating units.
* Annual budgets, which are drafted in two stages based on exchanges between the operational departments and the Group and country executive management: a budget detailing the major financial balances and operational action plans are drawn up in the fourth quarter of the fiscal year and endorsed in the following first quarter, taking into account, where applicable, events that occurred in the interim.
* The Annual budgets are updated at least twice a year to ascertain whether the budgetary targets have been met and, if necessary, revise them by taking into account results to date and changes in the internal and external environments.
* The reporting that is carried out each month on the basis of monthly results closures performed by all entities dependent on the Group, allows rapid reporting of financial information and regular monitoring of the performance of operations. The Financial Control Department, based on controls delegated to country or subsidiary Finance Directors, monitors its coherence, reliability and whether it complies with the applied accounting treatments.

  The Chairman and CEO, the Group Finance Department, and the zone, country or subsidiary CEOs, meet regularly with the managers of the various activities to assess the development of business, based on the financial and operational aspects.
* The Financial Control Department oversees, on a regular basis, off-balance sheet commitments of consolidated legal entities, including as part of the statutory consolidation processes or with regard to how they are required to list all their commercial- or financial-type commitments and the monitoring thereof over the fiscal years.

Information Systems

Financial and accounting information systems implemented in the Group have the purpose of meeting the requirements of compliance, security, reliability, availability and traceability of information.

* Financial management and accounting data is generated with one and the same information system in all Group activities to ensure consistent treatment, comparison and control of accounting and financial information.
* Consolidation data is collected in a single consolidation tool, interfaced with the accounting information system.

To strengthen internal control of systems, the Organization and Information Systems Department work to strengthen the systems for dividing tasks and improving right of access controls.

Preparation of accounting and financial information

Operational Bookkeeping Processes

All bookkeeping processes, including sales, purchases and inventory management, fixed assets, payroll and cash are the subject of specific monitoring procedures and accounting validation and authorization rules.

Consolidation of Accounts

The statutory consolidation of accounts is performed at the end of June and December using the single consolidation application that allows financial information of consolidated subsidiaries to be transmitted in real time after a comprehensive validation process of consolidation files by their Statutory Auditors, CEOs and CFOs, who sign a representation letter, thus ensuring the quality of financial information transmitted.

The Financial Control Department conducts the consolidation process.

Financial Communication

The Investor Relations and Financing Department, which reports to the Group Chief Financial Officer, is responsible for the task of establishing a precise timetable for releasing the latest financial information on the Group's activities to the financial markets.

This timetable is in line with the requirements of market authorities. Managers verify, with help from the Legal Department, that the information is released within the required time and in compliance with the laws and regulations it monitors on an ongoing basis.

All material information communicated to the financial community accurately and transparency reflects the situation of the Group's activity, and is released in accordance with the principle of equality of information between shareholders.

Statutory Auditors

As part of their ongoing assignment, the Statutory Auditors audit the annual and interim accounts and financial statements of consolidated entities. The Group's annual consolidated financial statements are prepared under the supervision of the Financial Control Department under the responsibility of the Group Chief Financial Officer after validation by the entities' finance departments. The Chairman and CEO and the Group Chief Financial Officer certify that the consolidated financial statements are true and present a fair view by signing a representation letter addressed to the Statutory Auditors.

Ivry, February 26, 2014

Alexandre BOMPARD

Chairman and Chief Executive Officer

3.6 Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of Groupe Fnac

Fiscal year ended December 31, 2013

To the Shareholders,

In our capacity as Statutory Auditors of Groupe Fnac and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly as regards corporate governance.

It is our responsibility to:

* report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
* attest that the report contains the other information required by Article L. 225-37 of the French Commercial Code, with the proviso that it is not our responsibility to verify the accuracy of this other information.

We conducted our audit in accordance with the professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary checks to assess the fairness of the information provided in the Chairman's report in respect of internal control and risk management procedures relating to the preparation and treatment of accounting and financial information. These procedures consist mainly of:

* obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
* obtaining an understanding of the work involved in the preparation of this information and existing documentation;
* determining whether any major deficiencies in internal control concerning the preparation and treatment of the financial and accounting information that we may have noticed in the context of our duties are reported appropriately in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of French Commercial Code.

Other Information

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 18, 2014

The Statutory Auditors

KPMG Audit A department of KPMG SA	Deloitte and Associés
Hervé CHOPIN	Antoine DE RIEDMATTEN

3.7 Statutory Auditor's special report on regulated agreements and commitments

General Meeting called to approve the financial statements for the year ended December 31, 2013

Dear Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

It is our duty to inform you, on the basis of the information we were given, of the essential features and terms of the agreements and commitments of which we were advised and that we discovered during our mission, without our comments on their usefulness and appropriateness or identifying such other agreements and commitments. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in the conclusion of such agreements and commitments prior to their approval.

Moreover, it is our duty, if necessary, to provide you with the information specified in Article R. 225-31 of the French Commercial Code relating to the performance during the year, of agreements and commitments already approved by the General Meeting.

We have implemented procedures that we considered necessary in accordance with professional standards of the National Society of Statutory Auditors relating to this mission. These procedures consisted in verifying the consistency of the information we were provided with the documents from which they are derived.

Agreements and commitments submitted for approval to the General Meeting

Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments that were previously authorized by your Board of Directors.

Non-competition undertaking made in favor of Alexandre Bompard, Chairman and CEO

- Person concerned

  Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

- Nature and purpose

  In a decision dated July 30, 2013, your company's Board of Directors gave prior authorization to a non-competition undertaking between the Company and its Chairman and Chief Executive Officer, Alexandre Bompard.

- Terms

  This agreement, which is limited to two years from the end date of Alexandre Bompard's term of office, concerns the specialized retail sector for cultural and/or technological and entertainment products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil.

  In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive the implementation of this clause.

Membership of Mr. Alexandre Bompard, Chairman and CEO, in an additional pension plan

- Person concerned

  Alexandre Bompard, Chairman and CEO of Groupe Fnac SA.

- Nature and purpose

  In a decision dated July 30, 2013, the Board of Directors of your company previously authorized the membership of Alexandre Bompard, the Chairman and CEO of your company, in the supplementary defined-contribution pension plan for all Groupe Fnac executives in France.

- Terms

  Alexandre Bompard has a supplementary defined-contribution pension identical to the one given to Groupe Fnac executives in France.

Issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDI") for an amount of €60,000,000, subscribed entirely in cash by Kering BV

- Persons concerned

  Michel Friocourt and Gilles Linard, Groupe Fnac SA directors until June 20, 2013 and directors of Kering BV.

- Nature and purpose

  In a decision dated April 17, 2013, your Company's Board of Directors gave prior authorization to an issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDI") for a total of €60 million. This issue was subscribed on April 24, 2013 entirely in cash by Kering BV, a company controlled by Kering SA.

- Terms

  This issue is represented by 60 bonds with a nominal value of €1,000,000, bearing annual interest of 8%, with the understanding that the interest shall be paid in full upon the occurrence of a case of contractual repayments of the TSSDI, and wholly or partially according to the contractual provisions in case of a distribution of dividends, premiums or reserves, depreciation or capital reduction by the Company or redemption by the Company of its own shares in a takeover bid initiated by it.

  These bonds are issued for an indefinite period subject to mandatory redemption events and the option of early redemption at the discretion of the Company, under certain conditions.

Agreement for the withdrawal from the Kering SA tax consolidation group of Groupe Fnac SA and its French subsidiaries

- Persons concerned

  Kering SA, a shareholder holding a fraction of voting rights above 10% until June 18, 2013, and Jean-François Palus, Director of Groupe Fnac SA until 20 June 2013 and a director of Kering SA.

- Nature and purpose

  On January 1, 2013, Kering SA sold a little over 5% of the capital of Groupe Fnac SA to the Dutch company KERNIC MET BV; this assignment resulted in the withdrawal of Groupe Fnac SA and its French subsidiaries of which it owned at least 95%, from the perimeter of the Kering SA tax consolidation group with effect from January 1, 2013.

  In a decision dated April 17, 2013, the Board of Directors of your company previously authorized the agreement to withdraw Groupe Fnac SA and its French subsidiaries that were subject to it from the Kering SA tax consolidation group. The agreement was signed on April 23, 2013.

- Terms

  The withdrawal of these companies from the Kering SA tax consolidation group resulted in the signing of a deconsolidation agreement between the Kering SA companies, Groupe Fnac SA and its French subsidiaries. The agreement stipulates that the tax losses, net capital losses and long-term tax credits earned during their period of membership in the Kering tax consolidation group be retained by the Kering Group tax consolidation.

Tax consolidation agreement between Groupe Fnac SA and some of its subsidiaries

- Persons concerned

  Jean-François Palus, Director of Groupe Fnac SA until June 20, 2013 and a director of Fnac SA until June 18, 2013, Alexandre Bompard, Chairman and CEO of Groupe Fnac SA and Fnac SA.

- Nature and purpose

  Your company has opted for the creation, from January 1, 2013, of a tax consolidation group with its French subsidiaries in which it holds at least 95% of the share capital. These subsidiaries, during March, gave their consent to belonging to the integrated group formed by Groupe Fnac SA.

  In a decision dated April 17, 2013, the Board of Directors of your company previously authorized the agreement that was submitted to it. This agreement was signed on July 1, 2013.

- Terms

  Each consolidated subsidiary shall pay Groupe Fnac SA, as a contribution to the payment of consolidated taxes, whatever the actual amount of said integrated tax shall be, of an amount equal to the taxes that would have been owed if it had been taxed separately. At the end of a deficit year, the consolidated subsidiary shall not be in debt in this regard with respect to Groupe Fnac SA.

Agreements and commitments not authorized previously

Pursuant to Articles L. 225-42 and L. 823-12 of the French Commercial Code, we inform you that the following agreements and commitments were not previously authorized by your Board of Directors.

It is our responsibility to communicate the circumstances under which the authorization procedure was not followed.

Distribution between Kering SA and Groupe Fnac SA to take on the exceptional expenditure incurred for the listing of the Company's shares on Euronext Paris

- Person concerned

  Patricia Barbizet, Director of Groupe Fnac SA and of Kering SA.

- Nature and purpose

  Following the decision of the General Meeting of Kering SA of June 18, 2013 to allocate the shares in Groupe Fnac SA to the shareholders of Kering SA, the Groupe Fnac SA shares were admitted to trading on Euronext Paris on June 20, 2013.

  As part of the admission to trading of the shares of Groupe Fnac SA on Euronext Paris, exceptional costs were incurred by Groupe Fnac SA and Kering SA These exceptional costs were the subject of a distribution agreement between Groupe Fnac SA and Kering SA during fiscal year 2013.

- Terms

  Under the terms of this agreement, Groupe Fnac SA invoiced a net amount of €3,005,876.88 excluding VAT to Kering SA during fiscal year 2013.

Due to an oversight, this agreement did not follow the authorization procedure.

Agreements and commitments already approved by the General Meeting

We inform you that we have not been given notice of any agreement or any commitment already approved by the General Meeting for which execution would have continued during the past year.

Paris La Défense and Neuilly-sur-Seine, March 18, 2014

The Statutory Auditors

KPMG Audit A department of KPMG SA	**Deloitte and Associés**
Hervé CHOPIN	Antoine DE RIEDMATTEN

4

Comments on the period

4.1 Analysis of business activities and consolidated results

4.1.1 Key financial information

The financial information below is derived from the consolidated financial statements for the years ended December 31, 2012 and 2013, prepared in accordance with IFRS as adopted by the European Union, set forth in section 5.1, "Group consolidated financial statements at December 31, 2013 and 2012".

The financial data shown below should be read in conjunction with (i) the consolidated financial statements for the years ended December 31, 2012 and 2013 in section 5.1, "Group consolidated financial statements at December 31, 2013 and 2012", in this Registration Document; (ii) the analysis of the Group's cash and equity capital shown in section 4.2, "Cash and capital resources", in this Registration Document; and (iii) the information on trends and forecasts presented in section 4.3, "Recent events and outlook", in this Registration Document.

Key income statement data for the Group

(€ million)	**Year ended December 31, 2013**	**Year ended December 31, 2012**	**Change**
Revenues	3,905.3	4,061.1	(3.8%)
Gross margin	1,164.4	1,219.3	(4.5%)
Current operating income	71.7	63.3	13.3%
Operating income	43.1	(66.9)	164.4%
Net income from continuing operations	15.8	(115.6)	113.7%
Net income (Group share)	14.7	(141.7)	110.4%
(as a % of revenues)			
Gross margin ratio	29.8%	30.0%	(0.2)pt
Current operating margin	1.8%	1.6%	0.2pt
Other financial data not derived from the audited financial statements			
EBITDA [(a)]	139.6	133.6	4.5%
EBITDAR [(b)]	278.6	271.8	2.5%

(a) EBITDA is defined as current operating income plus net expenses for depreciation, amortization and provisions on non-current operating assets recognized in current operating income.

(b) EBITDAR is defined as EBITDA plus rental payments excluding any ancillary costs and expenses incurred in connection with such operating leases.

Selected segment information

	Year ended December 31, 2013		Year ended December 31, 2012	
	(€ million)	*(as a % of the total)*	*(€ million)*	*(as a % of the total)*
Revenues				
France	2,761.9	70.7%	2,838.8	69.9%
Iberian Peninsula	654.3	16.8%	683.3	16.8%
Brazil	197.2	5.0%	227.5	5.6%
Other countries	291.9	7.5%	311.5	7.7%
TOTAL	**3 905.3**	**100.0%**	**4 061.1**	**100.0%**
Current operating income*				
France	42.6	59.4%	45.6	72.0%
Iberian Peninsula	21.3	29.7%	17.7	28.0%
Brazil	0.7	1.0%	(5.7)	(9.0%)
Other countries	7.1	9.9%	5.7	9.0%
TOTAL	**71.7**	**100.0%**	**63.3**	**100.0%**

* *The Kering royalties are allocated entirely to the France sector.*

Key balance sheet data for the Group

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	Change
Non-current assets	618.9	633.9	(15.0)
Current assets	1,193.9	1,091.3	102.6
Shareholders' equity	539.8	397.0	142.8
Non-current liabilities	59.1	63.9	(4.8)
Current liabilities	1,213.9	1,264.3	(50.4)
Net financial debt at the end of the period [(a)]	(460.9)	(292.0)	(168.9)

(a) a negative value corresponds to excess cash and cash equivalents.

Key cash flow statement data for the Group

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	Change
Cash flow from operations before tax, dividends and interest	90.9	97.4	(6.5)
Change in working capital requirement	24.3	(25.1)	49.4
Net cash flows from operating activities	96.5	37.8	58.7
Acquisitions of property, plant and equipment and intangible assets	(48.6)	(95.1)	46.5
Net cash flows from investing activities	(45.0)	(77.6)	32.6
Net cash flows from financing activities	119.6	290.0	(170.4)
Net change in cash	168.3	221.9	(53.6)

4.1.2 General overview

4.1.2.1 Introduction

The following table provides a breakdown of the Group's 2013 revenues by geographical region and category of products and services.

	Fiscal year ended December 31, 2013							
	Consumer electronics		Editorial products		Services		Total	
	(€ million)	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of the region's revenues)*	*(€ million)*	*(as a % of revenues from all regions)*
France	1,473.9	53.4%	1,125.5	40.7%	162.5	5.9%	2,761.9	70.7%
Iberian Peninsula	390.4	59.7%	247.8	37.9%	16.1	2.4%	654.3	16.8%
Brazil	132.1	67.0%	60.0	30.4%	5.1	2.6%	197.2	5.0%
Other countries	153.7	52.7%	129.8	44.4%	8.4	2.9%	291.9	7.5%
TOTAL	**2,150.1**	**55.1%**	**1,563.1**	**40.0%**	**192.1**	**4.9%**	**3,905.3**	**100.0%**

Operating segments

The Group manages its operations based on four geographical segments:

* **France** (70.7% of Group revenues in 2013, and 59.4% of Group current operating income in 2013). The "France" region is the largest contributor to Group revenues, with revenues of €2,761.9 million in 2013. The Group conducts its business in France primarily through its 87 (as of the end of 2013) directly owned stores and through online sales, primarily at fnac.com. Revenues from goods sold to the Group's 21 franchise locations is accounted for under the "France" region, as are royalties on the sales generated by franchise locations. Internet operations generated 15.1% of revenues in France in 2013.
* **Iberian Peninsula** (16.8% of Group revenues in 2013, and 29.7% of Group current operating income in 2013). The Group conducts its business in the Iberian Peninsula through its directly owned store network (25 stores in Spain and 19 in Portugal at the end of 2013), and through the websites fnac.es and fnac.pt. The operations of fnac.es and fnac.pt accounted for 8.7% of revenues in the Iberian Peninsula in 2013.
* **Brazil** (5.0% of Group revenues in 2013, and 1.0% of Group current operating income in 2013). The Group conducts its business in Brazil through 11 directly owned stores and fnac.com.br. In 2013 the Group generated revenues of €197.2 million in Brazil. Revenues from internet operations in Brazil accounted for 19.2% of the Group's revenues in that region in 2013.
* **Other countries** (7.5% of Group revenues in 2013, and 9.9% of Group current operating income in 2013). "Other countries" include the Group's operations in Belgium and Switzerland, where the Group operated nine and four directly owned stores respectively at the end of 2013. The Group has a website in Belgium (fnac.be), which is operated from the fnac.com platform in France.

Product and service categories:

In each geographical region where it operates, the Group analyzes its sales by category of products and services. This analysis focuses on three main categories.

* **Consumer Electronics** (55.1% of Group revenues in 2013). The consumer electronics category generated revenues of €2,150.1 million in 2013. It includes two product sub-categories:
  - *IT Products,* which includes sales of the following products: desktop computers, laptops, tablets, software, printers, e-readers, telephones, and computer products and accessories. IT products accounted for 64.7% of revenues from the consumer electronics category in 2013,
  - *Retail Electronics*, which includes sales of the following products: cameras and photography accessories, televisions and video accessories such as DVD players, Blu-Ray players and other accessories (home cinema), and audio items and accessories (MP3 players, headphones, docking stations and related accessories). Since January 1, 2013, this sub-category has also included small household appliances ("Home & Design"). The retail electronics sub-category generated 35.3% of consumer electronics revenues in 2013.

* **Editorial Products** (40.0% of Group revenues in 2013). The editorial products category generated revenues of €1,563.1 million in 2013. It includes two product sub-categories:
  - *Books, Toys & Games, and Stationery*, which is a sub-category that includes physical books, digital books, and stationery-related products. This sub-category also includes the toys and games offered in "Fnac Kids" departments since November 2011. The sub-category "Books, Toys & Games, and Stationery" accounted for 52.4% of Editorial Products revenues in 2013,
  - *Discs and Gaming* includes music (CDs), videos (DVDs and Blu-Ray discs), gaming, including video games (new and used) and consoles, as well as derivative products (gadgets, t-shirts, musical instruments, and so on). This sub-category accounted for 47.6% of Editorial Products revenues in 2013.
* **Services** (4.9% of Group revenues in 2013). The Services category, which includes the "services" and "other income" line items, generated revenues of €192.1 million in 2013, and primarily includes the following items:
  - services relating to goods sold, such as the sale of extended warranties, after-sales service, and deliveries and installations,
  - ticketing and box office services and gift boxes,
  - sales of membership cards for the Group's loyalty program,
  - the invoicing of shipping costs to internet customers,
  - commissions received through Marketplace, and partnerships with suppliers such as SFR,
  - royalties from stores operated under franchise.

4.1.2.2 Key factors affecting the Group's business

General economic conditions in the countries where the Group operates

Demand for the products and services sold by the Group can be heavily affected, either positively or negatively, by general economic conditions in the regions and countries in which it operates, given the extent to which economic conditions influence consumer spending.

Generally speaking, consumers in Europe have been affected by a difficult economic environment and higher tax burdens, which have reduced the disposable income available to purchase products and services such as those offered by the Group. This trend, together with changes in the Group's markets (see section 1.3.2, "Markets") has resulted in lower revenues for the Group in Europe. Of the various markets served by the Group, the economic crisis has been most acute in Spain and Portugal.

Unlike the European economy, the Brazilian economy has been expanding in recent years. Although its growth rate has slowed, the Group believes that Brazil remains a country with strong potential.

Competitive environment

In its markets, the Group encounters competition not only from traditional retail brands, some of which are developing internet offers under their core brand names, but also from internet pure players that have emerged from the growth in e-commerce. These are companies that compete on the basis of price and an increasingly broad product offering. In recent years the Group has also seen new forms of competition emerge, such as from manufacturers, ISPs or digital platforms, which are fueling a phenomenon of disintermediation in the sector (see section 1.3.2, "Markets").

Although the market share of the internet pure players in all channels remains relatively low in the Group's markets (19.5% of consumer electronics sales in France were generated in stores in 2013, compared with 17.6% for internet sales in 2012) [1], these pure players are the source of intense competitive pressure. This pressure has intensified price competition in the Group's markets, which may adversely affect the Group's revenue growth, but may also offer opportunities to the extent that pricing pressure affects all players in the market. Thus, in 2013, the Group continued to gain market share in France and abroad (see section 1.3.1.4, "Leadership positions in its markets" in this Registration Document).

The Group has also strengthened its omni-channel presence. In 2013 in France, the value of orders placed on the fnac.com website and collected or initiated in stores accounted for 29.3% of revenues, an increase of 7.7 points over 2012.

(1) Source GfK.

Number of stores

The following table shows the growth in the number of stores over the period:

	2013		2012	
Number of stores	**Directly owned**	**Under franchise**	**Directly owned**	**Under franchise**
France [(a)]				
"Traditional" format [(a)]	71	1	71	1
"Suburban" format	16	1	17	1
"Proxi" format		3		1
"Travel" format		16		13
TOTAL	**87**	**21**	**88**	**16**
Iberian Peninsula				
"Traditional" format	41		41	
"Proxi" format	1			
Travel" format	2		1	
TOTAL	**44**	**0**	**42**	**0**
Brazil				
"Traditional" format	11	0	11	0
Other countries				
"Traditional" format	13	0	13	0
TOTAL	**155**	**21**	**154**	**16**

(a) Includes a store operated as a franchise in Morocco, which opened in 2011.

The Group opened three directly owned stores and five stores under franchise. The Group also closed two stores in France because of their negative outlook for growth and profitability.

The financial results of directly owned stores are fully consolidated in the Group's financial statements. The Group analyzes its financial results on an actual basis including all stores, as well as a same-store basis, i.e., the revenues generated by stores that, as of January 1 of a given fiscal year, were in operation for the full twelve months of the previous fiscal year.

The Group recognizes goods sold to stores operated under franchise as product revenues, and royalties on revenues generated by franchise stores as services revenues.

Unless otherwise indicated, all financial data in this section include revenues from all stores and are presented on a current exchange rate basis.

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

The Group's revenues are a function of the number of checkout transactions and average checkout values. Checkout transactions are a function of customer traffic (visits to a store or website) and the sales conversion rate.

In France, customers that are members of the Group's loyalty program make purchases more often and generate higher checkout values than non-members. Members of the loyalty program receive promotional offers that create a strong incentive to make purchases from the Group. The number of loyalty program members (5.3 million in total at the end of 2013) and their share of the Group's revenues increased significantly in 2013 (the number of members increased by 6.8%), which partially offset the impact of the decline in overall traffic in the Group's stores.

Seasonality

The Group's business is highly seasonal and is characterized by a substantial increase in store traffic and website traffic as the end-of-year holidays draw near.

In fiscal 2013, the Group generated 35.6% of its consolidated revenues in the fourth quarter, versus a fourth quarter share of 34.3% in 2012.

Fluctuations in foreign exchange rates

The impact of fluctuations in foreign exchange rates on the Group's results is limited and primarily consists of the impact of exchange rate fluctuations on results resulting from the translation of local currency results of the Group's subsidiaries in Switzerland and Brazil into euros.

The Group saw its revenues decrease by 3.8% in 2013 at current exchange rates. At constant exchange rates, the decline in the Group's revenues was 3.1%.

The foreign exchange risk incurred in connection with the purchases made by the Group is relatively low, as the Group's subsidiaries make the vast bulk of their sales and generate the vast bulk of their costs in the local currency, i.e. primarily in euros.

Factors influencing the gross margin ratio

The level of the Group's gross profit margin is a function of a number of factors, including:

* The average cost of goods purchased from suppliers, which represents the largest component of cost of sales. To optimize its costs in this area, since 2011 the Group has introduced pooled purchasing arrangements under which purchases of some products sold in the "Other countries" region are pooled with purchases for the Group's stores in France. This arrangement was continued and expanded in 2013.
* 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 Group's pricing policy is in some cases affected by the regulatory framework. Thus, the higher gross profit margins in the "Books, Toys & Games, and stationery" sub-category primarily reflects the impact of regulated book prices in France, which restrict price-based competition.
* The relative contributions of different product and service categories, some of which generate higher gross profit margins than others. For example, publishing products generally have higher gross profit margins than consumer electronics. In the consumer electronics segment, the sale of accessories allows the Group to partially offset the lower gross profit margins earned on its main products.
* The relative contribution 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. France generated the highest gross profit margin in 2013, followed by the "Other countries" region, and then the Iberian Peninsula, and lastly, Brazil.
* 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 revenues and gross margin.
* The relative contribution of the Group's two main sales channels. Over the relevant period, the gross profit margin of the Group's internet business was lower than the gross profit margin of its stores. This primarily reflects the nature of products offered in the two sales channels and the higher level of competition online.

Continuation of the "Fnac 2015" strategic plan

The continuation of the "Fnac 2015" strategic plan will have a significant impact on the Group's income (see section 4.1.3.1, "Impact of the Fnac 2015 strategic plan" in this Registration Document) thanks to the roll-out of new product categories, omni-channel development and the fast implementation of cost-cutting measures.

4.1.2.3 Significant events during the fiscal year

Changes in the scope of consolidation

In the first half of 2013, Groupe Fnac sold Form@Home to Solution 30 effective March 31, 2013, with virtually no disposal gain.

In September 2013, the Fnac Global Services and Fnac Spectacle subsidiaries were absorbed into the Fnac SA subsidiary. The Lysiane Thomas subsidiary was absorbed into the France Billet and the Fnac Service subsidiary was absorbed into the Fnac Direct subsidiary. This restructuring consisted in a universal contribution of assets to streamline the Group's legal structure.

In the last quarter of 2013, Fnac created Fnac Jukebox in the Groupe Fnac consolidation scope and acquired the DATASPORT Group (J.F.C.L., DATASPORT and DATASPORT Ouest).

Admission to trading of the Company's shares

On October 9, 2012, the Kering Group announced the spin-off and listing of Groupe Fnac through the allotment of Groupe Fnac shares to Kering Group shareholders.

Groupe Fnac was listed on June 20, 2013 after a capital increase of €70 million, with no issue premium. This resulted in share capital of €16.6 million made up of 16,595,610 shares worth one euro each.

Details of Groupe Fnac's capital transactions are provided in section 7.2.7, "History of the share capital over the past three fiscal years" in this Registration Document.

Groupe Fnac refinancing

On April 19, 2013, the Group entered into a three year revolving credit facility agreement with a lending syndicate to finance its working capital requirement. The maximum principal amount was €250 million.

At the same time, on April 24, 2013, the Group issued sixty perpetual deeply subordinated notes (TSSDI) with a nominal value of €1 million each, for a total nominal amount of €60 million. These notes are subordinated to all senior creditors and bear an 8% annual fixed-rate coupon. In accordance with IAS 32 and in light of its characteristics (no reimbursement clauses, no payment obligations on the annual coupon notwithstanding the clauses set forth in the agreement and at the initiative of the issuer), this instrument is recognized in equity.

Group financing is detailed in section 4.2.2, "Financial resources" in this Registration Document.

4.1.3 Comparison of the Group's annual results for the 2012 and 2013 fiscal years

The table below shows the Group's consolidated income statement for the fiscal years ended December 31, 2012 and December 31, 2013, in millions of euros and as a percentage of consolidated revenues for the periods in question.

	Year ended December 31, 2013		Year ended December 31, 2012		
	(€ million)	*(as a % of revenues)*	*(€ million)*	*(as a % of revenues)*	**Change**
Revenues	**3,905.3**	**100.0%**	**4,061.1**	**100.0%**	**(3.8%)**
Gross margin	**1,164.4**	**29.8%**	**1,219.3**	**30.0%**	**(4.5%)**
Personnel expenses	(558.8)	(14.3%)	(591.4)	(14.6%)	5.5%
Other current operating income and expense	(533.9)	(13.7%)	(564.6)	(13.9%)	5.4%
Current operating income	**71.7**	**1.8%**	**63.3**	**1.6%**	**13.3%**
Other non-current operating income and expense	(28.6)	(0.7%)	(130.2)	(3.2%)	78.0%
Operating income	**43.1**	**1.1%**	**(66.9)**	**(1.6%)**	**164.4%**
(Net) financial expense	(11.7)	(0.3%)	(15.0)	(0.4%)	22.0%
Income tax expense	(15.6)	(0.4%)	(33.7)	(0.8%)	53.7%
Net income from continuing operations for the fiscal year	**15.8**		**(115.6)**		**113.7%**
Net income from discontinued operations	(1.1)		(26.1)		95.8%
Net income	**14.7**		**(141.7)**		**110.4%**

4.1.3.1 Impact of the "Fnac 2015" strategic plan

The "Fnac 2015" strategic plan continued to have an impact at the end of 2013:

* The launch of new product categories helped limit the overall decline in revenues in 2013. As of December 31, 2013, 46 stores in France had a "Fnac Kids" department, showcasing the full children's offer and specifically games and toys. In addition, 37 other stores had a games and toys corner. The roll-out of "Home & Design" areas continued, with 58 departments and 23 corners in French stores at the end of 2013.
* Driven by the Group's omni-channel strategy, internet sales grew by of 4.5% in 2013 (5.5% at constant exchange rates). These activities accounted for 13.2% of Group sales, versus 12.1% in 2012.
* Due to effective promotional offers, the number of Group loyalty program members rose from 5.0 million at the end of 2012 to 5.3 million at the end of 2013, an increase of 6.8%.
* The Group continued to build out its network, opening three directly owned stores (out of a total of 155 directly owned stores at the end of 2013), and five stores under franchise (out of a total of 21 franchise stores at the end of 2013). The Group also closed two stores in France because of their negative outlook for growth and profitability.
* The rapid execution of the Group's cost-cutting measures helped limit the impact of the difficult economic climate on operating income in 2013. This plan continued to bear fruit in 2013, with cost savings of approximately €55 million by year-end (including the positive impact of the €8.5 million tax credit for competitiveness and employment).

Revenues

With consumer spending down, the Group's revenues declined by 3.8% (and by 2.7% in France, its main market) in 2013. There was a negative 0.7% exchange rate impact, primarily due to the drop in value of the Brazilian real against the euro. At constant exchange rates, the decline in the Group's revenues was 3.1%. The opening of new directly owned stores in 2012 and 2013 had a positive 0.8% impact on 2013 revenues. At constant exchange rates, and on a same-store basis, the Group's revenues declined by 3.9%.

Against a challenging backdrop, the Group continued to win market share in France and its other geographical regions (market shares not available for the Brazil region).

The Group continued to benefit from the plan to redesign its business model, thereby limiting the impact of declining sales.

The table below provides a breakdown of revenues for the fiscal years ended December 31, 2012 and December 31, 2013 by geographical region.

	Year ended December 31, 2013		Year ended December 31, 2012		Change at current exchange rates	Change at constant exchange rates
	(€ million)	*(as a % of the total)*	*(€ million)*	*(as a % of the total)*		
France	2,761.9	70.7%	2,838.8	69.9%	(2.7%)	(2.7%)
Iberian Peninsula	654.3	16.8%	683.3	16.8%	(4.2%)	(4.2%)
Brazil	197.2	5.0%	227.5	5.6%	(13.3%)	(1.0%)
Other countries	291.9	7.5%	311.5	7.7%	(6.3%)	(5.6%)
TOTAL	**3,905.3**	**100.0%**	**4,061.1**	**100.0%**	**(3.8%)**	**(3.1%)**

The table below provides a breakdown of revenues for the fiscal years ended December 31, 2013 and December 31, 2012 by category of products and services.

	Year ended December 31, 2013		Year ended December 31, 2012		Change at current exchange rates	Change at constant exchange rates
	(€ million)	*(as a % of total revenues)*	*(€ million)*	*(as a % of total revenues)*		
Consumer electronics	2,150.1	55.1%	2,213.9	54.5%	(2.9%)	(2.0%)
Editorial products	1,563.1	40.0%	1,629.7	40.1%	(4.1%)	(3.5%)
Services	192.1	4.9%	217.5	5.4%	(11.7%)	(11.3%)
TOTAL	**3,905.3**	**100.0%**	**4,061.1**	**100.0%**	**(3.8%)**	**(3.1%)**

The fall in revenues from editorial products was primarily due to the lower revenues from the "Discs and Gaming" sub-category, which continued to suffer the effects of the transition from physical to digital media (see section 1.3.2, "Markets").

The decline in revenues from consumer electronics was the result of lower revenues from the "Retail Consumer Electronics" sub-category, brought about by a decline in sales in the TV and Video, and Audio segments. Sales in the "IT Products" sub-category were driven by the Telephony segment and brisk sales of smartphones.

The drop in services revenues was due to the decline in the gift-box business, the disposal of Form@Home (at-home services in France) in the first half of 2013, and fewer sales of consumer electronics-related services in France because of a change in services sold (new warranties being booked as commission). These changes were partially offset by the increase in SFR and Marketplace commission and royalties related to franchise expansion.

4.1.3.3 Gross margin and gross profit margin

The Group's gross margin in fiscal 2013 was €1,164.4 million or 29.8%, compared with €1,219.3 million or 30.0% in fiscal 2012.

The gross margin ratio held up well, despite heavy investment in marketing. However, that investment was to a large extent offset by the pooling purchases of goods for resale between France, Switzerland and Belgium, well-managed commercial transactions and stronger ties with key suppliers.

4.1.3.4 Personnel expenses

Personnel expenses amounted to €558.8 million (14.3% of revenues) for the 2013 fiscal year, compared with €591.4 million (14.6% of revenues) for the 2012 fiscal year, i.e., a decrease of 5.5% (or 4.1% excluding the favorable impact of the tax credit for competitiveness and employment amounting to €8.5 million).

This was due to all the initiatives implemented to improve the operational efficiency of the organizations across all geographical sectors.

4.1.3.5 Other current operating income and expense

Other current operating income and expense amounted to a net expense of €533.9 million (13.7% of revenues) for the 2013 fiscal year, compared with €564.6 million (13.9% of revenues) for the 2012 fiscal year, a decrease of 5.4%.

This was due to the initiatives introduced to reduce running costs in accordance with the goals of the "Fnac 2015" strategic plan.

Rental expenses were up 0.6% to €139.0 million in fiscal 2013 from €138.2 million the previous year. This increase, primarily recorded in France, reflects the new store openings in 2012 and 2013. Property costs fell slightly on a same-store basis, as the rent renegotiation efforts allowed the Group to offset the adverse effect of rent indexation. Depreciation and amortization charges declined by 3.3% in 2013 compared with 2012, falling from €70.3 million in 2012 to €68.0 million in 2013, prompted by lower operating investments.

4.1.3.6 Current operating income

Current operating income amounted to €71.7 million for the 2013 fiscal year, compared with €63.3 million in 2012, or a decrease of 13.3%.

"Current operating income margin" stood at 1.8% in 2013 versus 1.6% in 2012.

	Year ended December 31, 2013		Year ended December 31, 2012	
	(€ million)	*(as a % of the total)*	*(€ million)*	*(as a % of the total)*
France	42.6	59.4%	45.6	72.0%
Iberian Peninsula	21.3	29.7%	17.7	28.0%
Brazil	0.7	1.0%	(5.7)	(9.0%)
Other countries	7.1	9.9%	5.7	9.0%
Current operating income	**71.7**	**100.0%**	**63.3**	**100.0%**

4.1.3.7 EBITDA and EBITDAR

The following table shows the trend in EBITDA and EBITDAR over the period.

	Year ended December 31, 2013		Year ended December 31, 2012	
	(€ million)	*(as a % of revenues)*	*(€ million)*	*(as a % of revenues)*
Current operating income	**71.7**	**1.8%**	**63.3**	**1.6%**
Net depreciation and amortization charges [(a)]	68.0	1.7%	70.3	1.7%
EBITDA	**139.6**	**3.6%**	**133.6**	**3.3%**
Rents [(b)]	139.0	3.6%	138.2	3.4%
EBITDAR	**278.6**	**7.1%**	**271.8**	**6.7%**

(a) Net depreciation and amortization charges correspond to the net depreciation and amortization charges and provisions on non-current assets recognized in current operating income.

(b) Rents correspond to property rental expense excluding ancillary costs and expenses incurred in connection with such operating leases.

4.1.3.8 Other non-current operating income and expense

This line item represented an expense of €28.6 million in 2013 compared with an expense of €130.2 million in 2012. The following table summarizes the breakdown of this item in 2012 and 2013.

	Year ended December 31, 2013	Year ended December 31, 2012
	(€ million)	**(€ million)**
Non-current operating expense	**(36.1)**	**(138.5)**
Restructuring costs	(29.4)	(36.6)
Impairment of assets	0.0	(93.4)
Litigation and disputes	(4.7)	(0.1)
Other risks	(2.0)	(8.4)
Non-current operating income	**7.5**	**8.3**
Gains on asset disposals	7.5	0.0
Other	0.0	8.3
TOTAL	**(28.6)**	**(130.2)**

The total expense of €28.6 million in 2013 consisted mainly of the following:

* restructuring costs of €29.4 million in France and abroad, as part of the "Fnac 2015" strategic plan;
* litigation and disputes and other operating and tax risks of €6.7 million;
* capital gain of €7.5 million on the disposal of equity securities in Cyrillus Deutschland GmbH, and the disposal of the Form@ Home subsidiary.

The total expense of €130.2 million in 2012 consisted mainly of the following:

* restructuring costs of €36.6 million in France and abroad, as part of the "Fnac 2015" strategic plan;
* asset impairment charges of €93.4 million, primarily related to goodwill of the France and Brazil CGUs;
* income of €8.3 million from the reversal of provisions for litigation and disputes, primarily resulting from the transfer to Kering of rights to pursue certain litigation.

4.1.3.9 Operating income

The Group generated operating profit of €43.1 million for the 2013 fiscal year, compared with an operating loss of €66.9 million for the 2012 fiscal year. This profit is primarily explained by the substantial drop in the net charge from other non-current operating income and expense during the 2013 fiscal year.

4.1.3.10 Net financial expense

In 2013, net financial income/expense comprised a financial expense of €11.7 million, versus €15.0 million in 2012.

The composition of the Group's net financial expense in 2012 and 2013 was as follows:

	Year ended December 31, 2013	Year ended December 31, 2012	Change
	(€ million)	*(€ million)*	*(%)*
Finance costs, net	(0.3)	(5.1)	94.1%
Other financial income and expense	(11.4)	(9.9)	(15.2%)
Net financial expense	**(11.7)**	**(15.0)**	**22.0%**

The cost of net financial debt was €0.3 million, down €4.8 million compared with 2012. This decline is attributable to the Group's stronger financial structure.

The net charge from other financial income and expense increased by €1.5 million in 2013 compared with 2012. This increase was primarily related to the cost of the €250-million revolving credit facility amounting to €3.6 million. It was partially offset for €1.6 million by the decrease in the cost of consumer credit.

4.1.3.11 Income tax

From January 1, 2013, all of the Group's French companies (excluding companies in the DATASPORT sub-group) are consolidated in Groupe Fnac's tax consolidation scope.

Income tax includes income tax paid, or for which a provision is recorded for the fiscal year, together with any potential tax reassessments paid or provisioned during the fiscal year. The Group recognized corporate income tax expense of €15.6 million for the 2013 fiscal year, compared with €33.7 million for the 2012 fiscal year, a decrease of 53.7%. This improvement is primarily related to the introduction of tax consolidation in France in 2013.

(€ million)	2013	2012
Pre-tax income	**31.4**	**(81.9)**
Current tax expense	(2.4)	(27.3)
Current tax expense in respect of the CVAE professional tax	(9.9)	(10.5)
Deferred tax income (expense)	(3.3)	4.1
TOTAL TAX EXPENSE	**(15.6)**	**(33.7)**
Effective tax rate	**49.68%**	**(41.15%)**

4.1.3.12 Net income from continuing operations

The Group recorded a net profit from continuing operations of €15.8 million for the 2013 fiscal year compared with a net loss of €115.6 million for the 2012 fiscal year.

Adjusted for net non-current items, net profit from continuing operations was up to €43.4 million in 2013, versus €12.6 million one year earlier.

4.1.3.13 Net income from discontinued operations

Net income from discontinued operations or disposals resulted in a net expense of €1.1 million in 2013, related to the settlement of the disposal of Fnac Italy (sold to the Kering Group in November 2012).

In 2012, net income from discontinued operations took into account a loss of €26.1 million, primarily related to the disposal of the Group's operations in Italy.

4.1.3.14 Net income (Group share)

Net profit before minority interests recorded a gain of €14.7 million in 2013, compared with a loss of €141.7 million in 2012.

4.1.3.15 Net earnings per share

The weighted average number of Groupe Fnac ordinary shares used to calculate net earnings per share was 16,582,948 for fiscal 2013 (versus 16,595,610 for fiscal 2012).

At December 31, 2013, net earnings per share amounted to €0.89. This represented negative net earnings of €8.54 over the previous fiscal year.

Excluding non-current items, net earnings per share from continuing operations amounted to €2.62 in 2013, versus €0.76 in 2012.

4.1.4 Analysis of revenues and current operating income by geographical region for the 2012 and 2013 fiscal years

4.1.4.1 Comparison of results of fiscal years 2012 and 2013 for France

The following table shows the key items in the income statement for France for the fiscal years ended December 31, 2012 and December 31, 2013.

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	Change
Revenues	2,761.9	2,838.8	(2.7%)
Current operating income*	42.6	45.6	(6.6%)
Operating profitability	1.5%	1.6%	(0.1pt)

* *The Kering royalties are allocated entirely to the France sector.*

Revenues for France

In France, the Group was faced with declining markets and a challenging retail environment. Revenues amounted to €2,761.9 million for the 2013 fiscal year compared with €2,838.8 million for the 2012 fiscal year, a decrease of 2.7%. The Group opened one directly owned store (Beaugrenelle shopping mall in Paris) and closed two directly owned stores (Odéon and Aubervilliers) in 2013. The Group had opened three directly owned stores in 2012. On a same-store basis, revenues declined by 3.6%.

This performance reflects the Group's resilience in France in 2013, as well as the positive results of its efforts to change its business model.

At the end of December 2013, the Group was continuing to gain market share in France for both consumer electronics and editorial products.

The number of members of the Group's loyalty program increased in 2013, up 6.0% from 3.2 million at the end of 2012 to 3.4 million at the end of 2013. The share of member revenues in total revenues for France was up.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the consolidated financial statements, in section 5.2 of this Registration Document.

Consumer electronics revenues declined by 2.2% over the period. This was due to lower revenues from the "Retail Consumer Electronics" sub-category, which was impacted by a decline in sales in the TV and Audio sector. The reduction in sales in the Photo sector was limited thanks to an excellent year end. The sub-category benefited from the roll-out of 23 corners and 58 Home & Design departments for small household appliances at the end of 2013. Growth in the "IT Products" sub-category was driven by strong growth in the Telephony sector following the introduction of subscription-free telephones. Meanwhile, the Hardware sector was primarily driven by tablet sales.

Revenues from editorial products were down 1.8%, impacted by the "Discs and Gaming" sub-category following the decline in the markets for CDs and DVDs. However, the Gaming sector benefited from new generations of game consoles at the end of the year. Growth in the "Books, Games and Toys, and Stationery" sub-category is attributable to strong results in the Games and Toys sector following the continued roll-out of Kids departments (21 departments and 37 corners added during the year for a total of 46 departments and 37 corners at year end).

Services were down 12.5% for the period due to the drop in services related to consumer electronics, largely because of the change in services sold (new warranties being booked as commission) and the decline in Retail Consumer Electronics sales. Furthermore, the disposal of Form@Home in March 2013 led to a loss in Services revenues from at-home services. Ticketing remained relatively stable, while gift boxes were down. These declines were partially offset by increased commissions related to the continued growth of Marketplace.

Online sales were up by 3.3% in 2013, mainly driven by increased traffic and the relatively stable conversion rate and shopping cart average. Internet activities, which generated revenues of €417.1 million, accounted for over 15.1% of the Group's sales in France, up one point over 2012. The growth in consumer electronics was driven by the "IT Products" sub-category thanks to the major increase in telephone sales as well as the good performance of tablets. Growth in editorial products was boosted by strong results in the Gaming sector.

The Group's omni-channel strategy substantially increased the share of orders placed on the fnac.com website in France and collected or initiated in-store. The percentage was 29.3% for 2013, up 7.7 points compared with 2012. This demonstrates the growth in new purchasing channels customers and evidences the key competitive advantages of having both a dense offline network of stores and a powerful website.

Current operating income in France

Current operating income in France amounted to €42.6 million for the 2013 fiscal year compared with €45.6 million for the 2012 fiscal year. This decrease reflects the fall in the gross margin, which was partly offset by the rapid execution of the cost-cutting measures, which resulted in lower personnel expenses, and by a reduction of other current expenses and costs.

The current operating income margin stood at 1.5% in 2013 versus 1.6% in 2012.

Operating income in France

The Group generated an operating loss in France of €13.2 million for the 2013 fiscal year, compared with a loss of €57.5 million for the 2012 fiscal year.

4.1.4.2 Comparison of results of fiscal years 2012 and 2013 in the Iberian Peninsula

The following table shows the key items in the income statement for the Iberian Peninsula for the fiscal years ended December 31, 2012 and December 31, 2013.

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	
Revenues	654.3	683.3	(4.2%)
Current operating income	21.3	17.7	20.3%
Operating profitability	3.3%	2.6%	0.7pt

Revenues in the Iberian Peninsula

Revenues in the Iberian Peninsula amounted to €654.3 million for the 2013 fiscal year compared with €683.3 million for the 2012 fiscal year, a decrease of 4.2%. The trend improved during the year with revenues declining 8.8% during the first half of the year and 0.4% during the second half. On a same-store basis, revenues declined by 5.1% in 2013.

This overall decrease reflects the region's ongoing economic recession. The Iberian Peninsula is particularly affected by Spain, which was strongly impacted by the three-point increase in VAT introduced in September 2012. Portugal's sales proved resilient in an economic climate trending toward improvement, especially at year end. Initiatives celebrating "15 years of Fnac Portugal" had a particularly favorable impact during the first half of the year.

Against this tough economic backdrop, the Group's revenues fell less sharply than the market, leading to an increased market share in editorial products and consumer electronics.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics were down by 1.6% due to the decrease in sales in the "Retail Consumer Electronics" sub-category, which was impacted by an Iberian market in substantial decline and an unfavorable base effect on TV sales related to the 2012 European Football Championship. The solid performance of the "IT Products" sub-category was driven by favorable results in the Telephony sector, thanks to increased sales of subscription-free telephones, particularly Apple and Samsung. In Spain, all stores have a telephone corner in partnership with Movistart, which is Fnac Spain's exclusive operator.

Revenues from editorial products were down 8.1% as a result of lower sales in all sectors apart from stationery. The decline in the "Discs and Gaming" sub-category was due to the ongoing impact of dematerialization and the absence of any major new products. The decline in the Gaming sector was mitigated by an excellent year end due to new generation consoles (PS3 and Xbox) and the launch of popular games (GTA, Just Dance 2014, and FIFA2014). Revenues in the "Books, Toys & Games, and Stationery" sub-category also declined, despite the strong performance of stationery, which benefited from a store-wide roll-out. The encouraging performance of the Kids departments partially offset the drop in book sales.

Services were down 5.8%, mainly due to the drop in service and insurance sales for consumer electronics in Spain and the decline in gift-box sales on the Peninsula, following the withdrawal of key gift-box suppliers in Portugal. Marketplace commission from the Peninsula and invoices for shipping related to increased online business partially offset this decline.

Sales through the internet channel were up 15.6% in 2013, with a net acceleration in the second half of the year. The first half was impacted by business to business sales from 2012. Top performers were tablets, smartphones, cameras – especially Gopro cameras at the end of the year – and video games, game consoles and books.

Current operating income in the Iberian Peninsula

Current operating income in the Iberian Peninsula amounted to €21.3 million for the 2013 fiscal year compared with €17.7 million for the 2012 fiscal year. This increase was due to productivity efforts and ongoing streamlining plans relating to other current costs under the "Fnac 2015" strategic plan, which offset the drop in the gross margin.

The current operating income margin rose from 2.6% in 2012 to 3.3% in 2013.

Operating income in the Iberian Peninsula

Operating income in the Iberian Peninsula amounted to a profit of €20.3 million for the 2013 fiscal year, compared with a profit of €15.6 million for the 2012 fiscal year.

4.1.4.3 Comparison of results of fiscal years 2013 and 2012 in Brazil

The following table shows the key items in the income statement for Brazil for the fiscal years ended December 31, 2012 and December 31, 2013.

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	
Revenues	197.2	227.5	(13.3%)
Current operating income	0.7	(5.7)	112.3%
Operating profitability	0.4%	(2.5%)	2.9pt

Revenues in Brazil

Revenues in Brazil amounted to €197.2 million for the 2013 fiscal year compared with €227.5 million for the 2012 fiscal year, a decrease of 13.3%. Revenues were down 1.0% at constant exchange rates.

The Group did not open any new stores in the "Brazil" region in 2013, but one was opened in 2012. Revenues fell by 2.1% in 2013 on a same-store and constant exchange rate basis.

Sales improved significantly in the second half of the year, boosted by the sales recovery plan launched in the third quarter. On a same-store basis, the decline in revenues was limited to 2.1% thanks to 6.1% growth in the second half after a drop of 11.1% in the first half.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics in local currency were up 0.8% in 2013, driven by the "IT Products" sub-category and in particular the strong performance of the Telephony sector following the refocusing of the sales strategy on smartphones and stronger partnerships with the key players, Apple and Samsung. Revenues from the Hardware sector fell as a result of the slowdown in tablet sales and the increase in the retail price of Apple products (higher import taxes coupled with a stronger dollar). The "Retail Consumer Electronics" sub-category was impacted by historically high levels of TV sales, particularly through the website (a major share in 2012 was generated by promotions for certain suppliers' products).

Revenues from editorial products in local currency were down 4.4%, largely because of the decline in the "Discs and Gaming" sub-category, which was hit by a lack of new products and lack of momentum in the CD and DVD market. The decline in the Gaming sector was limited by strong sales at year end due to the release of Xbox One and the game GTA. The "Books, Games and Toys, and Stationery" sub-category showed solid growth related to strong book sales, particularly Dan Brown's Inferno in the first half of the year, and games and toys.

Services were down 4.5% mainly due to the discontinuation of gift boxes following the financial challenges of the Group's partner, and shipping costs charged back to online customers following a change in sales strategy regarding free shipping.

Sales from the online channel were up by 17.4% in 2013, driven by an excellent year-end and strong sales in the "IT Products" and "Books and Stationery" sub-categories. The Internet channel accounted for 19.2% of sales in the region in 2013, a significant three-point increase. Initiatives introduced at the end of the first quarter for the Internet channel (particularly better features and search engine visibility) yielded results with a return to sales growth for this channel from the second half of the year onwards.

Group current operating income in Brazil

Brazil generated current operating profit of €0.7 million for the 2013 fiscal year, compared with an operating loss of €5.7 million for the 2012 fiscal year. The decline in gross margin in value terms was offset by continued plans to cut personnel and other current expenses.

The current operating income margin rose significantly from -2.5% in 2012 to +0.4% in 2013.

Operating income in Brazil

The Group generated an operating loss of €4.4 million in Brazil for the 2013 fiscal year, compared with an operating loss of €22.6 million for the 2012 fiscal year.

4.1.4.4 Comparison of results of fiscal years 2012 and 2013 for Other Countries

The following table shows the key items in the income statement for Other Countries for the fiscal years ended December 31, 2012 and December 31, 2013.

(€ million)	Year ended December 31, 2013	Year ended December 31, 2012	Change
Revenues	291.9	311.5	(6.3%)
Current operating income	7.1	5.7	24.6%
Operating profitability	2.4%	1.8%	0.6pt

Revenues in the other countries region

Revenues in the Other Countries region, i.e., Belgium and Switzerland, amounted to €291.9 million for the 2013 fiscal year compared with €311.5 million for the 2012 fiscal year, a decrease of 6.3%.

On a constant exchange rate basis, the decrease was 5.6%. As the Group did not open any new stores in the "Other Countries" region in 2013, as was the case in 2012, sales were also down 5.6% on a same-store and constant exchange rate basis.

The decrease in revenues was driven by lower revenues in both countries, as a result of the economic downturn.

The distribution of revenues by product category is broken down in note 4.1 "Operating segment data" of the consolidated financial statements, in section 5.2 of this Registration Document.

Revenues from consumer electronics decreased by 3.3% at constant exchange rates, due to a substantial decline in the "Retail Consumer Electronics" sub-category related to lower sales in the TV, Audio and Photo sectors. This was partially offset by higher sales in the "IT Products" sub-category driven by strong growth in the Telephony sector, which felt the knock-on effect of the success of the Apple and Samsung smartphones and the closer partnership with Belgacom in Belgium. The performance of the new "Home & Design" areas is encouraging, particularly in Switzerland where these areas have recently been introduced into all stores.

Revenues from editorial products were down 8.3% at constant exchange rates, largely because of the decline in the "Discs and Gaming" sub-category, in which sales in the Audio and Video sectors fell sharply. The Gaming sector is also down, but benefited from strong end-of-year sales due to the arrival of new generation consoles and the release of popular games.

Services were down 1.9% at constant exchange rates due to a decline in services related to consumer electronics. This decline was largely offset by growth in stationery and the additional revenues brought in by commissions on iTunes cards.

Current operating income in the Other Countries

Current operating income for the Other Countries amounted to €7.1 million for the 2013 fiscal year compared with €5.7 million for the 2012 fiscal year. The decline in sales was offset by the improvement in gross margin related to the ongoing program to pool purchasing with France and to the savings achieved on personnel costs.

The current operating income margin increased from 1.8% in 2012 to 2.4% in 2013.

Operating income in the Other Countries

Operating income in the Other Countries region amounted to a profit of €5.2 million for the 2013 fiscal year, compared with a profit of €2.4 million for the 2012 fiscal year.

4.1.5 Qualitative and quantitative assessment of the Group's market risk

For a description of the Group's exposure to currency and interest rate risk, see note 29 "Exposure to market risk, interest rate risk, currency risk and risk of fluctuations in the share price" to the financial statements included in section 5.1, "Group Consolidated Financial Statements" and section 6, "Risk factors" in this Registration Document.

4.1.6 Accounting principles affected by IFRS

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

The main estimates made by management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to Group's business, primarily in relation to inventory and revenues, plus the assumptions used to calculate obligations relating to employee benefits, share-based payments, and deferred tax. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

For a description of the assumptions used by the Group in the preparation of its financial statements, see note 2.3.2 "Use of estimates and judgment" to the annual financial statements included in section 5.1, "Group Consolidated Financial Statements".

4.2 Cash and capital resources

4.2.1 General overview

Groupe Fnac's main cash requirements stem from its working capital requirements and operating investments. Historically the Group has met these requirements through cash flows generated by its operating activities and through debt. In 2012 and 2013 the Group was solidly recapitalized for a total of €609.6 million (€70 million in 2013 and €539.6 million in 2012). In 2013 it also issued deeply subordinated notes amounting to €60 million. The combination of these recapitalizations and continued control of working capital requirements resulted in a cash surplus in 2013.

4.2.2 Financial resources

4.2.2.1 Overview

In 2013, the Group had the following financing sources:

* *Available cash.* Cash and cash equivalents amounted to €461.6 million at December 31, 2013 (versus €305.5 million at December 31, 2012).
* *Operating activities*, which generated positive net cash flows of €96.5 million at December 31, 2013 (versus €37.8 million at December 31, 2012).
* *Capital increases.* In the first half of 2013, the Group was recapitalized to the tune of €130 million (capital increase of €70 million, and €60 million in deeply subordinated notes).
* *Debt*. Given its cash surplus throughout 2013, the Group did not use debt to finance its operations.

The composition of the Group's financial debt is as follows:

(€ million)	**As of December 31, 2013**	**As of December 31, 2012**
Gross financial debt	0.7	13.5
Cash and cash equivalents	(461.6)	(305.5)
Net financial debt	**(460.9)**	**(292.0)**

4.2.2.2 Financial debt

Financial debt as of December 31, 2013

The Group's gross debt at December 31, 2013 stood at €0.7 million.

(€ million)	As of December 31, 2013	As of December 31, 2012
Other borrowings from credit institutions	0.0	0.0
Finance lease agreement liabilities	0.7	1.0
Bank overdrafts	0.0	12.2
Other financial liabilities	0.0	0.3
TOTAL	**0.7**	**13.5**

The table below sets out the Group's gross debt by currency as of December 31, 2013.

(€ million)	As of December 31, 2013	As of December 31, 2012
Euro	0.7	11.3
Swiss franc	0.0	2.2
Other currencies	0.0	0.0
TOTAL	**0.7**	**13.5**

The table below sets out the maturities of the Group's financial debt as of December 31, 2013.

	As of December 31, 2013					
(€ million)	Total	N+1	N+2	N+3	N+4	N+5
Long-term borrowings and financial debt	**0.5**	**0.0**	**0.2**	**0.2**	**0.1**	**0.0**
Finance lease agreement liabilities	0.5		0.2	0.2	0.1	
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease agreement liabilities	0.2	0.2				
Bank overdraft	0.0					
Other financial liabilities	0.0					
TOTAL	**0.7**	**0.2**	**0.2**	**0.2**	**0.1**	**0.0**

Financing of the Group after Admission of the Company's Shares to Trading on Euronext Paris

To enable the Group to finance its working capital requirements and to replace the financing historically granted to the Group in the form of current account advances by the Kering Group, the Group has obtained two new sources of external financing in the context of the admission of the Company's shares to trading on Euronext Paris:

* On April 19, 2013, Fnac SA entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate consisting of Crédit Agricole Corporate and Investment Bank, Société Générale, Crédit Lyonnais, Natixis, Banque Fédérative du Crédit Mutuel (Groupe Crédit Mutuel – CIC), BNP Paribas, Banco Espirito Santo, Caixabank SA and Arkéa Corporate and Institutional Banking, under which certain Fnac SA subsidiaries (Fnac Paris, CODIREP and Relais Fnac) will act as borrowers (the "Loan Agreement").
* At the same time, on April 24, 2013 the Company also entered into an issuance and subscription agreement (the "Subscription Agreement") involving the issue of sixty perpetual deeply subordinated notes (TSSDI) with a nominal value of €1 million each, i.e., a total nominal amount of €60 million (the "TSSDI").

Financing under the Loan Agreement

A. Overview of the Loan Agreement

The purpose of the Loan Agreement is to enable the financing of Fnac SA and its subsidiaries' working capital requirements.

The maturity of the Loan Agreement is three years as from the date of its signature (April 19, 2013).

Drawdowns on the Loan Agreement are made in euros, and bear interest at a contractually determined rate, which is equal to the total of:

* a base rate determined on the basis of EURIBOR; and
* a margin that will initially amount to 3.50% per year, and that is reviewed, as applicable, on a half-yearly basis beginning with the financial statements as of December 31, 2013, based on the level of the Average Rent Adjusted Leverage Ratio.

The Loan Agreement provides for an undrawn commitment fee equal to 40% of the applicable margin, as calculated on the undrawn and uncancelled amounts.

B. Guarantees relating to the Loan Agreement

The obligations of Fnac SA and the other borrowers under the Loan Agreement are guaranteed by the following securities:

* a first demand guarantee issued by Fnac SA for the purpose of guaranteeing the obligations of the other Group borrowers;
* a first-ranking pledge over the shares that Fnac SA owns in its main French subsidiaries, and in its Spanish subsidiary; and
* a pledge over certain businesses as a going concern (fonds de commerce) owned by Fnac Paris, CODIREP and Relais Fnac, in their capacity as borrowers, in order to guarantee their respective obligations.

C. The Group's main restrictive covenants under the Loan Agreement

The Loan Agreement includes customary covenants for this kind of financing, and specifically the following clauses:

* *Financial covenants*

  The credit facility entered into by Groupe Fnac includes several financial covenants, which are defined for each full and half year. As of December 31, 2013, all financial covenants were complied with.

  - The Group's Rent Adjusted Leverage Ratio (as defined below), which will be tested on a half-yearly basis, must remain below the thresholds set in the Loan Agreement, which range between 1.65 and 3.35. For the requirements of this covenant, the "Group's Rent-Adjusted Leverage Ratio" is defined as "Total Adjusted Debt" (i.e., the aggregate of the Group's long-term borrowings and financial debt and the Group's short-term borrowings and financial debt, minus the Group's cash and cash equivalents, plus five times the amount of the rent incurred for operating leases (excluding ancillary charges) as shown in the latest consolidated financial statements of the Group) divided by "Consolidated EBITDAR" (i.e. the Group's recurring operating income plus net changes to depreciation, amortization and provisions on non-current operating assets, plus the amount of the rent incurred for operating leases (excluding ancillary charges) as shown in the Group's latest consolidated financial statements).
  - The level of shareholders equity, which will be tested on a half-yearly basis, must remain above the thresholds set in the Loan Agreement, which range between €350 and €425 million.
  - The level of cash, which will be tested on an annual basis, must remain above the thresholds set in the Loan Agreement, which range between €290 and €335 million.
* ***General restrictive covenants*** – These involve covenants including but not limited to certain restrictions relating to the granting of securities or guarantees, to the execution of merger or restructuring transactions, to the disposal or purchase of assets and to the Group's debt.
* ***Restrictive covenants specific to the Company*** – The Company also undertakes to comply with the following specific covenants:
  - retaining 100% of the share capital and voting rights in Fnac SA.[1]
  - not granting any security or allowing any security to remain on its assets and on the shares that the Company owns in Fnac SA;
  - paying any dividends or making any other kind of payment relating to its share capital, and making any payment in relation to the perpetual deeply subordinated notes only to the extent that (A) such distribution and/or payment in any fiscal year does not exceed 50% of the distributable earnings for the previous fiscal year, and (B) no event of default under the Loan Agreement has occurred or will be triggered by such distribution/payment; and
  - making available to Fnac SA (whether in the form of a capital increase by Fnac SA or a subordinated inter-company loan) all net proceeds received in connection with any funds raised by the Company in the capital markets or any financial debt subscribed by the Company, subject in all cases to receipt of the net proceeds in question.

(1) Except for the shares held by subsidiaries or directors of Fnac SA in order to represent the minimum number of shareholders in a limited company (société anonyme).

* *Mandatory repayment in case of a change of control* – The Loan Agreement requires the early repayment of all the amounts due to all the lenders and the cancellation of any remaining amounts available under the revolving credit facility in the following cases:

  - a person or a group of persons acting in concert (within the meaning of Article L. 233-10 of the French Commercial Code) other than Artemis and/or any of its subsidiaries, gains control (within the meaning of Article L. 233-3 of the French Commercial Code) of the Company;

  - Artemis ceases to own, directly or indirectly (through one or several of its subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code) at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of the signing of the Loan Agreement, or (ii) 25% of the Company's share capital or voting rights at any time after that date until the maturity of the Loan Agreement (the "Triggering Event"). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) not to trigger such early prepayment and cancellation of unused commitments available under the Loan Agreement by sole reason of the Triggering Event until after the initial maturity date thereof (i.e., April 18, 2016). Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company; or

  - Kering ceases to own, directly or indirectly (through one or several of its wholly-owned subsidiaries, directly or indirectly) 100% of the perpetual deeply subordinated notes, it being noted that, pursuant to a separate agreement, Kering has agreed (for itself and its subsidiaries) that, until after the initial maturity date of the Loan Agreement (i.e., April 18, 2016), it will not trigger any mandatory prepayment event under the Loan Agreement pursuant to a violation of this obligation.

* *Acceleration following an event of default* – Under the terms of the Loan Agreement, lenders have the right to declare that all or part of the amounts outstanding under the Loan Agreement shall become immediately due and payable, and specifically in the event of non-compliance with one of the covenants listed above, of default, of non-payment, or of the occurrence of events that are likely to have a material adverse effect on the financial situation or in certain cases business of the Company, of Fnac SA, of one of the other borrowers or of the Group as a whole, or on the ability of the Company, Fnac SA, or one of the other borrowers to perform any of their obligations under the Loan Agreement and the other finance documents.

Financing under the perpetual deeply subordinated notes

The Perpetual deeply subordinated notes (TSSDI) Subscription Agreement includes the following terms and conditions:

* ***Nature and form:*** The TSSDIs are perpetual deeply subordinated notes issued in accordance with Articles L. 228-38 et seq. of the French Commercial Code.

* ***Subscriber:*** Kering BV, a company incorporated under Dutch law and a wholly-owned direct and indirect subsidiary of Kering.

* ***Maturity:*** Subject to mandatory repayment events, amortization events and the right for voluntary prepayment provided for in the Subscription Agreement (and described below), the perpetual deeply subordinated notes will have no stated maturity.

* ***Ranking and subordination:*** The principal and interest amounts due under the perpetual deeply subordinated notes constitute direct, unsecured, unconditional obligations of the Company, and shall rank pari passu with any other existing or future perpetual deeply subordinated notes issued by the Company, except that repayment are subordinated to prior payment by the Company of all the amounts due under any participatory loans granted to it, and any non-voting shares that it has issued, together with any other ordinary subordinated notes, regardless of their form (security, loan or other) and with its non-subordinated notes, regardless of their form (security, loan, or other) and in accordance with the provisions of Article L. 228-97 of the French Commercial Code. In the event that the Company is liquidated, the perpetual deeply subordinated notes have priority only over payment of amounts due to holders of the Company's equity securities.

* ***Interest:*** 8% per year.

* ***Payment of the interest:*** Interest is payable only in the event that one of the events listed below occurs:

  - in full, upon any full cash repayment of the perpetual deeply subordinated notes occurs, but only after repayment of all the amounts due to the lenders under the Loan Agreement; and

  - within five business days following the Company's decision to undertake any of the following:

    (i) distribution of a dividend, premium or reserves;

    (ii) amortization or redemption of its share capital (which is not caused by losses and which gives rise to a payment to shareholders); or

    (iii) purchase by the Company of its own shares at a premium,

Interest is therefore payable in full or in part, and in any event, within the limit of an amount that enables the performance of the perpetual deeply subordinated notes and the Groupe Fnac Share to be equalized on a certain date, on the understanding that the Company will under no circumstances be required to make any payment in connection with the perpetual deeply subordinated notes if such payment would result in an event of default under the Loan Agreement.

In addition, if at a given date "T", the performance of the Groupe Fnac Share (FFGS (T)) exceeds the performance of the perpetual deeply subordinated notes (TSSDI (T)), the principal amount of the perpetual deeply subordinated notes will be amortized, in addition to the payment of all interest accrued and capitalized, in an amount of "X" for each perpetual deeply subordinated note, so that it equalizes the performance of the Groupe Fnac Share and the performance of the perpetual deeply subordinated notes at said date "T".

* ***Capitalization of interest:*** Unpaid interest will be capitalized annually on each anniversary of the Execution Date, and will itself bear interest, at the interest rate, in accordance with Article 1154 of the French Civil Code.
* ***Mandatory full repayment in cash:*** The Company will be required to repay the principal and accrued and capitalized interest on all the perpetual deeply subordinated notes outstanding, after the repayment of all the amounts due under the Loan Agreement, in the event of a takeover of the Company or a merger, demerger or winding-up process performed with the approval, or on the recommendation of, the Board of Directors.
* ***Voluntary full repayment in cash:*** The Company may decide at any time during the term of the perpetual deeply subordinated notes to repay them in full, after it has repaid all the amounts due to the lenders under the Loan Agreement and has cancelled all the lenders' commitments under said Loan Agreement, in an amount equal to that of the remaining principal amounts still due, plus accrued and capitalized interest.

4.2.3 Breakdown of cash flows

(€ million)	As of December 31, 2013	As of December 31, 2012
Net cash flows from operating activities	96.5	37.8
Net cash flows from investing activities	(45.0)	(77.6)
Net cash flows from financing activities	119.6	290.0
Net cash flows from discontinued operations	(1.2)	(31.7)
Impact of fluctuations in exchange rates	(1.6)	3.4
Net change in cash	**168.3**	**221.9**

4.2.3.1 Net cash flows from operating activities

(€ million)	As of December 31, 2013	As of December 31, 2012
Cash flow from operations before tax, dividends and interest	90.9	97.4
Change in working capital requirement	24.3	(25.1)
Income tax paid	(18.7)	(34.5)
Net cash flows from operating activities	**96.5**	**37.8**

The Group recorded cash flows from operating activities of €96.5 million in 2012 compared with €37.8 million in 2012. This €58.7 million increase was due to the improvement in the change in working capital requirement of €49.4 million and a €15.8 million drop in the tax charge paid, partially offset by a €6.5 million reduction in cash flow from operations before tax, dividends and interest.

4.2.3.2 Cash flow from operations before tax, dividends and interest

Cash flow from operations before tax, dividends and interest amounted to €90.9 million in 2013, compared with €97.4 million in 2012. This decline is mainly attributable to outflows in 2013 and provisions for restructuring costs (“Fnac 2015” plan) in 2012.

4.2.3.3 Change in working capital requirement

As a percentage of revenues, the working capital requirement was 10.5% in fiscal 2013 versus 9.5% in 2012 (see details of WCR in section 5.2, note 23 to the consolidated financial statements).

In 2013, the change in the Group’s working capital requirement generated a surplus of €24.3 million (versus -€25.1 million as of December 31, 2012). The working capital requirement stood at -€412 million in 2013 versus -€384.3 million in 2012, an improvement of €27.7 million. This was primarily related to optimizing inventory levels and trade payables. The Group mainly funds its working capital requirements (which primarily correspond to the value of its inventory, plus trade receivables and other receivables, less trade payables and other payables), through its net operating cash flows and via borrowings, where applicable. The Group’s policy for managing its working capital requirements is primarily based on its system for managing pooled orders through its purchasing center, which enables it to manage its inventory levels in accordance with the expected demand for the products that it sells, and through close monitoring of the payment terms for trade payables and of the collection of trade receivables.

4.2.3.4 Income tax paid

Effective January 1, 2013, the Groupe Fnac had the status of a consolidated tax group for all of its French subsidiaries (excluding companies in the DATASPORT Group: JFCL, DATASPORT and DATASPORT Ouest).

In 2012, Groupe Fnac was consolidated by the Kering Group for tax purposes.

4.2.3.5 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 2013 amounted to €45 million (versus €77.6 million in 2012).

(€ million)	As of December 31, 2013	As of December 31, 2012
Net operating investments excluding finance leases	(48.5)	(94.9)
Net financial investments	3.5	17.5
Cash flows from investing activities	**(45.0)**	**(77.6)**

(Net) operating investments

The Group's net operating investments in fiscal 2013 amounted to €48.6 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets (€52.6 million), primarily for the purposes of opening new stores, renovating existing stores and developing websites.

(€ million)	As of December 31, 2013	As of December 31, 2012
France	(42.9)	(67.5)
Iberian Peninsula	(6.3)	(6.2)
Brazil	(0.9)	(2.3)
Other countries	(2.5)	(2.5)
Purchases of property, plant and equipment and intangible assets excluding investments in finance leases and excluding changes payables and receivables relating to assets	**(52.6)**	**(78.5)**
Change in debt and receivables relating to non-current assets	4.0	(16.6)
Purchase of tangible and intangible non-current assets excluding finance leases and including changes in receivables and payables relating to assets	**(48.6)**	**(95.1)**
Operating investments in finance leases	(0.1)	0.0
Purchase of tangible and intangible fixed assets including investments in finance leases and including changes in receivables and payables relating to assets	**(48.7)**	**(95.1)**
Disposals of property, plant and equipment and intangible assets	0.1	0.2
Net operating investments	**(48.6)**	**(94.9)**
Net operating investments excluding finance leases	**(48.5)**	**(94.9)**

Net operating investments, i.e., purchases of property, plant and equipment and intangible assets less disposals of property, plant and equipment and intangible assets, used €48.6 million in 2013. Gross capital expenditure (i.e., purchases of property, plant, and equipment and intangible assets) used €52.6 million and was primarily related to store extensions, remodeling and renovation, the finalization of the new logistics platform (see section 4.4), and website maintenance and development. Disposals of property, plant and equipment amounted to €0.1 million in 2013.

Net operating investments used €94.9 million in 2012. Gross capital expenditures used €78.5 million and were primarily related to the extension and renovation of stores, website maintenance and development, and the Group's logistics platforms, including the new Wissous platform. Disposals of property, plant and equipment amounted to €0.2 million in 2012.

Net financial investments

(€ million)	As of December 31, 2013	As of December 31, 2012
Purchase of subsidiaries net of cash acquired	(2.5)	0.1
Disposal of subsidiaries net of cash transferred	(0.3)	0.0
Purchase of other financial assets	(2.0)	(2.4)
Disposal of other financial assets	7.6	19.1
Interest and equivalent payments, and dividends received	0.7	0.7
(Net) financial investments	**3.5**	**17.5**

The Group's net financial investments generated €3.5 million in 2013 and €17.5 million in 2012.

Net financial investments made in 2013 include the purchase of the DATASPORT Group for a net cash amount of €2.5 million and the receipt from the disposal of non-current financial assets for €7.6 million (Cyrillus Deutschland GmbH).

4.2.3.6 Net cash flows from financing activities

(€ million)	As of December 31, 2013	As of December 31, 2012
Increase/decrease in equity and other transactions with shareholders	70.1	539.6
Issue of TSSDI	60.0	0.0
Dividends paid to parent company shareholders	0.0	(20.5)
Loan repayments	0.0	(0.4)
Increase/decrease in other financial debt	(0.6)	(222.8)
Interest and equivalent payments	(9.9)	(5.9)
Net cash flows from financing activities	**119.6**	**290.0**

Net cash flows from financing activities generated €119.6 million in 2013 and €290.0 million in 2012.

On October 9, 2012, the Kering Group announced the spin-off and listing of Groupe Fnac through the allotment of Groupe Fnac shares to Kering Group shareholders.

Groupe Fnac was listed on June 20, 2013 after a capital increase of €70 million, with no issue premium.

This resulted in share capital of €16.6 million made up of 16,595,610 shares worth one euro each.

Details of Groupe Fnac's capital transactions are included in section 7.2.7 of the Registration Document.

At the same time, on April 24, 2013 Groupe Fnac also entered into an issuance and subscription agreement (the "Subscription Agreement") involving the issue of sixty perpetual deeply subordinated notes (TSSDI) with a nominal value of €1 million each, i.e., for a total nominal amount of €60 million (the "TSSDI").

4.2.3.7 Free cash flow from operations

The table below shows the trend in the Group's free cash flow from operations for the periods indicated. Free cash flow from operations is equal to net cash flows from operating activities minus net operating investments.

(€ million)	As of December 31, 2013	As of December 31, 2012
Cash flow from operations before tax, dividends and interest	**90.9**	**97.4**
Change in working capital requirement	24.3	(25.1)
Income tax paid	(18.7)	(34.5)
Net cash flows from operating activities	**96.5**	**37.8**
Operating investments net of disposals, excluding finance leases	(48.5)	(94.9)
Free cash flow from operations before investment in finance leases	48.0	(57.1)
Operating investments in finance leases	(0.1)	0.0
Free cash flow from operations after investment in finance leases	**47.9**	**(57.1)**

The Group generated positive free cash flow from operations of €47.9 million in 2013, and negative cash flow from operations of €57.1 million in 2012. These amounts are primarily explained by an increase in net cash flows from operating activities and by lower operating investments between 2012 and 2013.

4.2.3.8 Change in net financial debt

The change in net financial debt for the 2013 and 2012 fiscal years was as follows:

(€ million)	As of December 31, 2013	As of December 31, 2012
Net financial debt as of January 1 [(1)]	**(292.0)**	**152.4**
Free cash flow from operations	(47.9)	57.1
Interest paid net of interest and dividends received	9.2	5.2
Purchase and disposal of subsidiaries net of cash acquired or transferred	2.8	(0.1)
Purchase and disposal of other (net) financial investments (net)	(5.6)	(16.6)
Dividends paid	0.0	20.5
Increase/decrease in equity and other transactions with shareholders	(70.1)	(539.6)
Issue of TSSDI	(60.0)	0.0
Borrowings related to discontinued operations	1.2	31.7
Other [(2)]	1.5	(2.7)
Net financial debt at the end of the period	**(460.9)**	**(292.0)**

(1) A negative value correspond to excess cash and cash equivalents.
(2) Mainly includes the impact of translation differences related to borrowings.

4.3 Recent events and outlook

4.3.1 The Group's objectives

The Group's objective is to stabilize its revenues by 2016, prior to pursuing revenue growth. This goal will primarily be achieved through ongoing efforts to gain market share, boosted by the Group's redesigned business model. That redesign is for the most part based on the continued roll-out of new product categories, continued strengthening of the omni-channel strategy, and the accelerated expansion of new formats in France and abroad.

By 2016, the Group's objective is to stabilize its gross profit margin, in particular by pursuing strategies to improve the terms the Group's purchasing terms.

The Group will continue its policy of seeking ways to cut costs and streamline organizations to generate cost savings of €80 million between 2013 and 2014.

Over the next few years, the Group will continue to make targeted investments, with planned capital expenditure of €60 million per year, and also to continue its strategy to optimize inventory with a targeted inventory reduction of approximately 3% per year.

In the longer term, when the renewal of the Group's business model is complete and assuming stable market and economic conditions, the Group's objective is to achieve a current operating income margin of more than 3%.

The above objectives do not constitute projections or estimates of future Group profits, but represent strategic targets under its action plan. These objectives are based on data, assumptions and estimates that the Group considers to be reasonable. These data, assumptions and estimates may change over time as a result of uncertainties relating to the financial, economic, competitive and regulatory environment in which the Group operates. Moreover, one or more of the risks described in section 6, "Risk Factors", could have an impact on the Group's business, results, financial situation or outlook and therefore jeopardize the achievement of the objectives described above. The Group cannot guarantee and gives no assurance that the objectives described in this section will be achieved.

4.3.2 Recent events

In October 2013, Fnac announced that it had signed a franchise agreement with Darwish Holding, a pioneer in large and small retail in the Middle East, to establish a presence in Qatar. The first Fnac store in that country will open in the Lagoona Mall in Doha in the fall of 2014.

Also in October 2013, FIMALAC and Fnac announced their wish to form a partnership to develop ticketing solutions. The FIMALAC Group will take a 50% stake in KYRO, a subsidiary of France Billet, which offers a ticketing solution for entertainment professionals, venues and producers. In December 2013, Groupe Fnac acquired, via its KYRO subsidiary, the DATASPORT Group, a key player in sports ticketing management for more than 20 years, thus boosting its position in the sporting world. FIMALAC's equity investment in KYRO is still subject to approval by France's competition authority in 2014.

On January 15, 2014, Fnac announced its plan to close its stores in Villiers-en-Bière (Seine-et-Marne) and Portet-sur-Garonne (Haute-Garonne).

In January 2014, Groupe Fnac upgraded its partnership with SFR to offer unlocked handsets. Over the coming weeks, the Electronics departments of all stores will offer a range of unlocked handsets (mobile phones and smartphones), along with SFR's RED no-contract service plan offer.

In March 2014, Fnac stepped up its presence in music with the launch of a general public music streaming service called "Fnac Jukebox".

Revenues for the first quarter of 2014 will be published after the close of trading on April 24, 2014.

4.4 Investments

4.4.1 Investments in 2013

In 2013 the Group's total gross operating investments amounted to €52.6 million. These were based on the following priorities: opening of new stores, remodeling of existing stores to accommodate new departments and products, finalization of the development of the new logistics platform, and the development of an online sales app for mobile devices.

The table below shows gross operating investments by geographical area (excluding discontinued operations) for the 2012 and 2013 fiscal years:

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2013					
Sub-total for investments in stores and internet websites	24.0	5.4	0.3	2.2	31.9
Sub-total for capital expenditure excluding sales	18.9	0.9	0.6	0.3	20.7
TOTAL OPERATING INVESTMENTS [(a)]	**42.9**	**6.3**	**0.9**	**2.5**	**52.6**
December 31, 2012					
Sub-total for investments in stores and internet websites	53.0	5.0	1.0	1.9	60.9
Sub-total for capital expenditure excluding stores	14.6	1.2	1.3	0.6	17.6
TOTAL OPERATING INVESTMENTS [(a)]	**67.6**	**6.2**	**2.3**	**2.5**	**78.5**

(a) Purchases of property, plant and equipment and intangible assets excluding investment in finance leases and excluding changes in payables and receivables relating to non-current assets

4.4.2 Main investments planned

At the date of the approval stamp on this Registration Document, no significant financial investments were required under covenants or other firm undertakings towards third parties. Our strategy in terms of setting up future Group stores is detailed in section 1.3.3.4.

The Group expects that in 2014, gross operating investment should be in line with levels common in prior years. The priorities for 2014 are as follows:

* to continue to introduce new product families and new sales concepts in stores;
* to continue to roll out the omni-channel strategy consisting of cutting-edge IT solutions for our websites, mobile apps and stores.

These investments will be financed through the Group's operating cash flow and cash on hand.

More generally, in next few years the Group intends to pursue its policy of controlled investments in the order of €60 million to €70 million per year.

5

Financial Statements

5.1 Groupe Fnac's consolidated financial statements at December 31, 2013 and 2012

Consolidated income statement for the years ended December 31, 2013 and 2012

(€ million)	Note	2013	2012
CONTINUING OPERATIONS			
Income from ordinary activities	**5**	**3,905.3**	**4,061.1**
Cost of sales		(2,740.9)	(2,841.8)
Gross margin		**1,164.4**	**1,219.3**
Personnel expenses	6-7	(558.8)	(591.4)
Other current operating income and expense		(533.9)	(564.6)
Current operating income	**8**	**71.7**	**63.3**
Other non-current operating income and expense	9	(28.6)	(130.2)
Operating income		**43.1**	**(66.9)**
(Net) financial expense	10	(11.7)	(15.0)
Pre-tax income		**31.4**	**(81.9)**
Income tax	11	(15.6)	(33.7)
Net income from continuing operations		**15.8**	**(115.6)**
of which Group share		*15.8*	*(115.6)*
of which share attributable to non-controlling interests		*0.0*	*0.0*
DISCONTINUED OPERATIONS			
Net income from discontinued operations	**12**	**(1.1)**	**(26.1)**
of which Group share		*(1.1)*	*(26.1)*
of which share attributable to non-controlling interests		*0.0*	*0.0*
Consolidated net income		**14.7**	**(141.7)**
Net income, Group share		**14.7**	**(141.7)**
Earnings per share *(in euros)*	13.1	0.89	(8.54)
Diluted earnings per share *(in euros)*	13.1	0.89	(8.54)
Net income from continuing operations, Group share		**15.8**	**(115.6)**
Earnings per share *(in euros)*	13.1	0.95	(6.97)
Diluted earnings per share *(in euros)*	13.1	0.95	(6.97)
Net income from continuing operations, Group share, excluding non-current items		**43.4**	**12.6**
Earnings per share *(in euros)*	13.2	2.62	0.76
Diluted earnings per share *(in euros)*	13.2	2.62	0.76

Consolidated comprehensive income statement

(€ million)	Note	2013	2012
Net income		**14.7**	**(141.7)**
Translation differences		(5.1)	(3.4)
Items that may be reclassified subsequently to profit or loss		**(5.1)**	**(3.4)**
Revaluation of net liabilities for defined benefit plans [(a)]		6.4	(7.2)
Items that may not be reclassified subsequently to profit or loss		**6.4**	**(7.2)**
Other comprehensive income items, after tax	**14**	**1.3**	**(10.6)**
Total comprehensive income		**16.0**	**(152.3)**
of which Group share		*16.0*	*(152.3)*
of which share attributable to non-controlling interests			

(a) Net of tax.

Consolidated statement of financial position for the years ended December 31, 2013 and 2012

Assets

(€ million)	Note	2013	2012
Goodwill	15	332.0	323.5
Intangible non-current assets	16	69.6	73.3
Tangible non-current assets	17	181.3	197.3
Non-current financial assets	20	7.6	5.8
Deferred tax assets	11.2	28.1	33.9
Other non-current assets		0.3	0.1
Non-current assets		**618.9**	**633.9**
Inventory	21	472.9	495.2
Trade receivables	22	121.5	118.8
Tax receivables due	11.2	21.9	9.2
Other current financial assets	23	5.5	0.0
Other current assets	23	110.5	162.6
Cash and cash equivalents	27	461.6	305.5
Current assets		**1,193.9**	**1,091.3**
Assets held for sale	**12**	**0.0**	**0.0**
TOTAL ASSETS		**1,812.8**	**1,725.2**

Equity and liabilities

(€ million)	Note	2013	2012
Share capital	24	16.6	545.7
Equity-related reserves		494.9	48.4
Translation reserves		(2.5)	2.6
Other reserves		30.8	(199.7)
Shareholders' equity, Group share	**24**	**539.8**	**397.0**
Shareholders' equity - Share attributable to non-controlling interests		0.0	0.0
Shareholders' equity	**24**	**539.8**	**397.0**
Long-term borrowings and financial debt	28	0.5	0.7
Provisions for pensions and other equivalent benefits	25	58.6	63.2
Deferred tax liabilities	11.2	0.0	0.0
Non-current liabilities		**59.1**	**63.9**
Short-term borrowings and financial debt	28	0.2	12.8
Other current financial liabilities	23-29	5.0	0.0
Trade payables	23	692.6	717.1
Provisions	26	41.7	52.3
Tax liabilities payable	11.2	16.8	10.6
Other current liabilities	23	457.6	471.6
Current liabilities		**1,213.9**	**1,264.3**
Liabilities relating to assets held for sale	**12**	**0.0**	**0.0**
TOTAL LIABILITIES		**1,812.8**	**1,725.2**

Consolidated cash flow statement for the years ended December 31, 2013 and 2012

(€ million)	Note	2013	2012
Net income from continuing operations		**15.8**	**(115.6)**
Income and expense with no impact on cash		59.0	170.0
Cash flow from operations	**32.1**	**74.8**	**54.4**
Financial interest income and expense		3.9	5.2
Dividends received		(0.1)	0.0
Net tax charge payable	11.1	12.3	37.8
Cash flow from operations before tax, dividends and interest		**90.9**	**97.4**
Change in working capital requirement		24.3	(25.1)
Income tax paid		(18.7)	(34.5)
Net cash flows from operating activities		**96.5**	**37.8**
Purchase of non-current tangible and intangible assets	32.2	(48.6)	(95.1)
Disposal of non-current tangible and intangible assets		0.1	0.2
Acquisition of subsidiaries net of cash acquired	32.3	(2.5)	0.1
Disposal of subsidiaries net of cash transferred	32.3	(0.3)	(0.0)
Purchase of other financial assets		(2.0)	(2.4)
Disposal of other financial assets		7.6	19.1
Interest and dividends received		0.7	0.7
Net cash flows from investing activities		**(45.0)**	**(77.6)**
Increase/decrease in equity and other transactions with shareholders		130.1	539.6
Dividends paid to shareholders		0.0	(20.5)
Redemption of borrowings	28-32.4	0.0	(0.4)
Increase/decrease in other financial debt	28-32.4	(0.6)	(222.8)
Interest and equivalent payments		(9.9)	(5.9)
Net cash flows from financing activities		**119.6**	**290.0**
Cash flows from discontinued operations	12	(1.2)	(31.7)
Impact of fluctuations in exchange rates		(1.6)	3.4
Net change in cash		**168.3**	**221.9**
Cash and cash equivalents at the beginning of the financial year	**32**	**293.3**	**71.5**
Cash and cash equivalents at the end of the financial year	**32**	**461.6**	**293.3**

Change in consolidated shareholders' equity at December 31, 2013 and 2012

							Shareholders' equity		
(Before appropriation of earnings) *(€ million)*	**Number of shares out-standing** [(a)]	**Share capital**	**Equity-related reserves**	**Undated deeply subordinated notes (TSSDI)**	**Translation reserves**	**Other reserves and net income**	**Group share**	**Non-controlling interests**	**Total**
At December 31, 2011	**875,953**	**6.1**	**48.4**		**6.0**	**(30.0)**	**30.5**		**30.5**
Total comprehensive income					**(3.4)**	**(148.9)**	**(152.3)**		**(152.3)**
Capital increase/(decrease)	5,255,718	539.6					539.6		539.6
Valuation of share-based payments						(0.2)	(0.2)		(0.2)
Dividends paid						(20.5)	(20.5)		(20.5)
At December 31, 2012	**6,131,671**	**545.7**	**48.4**	**0.0**	**2.6**	**(199.7)**	**397.0**		**397.0**
Total comprehensive income					**(5.1)**	**21.1**	**16.0**		**16.0**
Capital increase/(decrease)	10,463,939	(529.1)	446.5			152.6	70.0		70.0
Issuance of TSSDI				60.0			60.0		60.0
Treasury stock						0.1	0.1		0.1
Valuation of share-based payments						(3.3)	(3.3)		(3.3)
Dividends paid							0.0		0.0
At December 31, 2013 [(a)(b)]	**16,595,610**	**16.6**	**494.9**	**60.0**	**(2.5)**	**(29.2)**	**539.8**		**539.8**

(a) Nominal value of shares of 1 euro.
(b) Number of shares of capital stock at December 31, 2013: 16,595,610.

5.2 Notes to the consolidated financial statements for the year ended December 31, 2013

NOTE 1 General points

1.1 Introduction

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 in the Trade and Companies Register of Créteil under number 055 800 296. It is subject to all the laws and regulations governing commercial companies in France, and the provisions of the French Commercial Code in particular.

The consolidated financial statements at December 31, 2013 reflect the accounting position of the Company and its subsidiaries and its interests in associated companies and joint ventures.

On February 26, 2014, the Board of Directors approved the consolidated financial statements for the year ending December 31, 2013. These financial statements require the approval of the General Meeting of shareholders before they can be finalized.

1.2 Publication context

Groupe Fnac, composed of Groupe Fnac and its subsidiaries (collectively herein "Groupe Fnac") is the leader in the leisure and entertainment retail market in France and a major player on markets in other countries where it operates such as Spain, Portugal, Brazil, Belgium and Switzerland. The Group also operates in Morocco as a franchise.

The listing of the Group's shares on the NYSE Euronext Paris regulated market as of June 20, 2013, requires consolidated financial statements prepared in accordance with IFRS. The methods for preparing these financial statements are described in note 2 on Accounting principles and policies.

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

NOTE 2 Accounting principles and policies

2.1 General principles and declaration of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the consolidated financial statements of Groupe Fnac for fiscal 2013 were prepared in accordance with international standards as published and approved by the European Union on the closing date of the financial statements that are mandatory on that date.

The international standards consist of the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and the interpretations of IFRIC (International Financial Reporting Interpretations Committee).

The financial statements presented herein do not adhere to accounting rules whose application was not mandatory in 2013.

The accounting rules adopted by the European Union can be consulted on the European Commission's website at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

2.2 IFRS guidelines applied

2.2.1 Standards, amendments and interpretations applicable at January 1, 2013

Groupe Fnac has applied the IFRS guidelines in force, as adopted by the European Union on the year-end date, i.e. December 31, 2013.

The mandatory applicable accounting rules for fiscal years beginning on or after January 1, 2013 are as follows:

* IAS 19 Revised – Employee Benefits;
* amendments to IFRS 7 – Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities;
* the new IFRS 13 – Fair Valuation Measurement;
* improvements to IFRS (2009 – 2011 cycle):
  - IFRS 1 – First-time adoption of IFRS,
  - IAS 1 – Presentation of Financial Statements,
  - IAS 16 – Property, Plant and Equipment,
  - IAS 32 – Financial Instruments: Presentation,
  - IAS 34 – Interim Financial Reporting.

The amendment to IAS 1 – Presentation of Items of Other Comprehensive Income – was applied early, from January 1, 2012.

The first application of Revised IAS 19 had no material effect on the Group's financial statements.

The other accounting rules are not relevant to the Group or have no material impact on the Group's consolidated annual financial statements at December 31, 2013.

2.2.2 Accounting rules that are not mandatory at January 1, 2013

Groupe Fnac has not opted for the early application of those rules published by the IASB and adopted by the European Union that could have been applied as of January 1, 2013:

* IFRS 10: "Consolidated financial statements";
* IFRS 11: "Joint arrangements";
* IFRS 12: "Disclosure of Interests in Other Entities";
* IAS 28 Revised: "Investments in associates and joint ventures";
* Amendments to IAS 36: Impairment of assets, recoverable amount disclosures for non-financial assets.

The Group does not expect a material impact on the consolidated financial statements of the new IFRS 10, IFRS 11, IFRS 12 standards on consolidation, which it had not applied early on January 1, 2013.

The amendments to IAS 28 and IAS 36, to be applied in the European Union by January 1, 2014 at the latest, have no material impact on the Group's financial statements.

The other rules listed below that are required to be applied as of January 1, 2014, are not relevant to the Group or are not expected to have a material impact on it:

* Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities;
* Amendments to IAS 32 – Offsetting Financial Assets and Liabilities;
* Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets;
* Amendments to IAS 39 – Novation of derivatives;
* Amendments to IAS 19 – Employee Benefits: employee contributions.

2.2.3 Options taken on first-time adoption of IFRS

Groupe Fnac 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 on this subject, Groupe Fnac 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, Groupe Fnac 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:** Groupe Fnac's 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 exchange differences:** Groupe Fnac's currency exchange differences were reset at zero and offset against the Kering Group's opening shareholders' equity on its transition to IFRS. Consequently, the currency exchange differences 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, Groupe Fnac opted only to apply this standard to plans issued by the Kering Group after November 7, 2002 that had not been vested at 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 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;
* 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 judgments

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

The main estimates made by Groupe Fnac'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 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, Groupe Fnac uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

The main assumptions used by Groupe Fnac 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 for 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 country in which the Group operates
Notes 2.16 and 25	Employee benefits	Discount rate, expected rate of return on assets and salary increase rate
Notes 2.18 and 5	Revenue 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 Group's analysis or involvement as principal or agent
Notes 2.9 and 21	Inventories	Prospects for inventory disposal for calculating impairment
Notes 2.13 and 11	Taxation	Assumption used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Notes 2.15 and 26	Provisions	Underlying assumptions for assessing the legal position and risk valuation
Note 7	Performance remuneration plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)

2.3.3 Statement of cash flows

Groupe Fnac's statement of cash flows has been prepared in accordance with IAS 7 – Statement of Cash Flows. For the preparation of its cash flow statements, Groupe Fnac mainly uses the indirect method.

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 Groupe Fnac exercises control. Control is the power to directly or indirectly guide the financial and operational policies of the entity in order to obtain the benefits of its activities. This situation generally means the ownership, directly or indirectly, of over half the voting rights. The existence and effect of potentially exercisable or convertible voting rights are taken into account in the assessment of control.

Subsidiaries are fully consolidated from the date on which control is acquired.

Reciprocal transactions, assets and liabilities between fully 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 Associates

Groupe Fnac has no interests in joint ventures or associates.

2.4.3 Business combinations

Business combinations, in cases where Groupe Fnac gains control of one or more other activities, are recognized by applying the acquisition accounting method.

Business combinations are valued and recognized in accordance with the provisions of revised IFRS 3: the transferred amount (acquisition cost) is valued at fair value of the assets contributed, shareholders' equity issued and liabilities incurred on the transaction date. The identifiable assets and liabilities of the acquired entity are valued at fair value on the acquisition date. The costs directly attributable to the acquisition are recognized as an expense.

Any surplus in the transferred amount over Groupe Fnac's portion of the net fair value of the entity's identifiable assets and liabilities is recognized in goodwill. For each business combination, Groupe Fnac can opt for valuation at fair value of the non-controlled interests. In this case, Groupe Fnac recognizes goodwill on all the identifiable assets and liabilities (full goodwill method).

Goodwill is determined on the date on which control of the acquired entity is taken and is not subject to subsequent adjustment after the valuation period; subsequent acquisition of the non-controlled interests does not give rise to the recognition of additional goodwill. The acquisition and disposal of non-controlled interests are recognized directly in Groupe Fnac's shareholders' equity.

If the transferred amount is less than Groupe Fnac's portion of the net fair value of the entity's net assets, the difference is recognized in income for the period.

Recognition of a business combination must be completed within twelve months of the acquisition date. This period applies to the valuation of identifiable assets and liabilities, the transferred amount and the non-controlled interests.

2.5 Conversion of foreign currencies

2.5.1 Functional currency and presentation currency

The items included in the financial statements of each entity in Groupe Fnac are valued using the currency of the main economic environment in which the entity operates ("functional currency"). Groupe Fnac's financial statements are presented in euros, which is Groupe Fnac's presentation currency.

2.5.2 Translation of foreign 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 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 results and financial position of entities in Groupe Fnac that have a different functional currency from the Group's presentation currency are converted into euros as follows:

- balance sheet items other than shareholders' equity are converted at the exchange rate on the closing date of the period;
- profit and loss items and the cash flow statement are converted at the average exchange rate for the period;
- foreign exchange differences are recognized in translation differences in the comprehensive income statement under other items of comprehensive income, especially translation differences relating to loans in foreign currencies for an investment in a foreign currency or permanent advances to subsidiaries.

Goodwill and fair value adjustments generated by a business combination with a foreign activity are recognized in the functional currency of the acquired entity. They are then converted at the closing rate of exchange into Groupe Fnac's presentation currency, and any differences arising from this conversion are taken to the comprehensive income statement, under other items of comprehensive income.

2.5.4 Net investment in an activity abroad

Foreign exchange differences recognized on the conversion of a net investment in 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 differences 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 represents the surplus of the amount transferred from a business combination on the portion of the acquirer's interest in the net fair value of the identifiable assets and liabilities on the date of acquisition. In cases where, for a given acquisition, Groupe Fnac opts for an assessment of non-controlled interests at fair value, the goodwill is calculated on all the identifiable assets and liabilities.

From the acquisition date, goodwill is allocated to cash generating units (CGUs) and CGU groups defined by Groupe Fnac. 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 loss of value might arise.

Impairment is recognized under "Other non-current operating income and expense" on the income statement and is included in Groupe Fnac's operating income.

2.7 Intangible assets

Intangible 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 Groupe Fnac that meets all the criteria defined in IAS 38 is amortized on a straight-line basis for a useful life of between one and five years.

Groupe Fnac's lease rights are qualified by Groupe Fnac 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.

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 Groupe Fnac 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 Groupe Fnac 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, Groupe Fnac determines the recoverable value of the CGU or CGU group 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 Groupe Fnac 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 Groupe Fnac 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. This mainly concerns the share of lessors in construction work and lease franchises.

The capital gains generated by disposals in connection with lease transfers are recognized in full 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 which, even though they do not have the legal form of a lease agreement, confer on Groupe Fnac 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 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 all purchase costs and other costs incurred to get inventories to their place of sale and existing condition (parafiscal taxes, transport costs, provision for unknown discount between the last inventory date and the balance sheet 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.

Groupe Fnac may have to recognize an impairment on inventories based on their prospects for disposal, if they are damaged, partially or completely obsolete, or if the sale price falls.

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 highest 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. To calculate the value in use, a terminal value equivalent to the capitalization to infinity of annual normative cash flows is added to the projected 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 asset disposed of and the portion of the CGU retained, unless another method is more relevant.

2.11 Financial assets and liabilities

Derivative instruments are recognized on the balance sheet at their fair value, as assets (positive fair value) or liabilities (negative fair value).

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 Groupe Fnac 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 Groupe Fnac is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights on the cash flow 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 Groupe Fnac 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 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 is 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. The criteria for depreciating the Group's trade (customer and supplier) receivables are as follows:

* between six months and one year old, the receivables are depreciated by 50%;
* over one year old, receivables are depreciated by 100%.

Receivables related to equity interests, other loans and debts and trade receivables are included in this category. They appear under non-current financial assets, trade receivables and other non-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 Groupe Fnac 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. Impairment recognized on variable-income securities in the income statement is irreversible.

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 Groupe Fnac, financial loans and 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 assets.

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

Groupe Fnac uses various financial instruments to reduce its exposure to foreign exchange risks.

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 consolidated income statement;
* 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 of its inception;
* the effectiveness of the relationship of the hedge 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 hedging commercial transactions and under financial income for hedging financial 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, units in cash 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. A reconciliation detailing cash on the cash flow statement and the balance sheet appears in note 27.

2.11.5 Definition of the Group's consolidated net financial debt

The notion of net financial debt used by Groupe Fnac consists of gross financial debt including accrued interest not yet due minus net cash, as defined by the French Accounting Board (CNC) Recommendation No. 2013-R.03.

2.12 Share-based payments

2.12.1 Shareholders' equity instruments allocated by the Kering Group

Bonus shares and share purchase and subscription options in Kering securities were allocated by the Kering Group to employees of Groupe Fnac. The impact of these allotments on the year ended December 31, 2013 is detailed in note 7.1.

2.12.2 Shareholders' equity instruments allocated by Groupe Fnac

Share-based transactions payable in cash

Performance-compensation plans, which are eventually paid in cash, were allocated by Groupe Fnac 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 7.2.

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 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, which are eventually paid in equity instruments, were allocated by Groupe Fnac 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 7.3.

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 fiscal 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 Groupe Fnac expects to recover or pay the book value of the assets and liabilities using the enacted and 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 to the extent that their future use appears probable.

A deferred tax liability is recognized on taxable timing differences that relate to investments in subsidiaries, equity associates and joint ventures, unless Groupe Fnac 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.

According to Groupe Fnac's analysis, the Cotisation sur la Valeur Ajoutée des Entreprises – CVAE, which is a company value-added contribution, meets the definition of a tax as defined in IAS 12. It is therefore presented on the income statement under income tax.

2.14 Treasury stock and other shareholders' equity instruments

Groupe Fnac may hold some of its own shares by virtue of a liquidity agreement whose chief purpose is to promote liquidity for share 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 27.1.

The liquidity contract does not stipulate an obligation to purchase treasury stock at year-end.

Shareholders' equity also includes perpetual super-subordinated notes (TSSDI) classified as equity instruments given the discretionary nature of their remuneration and the lack of obligatory redemption (see note 3.2.2).

2.15 Provisions

Provisions for litigation, disputes and miscellaneous contingencies are recognized as soon as an actual 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, Groupe Fnac assesses the probability of an unfavorable judgment and makes an estimate for the amounts concerned. This assessment is based on legal analyses conducted with Groupe Fnac'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.), asset impairments 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, Groupe Fnac companies contribute to various types of benefits for their employees.

For defined-contribution plans, Groupe Fnac 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 calculated. 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 in accordance with the option allowed by the IAS 19 Revised.

In accordance with IAS 19R, the cost of past service, 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 obligation 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 require 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 is 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 Groupe Fnac's balance sheet, with no restatement for past years.

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.

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, the sale of merchandise by franchises, and franchise fees, which are recognized in net revenues when the services are provided.

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 intragroup 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 Groupe Fnac 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, are 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 Groupe Fnac operations, whether the income and costs are recurrent or whether they result from one-off operations or decisions.

Current operating income is an intermediate aggregate line item shown to facilitate analysis of the Group's operating performance.

Other non-current operating income and expenses, excluded from current operating income as defined by the French Accounting Board (CNC) No. 20013-R.03, include:

* unusual or infrequent items that would distort the review of the Group's economic performance;
* impairment of goodwill and intangible assets;
* outgoings and income from sales of intangible assets and property, plant and equipment or non-current financial assets;
* restructuring costs and costs relating to headcount reductions.

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 Groupe Fnac's principal decision-making body.

An operating segment is a distinct component of Groupe Fnac, 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 Groupe Fnac conducts its operations through stores:

* France;
* Iberian Peninsula (Spain and Portugal);
* Brazil;
* Other countries (Switzerland and Belgium).

The management data used to evaluate the performance of a segment are drawn up in accordance with the IFRS principles applied by Groupe Fnac for its consolidated financial statements.

2.22 Tax credit for encouraging competitiveness and employment

A new tax credit for encouraging competitiveness and employment (the "CICE") was introduced in France for remuneration paid on or after January 1, 2013 with the aim of reducing the cost of employment borne by companies and improving the job situation and competitiveness of companies. Groupe Fnac entities employing salaried staff and subject to corporate income tax are eligible for this regime.

The features of the CICE are similar to those of a public subsidy in the form of a tax credit. In accordance with the provisions of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", it is accounted for by reducing the payroll costs to which it relates.

NOTE 3 Highlights

3.1 Changes in scope of consolidation

Groupe Fnac's consolidated financial statements at December 31, 2013 include the financial statements of the companies listed in note 36.

In the first half of 2013, Groupe Fnac completed the sale of the company Form@Home to Solution 30 on March 31, 2013, generating a near-zero profit on disposal.

In September 2013, the subsidiaries Fnac Global Services and Fnac Spectacle were absorbed into Fnac SA. The subsidiary Lysiane Thomas was absorbed into France Billet and Fnac Service was absorbed into Fnac Direct. These restructuring operations were carried out by universal asset transfer in order to optimize the Group's legal structure.

In the last quarter of 2013, Groupe Fnac created Fnac Jukebox, a company included in Groupe Fnac's scope of consolidation and purchased the DATASPORT Group (companies JFCL, DATASPORT and DATASPORT Ouest).

3.2 Other significant events

3.2.1 Groupe Fnac's initial public offering

On October 9, 2012, the Kering Group announced the spin-off and stock market flotation of Groupe Fnac, by allotment of Groupe Fnac shares to Kering Group shareholders.

Groupe Fnac's initial public offering was completed on June 20, 2013, after a capital increase of €70 million, with no issue premium.

The share capital was reduced by €16.6 million, composed of 16,595,610 shares of one euro.

Details of Groupe Fnac's capital operations are described in the IPO Prospectus, in Appendix 3 Consolidated Financial Statements, note 3.2.1.

3.2.2 Groupe Fnac refinancing

On April 19, 2013, Fnac SA entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate, for a three-year period. This credit line has been implemented to finance the Group's working capital requirement.

At the same time, on April 24, 2013 the Group also issued sixty perpetual super-subordinated notes (TSSDI) with a nominal value of €1 million each, for a total nominal amount of €60 million. These notes are subordinated to all senior creditors and bear an 8% annual fixed rate coupon. In accordance with IAS 32 and in light of its characteristics (no reimbursement clauses, no obligation to pay a coupon except in the limited cases set forth in the agreement and at the issuer's initiative), this instrument is recognized in shareholders' equity.

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 measurement of each operating segment's performance, which is used by the principal 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 are composed of goodwill and other intangible assets, property, plant and equipment, and other non-current assets. Segment assets are composed of non-current segment assets, inventories, trade receivables, consumer loans, and other current assets. Segment liabilities are composed of consumer loan financing, trade payables, and other current liabilities.

4.1 Operating segment data

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2013					
Income from ordinary activities	**2,761.9**	**654.3**	**197.2**	**291.9**	**3,905.3**
Consumer electronics	1,473.9	390.4	132.1	153.7	2,150.1
Entertainment media	1,125.5	247.8	60.0	129.8	1,563.1
Services	162.5	16.1	5.1	8.4	192.1
Operating income	**13.2**	**20.3**	**4.4**	**5.2**	**43.1**
Income and expense with no impact on cash [(a)]	42.6	17.3	(4.0)	3.1	59.0
Purchase of non-current tangible and intangible assets [(b)]	39.6	5.3	0.8	2.9	48.6
Segment assets	**988.2**	**159.7**	**65.8**	**74.4**	**1,288.1**
Segment liabilities	**842.3**	**214.2**	**27.2**	**66.5**	**1,150.2**

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2013					
Income from ordinary activities	**2,838.8**	**683.3**	**227.5**	**311.5**	**4,061.1**
Consumer electronics	1,507.4	396.7	149.7	160.1	2,213.9
Entertainment media	1,145.7	269.5	71.7	142.8	1,629.7
Services	185.7	17.1	6.1	8.6	217.5
Operating income	**(57.5)**	**15.6**	**(22.6)**	**(2.4)**	**(66.9)**
Income and expense with no impact on cash [(a)]	143.6	11.5	9.7	5.2	170.0
Purchase of non-current tangible and intangible assets [(b)]	80.6	9.7	2.5	2.4	95.1
Segment assets	**1,052.3**	**160.6**	**83.5**	**74.4**	**1,370.8**
Segment liabilities	**856.6**	**203.2**	**48.2**	**80.6**	**1,188.6**

(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;*
- *non-disbursable income & expenses related to stock options and equivalent items;*
- *proceeds from disposal of operating & financial assets;*
- *deferred tax charges and reversals.*

(b) Purchase of non-current tangible and intangible assets excluding finance leases including the changes in receivables and payables for non-current assets.

4.2 Reconciliation of segment assets and liabilities

Total segment assets are reconciled as follows in the Group's total assets:

(€ million)	2013	2012
Goodwill	332.0	323.5
Intangible non-current assets	69.6	73.3
Tangible non-current assets	181.3	197.3
Other non-current assets	0.3	0.1
Non-current segment assets	**583.2**	**594.2**
Inventory	472.9	495.2
Trade receivables	121.5	118.8
Other current assets	110.5	162.6
Segment assets	**1,288.1**	**1,370.8**
Non-current financial assets	7.6	5.8
Deferred tax assets	28.1	33.9
Tax receivables due	21.9	9.2
Other current financial assets	5.5	0.0
Cash and cash equivalents	461.6	305.5
Assets held for sale	0.0	0.0
TOTAL ASSETS	**1,812.8**	**1,725.2**

Total segment liabilities are reconciled as follows in the Group's total liabilities:

(€ million)	2013	2012
Trade payables	692.6	717.1
Other current liabilities	457.6	471.5
Segment liabilities	**1,150.2**	**1,188.6**
Shareholders' equity	539.8	397.0
Long-term borrowings and financial debt	0.5	0.7
Non-current provisions for pensions and other equivalent benefits	58.6	63.2
Short-term borrowings and financial debt	0.2	12.8
Other current financial liabilities	5.0	0.0
Current provisions	41.7	52.3
Tax liabilities payable	16.8	10.6
Liabilities relating to assets held for sale	0.0	0.0
TOTAL LIABILITIES	**1,812.8**	**1,725.2**

NOTE 5 Revenues from ordinary activities

(€ million)	2013	2012
Net sales of goods	3,713.2	3,843.6
Net sales of services	159.1	186.8
Other revenue	33.0	30.7
TOTAL SALES	**3,905.3**	**4,061.1**

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.

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 25).

(€ million)	2013	2012
France	(431.3)	(448.5)
Iberian Peninsula	(68.9)	(73.7)
Brazil	(17.2)	(21.1)
Other countries	(41.4)	(48.1)
TOTAL	**(558.8)**	**(591.4)**

The payroll costs presented above include an expense of €5 million related to the application of IFRS 2 on all transactions based on Groupe Fnac shares in 2013 for a total of €3.8 million, and those reinvoiced by the Kering Group in 2013 for a total of €1.2 million.

The average paid workforce for Groupe Fnac's activities, in full-time equivalent, is composed as follows:

	2013	2012
France	8,367	8,809
Iberian Peninsula	2,855	3,059
Brazil	823	900
Other countries	759	888
TOTAL	**12,804**	**13,656**

The total paid workforce at December 31st, for Groupe Fnac's activities was as follows:

	2013	2012
France	9,430	10,555
Iberian Peninsula	3,951	4,164
Brazil	888	918
Other countries	988	1,011
TOTAL	**15,257**	**16,648**

NOTE 7 Performance remuneration plans

7.1 Bonus share allotment plans and share purchase and subscription plans

The IFRS 2 expense recognized for the year ended December 31, 2013, includes an amount of €1.2 million for bonus share allotment plans and Kering share purchase and subscription plans for certain employees of Groupe Fnac.

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 at January 1, 2005 were subject to valuation. At December 31, 2013, there were no further non-eligible plans (prior to November 7, 2002). The main features of these plans are summarized below:

	2003/1 plan	2004/1 plan	2005/2 plan	2005/3 plan	2006/1 plan	2007/1 plan	2009/2 plan
Stock option and bonus share plans	**Subscription options**	**Subscription options**	**Subscription options**	**Subscription options**	**Purchase options**	**Purchase options**	**Bonus shares**
Date of award	7/9/2003	5/25/2004	5/19/2005	5/19/2005	5/23/2006	5/14/2007	5/7/2009
Expiration date	7/8/2013	5/24/2014	5/18/2015	5/18/2015	5/22/2014	5/13/2015	N.A.
Vesting period	(a)	(a)	(b)	(b)	(b)	(b)	(d)
Number of beneficiaries	178	192	112	5	94	46	39
Number originally awarded	95,585	89,125	47,610	2,120	52,517	49,050	8,850
Number outstanding at 1/1/13	3,200	9,770	8,012	0	7,363	26,435	6,875
Number cancelled in 2013		550	168			1,875	
Number exercised in 2013	2,230	2,930	3,446		1,997	3,400	
Number of shares awarded							6,875
Number expired in 2013	970						
Number outstanding at 12/31/2013		6,290	4,398		5,366	21,160	
Number exercisable at 12/31/13		6,290	4,398		5,366	21,160	
Exercise price *(in euros)*	66.00	85.57	78.01	78.97	101.83	127.58	N.A.
Fair value at the valuation date *(in euros)*	15.37	15.75	11.19	10.98	13.62	20.99	32.21
Weighted average price of the options exercised & shares awarded *(in euros)*	159.22	162.99	159.29		166.40	173.14	

	2010/2 plan	2011/1 plan	2011/2 plan	2012/1 plan	2012/2 plan
Stock-option and bonus share plans	**Bonus shares**	**Bonus shares**	**Bonus shares**	**Bonus shares**	**Bonus shares**
Date of award	5/19/2010	5/19/2011	5/19/2011	4/27/2012	4/27/2012
Expiration date	N.A.	N.A.	N.A.	N.A.	N.A.
Vesting period	(d)	(c)	(d)	(c)	(d)
Number of beneficiaries	42	81	43	76	38
Number originally awarded	5,585	15,297	5,110	15,991	3,685
Number outstanding at 1/1/13	4,520	13,882	4,780	14,826	3,370
Number cancelled in 2013	130	380	415	2,312	265
Number exercised in 2013					
Number of shares awarded					
Number expired in 2013					
Number outstanding at 12/31/2013	4,390	13,502	4,365	12,524	3,105
Number exercisable at 12/31/13					
Exercise price *(in euros)*	N.A.	N.A.	N.A.	N.A.	N.A.
Fair value at the valuation date (in euros)	60.62	83.53	69.91	88.73	74.62
Weighted average price of the options exercised & shares awarded *(in euros)*					

The exercise of share purchase options and the delivery of bonus shares do not give rise to a capital increase.

For all these plans, the vesting period is four years from the date of allotment.

(a) Twenty-five percent of the options are vested per full year of presence in the Group except in the case of retirement (vesting of all rights). In the event of dismissal for serious misconduct or gross negligence, all rights are forfeited including after the end of the vesting period.

(b) Twenty-five percent of the options are vested per full year of presence in the Group except in the case of retirement (vesting of all rights) and resignation (all rights forfeited). In the event of dismissal for serious misconduct or gross negligence, all rights are forfeited including after the end of the vesting period.

(c) The shares are vested two 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. The vesting period is followed by a two-year period during which the shares are locked-in and cannot be accessed.

(d) 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 valuation of services rendered by the beneficiaries is assessed on the plans' allotment date:

* for share purchase and subscription plans, using a Black & Scholes type method with a trinomial algorithm and thresholds for exercising the options, in particular taking account of the number of options that could potentially be exercised at the end of the vesting period;
* for bonus share allotment plans, using a Black & Scholes type method with Monte Carlo algorithm having two underlyers.

Exercise thresholds and probabilities of exercise used as assumptions for share subscription and purchase plans are as follows:

Threshold as a % of the exercise price	Exercise probability
125%	15%
150%	20%
175%	20%
200%	20%

Based on these assumptions, 25% of beneficiaries do not exercise their options prematurely before the expiration date.

	2003/1 plan	2004/1 plan	2005/2 plan	2005/3 plan	2006/1 plan	2007/1 plan	2008/3 plan
Stock option and bonus share plans	Subscription options	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Bonus shares
Volatility	33.25%	25.65%	21.00%	21.00%	23.00%	23.00%	42.00%
Risk-free rate	4.08%	4.45%	3.49%	3.49%	4.08%	4.49%	4.06%

	2009/2 plan	2010/1 plan	2010/2 plan	2011/1 plan	2011/2 plan	2012/1 plan	2012/2 plan
Stock option and bonus share plans	Bonus shares	Bonus shares	Bonus shares	Bonus shares	Bonus shares	Bonus shares	Bonus shares
Volatility	40.00%	35.00%	35.00%	28.00%	28.00%	29.00%	29.00%
Risk-free rate	4.06%	1.85%	1.85%	2.32%	2.32%	0.97%	0.97%

The volatilities mentioned correspond to the expected volatilities for each plan based on the maturities and exercise prices available on the allotment date. The dividends used for the valuation correspond to the dividends expected by the market on the allotment date.

The risk-free interest rates correspond to the interest rate yield curve on the date of allotment, for one-to-ten year interbank swaps.

A total of €3.3 million was reinvoiced in 2013 by the Kering Group to Groupe Fnac for plans definitively allotted to Groupe Fnac employees. This amount was recognized as a deduction from the Group's shareholders' equity.

7.2 Value units plan

On the recommendation of the Appointments and Compensation Committee, on July 30, 2013, the Board of Directors decided on the award of value units to certain Group employees (112 beneficiaries) with the aim of retaining them and aligning their interests with that of the Company and its shareholders. These value units will be earned on July 31, 2015, subject to conditions of presence and performance. The value of the unit is based on an average price of Groupe Fnac share. If the share price in July 2015 is below a predefined price, no payment will be made. The associated payment, in cash, will be made in October 2015 and July 2016.

The total IFRS 2 expense recognized at December 31, 2013 for the value units plan came to €3.2 million appearing as an employee liability on the balance sheet.

The main features of this plan are summarized below:

Principal features	2013-2016 value units plan
Date of Board meeting	July 30, 2013
Vesting period	2 years / 3 years
Date of award	July 31, 2015 and July 31, 2016
Number of beneficiaries	112
Performance Condition	Yes

Number of value units	2013-2016 value units plan
In the process of being vested at January 1, 2013	**0**
Awarded	456,018
Vested	0
Cancelled	0
In the process of being vested at December 31, 2013	**456,018**

7.3 Performance option plans

On the recommendation of the Appointments and Compensation Committee, on October 22, 2013, the Board of Directors decided to award performance options to certain directors of the Group in order to link them to the company's performance through an increase in the share price. These will be paid in cash and equity instruments depending on the beneficiaries.

The main features are summarized below:

These options will only be definitively vested in progressive stages, at the end of three successive vesting periods (December 2013 - March 2015, December 2013 - March 2016, and December 2013 - March 2017) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for Groupe Fnac share for each of the three periods. The options must be exercised within eight weeks following the end of the vesting period.

Principal features	2013-2017 performance stock options plan
Date of Board meeting	October 22, 2013
Vesting period	3 years
Exercise price	20.28
Number of beneficiaries	10
Performance condition	Yes

Number of stock options	2013-2017 performance stock options plan
In the process of being vested at January 1, 2013	**0**
Awarded	656,536
Vested	0
Cancelled	0
In the process of being vested at December 31, 2013	**656,536**

Valuation method

The fair value of the options allotted was valued using the Black & Scholes method based on a volatility assumption of 30%.

The risk-free interest rates correspond to the interest rate yield curve on the date of allotment, for six-month to seven-year interbank swaps.

The total IFRS 2 expense recognized at December 31, 2013 for the performance options came to €0.6 million shown as an employee liability on the balance sheet.

NOTE 8 Current operating income

Current operating income represents the main indicator for monitoring the operating performance of Groupe Fnac.

It is composed as follows:

(€ million)	**2013**	**2012**
France	42.6	45.6
Iberian Peninsula	21.3	17.7
Brazil	0.7	(5.7)
Other countries	7.1	5.7
Current operating income	**71.7**	**63.3**

Other operating income and expenses amounted to a net expense of €533.9 million (compared to a net expense of €564.6 million in 2012).

In addition to amortizations and provisions, other operating income and expenses are mainly composed of rental charges, transport costs, and advertising costs.

NOTE 9 Other non-current operating income and expense

(€ million)	**2013**	**2012**
Non-current operating expense	**(36.1)**	**(138.5)**
Restructuring costs	(29.4)	(36.6)
Impairment of assets and proceeds from asset disposals	0.0	(93.4)
Litigation and disputes	(4.7)	(0.1)
Other risks	(2.0)	(8.4)
Non-current operating income	**7.5**	**8.3**
Gains on asset disposals	7.5	0.0
Other	0.0	8.3
TOTAL	**(28.6)**	**(130.2)**

Other non-current operating income and expenses for Groupe Fnac include one-off items that could affect the relevance of the Group's economic performance monitoring.

At December 31, 2013, these represented a net expense of €28.6 million. They included the following items:

* restructuring costs of €29.4 million;
* litigation and disputes and other operating and tax risks for a total expense of €6.7 million;
* a capital gain on the sale of assets of €7.5 million: principally the sale of shares in Cyrillus Deutschland GmbH.

At December 31, 2013, these represented a net expense of €130.2 million. They included the following items:

* restructuring costs of €36.6 million;
* asset impairments of €93.4 million, mainly concerning goodwill for France and Brazil CGUs;
* provisions for litigation and disputes with third parties amounting to €0.1 million;
* other risks for €8.4 million;
* income of €8.3 million from the reversal of provisions for litigation and disputes, primarily resulting from the transfer to Kering of certain litigation rights.

NOTE 10 (Net) financial expense

Net financial expense breaks down as follows:

(€ million)	2013	2012
Cost of net financial debt	**(0.3)**	**(5.1)**
Income from cash and cash equivalents	0.5	0.8
Financial expense at amortized cost	(0.8)	(5.9)
Other financial income and expense	**(11.4)**	**(9.9)**
Origination and unused line of credit fees	(3.6)	0.0
Impact of discounting net debt related to defined benefit plans	(1.7)	(2.1)
Cost of consumer credit	(6.2)	(7.8)
Other net financial expense	0.1	0.0
TOTAL	**(11.7)**	**(15.0)**

As of December 31, 2013, financial income was composed of a financial expense of €11.7 million, compared with a financial expense of €15 million for the same period in the prior year.

The cost of the Group's debt fell from an expense of €5.1 million in 2012 to an expense of €0.3 million in 2013 due to the reduction in the Group's average debt in 2013.

Other financial income and expenses are principally composed of:

* expenses for the cost of consumer credit totaling €6.2 million in 2013 (compared to an expense of €7.8 million in 2012);
* the effect of discounting assets and liabilities for the Group's post-employment benefits for a total expense of €1.7 million in 2013 (compared to an expense of €2.1 million in 2012);
* the share of the cost of the €250 million revolving credit facility spread over 3 years, for a total expense of €3.6 million.

NOTE 11 Taxation

11.1 Analysis of the income tax expense on continuing activities

11.1.1 Income taxes

(€ million)	2013	2012
Pre-tax income	**31.4**	**(81.9)**
Tax charge payable excluding the Corporate Value-Added Tax (CVAE)	(2.4)	(27.3)
Tax charge related to the Corporate Value-Added Tax (CVAE)	(9.9)	(10.5)
Deferred tax income/(expense)	(3.3)	4.1
Total tax charge	**(15.6)**	**(33.7)**
Effective tax rate	**49.68%**	**(41.15%)**

11.1.2 Rationalization of the income tax rate

(as a % of pre-tax income)	2013	2012
Tax rate applicable in France	**38.00%**	**36.10%**
Impact of the taxation of foreign subsidiaries	(10.43%)	(0.35%)
Theoretical tax rate	**27.57%**	**35.75%**
Impact of items taxed at a lower rate	(3.06%)	(0.36%)
Impact of permanent timing differences	(18.01%)	(44.37%)
Impact of unrecognized timing differences	(21.64%)	(4.24%)
Impact of unrecognized tax-loss carry-forwards	41.91%	(19.75%)
Impact of the Corporate Value-Added Tax	22.76%	(8.22%)
Other	0.15%	0.04%
Effective tax rate	**49.68%**	**(41.15%)**

The income tax rate applicable in France is the basic rate of 33.33% increased by the social security contribution of 3.3%, and an exceptional increase of 10.7% for French companies with revenues in excess of €250 million, taking it to 38%.

11.1.3 Current tax rate

Excluding non-current items, the Group's tax rate is as follows:

(€ million)	2013	2012
Pre-tax income	31.4	(81.9)
Non-current items	(28.6)	(130.2)
Current income before tax	**60.0**	**48.2**
Total tax charge	(15.6)	(33.7)
Tax on non-current items	**1.0**	**2.0**
Current tax charge	(16.6)	(35.7)
Current tax rate	**27.67%**	**74.06%**

As of January 1, 2013, Groupe Fnac constituted its own tax consolidation group for all the French subsidiaries (excluding the DATASPORT Group companies: JFCL, DATASPORT and DATASPORT Ouest).

In 2012, all the French subsidiaries of Groupe Fnac formed part of the Kering Group's tax consolidation. The deficits generated by these entities through to December 31, 2012 were assumed by the Kering Group under the terms of the agreement for exiting the tax group.

11.2 Changes in balance sheet items

11.2.1 Current tax

(€ million)	2012	On Income	Cash flows relating to the WCR	IFRS 5 flows	Changes in scope of consolidation and exchange rate	2013
Tax receivables due	9.2					21.9
Tax liabilities payable	(10.6)					(16.8)
Taxes payable	**(1.4)**	**(12.3)**	**18.7**	**0.0**	**0.1**	**5.1**

(€ million)	2011	On Income	Cash flows relating to the WCR	IFRS 5 flows	Changes in scope of consolidation and exchange rate	2012
Tax receivables due	10.6					9.2
Tax liabilities payable	(8.4)					(10.6)
Taxes payable	**2.2**	**(37.8)**	**34.5**	**(0.3)**	**0.0**	**(1.4)**

11.2.2 Deferred taxes

(€ million)	2012	On Income	Items recognized in shareholders' equity	Changes in scope of consolidation and exchange rate	2013
Net deferred tax assets	33.9	(3.3)	(2.4)	(0.1)	28.1
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**33.9**	**(3.3)**	**(2.4)**	**(0.1)**	**28.1**

(€ million)	2012	On Income	Items recognized in shareholders' equity	Changes in scope of consolidation and exchange rate	2013
Provisions for pensions and other equivalent benefits	20.5		(2.4)		18.1
Recognized tax losses and tax credits	6.7	1.1		(0.9)	6.9
Other assets & liabilities	6.7	(4.4)		0.8	3.1
Net deferred tax assets (liabilities)	**33.9**	**(3.3)**	**(2.4)**	**(0.1)**	**28.1**

(€ million)	2011	On Income	Items recognized in shareholders' equity	Changes in scope of consolidation and exchange rate	2012
Net deferred tax assets	26.2	4.1	3.6		33.9
Deferred tax liabilities	0.0				0.0
Net deferred taxes	**26.2**	**4.1**	**3.6**	**0.0**	**33.9**

(€ million)	2011	On Income	Items recognized in shareholders' equity	Changes in scope of consolidation and exchange rate	2012
Provisions for pensions and other equivalent benefits	16.0	1.0	3.5		20.5
Recognized tax losses and tax credits	4.2	2.4	0.1		6.7
Other assets & liabilities	6.0	0.7			6.7
Net deferred tax assets (liabilities)	**26.2**	**4.1**	**3.6**	**0.0**	**33.9**

In 2012, recognized tax losses and tax credits of €6.7 million were related to the international scope of consolidation.

In 2013, recognized tax losses and tax credits of €6.9 million were related to the overall Groupe Fnac scope of consolidation.

11.3 Unrecognized deferred tax

The change in tax losses and unused tax credits is as follows:

(€ million)	2013	2012
Non-capitalized tax losses	91.5	53.1
Non-capitalized timing differences	57.0	81.1
TOTAL UNRECOGNIZED TAX BASES	**148.5**	**134.2**

As of December 31, 2013, there were no unrecognized deferred taxes for temporary differences relating to shareholdings in subsidiaries.

11.4 Tax loss changes and timing

(€ million)	Total	Of which non-capitalized	Of which capitalized
At December 31, 2012	**73.7**	**53.1**	**20.6**
Losses generated during the financial year	53.6		
Losses deducted and time-barred during the financial year	(6.2)		
Changes in scope of consolidation	(7.7)		
At December 31, 2013	**113.4**	**91.5**	**21.9**
Tax-loss carry-forwards with a set maturity	**5.5**	**0.0**	**5.5**
Of less than 5 years	5.5		
Over 5 years	0.0		
Indefinite tax-loss carry-forwards	**107.9**	**91.5**	**16.4**
TOTAL	**113.4**	**91.5**	**21.9**

NOTE 12 Assets held for sale and discontinued operations sold or held for sale

For the periods in question, discontinued operations sold or held for sale are primarily those of Fnac Italy (sold in November 2012).

Pursuant to IFRS 5, Groupe Fnac no longer amortizes these groups of assets and all assets that comprise it as from the date of their classification as "discontinued operations sold or held for sale." For all published periods, net income from these operations is presented separately in the income statement, "Discontinued operations," and is restated in the cash flow statement. Assets and liabilities of "operations sold or held for sale" are presented separately in the Groupe Fnac balance sheet, with no restatement for prior periods. Assets and liabilities of "discontinued operations" are not presented separately in the Groupe Fnac balance sheet.

Impact on the financial statements

The income statement and cash flow statement for discontinued operations sold or held for sale are as follows:

(€ million)	**2013**	**2012**
Income from ordinary activities		**104.6**
Cost of sales		(78.2)
Gross margin	**0.0**	**26.4**
Personnel expenses		(17.3)
Other current operating income and expense		(20.8)
Current operating income	**0.0**	**(11.7)**
Other non-current operating income and expense	(1.1)	(20.2)
Operating income	**(1.1)**	**(31.9)**
(Net) financial expense		0.9
Pre-tax income	**(1.1)**	**(31.0)**
Income tax		4.9
Net income	**(1.1)**	**(26.1)**

(€ million)	**2013**	**2012**
Net cash flows from operating activities	(1.2)	(28.3)
Net cash flows from investing activities		(0.2)
Net cash flows from financing activities		(3.3)
Net cash flows	**(1.2)**	**(31.7)**
Opening cash balance or net cash flows and change in intra-group cash flows		
Cash flows from discontinued operations	**(1.2)**	**(31.7)**

In 2013, other non-current operating income and expenses related to the settlement of the disposal of Fnac Italy.

Operations sold or held for sale had no impact on the presentation of the Group's consolidated balance sheet.

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 consolidated companies.

In 2013, Groupe Fnac held an average of 12,662 treasury shares as part of the liquidity contract entered into on June 19, 2013 with Rothschild & Cie Banque.

As of December 31, 2013, Groupe Fnac liquidated its position and holds no 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.

Diluted earnings per share is equal to net earnings per share to the extent that no instrument issued by Groupe Fnac had a dilutive effect in 2013.

The number of shares that could potentially become dilutive during a subsequent fiscal year was 393,922.

13.1 Earnings per share

Earnings per share at December 31, 2013

(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**14.7**	**15.8**	**(1.1)**
Weighted average number of ordinary shares issued	16,595,610	16,595,610	16,595,610
Weighted average number of treasury shares	(12,662)	(12,662)	(12,662)
Weighted average number of ordinary shares	**16,582,948**	**16,582,948**	**16,582,948**
Basic earnings per share *(in euros)*	**0.89**	**0.95**	**(0.07)**

(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**14.7**	**15.8**	**(1.1)**
Convertible and exchangeable instruments			
Diluted net income, Group share	**14.7**	**15.8**	**(1.1)**
Weighted average number of ordinary shares	16,582,948	16,582,948	16,582,948
Potentially dilutive ordinary shares	0	0	0
Weighted average number of diluted ordinary shares	**16,582,948**	**16,582,948**	**16,582,948**
Diluted earnings per share *(in euros)*	**0.89**	**0.95**	**(0.07)**

Earnings per share at December 31, 2012

(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(141.7)**	**(115.6)**	**(26.1)**
Weighted average number of ordinary shares issued	16,595,610	16,595,610	16,595,610
Weighted average number of treasury shares			
Weighted average number of ordinary shares	**16,595,610**	**16,595,610**	**16,595,610**
Basic earnings per share *(in euros)*	**(8.54)**	**(6.97)**	**(1.57)**

In accordance with IAS 33, the weighted average number of ordinary shares outstanding during the 2013 fiscal year and for the 2012 fiscal year was adjusted to take into account events that changed the number of ordinary shares outstanding without a corresponding change in resources.

(€ million)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(141.7)**	**(115.6)**	**(26.1)**
Convertible and exchangeable instruments			
Diluted net income, Group share	**(141.7)**	**(115.6)**	**(26.1)**
Weighted average number of ordinary shares	16,595,610	16,595,610	16,595,610
Potentially dilutive ordinary shares			
Weighted average number of diluted ordinary shares	**16,595,610**	**16,595,610**	**16,595,610**
Diluted earnings per share *(in euros)*	**(8.54)**	**(6.97)**	**(1.57)**

13.2 Earnings per share from continuing operations excluding non-current items

Non-current items pertain to the line item “Other non-current operating income and expenses” in the income statement for its amount net of tax and non-controlling interests.

(€ million)	2013	2012
Net income attributable to ordinary shareholders	**15.8**	**(115.6)**
Other non-current operating income and expense	28.6	130.2
Taxes on other non-current operating income and expense	(1.0)	(2.0)
Net income excluding non-current items	**43.4**	**12.6**
Weighted average number of ordinary shares issued	16,595,610	16,595,610
Weighted average number of treasury shares	(12,662)	0.0
Weighted average number of ordinary shares	**16,582,948**	**16,595,610**
Basic earnings per share excluding non-current items *(in euros)*	**2.62**	**0.76**
Net income excluding non-current items	**43.4**	**12.6**
Convertible and exchangeable instruments		
Diluted net income, Group share	**43.4**	**12.6**
Weighted average number of ordinary shares	16,582,948	16,595,610
Potentially dilutive ordinary shares	0	0
Weighted average number of diluted ordinary shares	**16,582,948**	**16,595,610**
Basic earnings per share excluding non-current items *(in euros)*	**2.62**	**0.76**

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: re-evaluation of net liabilities for defined benefit plans.

The amount of these items before and after related tax effects and the resulting reclassification adjustments are as follows:

(€ million)	Gross	Tax	Net
Translation difference	(5.1)		(5.1)
Items that may be reclassified subsequently to profit or loss	**(5.1)**	**0.0**	**(5.1)**
Revaluation of net liabilities for defined benefit plans	8.8	(2.4)	6.4
Items that may not be reclassified subsequently to profit or loss	**8.8**	**(2.4)**	**6.4**
Other comprehensive income items at December 31, 2013	**3.7**	**(2.4)**	**1.3**

(€ million)	Gross	Tax	Net
Translation difference	(3.4)		(3.4)
Items that may be reclassified subsequently to profit or loss	**(3.4)**	**0.0**	**(3.4)**
Revaluation of net liabilities for defined benefit plans	(10.7)	3.6	(7.2)
Items that may not be reclassified subsequently to profit or loss	**(10.7)**	**3.6**	**(7.2)**
Other comprehensive income items at December 31, 2012	**(14.1)**	**3.6**	**(10.6)**

NOTE 15 Goodwill

(€ million)	Gross	Impairment	Net
Goodwill at January 1, 2012	**404.9**	**(1.6)**	**403.3**
Acquisitions	1.1		1.1
Foreign exchange fluctuations	(0.5)	0.4	(0.1)
Recognition of an impairment	0.0	(80.8)	(80.8)
Goodwill at December 31, 2012	**405.5**	**(82.0)**	**323.5**
Acquisitions	8.5		8.5
Foreign exchange fluctuations	(0.8)	0.8	0.0
Other changes	(1.7)	1.7	0.0
Goodwill at December 31, 2013	**411.5**	**(79.5)**	**332.0**

In 2013, acquisitions of goodwill relate to the first-time consolidation of the DATASPORT Group for €8.5 million. In 2012, they pertained to the first-time consolidation of the KYRO Concept subsidiary.

In 2013, other changes pertain to the absorption of the Fnac Service subsidiary by the Fnac Direct subsidiary.

Asset impairment tests performed in 2013 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.

The asset impairment tests performed in 2012 resulted in the Group recognizing a €75.4 million goodwill impairment charge in France, and a €16.7 million asset impairment charge in Brazil, of which €5.5 million was specifically allocated to the residual value of goodwill.

Goodwill was allocated to cash generating units as follows:

(€ million)	2013	2012
France	316.7	308.2
Brazil	0.0	0.0
Other countries	15.3	15.3
of which Belgium	*15.3*	*15.3*
TOTAL	**332.0**	**323.5**

NOTE 16 Intangible non-current assets

Gross value as of December 31, 2013

(€ million)	2012	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	315.9	18.7	(7.3)	(0.9)	7.1	333.5
Other intangible non-current assets	20.5	1.0	(0.1)	(0.1)	(5.4)	15.9
TOTAL	**336.4**	**19.7**	**(7.4)**	**(1.0)**	**1.7**	**349.4**

Amortization and impairment as of December 31, 2013

(€ million)	2012	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	(257.1)	(25.0)	6.4	0.9	(1.6)	(276.4)
Other intangible non-current assets	(6.0)	(1.2)	1.7	0.0	2.1	(3.4)
TOTAL	**(263.1)**	**(26.2)**	**8.1**	**0.9**	**0.5**	**(279.8)**

Net value as of December 31, 2013

(€ million)	2012	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Software	58.8	18.7	(25.0)	(0.9)	0.0	5.5	57.1
Other intangible non-current assets	14.5	1.0	(1.2)	1.6	(0.1)	(3.3)	12.5
TOTAL	**73.3**	**19.7**	**(26.2)**	**0.7**	**(0.1)**	**2.2**	**69.6**

Gross value as of December 31, 2012

(€ million)	2011	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2012
Software	284.1	26.4	(5.6)	(0.7)	11.7	315.9
Other intangible non-current assets	26.1	2.7	(1.5)	0.0	(6.9)	20.5
TOTAL	**310.2**	**29.1**	**(7.1)**	**(0.7)**	**4.8**	**336.4**

Amortization and impairment as of December 31, 2012

(€ million)	2011	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2012
Software	(233.8)	(25.4)	3.0	0.4	(1.3)	(257.1)
Other intangible non-current assets	(2.5)	(3.1)	2.6	0.2	(3.2)	(6.0)
TOTAL	**(236.3)**	**(28.5)**	**5.7**	**0.6**	**(4.5)**	**(263.1)**

Net value as of December 31, 2012

(€ million)	2011	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2012
Software	50.3	26.4	(25.4)	(2.6)	(0.3)	10.4	58.8
Other intangible non-current assets	23.7	2.7	(3.1)	1.2	0.2	(10.1)	14.5
TOTAL	**73.9**	**29.1**	**(28.5)**	**(1.4)**	**(0.1)**	**0.3**	**73.3**

NOTE 17 Tangible non-current assets

Gross value as of December 31, 2013

(€ million)	2012	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	643.5	17.9	(10.2)	(5.1)	0.9	647.0
Technical and telecommunications equipment	154.8	4.8	(2.8)	(1.2)	2.2	157.8
Other tangible non-current assets	37.4	10.1	(0.3)	(0.2)	(7.4)	39.6
TOTAL	**835.7**	**32.8**	**(13.3)**	**(6.5)**	**(4.3)**	**844.4**

Amortization and impairment as of December 31, 2013

(€ million)	2012	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	(494.6)	(36.2)	8.9	5.0	3.7	(513.2)
Technical and telecommunications equipment	(127.1)	(9.0)	2.6	1.2	0.2	(132.1)
Other tangible non-current assets	(16.7)	(1.2)	0.1	0.2	(0.2)	(17.8)
TOTAL	**(638.4)**	**(46.4)**	**11.6**	**6.4**	**3.7**	**(663.1)**

Net value as of December 31, 2013

(€ million)	2012	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2013
Fixtures, fittings and commercial facilities	149.0	17.9	(36.2)	(1.3)	(0.2)	4.6	133.8
Technical and telecommunications equipment	27.7	4.8	(9.0)	(0.2)	0.0	2.4	25.7
Other tangible non-current assets	20.7	10.1	(1.2)	(0.2)	(0.0)	(7.6)	21.8
TOTAL	**197.3**	**32.8**	**(46.4)**	**(1.7)**	**(0.2)**	**(0.6)**	**181.3**

Gross value as of December 31, 2012

(€ million)	2011	Acquisitions	Disposals	Foreign exchange fluctuations	Other changes	2012
Fixtures, fittings and commercial facilities	621.9	36.7	(14.6)	(3.2)	2.8	643.5
Technical and telecommunications equipment	141.3	15.8	(1.2)	(0.8)	(0.3)	154.8
Other tangible non-current assets	51.4	(3.1)	(1.1)	(0.1)	(9.8)	37.4
TOTAL	**814.6**	**49.4**	**(16.9)**	**(4.0)**	**(7.3)**	**835.7**

Amortization and impairment as of December 31, 2012

(€ million)	2011	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2012
Fixtures, fittings and commercial facilities	(469.3)	(45.5)	14.3	2.8	3.2	(494.6)
Technical and telecommunications equipment	(119.5)	(10.7)	1.2	0.7	1.2	(127.1)
Other tangible non-current assets	(16.4)	(1.6)	1.2	0.1	0.0	(16.7)
TOTAL	**(605.2)**	**(57.8)**	**16.6**	**3.6**	**4.4**	**(638.4)**

Net value as of December 31, 2012

(€ million)	2011	Acquisitions	Amortization, depreciation and impairment	Disposals	Foreign exchange fluctuations	Other changes	2012
Fixtures, fittings and commercial facilities	152.5	36.7	(45.5)	(0.4)	(0.4)	6.0	149.0
Technical and telecommunications equipment	21.8	15.8	(10.7)	0.0	0.0	0.9	27.7
Other tangible non-current assets	35.0	(3.1)	(1.6)	0.1	0.0	(9.8)	20.7
TOTAL	**209.3**	**49.4**	**(57.8)**	**(0.3)**	**(0.4)**	**(2.9)**	**197.3**

Depreciation and amortization charges are recognized in "Other current operating income and expense" in the income statement.

In 2012, disposals of tangible non-current assets essentially related to the scrapping of tangible non-current assets that had become obsolete in France and Belgium.

In 2013, disposals of tangible non-current assets related primarily to the closure of the Aubervilliers and Paris Odéon stores.

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 is broken down innote 15.

18.1 Assumptions used for impairment tests

The perpetual growth and discount rates after tax applied to projected cash flow under the economic assumptions and estimated operating conditions adopted by Groupe Fnac are as follows:

	Discount		Perpetual growth	
	2013	2012	2013	2012
France	10.7%	10.6%	1.0%	0.5%
Spain	13.8%	10.6%	1.0%	0.5%
Portugal	15.0%	10.6%	1.0%	0.5%
Brazil	12.9%	11.5%	2.5%	2.0%
Belgium	9.2%	10.6%	1.0%	0.5%
Switzerland	8.6%	10.6%	1.0%	0.5%

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, 2013 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, 2013 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 2013 did not lead to the recognition of impairment losses of any of the Group's CGUs in that year.

NOTE 19 Equity interests in affiliates

Groupe Fnac has no equity interest in affiliates.

NOTE 20 Non-current financial assets

Non-current financial assets consist of the following items:

(€ million)	2013	2012
Equity investments	0.1	0.1
Available-for-sale financial assets	0.0	0.0
Deposits and guarantees	7.5	5.6
Other	0.0	0.1
TOTAL	**7.6**	**5.8**

The change in the deposits and guarantees item amounted to €1.9 million and comprised guarantees paid to store lessors.

NOTE 21 Inventories

(€ million)	2013	2012
Gross commercial inventory	498.1	527.8
Impairment	(25.2)	(32.6)
Net amount	**472.9**	**495.2**

Changes in impairment	2013	2012
At January 1	**(32.6)**	**(36.2)**
(Additions) & reversals	6.9	3.1
Foreign exchange differences	0.5	0.5
At December 31	**(25.2)**	**(32.6)**

NOTE 22 Trade receivables

(€ million)	2013	2012
Gross trade receivables	127.5	125.2
Impairment of trade receivables	(6.0)	(6.4)
Net amount	**121.5**	**118.8**

Changes in impairment	2013	2012
At January 1	**(6.4)**	**(6.0)**
(Additions) & reversals	0.4	(0.5)
Foreign exchange differences	0.0	0.1
At December 31	**(6.0)**	**(6.4)**

Impairment is calculated according to the aging of the receivables concerned (see note 2.11.1). Trade receivables can be analyzed as follows:

(€ million)	2013	2012
Receivables not in arrears	115.9	103.8
Arrears not exceeding one month	3.2	12.3
Arrears of between one and six months	3.5	5.0
Arrears of over six months	4.9	4.1
Impairment of doubtful receivables	(6.0)	(6.4)
Net amount	**121.5**	**118.8**

NOTE 23 Other non-current assets and liabilities

(€ million)	2012	Cash flows relating to the WCR	Other cash flows	Change in scope	Foreign exchange & other differences	2013
Inventories (1)	495.2	(16.7)		0.1	(5.7)	472.9
Trade receivables due (2)	118.8	8.7		0.5	(6.5)	121.5
Trade receivables payable (3)	(14.4)	1.9		0.1	(0.1)	(12.5)
Net trade receivables due (4)=(2)+(3)	**104.4**	**10.6**	**0.0**	**0.6**	**(6.6)**	**109.0**
Trade payables due (5)	(717.1)	18.1		0.0	6.4	(692.6)
Trade payables receivable and provisions (6)	89.2	(42.2)		0.0	(0.2)	46.8
Net trade payables due (7)=(5)+(6)	**(627.8)**	**(24.1)**	**0.0**	**0.0**	**6.1**	**(645.8)**
Payroll liabilities (8)	(121.6)	(5.5)		0.1	(1.0)	(128.0)
Tax payables and receivables (excluding corporation tax) (9)	(12.0)	(23.1)		(0.1)	(4.1)	(39.3)
Liabilities relating to commercial operations (10)	(178.2)	35.3		0.0	3.1	(139.8)
Deferred income and expense (11)	(41.5)	(0.5)		0.1	0.5	(41.4)
Other (12)	(2.8)	(0.3)		(2.1)	5.6	0.4
Other operating WCR (∑ 8 to 12)	**(356.1)**	**5.9**	**0.0**	**(2.0)**	**4.1**	**(348.1)**
Operating WCR (∑ 1 to 12)	**(384.3)**	**(24.3)**	**0.0**	**(1.3)**	**(2.1)**	**(412.0)**
Other current assets and liabilities	0.0		1.2	0.0	(0.7)	0.5
Payables and receivables for operating non-current assets	(27.7)		(4.0)	0.0	(1.6)	(33.3)
Tax receivables and payables due	(1.4)		6.4	0.1	0.0	5.1
Other current assets and liabilities	**(413.4)**	**(24.3)**	**3.6**	**(1.2)**	**(4.4)**	**(439.7)**

Because of the nature of its business activities, Groupe Fnac'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 "Marketing liabilities" item includes loyalty program membership, extended warranties, ticketing and customer gift boxes.

NOTE 24 Shareholders' equity

24.1 Share capital

As of December 31, 2013, share capital stood at €16,595,610 as a result of a recapitalization of Groupe Fnac on April 17, 2013, conducted in three phases:

* a capital reduction motivated by losses that reduced the Company's share capital by €104,238,407, taking it from €545,718,719 to €441,480,312;
* a capital increase of €70,023,682.82, without issue premium, by increasing the nominal value per share by €11.42, which increased the nominal value per share from €72 to €83.42;
* a capital reduction for reasons other than losses, taking the share capital to €16,595,610;
* the share capital comprises 16,595,610 fully paid-up shares with a nominal value of €1 each (versus 6,131,671 shares with a nominal value of €89 as of December 31; 2012).

As of December 31, 2013, there were no financial commitments involving Groupe Fnac's consolidated shareholders' equity.

24.2 Appropriation of earnings

No dividend was paid in 2013 in respect of the 2012 fiscal year. A one-time dividend of €20.5 million was paid in 2012.

NOTE 25 Employee benefits and similar payments

According to the laws and practices specific to each country, Groupe Fnac 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 on retirement. The amount depends on the employee's length of service at the retirement date and is defined by a collective bargaining agreement. 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 Groupe Fnac 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.

Groupe Fnac has no obligations in respect of medical costs.

25.1 Changes during the fiscal year

Changes in the value of the accrued benefits under the defined-benefit plans are as follows:

(€ million)	**2013**	**2012**
Discounted value of the commitment at January 1	**74.5**	**64.0**
Cost of services provided during the period	4.2	4.1
Contributions paid by the members	0.4	0.6
Financial interest expense	1.9	2.6
Cost of past services	(1.2)	0.0
Revaluation of liabilities	(7.0)	10.9
Reductions	0.0	(2.4)
Benefits paid	(3.5)	(3.7)
Change in scope	0.0	(1.6)
Fluctuations in foreign currency exchange rates	(0.2)	0.0
Discounted value of the commitment at December 31	**69.1**	**74.5**

The breakdown of the discounted value of the accrued benefit by type of plan and by country as of December 31, 2013 is as follows:

(€ million)	**2013**	**2012**
End-of-career allowances - France	60.0	64.1
Long-service awards - France	1.6	1.5
Supplementary pension plans (LPP) - Switzerland	7.5	8.8
Discounted value of the commitment at December 31	**69.1**	**74.5**

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	Supplementary pension plans (LPP) - Switzerland	Total
Discount rate - 50 basis points	63.7	1.7	8.2	73.6
Discounted value of the 2013 commitment	60.0	1.6	7.5	69.1
Discount rate + 50 basis points	56.6	1.6	6.9	65.1

Changes in the fair value of the assets of defined-benefit plans are as follows:

(€ million)	2013	2012
Fair value of the deferred benefit plan assets at January 1	**11.3**	**12.7**
Contributions paid by the employer	0.6	1.4
Contributions paid by the members	0.4	0.6
Financial interest on asset	0.2	0.4
Benefits paid	(2.8)	(3.7)
Actual return on assets	1.1	(0.3)
Other	(0.2)	0.0
Change in scope	0.0	0.0
Fluctuations in foreign currency exchange rates	(0.1)	0.2
Fair value of the defined benefit plans at December 31	**10.5**	**11.3**

Groupe Fnac expects to pay out an estimated €2.4 million in 2014.

As of December 31, 2013, 81% of the funds of funded defined benefit plans were invested in debt instruments.

The reconciliation of the balance sheet data and actuarial obligation of the defined benefit plans is as follows:

(€ million)	2013	2012	2011	2010	At January 1, 2010
Discounted value of the commitment	69.1	74.5	64.0	60.9	54.7
Fair value of the defined benefit plan assets	(10.5)	(11.3)	(12.7)	(13.3)	(13.2)
Shortfall/(Excess)	**58.6**	**63.2**	**51.3**	**47.6**	**41.5**
Provisions (net assets) recognized on the balance sheet	**58.6**	**63.2**	**51.3**	**47.6**	**41.5**
of which provisions - continuing operations	*58.6*	*63.2*	*49.9*	*47.6*	*41.5*
of which provisions - discontinued operations	*0.0*	*0.0*	*1.4*		

(€ million)	2013	2012
End-of-career allowances - France	55.3	59.2
Long-service awards - France	1.6	1.5
Supplementary pension plans (LPP) - Switzerland	1.7	2.5
Provisions (net assets) recognized on the balance sheet	**58.6**	**63.2**

25.2 Expenses recognized

The total expense of €5.0 million in 2013 (versus €4.0 million in 2012) recognized in defined benefit plans can be broken down as follows:

(€ million)	**2013**	**2012**
Cost of services provided	4.2	4.3
Other costs	0.3	0.0
Net financial cost	1.7	2.2
Cost of past services taken to income	(1.2)	0.0
Decreases and payments	0.0	(2.5)
Total expense	**5.0**	**4.0**
Of which recognized under operating costs	*3.3*	*1.4*
under net financial expense	*1.7*	*2.5*
under discontinued operations	*0.0*	*0.1*

For the 2013 fiscal year, net liabilities for accrued defined benefits were revalued at €8.3 million (versus a loss of €11.0 million in 2012).

The aggregate amount of the revalued net liabilities for accrued defined benefits recognized as other comprehensive income since January 1, 2004 amounted to €7.2 million as of December 31, 2013 (versus €15.5 million as of December 31, 2012).

25.3 Actuarial assumptions

The main actuarial assumptions used to calculate Groupe Fnac's obligations are as follows:

	2013	**2012**
Discount rate	2.40-3.30%	2.00-3.00%
Expected rate of increase in salaries	1.00-2.00%	2.00-3.00%

Pursuant to 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.

Compared with the actuarial assumptions presented in the above table, the sensitivity analyses conducted show that a drop of 25 basis points from the euro zone discount rate is not material and represents less than 0.5% of the Group's total shareholders' equity.

NOTE 26 Provisions

(€ million)	January 1, 2013	Increase	Reversal used	Reversal unused	Foreign exchange differences	Other	December 31, 2013
Provisions for restructuring	22.8	17.2	(20.9)	(1.7)		(0.1)	17.3
Provisions for litigation and disputes	28.7	2.8	(0.3)	(5.2)	(3.8)	0.1	22.3
Other provisions	0.8	2.1	(0.9)			0.1	2.1
Current provisions	**52.3**	**22.1**	**(22.1)**	**(6.9)**	**(3.8)**	**0.1**	**41.7**
TOTAL	**52.3**	**22.1**	**(22.1)**	**(6.9)**	**(3.8)**		**41.7**
Impact on		**(22.1)**		**6.9**			(15.2)
Current operating income		(2.0)					(2.0)
Other non-current operating income and expense		(20.1)		6.9			(13.2)

(€ million)	January 1, 2012	Increase	Reversal used	Reversal unused	Foreign exchange differences	Other	December 31, 2012
Provisions for restructuring	4.2	23.7	(4.9)	(0.2)			22.8
Provisions for litigation and disputes	48.5	0.8	(13.4)	(4.1)	(3.1)		28.7
Other provisions	1.5		(0.4)	(0.3)			0.8
Current provisions	**54.2**	**24.5**	**(18.7)**	**(4.6)**	**(3.1)**	**0.0**	**52.3**
TOTAL	**54.2**	**24.5**	**(18.7)**	**(4.6)**	**(3.1)**		**52.3**
Impact on		**(24.5)**		**4.6**			(19.9)
Current operating income		(2.6)		0.2			(2.4)
Other non-current operating income and expense		(21.9)		4.4			(17.5)

Provisions for litigation and disputes mainly concern litigation with third parties and disputes with tax authorities in different countries (note 33.6).

NOTE 27 Cash and cash equivalents

27.1 Analysis per cash flow category

This item is broken down as follows:

(€ million)	2013	2012
Cash	117.1	86.6
Cash equivalents	344.5	218.9
TOTAL	**461.6**	**305.5**

As of December 31, 2013, cash equivalents comprised SICAVs (open-ended investment funds) and an interest-paying current account. The SICAVs also included €60 million allocated as part of the liquidity contract set-up. That contract is designed to promote transaction liquidity and consistency of Groupe Fnac's share listing. As of December 31, 2012, cash equivalents consisted of the current account with PR Finance and Fnac Brazil's certificates of deposit with maturity dates of under three months.

Items recognized by Groupe Fnac as "Cash and cash equivalents" comply strictly with the criteria published by the AMF (French Financial Markets Authority) in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with Groupe Fnac procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. As of December 31, 2013, these analyses did not lead to changes in the accounting classification already adopted.

27.2 Breakdown per currency

(€ million)	2013	%	2012	%
Euro	447.7	97.0%	271.7	88.9%
Swiss franc	9.6	2.1%	27.2	8.9%
Other currencies	4.3	0.9%	6.6	2.2%
TOTAL	**461.6**	**100.0%**	**305.5**	**100.0%**

NOTE 28 Financial debt

28.1 Breakdown of debt by repayment maturity

(€ million)	2013	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.5**		**0.2**	**0.2**	**0.1**	**0.0**	**0.0**
Finance lease agreement liabilities	0.5		0.2	0.2	0.1		
Short-term borrowings and financial debt	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease agreement liabilities	0.2	0.2					
Bank overdrafts	0.0						
Other financial liabilities	0.0						
TOTAL	**0.7**	**0.2**	**0.2**	**0.2**	**0.1**	**0.0**	**0.0**
%		**28.6%**	**28.6%**	**28.6%**	**14.3%**	**0.0%**	**0.0%**

(€ million)	2012	N+1	N+2	N+3	N+4	N+5	Beyond that date
Long-term borrowings and financial debt	**0.7**		**0.3**	**0.2**	**0.2**	**0.0**	**0.0**
Finance lease agreement liabilities	0.7		0.3	0.2	0.2		
Short-term borrowings and financial debt	**12.8**	**12.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finance lease agreement liabilities	0.3	0.3					
Bank overdrafts	12.2	12.2					
Other financial liabilities	0.3	0.3					
TOTAL	**13.5**	**12.8**	**0.3**	**0.2**	**0.2**	**0.0**	**0.0**
%		**94.9%**	**2.5%**	**1.2%**	**1.2%**	**0.3%**	**0.0%**

As of December 31, 2013, Groupe Fnac's financial debt was comprised primarily of debts on finance-lease agreements.

28.2 Breakdown by repayment currency

(€ million)	2013	Long-term borrowings and financial debt	Short-term borrowings and financial debt	%	2012	%
Euro	0.7	0.5	0.2	100.0%	11.3	83.7%
Swiss franc	0.0	0.0	0.0	0.0%	2.2	16.3%
TOTAL	**0.7**	**0.5**	**0.2**		**13.5**	

In 2012, debts denominated in currencies other than the euro were spread among Group subsidiaries for local financing needs.

28.3 Gross debt by category

Groupe Fnac's gross debt is as follows:

(€ million)	2013	2012
Other borrowings from credit institutions		
Finance lease agreement liabilities	0.7	1.0
Bank overdrafts	0.0	12.2
Other financial liabilities	0.0	0.3
TOTAL	**0.7**	**13.5**

NOTE 29 Exposure to market risk, interest rate risk, currency risk and share price fluctuations

As of December 31, 2013, the breakdown of the exposure to various market risks was as follows:

29.1 Exposure to interest rate risk

Exposure to interest rate risk comprises floating-rate financial assets and liabilities exposed to cash flow risk as follows:

		2013 schedule		
(€ million)	2013	Less than one year	One to five years	More than five years
Investment securities and cash	411.6	411.6		
Floating-rate financial assets	**411.6**	**411.6**	**0.0**	**0.0**
Other financial liabilities	0.7	0.2	0.5	
Floating-rate financial liabilities	**0.7**	**0.2**	**0.5**	**0.0**

		2012 schedule		
(€ million)	2012	Less than one year	One to five years	More than five years
Investment securities and cash	305.5	305.5		
Floating-rate financial assets	**305.5**	**305.5**	**0.0**	**0.0**
Other financial liabilities	13.5	12.8	0.7	
Floating-rate financial liabilities	**13.5**	**12.8**	**0.7**	**0.0**

Interest rate risk sensitivity analysis

Based on the above, and in terms of Groupe Fnac's net exposure, an interest rate change of 50 basis points would have an impact over a full year of €2.1 million on Groupe Fnac's consolidated profit before tax as of December 31, 2013. As of December 31, 2012, this impact was estimated at €1.5 million for an interest rate change of 50 basis points (assumption consistent with relative rate levels at the accounting year-end).

(€ million)	Impact on Income
At December 31, 2013	
Increase of 50 basis points	2.1
Decrease of 50 basis points	(2.1)
At December 31, 2012	
Increase of 50 basis points	1.5
Decrease of 50 basis points	(1.5)

All other market variables are deemed to be constant when determining sensitivity.

These amounts are presented excluding the effect of taxes.

29.2 Exposure to foreign exchange risk

Groupe Fnac uses forward exchange instruments to manage foreign exchange risk and thus hedge its commercial export and import risks. As of December 31, 2013, Groupe Fnac had settled all of its forward foreign exchange instruments. There were therefore no outstanding foreign exchange forwards as of December 31, 2013 (versus €2.1 million as of December 31, 2012).

In addition, Groupe Fnac may have to implement single-option strategies (purchase of options or tunnels) to hedge future exposure. In accordance with IAS 39, these derivatives were analyzed in respect of hedge accounting eligibility criteria. Groupe Fnac does not hold any derivatives eligible for hedge accounting.

(in millions of euros)	2013	Euro	US dollar	Pound sterling	Swiss franc	Others
Hedging derivatives at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Futures & swap futures	0.0					

(in millions of euros)	2012	Euro	US dollar	Pound sterling	Swiss franc	Others
Hedging derivatives at fair value through profit or loss	**2.1**	**0.0**	**2.1**	**0.0**	**0.0**	**0.0**
Futures & swap futures	2.1		2.1			

Foreign exchange instruments are recognized on the balance sheet at their market value at the accounting year end.

Groupe Fnac's foreign exchange derivatives managed for hedging purposes are not documented as part of the IAS 39 hedge accounting model but are recognized as derivatives whose change in fair value impacts financial income.

The balance sheet exposure to currency risk as of December 31, 2013 was as follows:

(€ million)	2013	Euro	US dollar	Yen	Pound sterling	Swiss franc	Other
Monetary assets	14.0	0.1	3.7		0.1	9.6	0.5
Monetary liabilities	1.0	0.7		0.1	0.1		0.1
Gross balance sheet exposure	**13.0**	**(0.6)**	**3.7**	**(0.1)**	**0.0**	**9.6**	**0.4**
Forecast gross exposure	(16.2)	(5.4)	(8.8)	(0.5)	(1.4)		(0.1)
Gross exposure before management	**(3.2)**	**(6.0)**	**(5.1)**	**(0.6)**	**(1.4)**	**9.6**	**0.3**
Hedging instruments	0.0						
Gross exposure after management	**(3.2)**	**(6.0)**	**(5.1)**	**(0.6)**	**(1.4)**	**9.6**	**0.3**

(€ million)	2012	Euro	US dollar	Yen	Pound sterling	Swiss franc	Other
Monetary assets	33.8		0.1			27,2	6.6
Monetary liabilities	5.5	5.4					
Gross balance sheet exposure	**28.4**	**(5.4)**	**0.1**	**0.0**	**0.0**	**27.2**	**6.5**
Forecast gross exposure	(31.7)	(5.1)	(24.6)	(0.2)	(1.6)		(0.2)
Gross exposure before management	**(3.3)**	**(10.5)**	**(24.5)**	**(0.2)**	**(1.6)**	**27.2**	**6.3**
Hedging instruments	1.6		1.6				
Gross exposure after management	**(1.7)**	**(10.5)**	**(22.9)**	**(0.2)**	**(1.6)**	**27.2**	**6.4**

Cash 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.

Cash liabilities consist of loan financial liabilities and operating and miscellaneous liabilities.

These monetary items are for the most part denominated in the functional currencies in which the subsidiaries operate or converted into Groupe Fnac's functional currency through foreign currency derivatives in accordance with the procedures in force.

Exchange rate sensitivity analysis

This analysis excludes the impact related to the translation of the financial statements of each Groupe Fnac 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 (the US dollar, the Swiss franc and the Brazilian real).

29.3 Exposure to share price fluctuation risk

As of December 31, 2013, Groupe Fnac was not exposed to the risk of fluctuation in the price of shares issued by Groupe Fnac.

29.4 Other market risks – credit risks

Given the large number of customers, there is no concentrated credit risk on the receivables held by Groupe Fnac. In general, Groupe Fnac does not consider itself to be exposed to a particular credit risk on its financial assets.

29.5 Liquidity risk

Management of the liquidity risk of Groupe Fnac and each of its subsidiaries is closely and periodically assessed by Groupe Fnac 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.

This analysis excludes cash amounting to €117.1 million and cash equivalents amounting to €344.5 million as of December 31, 2013.

Cash flow relating to foreign exchange derivatives is not significant.

	2013				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	0.7	(0.7)	(0.2)	(0.5)	
Trade payables	692.6	(692.6)	(692.6)		
TOTAL	**693.3**	**(693.3)**	**(692.8)**	**(0.5)**	**0.0**

	2012				
(€ million)	Book value	Cash flows	Less than one year	One to five years	Over five years
Other financial liabilities	13.5	(13.5)	(12.8)	(0.7)	
Trade payables	717.1	(717.1)	(717.1)		
TOTAL	**730.6**	**(730.6)**	**(729.9)**	**(0.7)**	**0.0**

NOTE 30 Accounting classification and market value of financial instruments

	2013		Breakdown by accounting classification			
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	7.6	7.6		0.1	7.5	
Current assets						
Trade receivables	121.5	121.5				121.5
Cash and cash equivalents	461.6	461.6	461.6			
Non-current liabilities						
Long-term borrowings and financial debt	0.5	0.5				0.5
Current liabilities						
Short-term borrowings and financial debt	0.2	0.2				0.2
Trade payables	692.6	692.6				692.6

	2012		Breakdown by accounting classification			
(€ million)	Book value	Market value	Fair value through profit or loss	Available-for-sale assets	Loans and receivables	Amortized cost
Non-current assets						
Non-current financial assets	5.8	5.8		0.1	5.7	
Current assets						
Trade receivables	118.8	118.8				118.8
Cash and cash equivalents	305.5	305.5	305.5			
Non-current liabilities						
Long-term borrowings and financial debt	0.7	0.7				0.7
Current liabilities						
Short-term borrowings and financial debt	12.8	12.8				12.8
Trade payables	717.1	717.1				717.1

As of December 31, 2013, 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 Groupe Fnac's credit risk and interest rate conditions at the accounting year end.

Groupe Fnac 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 accounting year end of) or on parameters that are only partially observable.

Valuation of financial instruments at Groupe Fnac are all level 2 category.

NOTE 31 Net financial debt

The Group's net financial debt can be analyzed as follows:

(€ million)	2013	2012
Gross financial debt	0.7	13.5
Cash and cash equivalents	(461.6)	(305.5)
Net financial debt	**(460.9)**	**(292.0)**

NOTE 32 Cash flow statement

Net cash from bank overdrafts stood at €461.6 million as of December 31, 2013 and corresponds to the cash and cash equivalents listed in the cash flow statement.

(€ million)	2013	2012
Balance sheet cash and cash equivalents	**461.6**	**305.5**
Bank overdrafts	0.0	12.2
Cash and cash equivalents in the cash flow statement	**461.6**	**293.3**

32.1 Cash flow from operations

Cash flow from operations is formed as follows:

(€ million)	2013	2012
Net income from continuing operations	**15.8**	**(115.6)**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and losses	63.5	73.0
Impairment of non-current operating assets	0.0	92.1
Non-disbursable income/expense related to stock options and equivalent items	(3.3)	(0.2)
Current proceeds from the disposal of operating assets	2.4	3.1
Non-current proceeds from the disposal of operating assets	(0.8)	2.6
Non-current proceeds from the disposal of financial assets	(7.6)	1.5
Deferred tax income and expense	3.3	(4.1)
Discounting of provisions for pensions & other equivalent benefits	1.7	2.0
Other items without impact on cash	(0.2)	0.0
Cash flow from operations	**74.8**	**54.4**

32.2. Purchases and disposals of tangible and intangible non-current assets

(€ million)	2013	2012
Purchase of non-current intangible assets	(19.7)	(29.1)
Purchase of non-current tangible assets excluding non-current assets under finance leases	(32.7)	(49.4)
Change in advances & down payments for non-current assets	(0.2)	0.0
Change in debt relating to non-current assets	4.0	(16.6)
TOTAL NON-CURRENT ASSET PURCHASES	**(48.6)**	**(95.1)**
Disposal of non-current assets	0.1	0.2
TOTAL PURCHASES AND DISPOSALS OF NON-CURRENT ASSETS	**(48.5)**	**(94.9)**

For the 2013 and 2012 fiscal years, purchases of tangible and intangible non-current assets mainly concern investment in stores, logistics platforms and websites.

32.3 Subsidiary acquisitions and disposals

(€ million)	2013	2012
Acquisition of subsidiaries net of cash acquired	(2.5)	0.1
Disposal of subsidiaries net of cash transferred	(0.3)	(0.0)
TOTAL	**(2.8)**	**0.1**

For the 2013 fiscal year, acquisitions of subsidiaries net of cash acquired include the acquisition of the DATASPORT Group. Disposals of subsidiaries net of cash transferred include the disposal of the Form@Home subsidiary.

NOTE 33 Contingent liabilities, unrecognized contractual commitments and contingent risks

33.1 Contractual obligations

The table below sets out all of Groupe Fnac'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	2013
Operating lease agreements	128.9	241.4	40.6	410.9
Irrevocable purchase obligations	12.4	13.1		25.5
TOTAL COMMITMENTS GIVEN	**141.3**	**254.5**	**40.6**	**436.4**

	Payments due according to maturity			
(€ million)	Less than one year	One to five years	Over five years	2012
Operating lease agreements	126.5	270.9	70.5	467.9
Irrevocable purchase obligations	7.6	19.7		27.4
TOTAL COMMITMENTS GIVEN	**134.1**	**290.7**	**70.5**	**495.3**

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 cancelled by the lessee. They mainly correspond to non-cancellable lease payments for stores, logistics platforms and other buildings (head office and administrative buildings). As of December 31, 2013, Groupe Fnac did not expect to receive minimum future revenues in respect of non-cancellable sub-lease agreements.

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)	2013	2012
Less than one year	(0.3)	(0.4)
One to five years	(0.5)	(0.7)
Over five years		
Financial expenses included	0.1	0.1
Discounted value of future lease payments	**(0.7)**	**(1.0)**

33.2 Individual Training Entitlement ("DIF")

In accordance with Act No. 2004-391 of May 4, 2004 on vocational training, employees of Groupe Fnac's French companies benefit from a credit of 20 hours of training per year which can be built up over six years and is capped at 120 hours. All training carried out under DIF is allocated to capital acquired.

The number of training hours acquired by employees and unused as of December 31, 2013 stood at 835,250 (versus 958,427 as of December 31, 2012).

33.3 Pledges and charges on real estate

In the first half of 2013, Groupe Fnac subsidiaries pledged to the lending syndicate of the €250 million credit line the businesses as a going concern (fonds de commerce) of the Saint-Lazare, La Défense, Parly2, Vélizy, Boulogne-Billancourt, Nantes, Strasbourg, Toulouse Wilson and Marseille Bourse stores. Fnac SA also pledged to the same banks its shares in Fnac Paris, Relais Fnac, Fnac Périphérie, Codirep, France Billet, SFL and Fnac Spain.

33.4 Other commitments

Other commitments are as follows:

	Payments due according to maturity				
(€ million)	**Less than one year**	**One to five years**	**Over five years**	**2013**	**2012**
Amount of unused line of credit at period-end		250.0		250.0	0.0
Amount of used line of credit at period-end				0.0	0.0
Other guarantees received	12.3	1.6	1.2	15.1	21.0
TOTAL COMMITMENTS RECEIVED	**12.3**	**251.6**	**1.2**	**265.1**	**21.0**
Rent guarantees, and real estate securities	14.1	12.5	5.8	32.4	33.2
Other commitments	6.6	42.9	0.1	49.6	44.1
TOTAL COMMITMENTS GIVEN	**20.7**	**55.4**	**5.9**	**82.0**	**77.3**

The credit facility entered into by Groupe Fnac includes several financial covenants, which are defined for each full and half year. As of December 31, 2013, all financial covenants were complied with:

* the solvency ratio (adjusted net financial debt of five times the property rental costs minus leasing expenses in relation to EBITDAR, calculated twice a year over a 12-month period) must be lower or equal to 1.75 as of December 31, 2013;

* the equity ratio (the amount of the Group's equity, tested twice a year) must be higher than €420.0 million as of December 31, 2013;
* the liquidity ratio (consolidated net cash flow), tested once a year, must be higher than €335 million as of December 31, 2013.

To Groupe Fnac's knowledge, no other commitments were given, nor were there any other material contingent liabilities.

33.5 The Group's dependency on patents, licenses and supply agreements

Groupe Fnac is not heavily dependent on patents, licenses or supply agreements.

33.6 Proceedings and litigation

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

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

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

NOTE 34 Related party transactions

34.1 Related party having control over Groupe Fnac

As of December 31, 2013, the Artémis Group owned 38.88% of Groupe Fnac's share capital and 38.88% of its voting rights.

The main transactions during the fiscal year between all Groupe Fnac consolidated companies and the Kering Group, the party related to the Artémis Group, were as follows:

* recognition for 2013 of a €3.8 million fee (€10 million paid in respect of 2012) for an advisory and research assignments involving development and assistance with the execution of complex transactions, as well as the provision of development, business, and cost reduction opportunities;
* re-invoicing of the cost of bonus Kering shares and stock purchase and subscription options for an amount of €4.2 million in 2013 (€1.9 million in 2012);
* recognition of a financial expense of €0.6 million (€4.6 million in 2012) in respect of interest on current accounts. That current account was closed out during the first half of 2013. (It had a balance of €216.1 million in 2012);
* receipt of €8 million for the reversal of an exclusivity obligation;
* reciprocal re-invoicing of carve-out costs for €4.6 million invoiced by Kering and €5.4 million invoiced by Groupe Fnac;
* re-invoicing of the Fnac SA Chairman's salaries at the end of March 2013 by the Kering Group;
* transfer of shares of Cyrillus Deutschland GmbH to the Kering Group for €7.6 million, resulting in a capital gain of €7.5 million.

34.2 Senior Management remuneration

The remuneration of Groupe Fnac's Executive Board members and main senior executives recognized as an expense is as follows:

(€ million)	2013	2012
Short-term benefits	6.9	8.6
Post-employment benefits		
Other long-term benefits		
End-of-employment allowances	0.6	0.5
Share-based payments	3.4	1.0
TOTAL [a]	**10.9**	**10.1**

(a) Amounts including employee-related costs.

The amount of €10.1 million recognized as expense in 2012 includes a provision for exceptional short-term benefits of €1.6 million. The amount of €10.9 million recognized as expense in 2013 includes the reversal of the unused portion of the provision for €1.2 million.

Under balance sheet liabilities, the balance of senior managers' post-employment commitments amounted to €0.4 million in 2013 and 2012.

NOTE 35 Events after the balance-sheet date

1. In October 2013, the FIMALAC and Groupe Fnac announced their intention to engage the ticketing solutions business. The FIMALAC Group will take 50% stake in KYRO, a subsidiary of France Billet, which offers a ticketing solution for entertainment professionals, venues and producers. This equity investment will allow the Group to become a key player in sports ticketing management. In December 2013, via its subsidiary KYRO, Groupe Fnac acquired DATASPORT, a leader in sports ticketing for over 20 years, thereby strengthening its position in the sports segment. FIMALAC's 50% equity investment in KYRO remains subject to approval by France's competition authority in 2014.
2. On January 15, 2014, Fnac announced its plan to close its stores in Villiers-en-Bière (Seine-et-Marne) and Portet-sur-Garonne (Haute-Garonne).

NOTE 36 List of subsidiaries consolidated at December 31, 2013

The Group's subsidiaries are as follows:

Fully consolidated: G

Consolidated under the equity method: E

Company	% interest 12/31/2013		12/31/2012	
Management				
Groupe Fnac	F	100.00	F	100.00
France				
Fnac	F	100.00	F	100.00
ATTITUDE	F	100.00	F	100.00
France Billet	F	100.00	F	100.00
Fnac Direct	F	100.00	F	100.00
Fnac Global Services	Transfer of all assets and liabilities (TUP) in September 2013 [(a)]		F	100.00
Fnac Logistique	F	100.00	F	100.00
Fnac Paris	F	100.00	F	100.00
Fnac Service	Transfer of all assets and liabilities (TUP) in September 2013 [(a)]		F	100.00
Fnac Tourisme	F	100.00	F	100.00
FORM@HOME	Sold in June 2013		F	100.00
MSS	G	100.00	F	100.00
Relais Fnac	F	100.00	F	100.00
SFL	F	100.00	F	100.00
SNC Codirep	F	100.00	F	100.00
Fnac Périphérie	F	100.00	F	100.00
Fnac Spectacles	Transfer of all assets and liabilities (TUP) in September 2013 [(a)]		F	100.00
FNAC APPRO GROUPE	F	100.00	F	100.00
LYSIANE THOMAS	Transfer of all assets and liabilities (TUP) in September 2013 [(a)]		F	100.00
KYRO CONCEPT	F	100.00	F	100.00
Fnac JUKEBOX	F	100.00	Consolidated since November 2013	
JFCL	F	100.00	Consolidated since December 2013	
DATASPORT	F	100.00	Consolidated since December 2013	
DATASPORT OUEST	F	100.00	Consolidated since December 2013	
Belgium				
Fnac Belgium	F	100.00	F	100.00
Spain				
Fnac Espana	F	100.00	F	100.00
Italy				
Fnac Italia	Sold in December 2012			
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
Brazil				
F.brasil	F	100.00	F	100.00

(a) TUP = Transfert Universel de Patrimoine/Transfer of all assets and liabilities.

5.3 Company financial statements

5.3.1 Asset balance sheet

Assets

(€ millions)	Note	Gross value	Depreciation, amortization, provisions	Dec. 31, 2013 Carrying amount	Dec. 31, 2012 Carrying amount
Non-current assets					
Equity investments		838.3	(328.0)	510.3	192.3
Other non-current financial assets [a]		60.0	0.0	60.0	0.0
Non-current financial assets	3	898.3	(328.0)	570.3	192.3
Tangible and intangible non-current assets	4	0.0	0.0	0.0	
TOTAL NON-CURRENT ASSETS		**898.3**	**(328.0)**	**570.3**	**192.3**
Current assets					
Receivables [b] [c]	5	13.8	0.0	13.8	248.2
Marketable securities	6	6.1	0.0	6.1	0.0
Cash at bank and in hand [c]	6	0.0	0.0	0.0	0.0
TOTAL CURRENT ASSETS		**19.9**	**0.0**	**19.9**	**248.2**
TOTAL ASSETS		**918.2**	**(328.0)**	**590.2**	**440.5**
(a) At least one year:				*-*	*-*
(b) More than one year:				*-*	*-*
(c) Related to affiliates:				*1.3*	*248.2*

5.3.2 Liabilities balance sheet

Liabilities

(€ millions)	Note	Dec. 31, 2013	Dec. 31, 2012
Shareholders' equity			
Share capital		16.6	545.7
Additional paid-in capital		494.9	48.4
Reserves	7	0.7	25.4
Retained earnings		(1.7)	152.9
Net profit (loss) for the period		1.1	(332.0)
TOTAL EQUITY		**511.6**	**440.4**
Other shareholders' equity		**60.0**	**0.0**
Provisions	**8**	**0.0**	**0.0**
Liabilities			
Debenture loans [a]		0.0	0.0
Other financial liabilities [a] [c]		0.0	0.1
Other liabilities [b] [c]	9	18.6	0.0
TOTAL LIABILITIES		**590.2**	**440.5**
(a) More than one year:		*-*	*-*
(b) More than one year:		*2.8*	*-*
(c) Related to affiliates:		*9.5*	*0.1*

5.3.3 Income statement

(€ millions)	Note	Dec. 31, 2013	Dec. 31, 2012
Operating income		13.9	0.0
Operating costs		(16.7)	(0.1)
Operating income	**11**	**(2.8)**	**(0.1)**
Dividends		0.0	0.0
Other financial income and expenses		1.2	(3.4)
Net financial income	**12**	**1.2**	**(3.4)**
Income before tax and non-recurring items		**(1.6)**	**(3.5)**
Non-recurring income	13	(7.5)	(328.5)
Employee profit-sharing		0.0	0.0
Income tax	14	10.2	0.0
Net profit for the year		**1.1**	**(332.0)**

5.3.4 Cash flow statement

(€ million)	Note	Dec. 31, 2013	Dec. 31, 2012
Net income		1.1	(332.0)
Income and expenses not offset against profit		0.0	328.8
Cash flow from operations		**1.1**	**(3.2)**
Change in working capital		253.0	(534.4)
Change in cash flow from operating activities	**15**	**254.1**	**(537.6)**
(Purchases)/Disposals of operating non-current assets		0.0	0.0
Change in non-current financial assets		(378.0)	18.5
Change in cash flow from investment activities	**15**	**(378.0)**	**18.5**
Net change in financial debt		0.0	0.0
Capital increases		130.0	539.6
Dividends paid by Groupe Fnac		0.0	(20.5)
Change in cash flow from financing activities	**15**	**130.0**	**519.1**
Change in cash position		**6.1**	**(0.0)**
Cash at opening		**0.0**	**0.0**
Cash at closing		**6.1**	**0.0**

5.3.5 Change in equity and other shareholders' equity

In € million (before appropriation of net profit)	Number of shares outstanding	Share capital	Issue premiums, mergers, other shareholders' equity	Reserves and retained earnings	Net profit (loss) for the period	Shareholders' equity
At December 31, 2011	**875,953**	**6.1**	**48.4**	**26.3**	**172.6**	**253.4**
Approp. of 2011 earnings				172.6	(172.6)	0.0
Dividends paid				(20.5)		(20.5)
Capital increase		539.6				539.6
Exercise of stock options						0.0
Change in tax related provisions						0.0
Profit/Loss 2012					(332.0)	(332.0)
At December 31, 2012	**6,131,671**	**545.7**	**48.4**	**178.3**	**(332.0)**	**440.4**
Approp. of 2012 earnings			(48.4)	(283.6)	332.0	(0.0)
Capital increase		70.0				70.0
Capital reduction		(599.1)	494.9	104.2		0.0
Dividends paid						0.0
Exercise of stock options						0.0
Change in tax related provisions						0.0
Profit/Loss 2013					1.1	1.1
At December 31, 2013	**16,595,610**	**16.6**	**494.9**	**(1.0)**	**1.1**	**511.6**
Other shareholders' equity (TSSDIs)			60.0			60.0
At December 31, 2013 including other shareholders' equity	**16,595,610**	**16.6**	**554.9**	**(1.0)**	**1.1**	**571.6**

5.4 Accounting notes

NOTE 1 Highlights of the fiscal year

Admission to Trading of Groupe Fnac Shares

On October 9, 2012, the Kering Group announced the spin-off and listing of Groupe Fnac through the allotment of Groupe Fnac shares to Kering Group shareholders.

Groupe Fnac was listed on June 20, 2013 after a capital increase of €70 million, with no issue premium.

This resulted in share capital of €16.6 million made up of 16,595,610 shares of one euro each.

Groupe Fnac Refinancing

On April 24, 2013, Groupe Fnac issued sixty perpetual deeply subordinated notes (TSSDIs) with a nominal value of €1 million each, for a total nominal amount of €60 million. These notes are subordinated to all senior creditors and bear an 8% annual fixed-rate coupon. This instrument is recognized in equity. Pursuant to Notice No. 28 of the association of chartered accountants of October 1994, Groupe Fnac TSSDIs are recognized as quasi-equity in light of the planned repayment terms.

Value unit plan

On the recommendation of the Appointments and Remuneration Committee, on July 30, 2013 the Board of Directors decided to allocate value units to certain Groupe Fnac employees to build their loyalty and bring their interests into line with those of the Company and its shareholders. The value units will be acquired on July 31, 2015 subject to performance and employment conditions. The value per unit is based on an average of Groupe Fnac share price. If in July 2015 Groupe Fnac share price is lower than a predefined price, no payment shall be made. The associated cash payment will be effective in October 2015 and July 2016.

Performance share plan

At the recommendation of the Appointments and Remuneration Committee, the Board of Directors, at its meeting of October 22, 2013, decided to grant performance shares to certain Groupe Fnac employees to associate them with the Company's performance through changes in the stock value. Settlement will be made in cash or equity instruments depending on the beneficiary.

Options will be vested gradually in tranches after three successive vesting periods (December 2013 – March 2015, December 2013 – March 2016, and December 2013 – March 2017), subject to the beneficiary's employment with the company at the end of the vesting period, and will be contingent on the stock market performance of Groupe Fnac's shares, defined for each of the three periods. The options must be exercised within eight weeks of the end of the vesting period.

NOTE 2 Accounting treatment

The 2013 financial statements were prepared in accordance with the requirements of the 1999 French General Chart of Accounts, approved by the decree of June 22, 1999, and with regulations CRC 99-03 of April 29, 1999, CRC 2004-06 and 2002-10 of the French Accounting Regulatory Committee.

General accounting conventions were applied in accordance with the principle of prudence, in accordance with basic assumptions (going concern, consistency of accounting policies from one year to the next, independence of fiscal years) and in accordance with the general rules of preparation and presentation of annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The main methods used are as follows:

2.1 Non-current financial assets

Equity investments

Investments classified as "Equity investments" are those whose holding is deemed useful to the company's operations, particularly because it influences or controls the issuing company.

The costs of acquiring equity investments are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Chart of Accounts.

At fiscal year-end, the gross value of the investments is compared to the value in use for the company, which is determined based on the estimated economic value of the subsidiary and the grounds for the original transaction. This value in use is determined according to a multi-criteria analysis, taking into account projected future cash flows, re-estimated assets, the share of consolidated or revalued shareholders' equity and other methods as required.

When this value is lower than gross value, an impairment is provisioned and recognized as net financial income.

2.2 Receivables and payables

Receivables and payables are recognized at nominal value. Where appropriate, receivables are provisioned to take account of any resulting recovery difficulties.

2.3 Marketable securities and cash at bank and in hand

Marketable securities are recognized at their acquisition price.

Acquisition costs of marketable securities are recognized as an expense in accordance with the option provided by Article 321-10 of the French General Chart of Accounts applicable to marketable securities.

Potential impairment provisions are determined by comparing that value with the probable trading value or average share price from the previous month in the case of listed securities.

Treasury shares

Treasury shares acquired under a liquidity contract are recorded in marketable securities.

As of December 31, 2013, Groupe Fnac did not hold any treasury shares.

SICAV

SICAV shares are recognized at cost. They are estimated at fiscal year-end at their net asset value. Any unrealized capital loss is subject to an impairment provision and is not taken into account.

2.4 Perpetual deeply subordinated notes

Pursuant to Notice No. 28 of the association of chartered accounts published in October 1994, deeply subordinated notes issued by Groupe Fnac are reported in "Other equity."

Their redemption is controlled exclusively by the issuer and their remuneration is due even in the absence or insufficiency of earnings.

As long as interest is not payable, no interest expense is recognized. Should it become payable, the remuneration expense will be reported separately under current income before tax, before non-recurring income.

2.5 Tax consolidation

Groupe Fnac notified the French tax authorities in writing on March 15, 2013 that it and all of its subsidiaries had opted for the tax consolidation plan applicable to groups implemented by Article 68 of the 1988 finance law. This option went into effect on January 1, 2013.

The tax consolidation agreement entered into on July 1, 2013 by Groupe Fnac and its subsidiaries and sub-subsidiaries took effect on January 1, 2013. As of December 31, 2013, the scope of consolidation comprised 16 companies.

Under this plan, Groupe Fnac acts as a corporate income tax collector for the subsidiaries and is solely responsible for paying this tax to the Public Treasury.

Corporate income tax is broken down as follows:

* the tax paid by each subsidiary is the same as the tax the subsidiary would have incurred had it not been consolidated for tax purposes;
* Groupe Fnac takes immediate account of tax savings or expenses resulting from the difference between the tax that would have been paid by each of the companies had they paid their own tax and the tax payable on taxable income as a whole.

2.6 Operating income

Operating income results from income and expenses related to the company's current activities.

2.7 Net financial income

Net financial income primarily comprises interest expenses on Group current accounts and interest income on the subordinated loan.

2.8 Non-recurring income

Non-recurring income includes income and expenses which, by their nature, occurrence or material character, do not fall within the Company's current operations.

2.9 Performance-based remuneration plans

The Company applies Regulation CRC 2008-15 dated December 4, 2008 relating to the accounting treatment of stock options (subscription and purchase) and free shares granted to employees. This regulation stipulates that whenever it is probable that the Company will deliver existing shares to plan beneficiaries, a liability should be recognized on the basis of the probable outflow of resources.

Performance-based remuneration plans comprise a value unit award, which is provided in cash, and a performance-based share award, which may be provided as stock options or in cash, depending on the beneficiary.

These plans result in the recognition of a personnel expense spread over the vesting period.

NOTE 3 Net non-current financial assets

(€ millions)	As of Dec. 31, 2012	Increase	Decrease	As of Dec. 31, 2013
Gross value				
Equity investments				
Fnac SA	520.3	318.0	0.0	838.3
Other non-current financial assets				
Loans	0.0	60.0	0.0	60.0
Gross value	**520.3**	**378.0**	**0.0**	**898.3**
Impairment				
Fnac SA equity investments	(328.0)	0.0	0.0	(328.0)
Impairment	**(328.0)**	**0.0**	**0.0**	**(328.0)**
Net value	**192.3**	**378.0**	**0.0**	**570.3**

Equity investments

As of December 31, 2013, Groupe Fnac held 46,421,802 out of 46,421,808 Fnac SA shares for a gross value of €838.3 million. Given the provision of €328 million, the net value of Fnac SA shares in Groupe Fnac amounted to €510.3 million.

As of December 31, 2013, Groupe Fnac held 989,843 out of 989,853 Fnac SA shares for a gross value of €520.3 million. Provisioned at €328 million, the net value of Fnac SA shares in Groupe Fnac was €192.3 million.

Other non-current financial assets

Other non-current financial assets include the intragroup loan granted to Fnac SA amounting to €60 million.

NOTE 4 Tangible and intangible non-current assets

As of December 31, 2013, Groupe Fnac had no tangible or intangible non-current assets.

NOTE 5 Receivables

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Current accounts from tax consolidation	0.0	0.0
Overdrawn current accounts	0.0	248.2
State income tax	12.2	0.0
Group customers	1.3	0.0
Group customers – Accrued income	0.0	0.0
Issue premiums on bonds	0.0	0.0
Other	0.3	0.0
Prepaid expenses	0.0	0.0
TOTAL	**13.8**	**248.2**
Related to affiliates:	*1.3*	*248.2*

The amount of €12.2 million in 2013 for "state income tax" mainly comprises tax receivables and tax credits.

NOTE 6 Marketable securities and cash at bank and in hand

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Treasury shares (liquidity contract)	0.0	0.0
SICAV	6.1	0.0
Impairment	0.0	0.0
Marketable securities	**6.1**	**0.0**
Bank deposit and fund transfers	0.0	0.0
Cash and cash equivalents	**0.0**	**0.0**
Current liabilities	**6.1**	**0.0**
Related to affiliates:	*0.0*	*0.0*

Marketable securities comprise SICAVs for €6.1 million.

NOTE 7 Reserves

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Legal reserve	0.7	0.7
Regulatory reserves	0.0	0.0
Other reserves	0.0	24.7
Reserves	**0.7**	**25.4**
Tax-related provisions	0.0	0.0
TOTAL	**0.7**	**25.4**

NOTE 8 Provisions

As of December 31, 2013, Groupe Fnac did not recognize any provisions for risks nor charges.

NOTE 9 Other payables

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Current accounts from tax consolidation	2.1	0.0
Group current accounts	7.4	0.0
Dividends to be paid	0.0	0.0
Tax and social security payable	7.7	0.0
Other	1.4	0.0
TOTAL	**18.6**	**0.0**
Related to affiliates:	*9.5*	

NOTE 10 Other off-balance sheet commitments

Commitments for retirement benefits totaled €0.2 million as of December 31, 2013.

Individual Training Entitlement

Pursuant to Act No. 2004-391 dated May 4, 2004, Individual Training Entitlement benefits accrued as of December 31, 2013 by permanent employees were estimated at 462 hours.

NOTE 11 Operating income

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Group royalties	8.2	0.0
Payroll charges	(13.2)	0.0
Purchasing, external costs and taxes other than income taxes	(3.5)	(0.1)
Net depreciation and amortization charges and provisions	0.0	0.0
Other income (expenses)	5.7	0.0
TOTAL	**(2.8)**	**(0.1)**

In 2013, operating income showed a loss of €2.8 million.

Other income and expenses mainly comprised transfers of salary charges for €5.5 million.

NOTE 12 Net financial income

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Net financial expenses		
Charges and interest on debt owed to non-Group entities	0.0	0.0
Interest on Group current accounts	(0.3)	(3.4)
Interest on the subordinated loan	1.4	0.0
Other financial income	0.1	0.0
TOTAL	**1.2**	**(3.4)**
Related to affiliates:	*1.1*	*0.0*
Interest on Group current accounts:	*(0.3)*	*(3.4)*
Dividends:	*0.0*	*0.0*

Net financial income primarily comprises interest expenses on Group current accounts and interest income on the subordinated loan.

In 2013, net financial income showed a profit of €1.2 million.

NOTE 13 Non-recurring income

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Income from disposals of operating non-current assets	0.0	0.0
Disposals of stock, impairment and related transactions	0.0	(328.5)
Litigation, disputes and restructuring	0.0	0.0
Other non-recurring income/(expenses)	(7.5)	0.0
TOTAL	**(7.5)**	**(328.5)**

In 2013, non-recurring income showed a loss of €7.5 million due to Groupe Fnac IPO.

NOTE 14 Income tax

(€ millions)	Dec. 31, 2013	Dec. 31, 2012
Tax consolidation bonus/malus	10.2	0.0
Tax losses to be paid to subsidiaries (tax consolidation)	0.0	0.0
Tax on dividends	0.0	0.0
Other	0.0	0.0
TOTAL	**10.2**	**0.0**

In 2013 Groupe Fnac generated no income tax and the profit from tax consolidation amounted to €10.2 million.

NOTE 15 Cash flow statement

* The change in cash flow from operating activities stood at €254.1 million as of December 31, 2013. This amount primarily corresponds to the change in the Kering current account between 2012 and 2013.
* The change in cash flow from capital expenditure showed a loss of €378 million, corresponding to the Fnac SA capital increase subscribed for €318 million and to the lender subordinated loan for €60 million.
* The change in cash flow from financing activities correspond to Groupe Fnac capital increase.

NOTE 16 Other information

16.1 Remuneration paid to corporate officers

The amount paid to corporate officers for the 2013 fiscal year amounted to €670,000.

16.2 Average workforce

In 2013 Groupe Fnac's average number of employees was five.

16.3 Related party transactions

As of December 31, 2013, the Artémis Group owned 38.88% of Groupe Fnac's share capital and 38.88% of its voting rights.

The main transaction during the fiscal year between Groupe Fnac and the Kering Group, the party related to the Artémis Group, concerned:

* the mutual re-invoicing of carve-out costs for €4.6 million invoiced by Kering and €5.4 million invoiced by Groupe Fnac;
* the issue by Groupe Fnac SA of perpetual super-subordinated notes (TSSDI) for a total of €60 million, as mentioned in this report (section 8.1), the terms of which are described in section 4.2.2.2 "Financing under the perpetual deeply subordinated notes" in the Prospectus.

16.4 Trade payables and payment schedules

At December 31, 2013 and December 31, 2012, Groupe Fnac had no supplier debts.

NOTE 17 Information regarding post-balance sheet events

Nil.

NOTE 18 Table of subsidiaries and shareholdings

(€ millions)	Share capital	Shareholders' equity excluding capital & income	Share of capital held	Carrying amount Gross	Carrying amount Net	Outstanding loans granted by the Company	Guarantees and endorsements given by the Company	Last published net revenues	Last published profit (loss)	Dividends received during the year
Subsidiaries more than 50% owned										
Fnac SA	325.0	150.5	99.99%	838.3	510.3	60.0	0.0	2,266.6	28.2	0.0

5.5 Five-year financial summary

	2013	2012	2011	2010	2009
Capital at year-end					
Share capital *(€)*	16,595,610.0	545,718,719.0	6,131,671.0	6,131,671.0	6,131,671.0
Number of ordinary shares outstanding	16,595,610.0	6,131,671.0	875,953.0	875,953.0	875,953.0
Maximum number of future shares to create					
Through bond conversion					
Through the exercise of stock options					
Results of operations *(€ thousands)*					
Revenues from current operations	8,200.0	0.0	0.0	0.0	0.0
Earnings before tax, employee profit-sharing, amortization allowance and provisions	(9,034.7)	(5,920.8)	170,373.6	50,216.7	(11,758.2)
Employee profit-sharing	0.0	0.0	0.0	0.0	0.0
Income tax (expense)/bonus	10,200.0	0.0	(707.3)	0.0	0.0
Earnings after tax, employee profit-sharing, amortization allowance and provisions	1,165.3	(331,968.2)	172,571.4	40,090.1	(13,152.7)
Total dividends	0.0	0.0	0.0	325,854.5	0.0
Data per share *(€)*					
Earnings after tax and employee profit-sharing but before amortization allowance and provisions	0.07	(0.97)	194.50	57.33	(13.42)
Earnings after tax, employee profit-sharing, amortization allowance and provisions	0.07	(54.14)	197.01	45.77	(15,02)
Dividend:					
Net dividend per ordinary share	0.0	0.0	23.44	372.0	0.0
Employee data					
Average number of employees employed during the fiscal year	5.0	0.0	0.0	0.0	0.0
Payroll costs *(€ thousands)*	9,581.0	24.3	31.9	31.6	31.5
Total benefits *(€ thousands)*	3,599.8	0.0	0.0	0.0	0.0

5.6 Judicial and arbitration proceedings

5.6.1 Tax litigation

Some of the Group's subsidiaries are parties to tax litigation that the Company does not believe will have a material impact on the financial position or profitability of the Company or the Group.

5.6.2 Civil and criminal disputes

The Group is not aware of any governmental, judicial or arbitration proceedings (including any proceedings known by the Group that have been suspended or that threaten the Group) likely to have or having had during the last twelve months a material impact on the financial position or profitability of the Company or Group.

5.7 Material change in the financial or commercial position

To the best of the Company's knowledge, no material change in the Group's financial or commercial position has occurred, other than those described herein.

5.8 Statutory Auditors' Report on the annual financial statements

Fiscal year ended December 31, 2013

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meetings, we hereby report to you on the following matters for the financial year ended December 31:

* our audit of Groupe Fnac SA's annual financial statements, as appended to this report;
* the justification of our assessments;
* the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

1 Opinion on the annual financial statements

We conducted our audit in accordance with auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or by other methods of selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, with respect to the accounting rules and principles applicable in France, the financial statements present fairly the results of the company's operations for the fiscal year ended as well as its financial position and assets as of the end of that fiscal year.

2 Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Note 2.1 to the financial statements describes the accounting treatment relating to the evaluation of non-current financial assets.

As part of our assessment of the Company's accounting principles and policies, we verified the appropriateness of the policies and methods applied above. We also obtained assurance that these policies and methods had been properly applied.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3 Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no comments concerning the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the Shareholders with respect to the financial position and the annual financial statements.

Concerning the disclosures made in application of Article L. 225-102-1 of the French Commercial Code on the remuneration and benefits paid and commitments given to corporate directors and officers, we checked the consistency of these disclosures with the accounts or with the underlying data as well as with any relevant information obtained by your company from entities that control it or that it controls. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

As required by law, we have obtained assurance that disclosures about the identity of holders of shares or voting rights were made in the management report.

Paris La Défense and Neuilly sur Seine, March 18, 2014

KPMG Audit
A Division of KPMG SA

Hervé CHOPIN
Partner

Deloitte & Associés

Antoine DE RIEDMATTEN
Partner

5.9 Report of the Auditors on the consolidated financial statements

Fiscal year ended December 31, 2013

Dear Shareholders,

Pursuant to the assignment entrusted to us by your General Meetings, we hereby report to you on the following matters for the financial year ended 31 December 2013:

* our audit of Groupe Fnac SA's consolidated financial statements, as appended to this report;
* the justification of our assessments;
* the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, with respect to IFRS as adopted by the European Union, the consolidated financial statements for the fiscal year present fairly the assets, financial position, and the results of operations of the group formed by the persons and entities included in the consolidation.

2 Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

* 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 forecast cash flows used.
* Where applicable, your Company assesses the impairment of inventory in accordance with the procedures set out in note 2.9 to the consolidated financial statements. We have ascertained the appropriateness of the method, and the reasonableness of the assumptions used to measure and impair inventory.
* Note 2.16 to the consolidated financial statements sets out the procedures for measuring post-employment benefits and other long-term employee benefits. These commitments have been measured by external actuaries. Our work consisted in reviewing the data used, assessing the assumptions made, and verifying that notes 7 and 25 to the consolidated financial statements provide appropriate disclosures.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3 Specific verification

In accordance with the professional standards applicable in France, we have also specifically verified the information provided in the Group management report relating to the Group pursuant to French law.

We have no comments to make concerning the fair presentation of this information and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 18, 2014

The Statutory Auditors

KPMG Audit A Division of KPMG SA	**Deloitte & Associés**
Hervé CHOPIN	Antoine DE RIEDMATTEN

6

Risk factors

Risk management is an integral part of the Group's strategy and operations. There are several levels of organization, detailed in section 3.5, "Report of the Chairman of the Board of Directors on the conditions governing the preparation and organization of the Board's work and the internal control and risk management procedures instituted by the Company" of this Registration Document.

The Group reviewed the risks likely to have a material adverse effect on its operations, financial position or earnings (or its ability to reach its targets) and does not believe there to be any other material risks, excluding those mentioned herein.

6.1 Strategic and economic risks

The Group operates in markets that are rapidly evolving, and more recently, declining. It may encounter difficulties in adapting to the changes affecting its markets.

The Group operates in markets that are undergoing massive 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 expansion of the internet has generated dramatic growth in e-commerce, which has dramatically altered market dynamics in each of the markets and countries in which the Group does business. The growth of e-commerce has fundamentally altered purchasing patterns, consumer behavior (and the tools required to attract and retain consumers) and the overall retail landscape. In particular, the growth of e-commerce has resulted in the emergence of new market players that specialize in online retailing (pure players) and offer a wide range of products at low prices which makes them serious competitors for traditional retailers.

In the consumer electronics market, the growth of the Internet has coincided with deflation and a low point in the innovation cycle, which limits the turnover of goods sold.

Each of these elements could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Adapting the Group to change and the decline in its primary markets is the key component of the "Fnac 2015" strategic plan, which aims to extend the brand into the leisure market, incorporate digitalized products into existing ranges, develop new and growing product lines and adapt sales models to customer needs with a focus on omni-channel distribution.

The Group's markets are experiencing fierce competition

The retail markets for consumer electronics and editorial products are highly competitive (see section 1.3.2.2.2: Competitive environment). The Group competes with traditional, international and local retailers, including some that are developing online sales platforms. The Group also competes with pure players in the e-commerce market. These pure players, some of which operate on a global scale, exert intense competitive pressure on prices and are increasing their revenues and market share not only through attractive pricing (resulting from their lower cost structure and the absence of store-related expenses), but also through their increasingly wide array of products. Over the past few years, new competitors such as manufacturers, internet service providers (ISPs) and digital platforms also have emerged, producing a phenomenon of disintermediation in the industry and calling into question the role of retailers such as the Group in the marketing and supply chain. Finally, piracy is undermining the attractiveness of the legitimate editorial products offered by the Group and constitutes a source of unfair competition.

In addition, the decline in the markets in which the Group operates also tends to strengthen competition by reducing available revenue for the various players.

More intense competition could have a material adverse effect on the Group's image, operations, earnings, financial position, market share and outlook.

Monitoring and reacting to the competitive environment and its changes take place at the country level and are overseen at the Group level by the Strategy Department as part of an approach to anticipate competition, conduct strategic reviews of geographical locations and identify development or arbitrage opportunities.

Difficulties within the Group's markets have been, and may continue to be, exacerbated by unfavorable macroeconomic or political factors, such as the current economic downturn in the euro zone.

The performance of the Group's markets is closely linked to levels of disposable household income. The Group's revenues are affected by the economic conditions in the countries in which it operates, which are primarily euro zone countries. The economic downturn in the euro zone has had, and continues to have, an adverse effect on the economies of countries comprising the Group's main markets. France, Spain, Portugal and Belgium accounted for over 90% of the Group's consolidated revenues in 2013. The economic downturn has been and remains particularly severe in Spain and Portugal. Among the most significant effects of this economic downturn are increased unemployment, budgetary austerity measures, tax hikes and a corresponding decrease in household income available for secondary consumption, which includes consumer electronics and editorial products such as those sold by the Group. The economic downturn in Europe has intensified the decline in the Group's markets.

While the potential economic recovery within the euro zone represents an opportunity for the Group, such recovery may not occur, or may occur slowly, and economic growth could return at slower rates than those observed in the past, assuming it returns at all, and could have a negative impact on household consumption, which could have a significant negative impact on the Group's operations, financial position, earnings and outlook.

6.2 Operational risks

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

Because of its in-store and online retail activities, the Group is exposed to changes in the legal and regulatory environment in the countries in which it operates. In particular, the Group's activities are subject to controls, investigations and regulations relating to consumer protection, competition, e-commerce, intermediation in consumer credit and insurance, personal data protection, information technology, book prices (digital and physical), contractual warranties for customers, and store safety and accessibility.

The Group's operations in France are primarily subject to the 2008 Economic Modernization Act (*Loi de Modernisation de l'Économie*, or LME) which regulates payment terms in particular. Therefore, with some exceptions (such as books), under the terms of Article L. 441-6 of the French Commercial Code, the payment terms may not exceed 45 days from month-end or 60 days from the invoice issue date in the event of an agreement between the parties. In the absence of an agreement between the parties, the terms cannot exceed 30 days from receipt of the goods or performance of the services.

The Group's business is also affected by environmental regulations that may have an adverse impact on the Group or increase the restrictions that apply to the products it sells (such as obligations to dispose of or recycle consumer electronics and household appliances) or to the methods and cost of transporting its products or increase the cost that it incurs for the rental of retail space.

Compliance with these laws and regulations could have a significant negative impact on the Group's operations, financial position, earnings and outlook.

Monitoring and taking account of statutory requirements is done at the country level by the local Finance Department with the support of the Group's advisory network, under the supervision of the Group's Legal and Finance Departments.

The Group's business is highly seasonal in nature.

The Group's revenues and current operating income are significantly higher during the last quarter of the year, particularly as the holiday season approaches. During the fourth quarter of 2013, the Group made 36% of its revenues for the year. The Group undergoes a period of intense business activity that involves tight inventory management and large shifts in its liquidity, and it must therefore step up its use of external service providers, particularly in logistics. As business activity includes a large share of fixed costs, revenues in the last quarter helped to create profitability that was greater than in other quarters. Working capital requirements increase for the first quarter, are stable between the second and third quarters, and decrease for the fourth quarter of a given year. Any 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 logistical warehouses, or the failure, overload or disruption of its websites, could have a material adverse effect on the Group's image, operations, earnings and financial position.

The Group's entire operational set-up is designed to anticipate, prepare for and safeguard this major sales period.

The Group may not be able to maintain positive brand perception and recognition, including with regard to its customer loyalty program.

The Group's past success is partly due to strong customer awareness and the excellent reputation of the Fnac brand. In a market characterized by increasing competition, the Group's ability to maintain positive consumer awareness of the brand and the distinctive features it represents, plus get core customers to join its loyalty program, is key to ensuring the Group's future success, including on social media sites, which encourage customers to share their opinions, comments and experience. The Group has developed a customer loyalty program through which it strengthens the loyalty of a solid customer base, that generates a substantial share of its revenues, and that significantly contributes to the distinctiveness of the Group's brand image. This program 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 Fnac customers.

Furthermore, 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. Finally, the Group's image could be tarnished by the occurrence of exceptional events, such as bringing its liability into play due to selling a given product or breaching an applicable law.

The Group continuously monitors the image and presence of its brand (including on social media), regularly tests new product offerings and its external communications both upstream and downstream, and monitors the quality of its customer service.

The Group's business may be affected by a deterioration in its labor relations, including with its unions.

The Group is constantly adapting its human resources and organizational structure (see section 1.3.3: "Fnac 2015" strategic plan); this requires the Group to maintain good relationships with its employees, unions and employee representative bodies. For example, a worsening of labor relations due to the implementation of a new organizational structure or a new strategy could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

As a responsible employer, the Group has implemented a major policy geared toward meeting human resource challenges. Details of this can be found in section 2 of this Registration Document, more specifically section 2.3.3: Employee relations.

System failures or shortcomings, viruses or hacking could result in service interruptions on the Group's information systems.

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 websites and ordering and payment systems, and especially during peak end-of-year business activity.

These information systems are constantly changing and difficult to grasp in terms of their global nature. Together with the development of portable technology and cybercrime, the security of these systems is another challenge, not least with regard to hacking.

The Group's Information Systems Department ensures that all IT applications are consistent throughout the Group as part of a coordinated strategy to anticipate operational incidents and arrange emergency plans. The Department relies on the network of IT managers in its host countries to safeguard information systems through appropriate governance, shared standards and regular checks.

The Group could be affected by a deterioration in its relationships with certain suppliers, partners or contractors or by supply problems.

The Group offers a wide range of products and is supplied by a large number of suppliers. The amount of the purchases made with the Group's ten largest suppliers accounted for about 35% of all purchases made in 2013. A significant share of the Group's success depends on its ability to negotiate favorable terms and conditions and to maintain agreements and business relationships with its suppliers, especially those who supply products for which customers will not accept substitutes, such as Apple or Microsoft. 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 agreements may have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's business also depends on its relationships with its partners, for example in the consumer credit field or for product range development (Finaref, SFR, Disney, etc.), as well as relationships with service providers who are key to its operations, such as IT resources, transportation, delivery, and payroll management.

In this context, the Group continues to benefit, for an interim period of as long as four years, depending on the services in question, from the provision of services (in particular IT and temporary staffing services) directly from the Kering Group (as part of a multi-service platform), or under framework agreements that Kering has established with its service providers.

Any significant failure, deterioration, sudden termination or non-renewal of the Group's contractual relationships with its partners and contractors could have a material adverse effect on the Group's image, operations, earnings, financial position and outlook.

The Group's sales policy is designed to develop strategic partnerships offering long-term relationships with key suppliers, partners and contractors in its primary markets.

As regards the contracts existing at the time of the Group's IPO, no service provider has invoked the change of control clause to request the amendment or early termination of the contract in force.

Agreements with suppliers are negotiated periodically and the Group strives not to accept, to the extent possible, any change of control clauses.

The Group could be affected by a deterioration of its relationships with its property owners.

The Group's success is due in particular to its ability to develop and manage a store network that meets its requirements as well as its customers' expectations. The Group may be exposed to the risk of non-renewal of its leases or face conflicts with its property owners at the time of a lease renewal.

In order to improve its operating profitability, the Group has decided to renegotiate its rents, optimize the management of its retail space and optimize the terms under which its rents are indexed. No assurance can be given regarding the Group's ability to successfully optimize, use and allocate its retail space (including for the introduction of new product categories), control its rents or maintain or open stores in prime locations under acceptable terms and conditions.

The Group's real estate assets are constantly monitored to ensure they are being used optimally and to anticipate any arbitration that may be required to preserve a portfolio of prime locations at the best market terms and conditions.

The Group could be exposed to significant financial risks if its insurance coverage proves to be inadequate.

The Group is exposed to risks that are inherent to its business. Although the Group has a third-party liability and business interruption insurance policy, legal proceedings for third-party liability or business interruption could lead to substantial damages, some of which may not be covered by insurance. The Group cannot guarantee that the coverage limits under its insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents or business interruption at its premises, nor that it will be able to maintain this insurance on acceptable terms in the future. The Group's operations, earnings, financial position and outlook could be materially adversely affected if the Group's insurance coverage proves to be inadequate or unavailable in the future. (See section 6.5 "Insurance".)

Changes in the assumptions used to determine the carrying amount of certain assets, especially assumptions resulting from an unfavorable market environment, could result in the impairment of these assets, including certain intangible assets such as goodwill.

Goodwill represents the amount paid by the Group in a business combination that exceeds the fair value of the identifiable net assets on the date of acquisition. Goodwill is allocated to each cash-generating unit in each country. Goodwill is tested for impairment annually at the level of the groups of cash-generating units that correspond to operating segments, during the second half of the year or whenever events or circumstances indicate that the book value of those units may not be recoverable.

The recoverable value of groups of cash-generating units is determined on the basis of their value-in-use, which is in turn determined on the basis of certain assumptions. These assumptions primarily include the discount rate, growth rate and change in sales prices and direct costs during the period in question. Management determines discount rates using pre-tax discount rates that reflect the rate of return expected by the market for investments with a similar risk level. Growth rates are based on the Group's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical data regarding these changes and on estimates of future changes in the market.

If business operations and forecasts change, the estimated recoverable value of goodwill or the assets themselves may decline significantly and require impairment.

Details of assumptions and the study of the impacts of the sensitivity of the impairment tests are detailed in note 18 to the consolidated financial statements.

No assurance can be given as to the absence of significant impairment charges in the future, especially if market conditions continue to deteriorate.

The Group is exposed to tax risks by virtue of the international nature of its activities and may be subject to costs and liabilities in connection with current or future tax audits.

As a multinational group, the Group is subject to tax legislation in a number of countries and it structures and conducts its business in light of diverse regulatory requirements. Given that tax laws and regulations in the various jurisdictions in which the Group operates sometimes do not provide clear-cut and definitive guidance, the Group's structure, conduct of its business and tax regime is based on its own interpretation of local and French tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant French and local tax authorities or that the French and local tax laws and regulations in some of these countries will not be subject to change and varying interpretations, which could adversely affect the Group's effective tax rate, cash flow, earnings, financial position and outlook.

Should the Group be audited, as is currently the case in Belgium, Spain, France and Brazil, or be the subject of future tax adjustments, it may be unable to provide the necessary evidence or defend its position or interpretation of the relevant law or regulation before the tax authorities. The Group's financial statements including provisions that cover risks associated with tax disputes are presented in section 5.2, notes 26 and 33.6 to the consolidated financial statements. However, no assurance can be given that future tax audits will not result in reassessments where amounts due to the tax authorities in question exceed current provisions. Any such reassessments could have a material adverse effect on the Group's effective tax rate, cash flow, earnings, financial position and outlook.

The Group's intellectual and industrial property rights may be challenged.

The Group owns or uses intellectual and industrial property rights, including the trademarks, logos and domain names that it uses in its business. Over the past few years, the Group has set up a monitoring system for its portfolio of brands and domain names in order to defend its rights. However, the Group cannot be certain that the measures undertaken to protect its intellectual and industrial property rights will be effective or that third parties will not infringe, misappropriate or terminate its intellectual or industrial property rights. Given the importance of recognizing the Group's brands, particularly the Fnac brand, any infringement or misappropriation could have a material adverse effect on the Group's image, operations, financial position or earnings.

The main shareholder of the Company holds a significant percentage of the Company's shares and can influence decisions made by the Company.

After the distribution by Kering of the Company's shares to its shareholders and the admission to trading of the Company's shares on Euronext Paris, the Artemis Group holds 38.88% of the Company's share capital and voting rights. As such, depending on the participation rate at the Company's general meetings, the Artemis Group can influence the adoption or rejection of resolutions submitted for approval by Company shareholders at such meetings and/or at extraordinary general meetings, in particular with respect to the nomination or removal of members of the Board of Directors, approval of the annual financial statements and dividend distributions, authorizations related to capital increases, mergers, contributions, or any other decision requiring shareholder approval.

6.3 Market risks

The Group has set up an organizational structure which enables it to manage market risks on a centralized basis. Within the Group, risk management is the responsibility of the "Group Treasury Department." The Group believes that monitoring market risk at the Group level allows more effective risk management.

Currency Risk

The Group's currency risk management policy consists of the mitigation of currency risk inherent to the Group entities' 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.

Exposure to currency risk is detailed in section 5.2, note 29.2 to the consolidated financial statements.

Interest Rate Risk

Exposure to interest rate risk is detailed in section 5.2, note 29.1 to the consolidated financial statements.

Liquidity Risk

Group financing

On April 19, 2013, the Group entered into a revolving credit facility agreement with a maximum principal amount of €250 million with a lending syndicate, for a three-year period. This credit line has been implemented to finance the Group's working capital requirement.

The credit facility contains clauses customary for this type of financing, namely financial commitments, general restrictive covenants, the Group's own restrictive covenants, and events of default.

All of these clauses are detailed in section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document.

Risks related to the early repayment clauses are described in the section "Financial risk" below.

At December 31, 2013, all financial covenants were met (see section 5.3, note 33.4 to the consolidated financial statements).

At the same time, on April 24, 2013, the Group also issued sixty perpetual super-subordinated notes (TSSDI) with a nominal value of €1 million each, for a total nominal amount of €60 million. These notes are subordinated to all senior creditors and bear an 8% annual fixed-rate coupon. In accordance with IAS 32 and in light of its characteristics (no reimbursement clauses, no obligation to pay a coupon except in the limited cases set forth in the agreement and at the issuer's initiative), this instrument is recognized in shareholders' equity.

The financing for the TSSDIs is described in section 4.2.2.2 "Financing under the TSSDIs" of this Registration Document.

Centralized cash management

Fnac SA has entered into centralized cash management agreements for an unlimited term with some of its French subsidiaries, as well as its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group's management of cash in order to encourage coordination and optimization of the utilization of cash surpluses within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA.

Exposure to liquidity risk is detailed in section 5.2, note 29.5 to the consolidated financial statements.

Credit and/or Counterparty Risk

Given its large number of customers, the Group does not believe it is exposed to a material concentration of credit risk. However, the expansion of its franchising and B2B operations could have a negative effect on the Group's cash flow, earnings and financial position in the future, despite guarantees and insurance.

Generally speaking, Groupe Fnac is not exposed to any particular credit risk on its financial assets.

Volatility of the market price of the Company's shares

Stock markets experience significant fluctuations which are not always related to the results of operations of the companies whose shares are being traded. These market fluctuations may have a material adverse effect on the market price of the Group's shares.

The market price of the Group's shares could also be materially adversely affected by factors that affect the Group and its competitors, general economic conditions, or the retail market (in particular the editorial products and consumer electronics segments). The market price of the Company's shares could fluctuate significantly, particularly in response to factors such as:

* substantial block trades of shareholdings in a market of low daily trading volumes or changes in the reported financial results of the Group or its competitors;
* announcements made by the Group's competitors or other companies with similar businesses and/or announcements relating to the specialty retail market (particularly the retailing of editorial products and consumer electronics) or to the financial and operating performance of these companies;
* adverse political, economic or regulatory developments in the countries and markets in which the Group operates;
* announcements relating to changes in the Group's share ownership;
* announcements relating to changes in the Group's officers or key employees; and
* announcements relating to the Group's scope of consolidation (acquisitions, disposals, etc.).

6.4 Financial risk

Artemis Group Agreement – A reduction in the Artemis Group's interest in the Company could have an impact on the Group's financing conditions.

Kering's main shareholder, the Artemis Group, holds approximately 38.88% of the Company's share capital and voting rights after Kering's distribution of Company shares to Kering shareholders and the admission to trading of the Company's shares on Euronext Paris. The Loan Agreement requires the early repayment of amounts lent by the lenders under the facility and the cancellation of any remaining available credit thereunder in the event that Artemis (through one or more of its subsidiaries), directly or indirectly, ceases to hold at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of entry into the Revolving Credit Facility (April 18, 2015), or (ii) a 25% interest in the Company's share capital and voting rights at any time after that date until the maturity of the Loan Agreement (the "Triggering Event"). Under a separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) not to trigger such early prepayment under the Loan Agreement or cancellation of available credit by sole reason of the Triggering Event until after the initial maturity date thereof (April 18, 2016). Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more of its subsidiaries) to subscribe, underwrite or purchase any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company. Any reduction of the Artemis Group's shareholding in the Company prior to the maturity of the Loan Agreement (for example, if Groupe Fnac were to decide to undertake a share capital increase in which Artemis did not participate) could trigger an early prepayment event under the Loan Agreement, which could have an immediate material adverse effect on the Group. More generally, including after the expiration of the Loan Agreement, a reduction by Artemis of its interest in the Company could adversely affect the Group's ability to secure financing and the conditions of such financing, and this could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

A direct or indirect reduction by Kering in its interest in the perpetual deeply subordinated notes could have an impact on the Group's financing conditions.

Kering indirectly holds all of the perpetual deeply subordinated notes (TSSDIs) issued by the Company. The Loan Agreement requires the early repayment of the amounts lent by the lenders and cancellation of any remaining availability under the credit facility in the event that Kering (via one or more of its subsidiaries) ceases to hold all of the perpetual deeply subordinated notes either directly or indirectly. Therefore, despite the fact that Kering has agreed (itself and on behalf of its subsidiaries) not to trigger early repayment until after the initial maturity of the Loan Agreement (April 18, 2016) for reasons of breach of covenant, any direct or indirect reduction by Kering (via one or more of its subsidiaries) of its interest in the perpetual deeply subordinated notes would constitute early repayment under the Loan Agreement.

The Group may not be able to comply with the restrictive covenants under the Loan Agreement.

The Group may be unable to comply with some of its obligations under the Loan Agreement, particularly the restrictive covenants, due to circumstances affecting the Group's markets or operations. Failure to comply with one or more of these clauses, particularly the covenants, could constitute a default under the Loan Agreement, pursuant to which the Loan Agreement Agent (Société Générale) could, and should, at the lenders' request, (i) cancel the commitments made by each lender with immediate effect; (ii) decide to close out all amounts due under the Loan Agreement (including interest accrued on those amounts and any other amounts due under the Loan Agreement); and (iii) enforce the security interests granted by the Group's members. In the event that all amounts under the Loan Agreement are declared immediately due and payable, the Group may lack sufficient cash to make such payments and it is possible that the assets pledged by the borrowers, and their other assets, where applicable, would not be sufficient to ensure its full repayment. This situation could have a material adverse effect on the Group's image, operations, results, earnings, financial position and assets.

At December 31, 2013, all financial covenants are being complied with (see section 5.3, note 33.4 to the consolidated financial statements).

The Group's covenants under the Loan Agreement could reduce its flexibility in conducting its business.

The Loan Agreement includes covenants that significantly reduce the Group's flexibility to conduct its business, including but not limited to restrictions on the granting of security interests or guarantees, restrictions on mergers and restructuring transactions, restrictions on certain investments or asset disposals and restrictions on changing the financial structure of the Group including its indebtedness. The resulting inability to change its corporate structure or business could have a material adverse effect on the Group's image, operations, earnings, outlook, financial position and assets.

6.5 Insurance

General overview

All of the insurance policies taken out directly by the Group following its split from Kering entered into effect on January 1, 2013 or on the date the Group's shares were admitted to trading on Euronext Paris. Such policies were taken out under conditions that were adjusted for the scope and nature of the Group's risks.

The Group's insurance policy is coordinated by the Group's Legal and Insurance Department, whose role is to identify risks, quantify their impact and reduce them by:

* recommending preventive measures for risks that can be eliminated or reduced by these means; or
* scheduling financing arrangements, including transfer to the insurance company of risks of an exceptional nature where the potential impact is high and the frequency is low.

This requires each Group subsidiary to provide the Group Legal and Insurance Department with information aimed at identifying and quantifying risks and implement appropriate resources to ensure business continuity in the event of an incident. Based on this information, the Group Legal and Insurance Department negotiates with the major players in the insurance and reinsurance industry in order to find the cover best suited to the Group's risk coverage requirements.

Risk prevention policy

The aim of the risk prevention, precaution and protection policy, which is implemented at the subsidiary level, is to identify, assess and reduce the exposure, occurrence and intensity of incidents, through:

* audits of the main operational facilities;
* appraisals of value-at-risk;
* following the recommendations of security professionals;
* internal control procedures;
* staff training; and
* implementation of appropriate emergency plans.

The Group's insurance policy

The Group's policy of transferring material risks to insurance companies is primarily determined by:

* the economic balance between risk cover, premiums and excess levels, and
* the offer and constraints in the insurance market, and applicable local regulations.

Under its insurance policy, the Group favors the "all risks with exceptions" approach, which is determined by assessing the financial consequences for the Group of potential claims, specifically in terms of:

* third-party liability, including bodily harm or property damage to third parties caused by products, facilities or equipment;
* property damage resulting from fire, explosion, water damage, riots, terrorism, war or other causes; and
* operating losses following direct damage.

The Group has adopted a deductibles policy to absorb losses of minor importance in terms of costs (especially for the All Risks and Liability policies), thus encouraging the development of preventive measures to reduce losses.

The setting up of insurance coverage is based on determining the level of coverage required to cope with the reasonably estimated occurrence of the risk of liability, damage or other risks for each facility and Group company concerned. This appraisal takes into account assessments made by insurers, as underwriters of the Group's risks.

Uninsured risks are those for which no coverage is offered on the insurance market or where insurance is offered at a cost that is disproportionate to the potential benefits of such insurance.

Risks are managed as part of the Group's general risk management policy, as is the case for policies of groups of comparable size.

The main insurance programs to which the Group subscribes pool the purchase of insurance coverage, to which all of the Group's subsidiaries adhere. This coverage is underwritten by international insurance brokers that specialize in the coverage of major risks with reputable insurers.

Main Insurance Programs

The main insurance programs taken out by the Group to cover the risks it faces in its operations are described below. Where necessary, they may be supplemented by local programs specific to the country in question.

Damage and business interruption: the Group has taken out a non-life insurance and business interruption policy that took effect on the date the Company's shares were admitted to trading on Euronext Paris. This policy insures the Group against risks including fire damage, explosions, water damage, theft, damage to private property (buildings, furniture, equipment, goods or computer facilities) from natural disasters, and damage for which the Group is held liable, and against losses following such damage, for any period deemed necessary to enable the resumption of normal business. The total amount of the damage covered under these policies varies according to the risk and the geographical area under consideration. Accordingly, this amount may be no more than €370 million per loss.

Third-party liability: the Group has taken out a general third-party liability insurance policy. This policy took effect on January 1, 2013. It covers operational risks or risk following the delivery or provision of a service, including bodily harm or property damage caused to third parties by the operations of all Group subsidiaries or the products sold by the Group. The amount of the damages covered in this policy is capped for an insurance period of two years. Accordingly, the amount of the damage indemnified thereunder may be no more than €75 million per loss for an insurance period of two years.

Goods transportation: the Group has taken out new insurance policies to cover goods transportation and damage. These took effect on January 1, 2013 and cover the business activities of the stores and the fnac.com website. In particular they cover the risk of damage, theft, loss or major incidents (excluding acts of war) during transportation arranged by Group subsidiaries, from the point where the goods are delivered to the stores by suppliers or until the goods are delivered to the recipient. The amount of damage covered under this policy was reviewed at January 1, 2014 to ensure adequate coverage for the risks involved and remains capped for the Group. Accordingly, the amount of the damage indemnified under the policy may be no more than €10 million per claim.

Amount of expenses incurred by the Company: the costs to be incurred by the Group in respect of all insurance policies for the year just ended are estimated at around €2.7 million.

6.6 Risk management

The Group closely associates risk management with internal control. The Group's risk management and internal control systems rely on a series of resources, procedures, and actions aimed at ensuring that proper measures are taken to identify, analyze and control:

* risks that may have a material impact on the Group's net assets or the achievement of its objectives, regardless of whether they are of an operational or financial nature, or risks that relate to compliance with applicable laws and regulations; and
* operations, operational efficiency, and the efficient use of resources.

For more information on risk management and internal control procedures (including with respect to the Group's subsidiaries), see the report on risk management and internal control procedures in section 3.5.

6.6.1 The risk management system

The implementation of the risk management system at Fnac is based on an organizational framework, a three-step risk management procedure and ongoing oversight.

6.6.6.1 Organization

Managing the exposure to decentralized risks at the country level is the responsibility of the managing director in each country and local executives who are closest to the risks relating to the operations they conduct or oversee.

Managing exposure to centralized risk at the Group level involves mapping, identifying and assessing risk, and is a task performed by the Internal Audit, Financial Control, Risk Prevention, and Legal and Strategy Departments.

A Fnac risk management policy was formalized in 2011 and is based on the COSO II guidelines. This document categorizes the steps and methods to be used as part of the ongoing risk management procedures, or when performing annual risk analyses.

The Group also has a Director of Safety, Security and Risk Prevention, whose goal is to standardize procedures, reduce risks and reduce security costs at the Group level by promoting synergies and raising awareness among Group employees.

6.6.1.2 Procedure

The risk management procedure is organized into three chronological steps:

* Risk Identification – At Fnac, risk identification is an ongoing process. It allows key risks to be identified and centralized, based on type, either by the Risk Prevention Department or by the Internal Audit Department.
* Risk Assessment – At Fnac, this approach is also documented at least once a year during a risk self-assessment process headed by the Internal Audit Department. The risk management policy sets out the criteria and procedures for these assessments. The aim is to review potential consequences of the main risks (consequences that may be of a financial, labor, legal or reputational nature) and assess the likelihood of their occurrence, as well as the required level of risk management.
* Risk Processing – During this final step, the most appropriate action plan(s) is/are identified.

6.6.1.3 Oversight

The risk management system is subject to regular monitoring and review, which allows for ongoing improvements. Risk management is overseen by Groupe Fnac's Audit Committee.

That Committee meets at least once a year to review the risk map prepared by the Group's executive management, and check the progress of dedicated action plans.

The Group also conducts regular internal audits to assess and improve the effectiveness of its risk management systems. The Group's Internal Audit department consists of one director and two internal auditors.

6.6.2 Risk mapping

As part of its risk management and internal control procedures, the Group prepares risk maps for the main risks to which it is exposed. The Group assesses the potential impact of each risk that is identified. The risk maps are updated regularly and allow the Group to define and monitor the various action plans that are implemented to reduce or manage these risks. The risks identified in the most recent Group risk map are described in the previous sections of this section under "Risk Factors".

7

Information on the Company, share capital and shareholding

7.1 The Company

7.1.1 History and development

7.1.1.1 Company name

The name of the Company is "Groupe Fnac".

7.1.1.2 Place of registration and registration number

The Company is registered in the Trade and Companies Register of Créteil under number 055 800 296.

7.1.1.3 Date of incorporation and duration

Date of Incorporation

The Company was incorporated on December 15, 1917.

Duration

The Company's duration is fixed at January 1, 2100, except in the event of early dissolution or extension.

7.1.1.4 Registered office, legal form and applicable legislation

Registered office

Groupe Fnac registered office is located at 9, rue de Bateaux-Lavoirs, ZAC Port d'Ivry, 94200, France
(Tel. No.: +33 1 55 21 57 93).

Legal form and applicable legislation

Groupe Fnac is a French *société anonyme* (limited company) specifically governed by the provisions of Book II of the French Commercial Code.

Previous corporate form

The Company was initially incorporated as a *société anonyme*. It was transformed into a *société par actions simplifiée* (a simplified joint stock company) pursuant to a unanimous decision of the shareholders on June 4, 2002. On September 26, 2012, the Company's shareholders resolved to transform the Company back into a *société anonyme à conseil d'administration* (a limited company with a Board of Directors).

7.1.2 Constitutive documents and bylaws

The Company's bylaws have been drafted pursuant to the laws and regulations applicable to limited companies with Boards of Directors incorporated under the laws of France. The principal stipulations below are taken from the Company's bylaws, as adopted by the Company's Ordinary and Extraordinary General Meeting of Wednesday, April 17, 2013.

7.1.2.1 Corporate purpose

Article 2 of the Company's bylaws provides that its purpose is to:

* create, operate and develop commercial or industrial establishments in the sectors of the distribution of cultural, educational, musical, leisure, electronic and computer products and services, services for the individuals and companies, or personal, home and office equipment, directly or indirectly by setting up subsidiaries or acquiring interests, throughout the world;
* acquire, administer and sell financial securities or interests of any type in any entity of lawful purpose, irrespective of the legal form, including unincorporated entities, throughout the world and for any length of time or duration, and carry out any transaction on these financial securities or interests, directly or indirectly by setting up subsidiaries or acquiring interests;
* carry out any transactions, including of a financial, investment or real estate nature, relating directly or indirectly or being necessary or necessary or practical for any reason, including being related or ancillary, to the above.

To this end, the Company may act, directly or indirectly, on its own behalf or on behalf of third parties, either alone or in a partnership, association or company with any other company, individual or enterprises and carry out any transaction that comes within the scope of its purpose.

7.1.2.2 Fiscal year

From January 1 to December 31 of every year.

7.1.2.3 Administrative, management and supervisory bodies and Senior Management bodies

Board of Directors

Internal rules of the Board of Directors

The Board of Directors has internal rules whose purpose is to specify the operating rules of the Company's Board of Directors.

Composition of the Board of Directors (Article 12 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board is composed of at least three and at most eighteen members, subject to exceptions allowed by applicable law, including in the case of a merger.

A person cannot be appointed director if, being more than 70 years old, his or her appointment has the effect of increasing the proportion of Board members of that age above one third of total members. If, because a director has reached an age of more than 70, the above proportion of one third is exceeded, the oldest director shall be deemed to have resigned following the next Annual General Meeting.

The Directors are appointed under the conditions set forth by law by the Annual General Meeting for a term of three years. The Directors are eligible for re-election and may be dismissed at any time by a General Meeting. In the event that one or more Directors' seats are vacant, the Board may make provisional appointments of Directors, in compliance with the law, which will be subject to ratification at the next Annual General Meeting. A director appointed under these conditions to replace another director remains in office during the time remaining on his predecessor's term of office. The Board members' terms of office may be arranged in such a way as to allow for a renewal of members as regularly as possible.

The Board must ensure balance within its membership and within the committees of Board members that it has established by taking the necessary measures to ensure that its duties and those of the committees of Board members that it has established are fulfilled with the required independence and objectivity.

The proportion of independent members, where possible, must be at least one-third within the Board of Directors, at least two thirds within the Audit Committee and at least one half within the Appointments and Compensation Committee and the Corporate, Environmental and Social Responsibility Committee. Independent member qualification does not call into question the qualities and competences of Board members.

When a member's term of office is renewed or a new member is appointed to the Board at least once a year prior to the publication of the Company's annual report, the Board assesses the independence of each of its members (or nominees). During this assessment, the Board, following the opinion of the Appointments and Compensation Committee, examines the qualification of each of its members (or candidates), on a case-by-case basis, with respect to the above criteria, particular circumstances and situation of the interested party in relation to the Company. Shareholders are informed of the assessment's conclusions through the annual report and, where necessary, the Annual General Meeting when electing new Board members.

The assessment of independence of each Board member must include the following criteria:

* not being or having been in the past five years a Company employee or officer, an employee or Director of any company that has consolidated the Company, or of a company consolidated by the Company;
* not being an officer of a company for which the Company is, directly or indirectly, a Director or for which a Company employee designated in that capacity or an officer (current or within the last five years) is a Director;
* not being a significant customer, supplier, investment banker or commercial banker of the Company, or for which the Company represents a significant proportion of its business, nor being directly or indirectly associated with any such person;
* not being a close family relation of an officer;
* not having been the Company's Statutory Auditor during the past five years;
* not having been a member of the Company's Board for more than twelve years as of the date on which his or her current office was bestowed on him or her.

For Board members holding ten percent or more of the Company's capital or voting rights, or representing a legal person holding such an interest, the Board, upon recommendation of the Appointments and Compensation Committee, shall decide the qualification of independence by taking into account the composition of the Company's capital and whether there is any potential conflict of interests.

The Board may hold that a member of the Board, even though he or she meets the above criteria, should not be deemed independent due to his or her particular situation or that of the Company, due to its shareholding structure or on any other ground. Conversely, the Board may hold that a Board member not meeting the above criteria is nonetheless independent.

Chairman of the Board of Directors (Article 14 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board elects a Chairman and Vice Chairman from its members that are natural persons, for terms not exceeding their term of office as a Board member. Their duties include convening the Board and chairing its discussions. The Chairman is eligible for re-election and may be dismissed at any time by the Board of Directors. At no time may he or she be more than 65 years of age.

Committees of the Board of Directors (Article 15 of the Bylaws and Article 1 of the Board's Internal Rules)

The Board may decide to set up permanent or temporary committees from among its members in order to facilitate the operations of the Board and to provide effective assistance in preparing its decisions. These committees are charged with, under the responsibility of the Board, examining the subjects that the Board or its Chairman submits for their examination and advice to prepare the work and decisions of the Board. The composition, assignments and practices of these committees are set out in internal rules specific to each committee and approved by the Board.

As of the date of this Registration Document, the Board has decided to establish the following permanent committees: (I) an Audit Committee, (II) an Appointments and Compensation Committee and (III) a Corporate, Environmental and Social Responsibility Committee. (See section 3.2.3 "Board of Directors Committees" of this Registration Document)

Practices of the Board of Directors (Article 15 of the Bylaws and Article 5 of the Board's Internal Rules)

The Board is convened by its Chairman, Vice Chairman or upon the request of at least one third of the Directors. In the latter case, the Chairman or, failing this, the Vice Chairman must convene the Board within fifteen days of receipt of the request.

The Board may be convened by any means, including verbally. The person who gave notice of the Board's meeting sets the meeting's agenda.

The Board meets at least four times a year, and at any other time, as often as the Company's interests require it. A provisional schedule of each year's meetings is sent to the Directors by November 30 of the preceding year, at the latest. The frequency and duration of meetings must be such as to allow a thorough examination and discussion of matters coming within the board's remit.

Meetings are chaired by the Chairman of the Board or, in his or her absence, the Vice Chairman or, in his or her absence, by the oldest Director or by any other Director appointed by the Board.

The Board can deliberate only if at least half of its members are present. Persons present at the Meeting for the purposes of calculating the quorum and the majority shall be deemed to include the Directors who take part in the meeting via videoconference facilities or other appropriate means under the conditions provided for by the law and regulations. All Directors may give a written proxy to another director to represent them at a meeting of the Board of Directors. Each director may only hold one proxy per meeting.

Decisions are taken by a majority vote of the members present, deemed present or represented. In the event of a split vote, the vote of the Chairman of the session shall be decisive.

The Board of Directors shall appoint a Secretary, who can be chosen from outside its members.

A register of attendance shall be kept for meetings of the Board and minutes shall be taken, as provided by the laws and regulations in force. The attendance register shall mention the attendance of members by videoconference or by any other means of telecommunication.

The Duties of the Board of Directors (Article 13 and 17 of the Bylaws and Article 3 and 4 of the Board's Internal Rules)

The Board carries out the duties and exercises the powers entrusted to it by law and the Company's bylaws. It determines and assesses the Company's strategy, objectives and performance, and ensures their implementation. Subject to the powers expressly attributed to the General Meetings and within the limits of the corporate purpose, it concerns itself with all issues affecting the Company's operations and regulates the Company's affairs.

The Board carries out the audits and verifications it deems necessary. The Board is regularly informed of the Company's financial and cash position, as well as the Company's or Group's commitments and obligations. The Chairman and Chief Executive Officer communicate to the Directors, on an ongoing basis, any information concerning the Company of which they are aware that they consider useful or relevant to communicate.

The Chief Executive Officer must obtain the Board's prior consent for any of the following transactions or decisions:

- issues and transactions that materially affect the Group's strategy, financial structure or scope of business;
- the following transactions conducted by the Company or any entity controlled by it to the extent that, for each of these transactions, it exceeds an amount set by the Board of Directors:
  - any investment or divestment, including an acquisition or sale or exchange of interests in any companies currently existing or to be created,
  - any borrowing (or series of borrowings) or loan of money or early repayment of a loan of any kind.

The Board of Directors also ensures the Company's and Group's proper governance, in order to ensure a high level of sustainable development and transparency consistent with the Group's, Group Directors' and employees' corporate responsibility.

Remuneration of the Board of Directors (Article 19 of the Bylaws and Article 6 of the Board's Internal Rules)

The Annual General Meeting may allocate an annual fixed sum to Directors for attendance fees, whose distribution among Directors shall be determined by the Board. Upon recommendation of the Appointments and Compensation Committee, the Board:

* freely distributes the attendance fees allocated to the Board by the Annual General Meeting among its members, provided that a portion determined by the Board is deducted from the aggregate amount allocated to the Board and paid to Committee members, based on their presence at the Committee meetings;
* determines the amount of compensation paid to the Chairman and Vice Chairman; and
* and may allocate to some of its members exceptional remuneration for missions or duties assigned to them.

Executive Management

Chief Executive Officer (Article 17 of the bylaws)

(a) Appointing the Chief Executive Officer

If the Board of Directors chooses to separate the functions of Chairman and Chief Executive Officer (CEO), it shall appoint the CEO from among or outside of the Directors, set his or her term of office and compensation and, where necessary, the extent of his or her powers. At no time may the CEO be more than 65 years of age.

(b) Powers of the Chief Executive Officer

The CEO is invested with the all powers necessary for acting in the Company's name under any circumstances and shall exercise these powers within the limits of the corporate purpose and what the law expressly assigns to the General Meetings and to the Board of Directors. The CEO represents the Company in its relations with third parties.

Some of the CEO's decisions are subject to the prior consent of the Board (see above). Moreover, the Board sets, under the conditions set forth by law, either a total amount below which the CEO may give, with or without the option of delegating, commitments in the name of the Company in the form of sureties, endorsements or guarantees, or an amount above which each of the above commitments may not be given. All transactions exceeding the global ceiling or maximum amount set for commitments must be authorized by the Board.

The CEO may grant, with or without the option of substituting, any delegation to any Director that he or she elects, subject to the restrictions provided for by law.

Chief Operating Officers (Article 18 of the Bylaws)

Upon the CEO's recommendation, whether this position is held by the Chairman of the Board or by another person, the Board may appoint one or more natural persons charged with assisting the CEO, with the title of Chief Operating Officer. The maximum number of Chief Operating Officers is set at five. At no time may a Chief Operating Officer (COO) be more than 65 years of age.

Should the CEO cease or be prevented from exercising his or her duties, the Chief Operating Officer(s) shall, unless otherwise decided by the Board of Directors, keep their positions until the appointment of the new CEO.

In agreement with the CEO, the Board of Directors determines the extent and duration of the powers given to the Chief Operating Officers. The Chief Operating Officer(s) shall hold, with regard to third parties, the same powers as the CEO.

7.1.2.4 Rights, privileges and restrictions on shares

The shares may be freely traded under the conditions prescribed by law.

Each share gives the right, in proportion to the number and par value of existing shares, to a part of the Company's assets, profits and the proceeds of liquidation.

Each shareholder has a number of votes equal to the number of shares owned, subject to applicable regulations and the Company's bylaws.

Whenever it is necessary to own a certain number of shares to exercise a right of any kind, particularly in the event of the exchange, conversion, combination or allotment of shares, capital reduction, merger, demerger or any other corporate action, shares of a lower number than that required do not give any entitlement to their owner with respect to the Company, and shareholders must make their own arrangements in such cases to obtain the number of shares required or a multiple thereof. The provisions of Article L. 228-6 of the French Commercial Code shall apply to fractional numbers of shares.

7.1.2.5 Changes in shareholders' rights

Any change in voting rights attached to shares in the Company is governed by applicable legal and regulatory provisions.

7.1.2.6 Annual General Meetings

Convening Annual General Meetings

The Company's annual general meetings are convened under the conditions and according to the procedures and timetables set forth by the regulations in force and the Company's bylaws. They are held at the head office or in any other place stated in the notice of meeting.

Attendance and voting at Annual General Meetings

All shareholders are entitled to attend general meetings in person or by proxy, under the conditions set forth by the regulations in force by providing proof of their identity and title to their shares by the registration of said securities in accounts in their name (or if the Company's shares are admitted to trading on a regulated market, in the name of the intermediary registered on the shareholder's behalf pursuant to the regulations in force) no later than three business days preceding the meeting at midnight Paris time, or in the registered share account kept by the Company, or, provided that the Company's shares are admitted to trading on a regulated market, in the bearer share accounts of an approved intermediary. Proof of status as a shareholder can be provided electronically under the conditions set by the regulations in force.

By a decision of the Board of Directors published in the notice of meeting that access shall be granted to such forms of telecommunication, for the purposes of calculating the quorum and the majority, shareholders who participate in the meeting by video-conferencing or by any means of telecommunication, including Internet, under the conditions provided in the regulations in force are deemed to be present.

Any shareholder may vote from a distance or by proxy in accordance with the regulations in force by means of a form prepared by the Company completed and returned to it in accordance with the regulations in force, including via electronic filing or electronic means, by decision of the Board of Directors. To be accepted, this form must be received by the Company under the conditions provided in the regulations in force.

By prior decision of the Company's Board of Directors, the recording and signing of electronic forms may be achieved by a reliable identification process that meets the conditions stated in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code and may consist of a user name and password, or any other means consistent with applicable regulations. Proxies or votes cast electronically in this way before the meeting, and the confirmation of receipt given in reply, shall be regarded as irrevocable written instructions enforceable on all parties, with the understanding that if the shares are sold before midnight Paris time before the third business day preceding the meeting, the Company shall invalidate or amend, as the case may be, the proxies or cast expressed before such date and time.

Holding of Annual General Meetings

The meetings are chaired by the Chairman of the Board of Directors, or, in his or her absence, by a director specially delegated for that purpose by the Board. Otherwise, the Meeting shall elect its own Chairman.

The minutes of the General Meetings are drawn up and their copies are certified and delivered in accordance with the regulations in force.

7.1.2.7 Statutory provisions likely to have an impact on the control of the Company

The Company's bylaws do not contain any provisions that would, to the Company's knowledge, have the effect of delaying, deferring or preventing a change of control of the Company.

7.1.2.8 Shareholding thresholds and identification of shareholders

Crossing of thresholds

The following declarations of share ownership thresholds crossed by registered intermediaries or fund managers have been notified to the *Autorité des Marchés Financiers* (AMF) since June 20, 2013:

* By letter received on June 25, 2013, **Crédit Agricole Corporate & Investment Bank** (9 quai du Président Paul Doumer, 92920 Paris la Défense Cedex) notified the AMF that, following the listing of Groupe Fnac shares on the regulated market of NYSE Euronext in Paris on June 20, 2013, it held 885,610 Groupe Fnac shares representing the same number of voting rights, which amounted to 5.34% of the Company's capital and voting rights.
* By letter received on October 29, 2013 and supplemented by a letter received on October 30, 2013, **DNCA Finance** (19 place Vendôme, 75001 Paris) declared that on October 24, 2013, it had upwardly crossed the thresholds of 5% of the share capital and voting rights of Groupe Fnac, directly and indirectly through DNCA Finance Luxembourg, a company which it controls, and held 840,000 Groupe Fnac shares representing the same number of voting rights, which amounted to 5.06% of the Company's capital and voting rights The crossing of this threshold was the result of the conclusion by DNCA Finance Luxembourg of 45,000 Contracts for Differences on that number of Groupe Fnac shares. DNCA Finance Luxembourg,

acting on behalf of funds under management, specified that, under Article 223-14 V of the General Regulations, it held, on behalf of funds managed by it, 73,000 Contracts for Differences (included in the holding mentioned in the first paragraph), exercisable on June 15, 2018, and relating to the same number of Groupe Fnac shares, settled exclusively in cash.

* By letter received on November 1, 2013 and supplemented by a letter received on November 5, 2013, **Prudential Plc** (Laurence Pountney Hill, London, EC4R OHH, UK) declared that, following adjustments, on August 16, 2013, directly and indirectly via management companies under its control, it had upwardly crossed the thresholds of 5% of the share capital and voting rights of Groupe Fnac and, on that date, directly and indirectly held 1,013,146 Groupe Fnac shares, representing the same number of voting rights, which amounted to 6.10% of the Company's share capital and voting rights. These threshold crossings were the result of purchases of Groupe Fnac shares on the market. The declarer specified that on November 1, 2013, it held, directly and indirectly, 1,169,318 Groupe Fnac shares representing the same number of voting rights, which amounted to 7.05% of the share capital and voting rights of the Company. Prudential Plc declared that it did not directly hold any Groupe Fnac shares, its indirect holding coming solely from interests of its subsidiaries, namely M&G Group Limited, M&G Investment Management Limited, M&G Limited, M&G Securities Limited and Prudential Assurance Company Limited. Prudential Plc also specified that it had no power to give instructions to its subsidiaries on the exercise of the voting rights attached to the Groupe Fnac shares; this power is exercised by M&G Investment Management Limited.
* By letter received on January 6, 2014, **Crédit Agricole SA** (9 quai du Président Paul Doumer, 92920 Paris la Défense Cedex) declared that, on December 30, 2013, it had downwardly crossed, directly and indirectly through its subsidiary Crédit Agricole Corporate & Investment Bank, the thresholds of 5% of the share capital and voting rights of Groupe Fnac, and held 828,722 Groupe Fnac shares representing the same number of voting rights, which amounted to 4.99% of the Company's capital and voting rights. This threshold was crossed following the sale of Groupe Fnac shares on the market.

If the Company's shares are admitted to trading on a regulated market, in addition to the legal obligation to notify the Company of the holding of certain percentages of share capital, any individual or corporate entity acting alone or collectively, who holds or ceases to hold, directly or indirectly, a percentage of the Company's share capital or voting rights of 3% or more or any multiple of 1% above 3% has an obligation to notify the Company by registered letter with acknowledgement of receipt within the time provided for in Article R. 233-1 of the French Commercial Code (as of this writing, no later than the close of trading on the fourth day of trading following the date of the crossing of the ownership threshold). The provisions of paragraph VI bis of Article L. 233-7 of the French Commercial Code and of the General Regulations of the AMF apply *mutatis mutandis* to the thresholds referred to in this subparagraph.

If not declared in accordance with the preceding paragraph, shares exceeding the fraction that should have been declared shall be stripped of their voting rights in General Meetings, if one or more shareholders holding at least 3% of the Company's share capital or voting rights so request at a General Meeting. Such deprivation of voting rights applies to all General Meetings held until expiry of a two-year period following the date on which the declaration is regularized.

Furthermore, as long as the Company's shares are admitted to trading on a regulated market, in addition to the thresholds provided by the regulations in force, any person who would solely or jointly hold a number of shares representing more than a twentieth of the Company's share capital or voting rights, must, in its declaration to the Company, include the information referred to in paragraph VII of Article L. 233-7 of the French Commercial Code as shown in the General Regulations of the AMF.

At the end of each period of six months following their first declaration, any shareholders, should they continue to hold a number of shares or voting rights equal to or more than the percentage referred to in the previous paragraph, must renew their declaration of intention, in accordance with the abovementioned terms, for each successive period of six months.

The Company reserves the right to advise the public and shareholders of any information of which it has been advised or failure to comply with the abovementioned obligation by the person concerned.

The ownership percentages are determined using the shares and voting rights referred to in Articles L. 233-7 et seq. of the French Commercial Code and the provisions of Articles 233-11 et seq. of the General Regulations of the AMF.

To the knowledge of the Company, no shareholders have crossed the statutory threshold of 3% without informing the Company.

Identification of shareholders

If the Company's shares are admitted to trading on a regulated market, the Company is authorized, to the extent permitted under the regulations in force, to use the methods authorized under the regulations in force to identify the holders of securities that grant immediate or future voting rights at the Company's General Meetings.

7.1.2.9 Specific provisions governing changes in share capital

The Company's share capital may be increased, reduced or redeemed by any method or means authorized by applicable law.

The Company's Annual General Meeting may decide that any reduction in capital will be made in kind by delivery of assets of the Company.

7.2 Share capital

7.2.1 Subscribed share capital and share capital that was authorized but not issued

The Company has share capital of €16,595,610, divided into 16,595,610 shares with a par value of one (1) euro, fully subscribed and paid up and all of the same class.

The following table shows the financial resolutions approved by the Combined Ordinary and Extraordinary General Meeting of the Company's shareholders on April 17, 2013.

Subject of resolution	Maximum amount	Duration of authorization [(a)]
Authorization to effect transactions relating to the Company's shares		18 months
Issuance, with maintenance of preferential subscription rights, of shares and/ or securities giving access to capital and/or securities granting rights to the allotment of debt instruments, through a public offering	€8 million [(b)]	26 months
Issuance, with suppression of preferential subscription rights, of shares and/ or securities giving access to capital and/or securities granting rights to the allotment of debt instruments, through a public offering	€2.5 million	26 months
Issuance, with suppression of preferential subscription rights, of shares and/or securities giving access to capital and/or securities granting rights to the allotment of debt instruments, through a private placement	€2.5 million	26 months
Issuance of shares or securities giving access to capital without preferential subscription rights, in consideration of contributions in kind concerning equity securities or securities giving access to share capital	10% of the nominal capital of the Company	26 months
Authorization granted to the Board of Directors, in the event of an issuance without preferential subscription rights, to set the issue price within the limit of 10% of share capital	10% of the nominal capital of the Company	26 months
Capital increase by capitalizing additional paid-in capital, reserves, earnings or other	€8 million	26 months
Increase in the number of shares to be issued in the event of a capital increase with or without preferential subscription rights	As limited by applicable regulations (currently 15% of the initial issuance)	26 months
Capital increase through the issuance of shares or securities giving access to capital allocated to members of employee share savings plans with suppression of preferential subscription rights for the employees	€0.5 million	26 months
Granting of stock subscription or purchase options with suppression of preferential subscription rights	10% of share capital (shared ceiling with the allocations of free shares below)	38 months
Free allocations of existing shares or shares to be issued to Group employees and Company officers, or to some of them, with suppression of preferential subscription rights	10% of share capital (shared ceiling with the stock subscription or purchase options below)	38 months
Authorization to reduce capital by canceling treasury stock	10% of share capital per 24 months	26 months

(a) On or after April 17, 2013.

(b) All other delegations are charged to this global ceiling.

In a decision dated October 22, 2013, the Board of Directors acted on the authorization granted by the General Meeting of April 17, 2013 (Thirtieth Resolution) concerning the granting of stock options with no preferential subscription rights by the granting of 393,922 stock options representing 2.37% of share capital.

The Company has also acted on the resolution authorizing the purchase or sale of Company shares as described in section 7.2.3 below.

7.2.2 Securities not representing share capital

As of the filing date of this Registration Document, the Company has not issued any securities that do not represent share capital.

7.2.3 Treasury shares and purchase by the Company of its own shares

Effective June 19, 2013, for a renewable period of twelve months, the Company entrusted Rothschild & Cie Banque with the implementation of a liquidity agreement in accordance with the Ethics Charter established by Amafi and approved by the AMF on March 21, 2011.

To implement this liquidity agreement, a sum of €6 million has been allocated to the liquidity account.

In 2013, under the liquidity agreement, 638,954 shares were acquired at an average price of €19.66 for a total of €12.4 million and 638,954 shares were sold at an average price of €20.75 for a total of €12.5 million.

As of December 31, 2013, the following sources of funding were held in a liquidity account for the purposes of this liquidity agreement: 0 shares and €6,090,759.

At the filing date of this Registration Document, the Company does not hold any of its own shares and no shares in the Company are held by any of its subsidiaries or by any third party on its behalf.

On April 17, 2013, the Combined Ordinary and Extraordinary General Meeting of the Company's shareholders authorized the Company's Board of Directors, for a period of eighteen months from the date of the General Meeting, to implement a buyback program for Company shares, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and pursuant to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum amount	Maximum number of shares
Share buyback program	18 months	€82,978,050	10% of the Company's share capital

A further authorization was submitted to the Ordinary General Meeting of shareholders called to approve the financial statements for the year ended December 31, 2013 to authorize the Board of Directors to implement a buyback program for the Company's shares, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and pursuant to the General Regulations of the AMF, under the following conditions:

Transaction concerned	Duration of authorization	Maximum amount	Maximum number of shares
Share buyback program	18 months	€91,275,855	10% of the Company's share capital

These shares may be acquired at any time within the limits authorized by applicable laws and regulations, but not during a public offering, in particular for the purpose of:

* implementing any stock option plan for the Company's shares under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, or any similar plan; or

* allocating or selling shares to employees for their share of the Company's profits, or implementing any company or Group savings plan (or similar plan) under the conditions provided for by law, including Articles L. 3332-1 et seq. of the French Labor Code, or providing a free allocation of such shares in connection with a contribution in securities of the Company and/or as a substitute for the discount, according to the applicable legislative and regulatory provisions; or
* allocating free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; or
* more generally, honoring obligations associated with stock option programs or other allocations of shares to employees or officers of the Company or of an associate company; or
* awarding shares when exercising rights attached to securities granting access to capital through repurchase, conversion, exchange, presentation of a warrant or in any other way; or
* canceling all or part of the securities thus repurchased; or
* delivering shares (in exchange, as payment or otherwise) in connection with acquisitions, mergers, demergers or contributions; or
* stimulating the secondary market or liquidity of Groupe Fnac shares through a market maker under a liquidity agreement that complies with the Ethics Charter recognized by the AMF.

This program also has the purpose of implementing any market practice that would come to be accepted by the AMF, and, more generally, the execution of any transaction that complies with applicable regulations. In such an event, the Company will inform its shareholders through a press release.

The maximum purchase price of shares under this repurchasing program is set at €50 (or the equivalent of this amount on the same date in another currency).

7.2.4 Other securities granting rights to the capital

As of the filing date of this Registration Document, the Company allotted 393,922 stock options as described below.

Special report of the Board of Directors to the Annual General Meeting on stock options (Article L. 225-184 of the French Commercial Code)

Part of the performance option allocation plan described in section 3.4.2 "Long-term incentive plan" takes the form of share subscription options.

The principles and implementation of a long-term incentive plan for the Group's senior executives (excluding Non-Executive Directors) were approved by the Board of Directors on October 22, 2013 on the recommendation of the Appointments and Compensation Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013 in its Thirtieth Resolution.

This plan consists of an allotment of share subscription options to Non-Executive Directors in order to link them to the Company's performance through an increase in its share price.

These options will only be definitively earned in progressive stages, at the end of three successive vesting periods (December 2013 – March 2015, December 2013 – March 2016, and December 2013 – March 2017) subject to the beneficiary's presence in the Group at the end of the period in question and will be subject to a performance condition defined for the Groupe Fnac share for each of the three periods.

Main features	Plan 2 2013-2017
Date of Board of Directors meeting	October 22, 2013
Vesting period	3 years
Exercise price	€20.28
Performance condition	Yes
Date of final acquisition: 3 periods:	March 31, 2015: for 26% March 31, 2016: for 30% March 31, 2017: for 44%
Number of stock options initially allotted	393,922
Number of beneficiaries	9
In the process of being vested at December 31, 2013	**393,922**

7.2.5 Terms governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid-up

None.

7.2.6 Share capital of any Group company that is the subject of an option or of an agreement to put it under option

Except as described under section 7.3 “Shareholders” of this Registration Document, the Company is not aware of any options to acquire all or part of the capital of any company in the Group or any conditional or unconditional agreement to grant an option over all or part of the capital of any company in the Group.

7.2.7 History of share capital over the past three fiscal years

The table below illustrates the change in the Company’s share capital since January 1, 2010 up until the date of filing this Registration Document.

Date	Nature of the transaction	Capital prior to the transaction *(in €)*	Issue premium *(in €)*	Number of shares prior to the transaction	Number of shares after the transaction	Par value after transaction *(in €)*	Capital after transaction *(in €)*
09/26/2012	Division of the nominal by 7	6,131,671.00	N/A	875,953	6,131,671	1.00	6,131,671.00
12/27/2012	Capital increase	6,131,671.00	0	6,131,671	6,131,671	89.00	545,718,719.00
04/17/2013	Reduction of capital due to losses	545,718,719.00	N/A	6,131,671	6,131,671	72.00	441,480,312.00
04/17/2013	Capital increase	441,480,312.00	0	6,131,671	6,131,671	83.42	511,503,994.82
04/17/2013	Division of the nominal and reduction of capital not due to losses	511,503,994.82	494,908,384.82	6,131,671	16,595,610	1.00	16,595,610.00

The following major transactions have been made on the Company’s share capital since January 1, 2010 until the filing date of this Registration Document:

* the Company’s General Meeting of September 26, 2012 approved the seven-for-one share split, reducing the par value of each share from seven euros to one euro, while increasing the number of existing shares sevenfold;
* acting upon the authorization of the Company’s GeneralMeeting of November 29, 2012, the Company’s Board of Directors approved, on December 20, 2012, an increase in the Company’s share capital of €539,587,048, to increase it from €6,131,671 to €545,718,719, by increasing the par value of each of the 6,131,671 shares comprising the share capital by €88 per share, the par value of each share rising from one euro to €89. The capital increase was completed on December 27, 2012;
* the Annual General Meeting held on April 17, 2013 modified and reorganized the share capital of the Company along the following lines:
  - the meeting approved the reduction of capital, by reason of losses, by €104,238,407, bringing the Company’s share capital from €545,718,719 to €441,480,312. This reduction was accomplished through a reduction of €17 per share in the par value of the Company’s shares, which brought the par value of each of the 6,131,671 shares of the Company from €89 to €72. The meeting also decided to impute the amount of the reduction to “Retained earnings”

in the financial statements, which resulted in a reduction in the balance of the line item from a negative balance of €105,930,998.42 to a negative balance of €1,692,591.42,

- the meeting approved a capital increase of €70,023,682.82, without issue premium, through the increase in the par value of the 6,131,671 outstanding shares of the Company by €11.42 per share, resulting in a per share increase in the par value from €72 to €83.42. This capital increase, which was completed the day of the meeting, brought the share capital of the Company from €441,480,312 divided into 6,131,671 shares with a par value of €72 each, fully paid, to €511,503,994.82 divided into 6,131,671 shares with a par value of €83.42 each,
- the meeting approved in principle the division of the par value of shares in the Company and a capital decrease not motivated by losses, which would result in a share capital of 16,595,610 euros divided into 16,595,610 shares with a par value of one euro each. The meeting decided to account for the amount of the capital reduction (€494,908,384.82) as an issue premium which would not be distributable, but may later be reincorporated later into the share capital or serve to amortize corporate losses. The division of the par value of the shares took place and the share capital was divided into 16,595,610 shares with a par value in euros corresponding to the division of 511,503,994.82 by 16,595,610.

7.3 Shareholders

7.3.1 Shareholders

On December 31, 2013, the share capital and voting rights of the Company are held as follows:

Shareholders	Number of shares	Number of voting rights	% of share capital	% of voting rights
Groupe Artémis	6,451,845	6,451,845	38.88 %	38.88 %
Prudential plc	1,153,415	1,153,415	6.95%	6.95%
DNCA [(a)]	784,700	784,700	5.06% [(a)]	5.06% [(a)]
Crédit Agricole CIB	813,746	813,746	4.90%	4.90%
Public	7,391,904	7,391,904	44.54%	44.54%
TOTAL	**16,595,610**	**16,595,610**	**100.00%**	**100.00%**

(a) Including 73,000 contracts for differences.

Groupe Artémis Agreement – The Loan Agreement requires the early repayment of amounts lent by the lenders under the facility and the unused commitments available thereunder in the event that Artemis directly or indirectly (via one or several of its subsidiaries, within the meaning of Article L. 233-3 of the French Commercial Code), ceases to hold at least (i) 38.8% of the Company's share capital or voting rights before the second anniversary of entry into the Revolving Credit Facility (April 18, 2015), or (ii) a 25% interest in the Company's share capital and voting rights at any time after that date until the maturity of the Loan Agreement (the "Triggering Event"). It is specified that, by separate agreement, Artémis has agreed (for itself and on behalf of its subsidiaries) not to trigger such early repayment and cancellation of unused commitments available under the Loan Agreement by sole reason of the Triggering Event until after the initial maturity date thereof (April 18, 2016). Nevertheless, it is specified that such agreement does not require Artémis, directly or indirectly (through one or more subsidiaries) to subscribe, underwrite or purchase any additional number of shares or other securities in the Company or to utilize the voting rights attached to its shares or other securities of the Company.

7.3.2 Shareholders' voting rights

Each share of the Company entitles its holder to one voting right. The Company has not granted any double voting rights. Groupe Fnac's main shareholders do not have different voting rights from the other shareholders.

7.3.3 Control structure

By holding 38.88% of the Company's share capital and voting rights, the Artémis Group will be represented on the Company's Board of Directors and Board committees on a minority basis. (See section 3.1.1 "Composition of the administrative and executive bodies" of this Registration Document.) This representation is also supported by the presence of independent members of the Company's Board and committees, and by the application of the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies. (See section 3.2 "Functioning of the administrative and executive bodies" of this Registration Document.)

7.3.4 Agreements likely to lead to a change in control

None.

7.4 Stock market information

7.4.1 Equity market

Groupe Fnac share has been listed on Euronext Paris, Compartment B, since June 20, 2013.

Codes and classification of Groupe Fnac share

ISIN code: FR0011476928.
Ticker: Fnac
Euronext code: FR0011476928
Market: Euronext Paris – Local stocks
Compartment: B (Mid-caps)
Indices: SBF250

7.4.2 Groupe Fnac share price and transaction volumes (ISIN code FR0011476928) on Euronext

At the time of the IPO, the reference price for the Groupe Fnac share was €22.00. On the first day of trading (June 20, 2013), the opening price of the share was €20.03 and the closing price €19.00.

At the end of December 2013, the closing price of the Groupe Fnac's share was €23.84 and Groupe Fnac's stock market capitalization was €395.6 million.

(in euros)	Average closing price	Highest price	Lowest price	Number of shares traded
June 2013	17.924	20.22	15	3,672,349
July 2013	16.347	18.85	14.27	3,289,737
August 2013	16.26	17.96	14.6	1,966,091
September 2013	18.611	20.19	16.8	1,161,872
October 2013	20.357	21.18	19.73	645,639
November 2013	22.857	25	20.64	718,242
December 2013	23.513	24.4	22.71	456,509
January 2014	22.745	24	20.8	799,287
February 2014	24.241	30.99	22.47	1,360,899

(Source Euronext)

7.4.3 Financial securities intermediary

Management of the securities is provided by:
CACEIS Corporate Trust
Investor Relations
14, rue Rouget de Lisle
92862 Issy-Les-Moulineaux Cedex 9
Tel: +33 1 57 78 34 44
Fax: +33 1 57 78 32 19
email: ct-contact@caceis.com

7.5 Dividend distribution policy

Groupe Fnac's dividend policy and future dividend distributions will be dependent on the Group's financial results, applicable restrictions related to the Group's financing, the implementation of the "Fnac 2015" strategic plan, the financial situation of the Group, business conditions, and all other factors determined to be pertinent by the Company's Board of Directors. Notwithstanding these factors, the Group's objective is to follow a dividend policy similar to those adopted by comparable companies in the market (including Darty, Dixons, Best Buy, WH Smith, Home retail). However, this objective does not constitute a binding obligation for the Company.

Under the revolving credit agreement, the Company may only make dividend distributions or distributions of its capital of any other type and may only make payments for its perpetual deeply subordinated notes if: (A) such distributions of payments together do not represent more than 50% of the distributable earnings for the prior financial period and (B) no event of default has occurred and is continuing or is likely to occur upon such distribution. (See section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document). In addition, the distribution of dividends, premiums, or reserves by the Company will trigger interest payments (and, in certain cases, principal amortization payments) for the nominal amount of €60 million for the perpetual deeply subordinated notes (TSSDI). (See section 4.2.2.2 "Financing under the Loan Agreement" of this Registration Document).

The following table shows net dividends per share distributed by the Company during the course of the last three fiscal years:

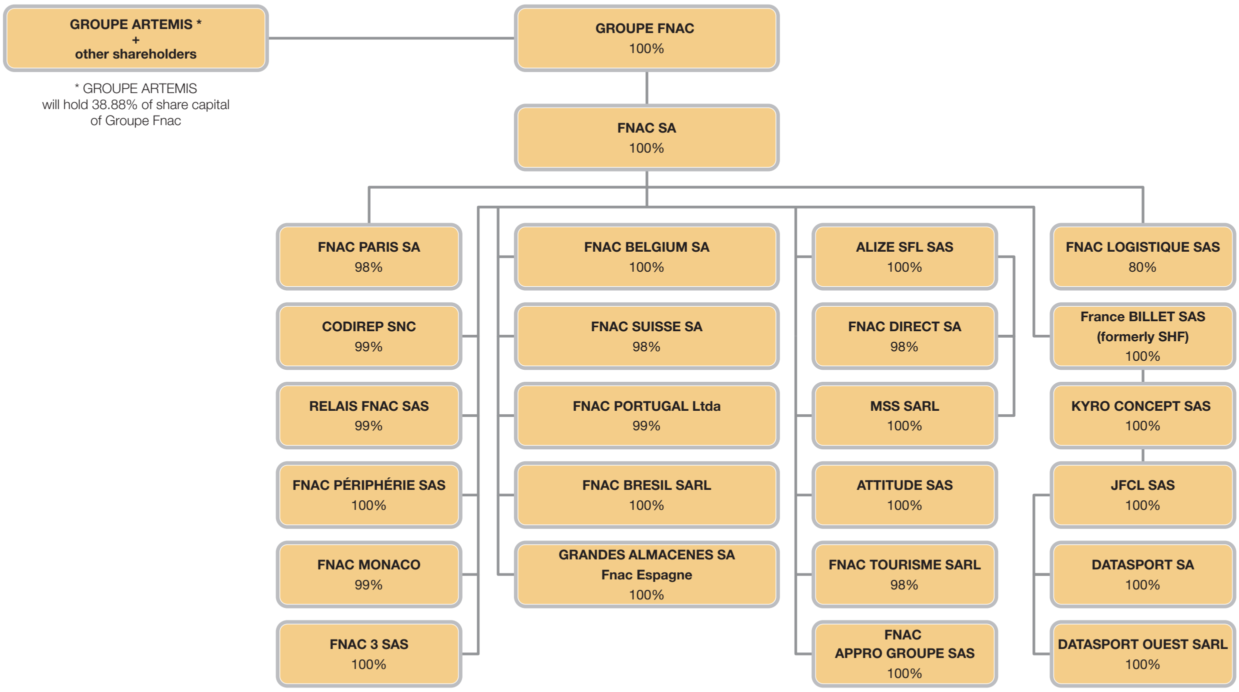
Year of distribution	2011	2012	2013
Net dividend per share *(in euros)* [a]	19.63	1.24	0

(a) *Adjusted to take into account the change in the number of shares and the basis of 16,595,610 shares. See section 7.1.15 "History of the Share Capital Over the Past Three Fiscal Years".*

7.6 Group organization

7.6.1 Simplified Group organizational chart

The following organizational chart shows the Group's legal structure at December 31, 2013:



7.6.2 Subsidiaries and equity investments

7.6.2.1 General overview

The Company is the parent company of a group of companies including, as of December 31, 2013, 24 consolidated subsidiaries (18 in France, 1 in Monaco and 5 abroad). The Company is also the parent of a tax consolidation group that includes 15 French subsidiaries as of January 1, 2013.

The Company is a holding company with no operations in its own right. Its principal asset is nearly 100% of Fnac SA shares [(1)]. The simplified organizational chart shown in section 7.6.1 "Simplified Group Organizational Chart" includes all the Company's direct and indirect equity interests at December 31, 2013. The consolidated subsidiaries are also listed in note 36 "List of consolidated subsidiaries at December 31, 2013" of the Company's consolidated financial statements in section 5.2.

For a description of the main transactions occurring within the Group see section 7.7.1.3 "Major Intragroup Transactions" of this Registration Document.

7.6.2.2 Major Subsidiaries

Groupe Fnac's main direct and indirect subsidiaries are described below:

* **Fnac SA** is a French limited company (société anonyme) with share capital of €324,952,656. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 775 661 390. Groupe Fnac holds close to 100% of the share capital and

(1) Not including shares held by members of the Company's Group or by Directors in order to form the requisite number of shareholders.

voting rights of Fnac SA. Fnac SA is the parent company of all of Fnac's direct or indirect subsidiaries, and includes most of Fnac's management and support functions, including the Operations Department, the Information Systems Department, the Marketing Department, the General Secretariat (placed under the responsibility of the Group's Chief Financial Officer), the Group Purchasing Department (DAG), Operational Management, the Communications Department, the Marketing and Brand Department, the Finance Department and the Human Resources Department.

* **Fnac Paris** is a French limited company (société anonyme) with share capital of €29,418,080. Its registered office is located at ZAC Port d'Ivry 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 350 127 460. Groupe Fnac holds an indirect 100% interest in Fnac Paris's share capital and voting rights. Fnac Paris's main business activity is the operation of Fnac's stores located in Paris.

* **Fnac Direct** is a French limited company *(société anonyme)* with share capital of €13,583,280. Its registered office is located at ZAC Port d'Ivry 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 377 853 536. Groupe Fnac holds an indirect 100% interest in Fnac Direct's share capital and voting rights. Fnac Direct's main business activity is the operation of the fnac.com website.

* **Relais Fnac** is a simplified joint stock company incorporated under French law with share capital of €66,354,045. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 334 473 352. Groupe Fnac holds an indirect 100% interest in Relais Fnac's share capital and voting rights. Relais Fnac includes most of Fnac's regional departments and operates Fnac stores located in major French cities outside Paris.

* **France Billet** is a simplified single-shareholder joint stock company incorporated under French law with share capital of €352,512. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 414 948 695. Groupe Fnac holds an indirect 100% interest in France Billet's share capital and voting rights. France Billet's main business activity is the marketing and retailing of tickets for sporting, artistic, cultural, tourism and entertainment events via a network of local sales outlets, as well as on the fnac.com and francebillet.com websites.

* **Codirep** is a general partnership company incorporated under French law with share capital of €15,739,995. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 343 282 380. Groupe Fnac holds an indirect 100% interest in Codirep's share capital and voting rights. Codirep's main business is the operation of Fnac's stores located in the Paris suburbs.

* **Alize – SFL** (Société Française du Livre) is a simplified single-shareholder joint stock company incorporated under French law with a share capital of €38,962,737. Its registered office is located at 4, rue Charles Christofle, 93200 Saint-Denis (France) and it is registered with the Bobigny Trade and Companies Register under Number 349 014 472. Groupe Fnac holds an indirect 100% interest in Alize – SFL's share capital and voting rights. Alize – SFL's main business activity is the operation of a bookstore located at 11, rue Rottembourg in Paris' 12th arrondissement, and the provision of services to municipalities, businesses and bookselling professionals for their book acquisitions.

* **Fnac Périphérie** is a simplified single-shareholder joint stock company incorporated under French law with share capital of €54,009,675. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 434 001 954. Groupe Fnac holds an indirect 100% interest in Fnac Périphérie's share capital and voting rights. Fnac Périphérie's main business activity is the operation of Fnac's stores in shopping malls or retail parks on the outskirts of cities.

* **Fnac Logistique** is a simplified joint stock company incorporated under French law with share capital of €3,819,570. Its registered office is located at ZAC Port d'Ivry, 9, rue des Bateaux-Lavoirs, 94200 Ivry-sur-Seine (France) and it is registered with the Créteil Trade and Companies Register under Number 414 702 506. Groupe Fnac holds an indirect 100% interest in Fnac Logistique's share capital and voting rights. Fnac Logistique's main business activity is the operation of the Fnac's warehouses.

* **Grandes Almacenes Fnac España** is a single-shareholder limited joint stock company incorporated under Spanish law with share capital of €1,202,000. Its registered office is located at Paseo de la Finca 1, Edificio 11 – 2ª planta 28223 Pozuelo de Alarcón, Madrid (Spain) and it is registered with the Madrid Trade Register under Number A-80/500200 (CIF number). Groupe Fnac holds an indirect 100% interest in Grandes Almacenes Fnac España's share capital and voting rights. Grandes Almacenes Fnac España's main business activity is the operation of Fnac's Spanish stores and website.

* **Fnac Portugal** is a limited liability company (Sociedade por Quotas de Responsabilidade Limitada) incorporated under Portuguese law with share capital of €250,000. Its registered office is located at Edifício Amoreiras Plaza, Rua Professor Carlos Alberto Mota Pinto, No. 9-6B, 1070 374 Lisbon (Portugal) and it is registered with the Lisbon Trade Register *(Conservatoria do Registo Comercial)* under Number 503952230. Groupe Fnac holds an indirect 100% interest in Fnac Portugal's share capital and voting rights. Fnac Portugal's main business activity is the operation of Fnac's Portuguese stores and website.

* **Fnac Brasil** is a limited liability company (Sociedade empresaria limitada) incorporated under Brazilian law with share capital of BRL 175,664,186. Its registered office is located at Praça dos Omaguas, No. 34, Pinheiros, CEP 05419-020, São Paulo,

São Paulo State (Brazil) and it is registered with the Trade Register (Cadatro Nacional de Pessoas Jurídicas do Ministerio da Fazenda (CNPJ/MF)) under Number 02.634.926/0001- 64. Groupe Fnac holds an indirect 100% interest in FNAC Brazil's share capital and voting rights. Fnac Brazil's main business activity is the operation of Fnac's Brazilian stores and website.

* **Fnac Belgium** is a limited company (société anonyme) incorporated under Belgian law with share capital of €3,072,000. Its registered office is located at 142, avenue Jules Bordet, 1140 Evere, Brussels (Belgium) and it is registered with the Brussels Register of Legal Entities under Number 0421 506 570. Groupe Fnac holds an indirect 100% interest in FNAC Belgium's share capital and voting rights. Fnac Belgium's main business activity is the operation of Fnac's Belgian stores.
* **Fnac Suisse** is a limited company (société anonyme) incorporated under Swiss law with share capital of CHF 100,000. Its registered office is located at 5, Route des Moulières, 1242 Satigny (Switzerland) and it is registered with the Canton of Geneva Trade Register under Federal Number CH-660.0.404.000-9. Groupe Fnac holds an indirect 100% interest in Fnac Suisse's share capital and voting rights. Fnac Suisse's main business activity is the operation of Fnac's Swiss activities.

7.6.2.3 Recent acquisitions and disposals

The main acquisitions and disposals made by the Group during the period covered by the financial statements are described in note 3.1 "Changes in scope of consolidation" in the consolidated financial statements in section 5.2.

7.7 Related party transactions

7.7.1 Transactions with the Kering Group

Agreement to cover the exceptional expenditure incurred for the listing of the Company's shares on Euronext Paris

In 2013, a regulated agreement was signed consisting of a distribution agreement between Kering and Groupe Fnac, to cover the exceptional expenditure incurred for the listing of the Company's shares on Euronext Paris under the terms of which Groupe Fnac invoiced a net amount of €3,005,876.88 excluding VAT. This agreement is also described in section 8.1 "Presentation of Resolutions at the Ordinary General Meeting" of this Registration Document.

Master agreement on foreign exchange and derivative transactions

The Group continued to benefit from hedging agreements previously taken out by PPR Finance and from the Kering Group's dealing room services for a transitional period ending on December 20, 2013.

Agreement on the issue of TSSDI

In 2013, a regulated agreement was signed consisting of an issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDI") for a total of €60 million subscribed on April 24, 2013 entirely in cash by Kering BV. This agreement is also described in section 8.1 "Presentation of Resolutions at the Ordinary General Meeting" of this Registration Document.

Agreement for the exit from the Kering SA tax consolidation group of Groupe Fnac and its French subsidiaries

In 2013, a regulated agreement was signed consisting of an agreement to exit from the tax consolidation group formed between Kering SA, Groupe Fnac SA and Groupe Fnac's French subsidiaries.

The agreement stated that tax losses, net capital losses and long-term tax credits made during the period of membership in the Kering consolidation group would be kept through the tax consolidation of the Kering Group.

Other transactions with the Kering Group

Transactions with related parties are described in note 34 to the consolidated financial statements.

Moreover, in 2013, the Group benefitted from a multi-service IT platform operated by Kering for the hosting of servers and applications (including messaging) billed to Fnac SA in the amount of €2.8 million. This agreement is still in effect in 2014.

The Statutory Auditor's special reports on regulated agreements for fiscal years 2011 and 2012 make no note of a regulated agreement, either new or already approved.

7.7.2 Agreement with Alexandre Bompard

Non-competition agreement

In 2013, a regulated agreement was signed consisting of a non-competition clause between the Company and its Chairman and Chief Executive Officer, Alexandre Bompard. This agreement, which is limited to two years from the end date of Alexandre Bompard's term of office, concerns the specialized retail sector for cultural and/or technological and entertainment products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office, with the understanding that the Board of Directors has the right to waive the implementation of the clause. This agreement is also described in section 8.1 "Presentation of Resolutions at the Ordinary General Meeting" of this Registration Document.

Supplemental defined-contribution pension plan

During fiscal year 2013, a regulated agreement was reached consisting of the membership of Chairman and CEO Alexandre Bompard in a supplemental defined-contribution pension plan for all Groupe Fnac executives in France. The cost of contributing to these policies for 2013 amounted to €7,589.56.

7.7.3 Major intragroup transactions

* ***Tax consolidation agreement:*** During 2013, a regulated agreement was signed between Groupe Fnac and its French subsidiaries, of which it holds at least 95% of the share capital, to create a tax consolidation group in France, effective January 1, 2013. This agreement is described in section 8.1 "Presentation of resolutions at the Ordinary General Meeting" of this Registration Document.
* ***Cash investment and funding agreements:*** Fnac SA has entered into centralized cash management agreements for an unlimited term with its Belgian, Spanish, Swiss and Portuguese subsidiaries. The purpose of these agreements is to centralize the Group's management of cash in order to encourage coordination and optimization of the utilization of cash surpluses within the Group. Pursuant to the agreements, these subsidiaries deposit any cash surpluses with Fnac SA, in exchange for which Fnac SA finances their working capital requirements and capital expenditures.

In the Group's Brazilian subsidiary, implementation of a centralized cash management system is not possible primarily because of constraints linked to foreign exchange controls. The Group's Brazilian subsidiary has a specific loan that was granted by Fnac SA

* ***Buying agent and reference centralized listing agreements:*** Some of the Group's French subsidiaries as well as its Spanish, Portuguese, Swiss and Belgian subsidiaries have concluded purchasing agent agreements with Fnac SA or Fnac Appro Groupe ("FAG") for terms of one year that are renewable for each period for an identical term. These agreements have the purpose of instructing Fnac SA or FAG, as the case may be, to define the relevant subsidiary's procurement policy, select its suppliers and some products sold in its stores, and negotiate the purchasing conditions for those products. Fnac SA has also entered into centralized listing agreements with some of the Group's French subsidiaries that have a similar purpose but also include the purchase of some products for each contracting subsidiary. In exchange for these services, Fnac SA or FAG, as the case may be, receives from the relevant subsidiary a percentage of the revenue from the products purchased on its behalf.

In addition, Alize-SFL has entered into purchasing agent agreements for terms of one year that are renewable for each period for an identical term with some of the Group's French subsidiaries. The purpose of these agreements is to instruct Alize-SFL to negotiate the purchasing conditions and to purchase the merchandise, including books, for each relevant subsidiary. In exchange, Alize-SFL receives from the relevant subsidiary a fixed sum by number of products billed.

* ***Service agreements:*** Fnac SA has entered into service agreements generally for a term of one year that are renewable by period for an identical term with some of its French and foreign subsidiaries. The purpose of these agreements is to make Fnac SA's expertise available to the contracting subsidiaries in the following areas, depending on the relevant subsidiary: communication, accounting, risk prevention, streamlining cash pooling (for companies that have it), internal auditing, management of overheads, legal, management control, IT, human resources management, marketing, development, strategy, logistics and product marketing. Fnac SA is compensated on the basis of the annual expenses incurred to provide the relevant services and is allocated between the subsidiaries receiving the services based on criteria that take into account the beneficiaries' effective revenues and level of services rendered.
* ***"Fnac in a box" agreements:*** Fnac SA has entered into software license agreements with its Belgian and Swiss subsidiaries for Fnac in a Box (FIB); the agreements are for a two-year term and are renewable with tacit consent for three-year terms. The purpose of these agreements is to afford the relevant subsidiary with a non-exclusive user license for the FIB software for its operating needs solely within the territory of the country in which it conducts business. In exchange, Fnac SA receives an annual license fee, calculated annually based on software development, maintenance and investment costs.
* ***Trademark licensing agreements:*** Fnac SA has entered into one-, two- or three-year trademark licensing agreements that are renewable for a one-year term with some of its French and foreign subsidiaries. The purpose of these agreements is to grant a non-exclusive license to use "Fnac" trademarks and all other templates and trademarks required to operate a Fnac store or websites belonging to the Group. In exchange, Fnac SA receives an annual license fee based on a percentage of the relevant subsidiary's revenues.

7.8 Major contracts

The major contracts to which the Group has been party over the last two years are presented in section 1.4.2 "Product range", in section 1.4.3 "The omni-channel distribution network". "Financing the Group after admission of the Company's shares to trading on Euronext Paris" and in 7.7 "Related party transactions" in this Registration Document.

8

General Meeting

8.1 Presentation of resolutions at the Ordinary General Meeting

Approval of the annual financial statements and appropriation of earnings

The purpose of the **First Resolution** is to approve Groupe Fnac's corporate financial statements for the 2013 fiscal year, which reflect a net profit of €1,109,726.36.

The purpose of the **Second Resolution** is to approve Groupe Fnac's consolidated financial statements for the 2013 fiscal year.

The purpose of the **Third Resolution** is to appropriate earnings.

Regulated Agreements

Under the **Fourth Resolution** and pursuant to Article L. 225-42, paragraph 3 of the French Commercial Code, you are asked to approve the regulated agreement entered into during the period that was mentioned in the Statutory Auditors' Special Report in section 3.7 of the Registration Document. That agreement concerns the split between Kering and Groupe Fnac of the exceptional expenditure relating to the admission to trading of the Company's shares on Euronext Paris, under the terms of which Groupe Fnac invoiced a net amount of €3,005,876.88 before VAT.

Under the **Fifth Resolution** and pursuant to Article L. 225-42-1, paragraph 6 of the French Commercial Code, you are asked to approve the regulated agreement entered into during the 2013 fiscal year that was mentioned in the Statutory Auditors' Special Report in section 3.7 of the Registration Document. It concerns a non-compete agreement between the Company and its Chairman and Chief Executive Officer Alexandre Bompard authorized by decision of the Company's Board of Directors on July 30, 2013. This agreement, which is limited to a term of two years as from the end of Alexandre Bompard's term of office, applies to the retail sector specializing in leisure, cultural and/or technological products for the mainstream market in France, Belgium, Spain, Switzerland, Portugal and Brazil. In consideration for this agreement, Alexandre Bompard would receive a gross compensatory payment amounting to 80% of his fixed monthly compensation for a period of two years as from the effective end of his term of office, with the understanding that the Board of Directors may waive the implementation of that clause.

Under the **Sixth Resolution** and pursuant to Article L. 225-42-1, paragraph 6 of the French Commercial Code, you are asked to approve the regulated agreement entered into during the 2013 fiscal year and authorized by decision of the Company's Board of Directors on July 30, 2013 that was mentioned in the Statutory Auditors' Special Report in section 3.7 of the Registration Document. It concerns the membership of Alexandre Bompard, Chairman and Chief Executive Officer, in the defined contribution supplementary pension plan to which all Groupe Fnac executives in France are entitled. Contribution amounts in respect of this membership stood at €7,589.56 for fiscal 2013.

Under the **Seventh Resolution** and pursuant to Article L. 225-38 et seq. of the French Commercial Code, you are asked to approve the regulated commitment entered into during the 2013 fiscal year that was mentioned in the Statutory Auditors' Special Report in section 3.7 of the Registration Document. This agreement concerns the issue by Groupe Fnac SA of perpetual deeply subordinated notes ("TSSDIs") for an amount of €60 million authorized by decision of the Company's Board of Directors on April 17, 2013. That issue was fully subscribed in cash by Kering BV on April 24, 2013. The issue is represented by 60 bonds with a nominal unit value of €1 million, bearing annual interest of 8%, with the understanding that interest will be only be due in the event of a contractual repayment of the perpetual deeply subordinated notes, a distribution of dividends, bonuses or reserves, amortization or reduction of the Company's capital, or a purchase by the Company of its own shares as part of a public tender offer it initiates. These bonds are issued for an indefinite period and subject to mandatory redemption and early redemption at the Company's option under specific terms and conditions.

Under the **Eighth Resolution**, you are asked to approve, in accordance with Article L. 225-38 of the French Commercial Code, the regulated agreement made in 2013 and mentioned in the special report of the Statutory Auditors, which appears in section 3.7 of the Registration Document. This agreement concerns an agreement for exiting the tax consolidation between Kering SA, Groupe Fnac SA and the latter's French subsidiaries authorized at the meeting of the Board of Directors' on April 17, 2013.

Under the **Ninth Resolution,** you are asked to approve, in accordance with Article L. 225-38 of the French Commercial Code, the regulated agreement made in 2013 and mentioned in the special report of the Statutory Auditors, which appears in section 3.7 of the Registration Document. This agreement concerns an agreement for tax consolidation between Groupe Fnac SA and its French subsidiaries, with effect from January 1, 2013, authorized at the meeting of the Board of Directors' on April 17, 2013.

Renewal of directorships

Information on the proposed directorship renewals is provided in section 3.1.1 "Corporate governance" of this Registration Document.

To allow for the staggered renewal of directorships and in accordance with the Board of Directors' Internal Rules, the Directors were randomly divided into three groups and must resign from office before the General Meetings of 2014 and 2015.

Brigitte Taittinger-Jouyet, Carole Ferrand and Alban Gréget therefore resigned from office before this General Meeting. Following the recommendation of the Appointments and Compensation Committee, you are asked to renew their terms of office for a period of three years.

We therefore ask you in the **Tenth, Eleventh and Twelfth Resolutions** to renew the terms of office of Brigitte Taittinger-Jouyet, Carole Ferrand and Alban Gréget for a period of three years expiring at the end of the General Meeting held in 2017 to approve the financial statements for the year ending December 31, 2016.

At the end of this General Meeting, the Board of Directors will comprise ten members, six of whom are independent and three of whom are women.

Share buyback

Given that the authority granted on April 17, 2013 by the General Meeting to the Board of Directors to conduct transactions on the Company's shares expires on October 17, 2014, we ask you in the **Thirteenth Resolution** to authorize the Board of Directors once again to purchase the Company's shares over an 18-month period at a maximum purchase price of €55 per share, excluding acquisition costs.

This authority would allow the Board of Directors to acquire a number of Company shares representing up to 10% of the Company's share capital, in order to:

* award them or sell them to employees and/or corporate officers of the Company and/or Group companies (particularly the award of stock options and performance shares);
* use them for external growth operations;
* award shares when exercising rights attached to securities giving access to share capital;
* cancel them;
* stimulate the market under liquidity agreements.

Opinion on the compensation components due or awarded for the 2013 fiscal year

In accordance with the recommendations of the revised AFEP-MEDEF Code of June 2013 (Article 24.3), to which the Company adheres pursuant to Article L. 225-37 of the French Commercial Code, the following compensation components due or awarded to each of the Company's Executive Officers during the fiscal year are submitted for the approval of the shareholders:

* the fixed component;
* the annual variable component and, where appropriate, the multi-year variable component, with the targets contributing to the determination of the variable component;
* non-recurring compensation;
* stock options, performance shares and any other long-term compensation component;
* compensation related to hiring or termination;
* supplementary pension plan;
* benefits of any kind.

In your vote on the **Fourteenth Resolution**, you are asked to issue an opinion on the compensation components due or awarded to Alexandre Bompard, Chairman and Chief Executive Officer and sole Executive Officer (with the understanding that all of these components are detailed in section 3.3 of the Registration Document).

Accordingly, it is proposed in the **Fourteenth Resolution** that you issue a favorable opinion on the following compensation components due or awarded to Alexandre Bompard, Chairman and Chief Executive Officer.

Compensation components due or awarded to Alexandre Bompard, Chairman and Chief Executive Officer, in respect of the 2013 fiscal year

2013 fixed compensation

For the 2013 fiscal year, the annual fixed compensation of the Chairman and Chief Executive Officer was set at €900,000 gross annually. The amount paid in 2013 was €670,000 due to the effective date of his term of office as Chairman and Chief Executive Officer of Groupe Fnac.

For the period from January 1 to April 2, 2013 preceding the effective date of his term of office, Alexandre Bompard received fixed compensation from Fnac SA of €193,182.

The amount paid as full and final settlement by Fnac SA as of April 2, 2013 was €92,683.

2013 annual variable compensation (paid in 2014)

For the 2013 fiscal year, the annual variable compensation of the Chairman and Chief Executive Officer was capped at 105% of fixed compensation.

This is split 80% for financial targets and 20% for qualitative goals.

The 2013 financial targets set for the variable component are specified below:

* Group current operating income;
* Group free cash flow;
* Group revenues;
* Increase in Group market share.

The amount due in respect of 2013 is €867,329.

Multi-year variable compensation

Alexandre Bompard is eligible for two multi-year incentive plans.

The first provides for the award of value units and will be settled in July 2015. The value per unit is based on an average Groupe FNAC share price. If Groupe FNAC share price in July 2015 is lower than a predefined price, no payment shall be made.

The related payment will be made in cash in October 2015 and July 2016 subject to continued employment on each of those dates.

Under this plan, Alexandre Bompard has been awarded 197,925 value units.

These value units were valued at December 31, 2013 in the parent company financial statements (per IFRS 2) at €1,349,570. This amount is recognized as an expense by Groupe Fnac but is not paid to the corporate officer due to the conditions of performance and presence.

The second plan is a performance share award linking Alexandre Bompard to the company's performance through changes in Groupe Fnac share value. These options will vest gradually, in tranches, at the end of three successive vesting periods (December 2013–March 2015, December 2013–March 2016, and December 2013–March 2017), subject to Mr. Bompard's presence within the Group at the end of the vesting period, and will be contingent on the stock market performance of Groupe Fnac shares, as defined for each of the three periods. These options will be paid in cash. A total of 67,160 options will vest at maturity on March 31, 2015, subject to the conditions of presence and performance, 79,959 options will vest at maturity on March 31, 2016, and 115,495 options will vest at maturity on March 31, 2017.

These options were valued in the parent company financial statements at December 31, 2013 (per IFRS 2) at €130,186. This amount is recognized as an expense by Groupe Fnac but is not paid to the corporate officer on account of the conditions of performance and presence.

Non-competition clause

The Board of Directors has signed a limited non-competition clause with Alexandre Bompard for a period of two years in the specialized retail sector for cultural and/or technological and entertainment products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil. This non-competition undertaking is limited to two years from termination of his office. In return for this undertaking, Alexandre Bompard will receive a gross severance package amounting to 80% of his fixed monthly remuneration for a period of two years from the effective date of termination of his office. The Board of Directors is entitled to decline implementing this clause.

No amount is payable by the Company for 2013.

This agreement comes under Article L. 225-42-1 of the French Commercial Code and is subject to the Fifth Resolution submitted to the General Meeting called to approve the financial statements for the year ending December 31, 2013.

Supplementary pension plan

The Board of Directors authorized the subscription of Alexandre Bompard to the defined contribution supplementary pension plan identical to that of all Groupe FNAC executives in France.

Benefits paid in respect of 2013 amounted to €7,589.56. This commitment coming under Article L. 225-42-1 of the French Commercial Code is subject to the Sixth Resolution submitted to the General Meeting called to approve the financial statements for the year ending December 31, 2013.

Directors' fees

Directors' fees due to Alexandre Bompard for his 2013 term on Groupe Fnac Board of Directors amounted to €18,720.

Other benefits

Alexandre Bompard is entitled to the same health and life insurance as Fnac employees (2013 contributions amounted to €4,514) plus unemployment insurance and an additional education allowance for which no contributions were paid in respect of 2013.

Lastly, he is given a company car representing a benefit in kind of €4,765 for 2013.

Powers in respect of legal and administrative formalities

The **Fifteenth Resolution** grants full powers to the bearer of an original, extract or copy of the minutes of this General Meeting to perform all necessary filings or formalities, including via electronic means using an electronic signature, in accordance with applicable laws.

8.2 Draft resolutions

First Resolution

Approval of corporate financial statements for FY 2013

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, having reviewed the management report of the Board of Directors and the auditors' report on its annual accounts, approves the corporate financial statements for the financial year ended on December 31, 2013, as presented, comprising the balance sheet, the income statement and the notes, as well as the transactions reflected in these statements and summarized in these reports.

Second Resolution

Approval of consolidated financial statements for FY 2013

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the management report of the Board of Directors and the Statutory Auditors' report on its consolidated financial statements, approves the consolidated financial statements for the financial year ended on December 31, 2013, as presented, comprising the balance sheet, the income statement and the appendix, as well as the transactions reflected in these statements and summarized in these reports.

Third Resolution

Allocation of income from the financial year ended on December 31, 2013

The General Meeting, having reviewed the report of the Board of Directors, and deciding under the conditions of quorum and majority required by Ordinary General Meetings, verifies that the financial statements established on December 31, 2013 and approved by the Meeting show an income of €1,109,726.35 for the financial year and decides, upon proposal of the Board of Directors:

* to allocate the income of €1,109,726.36 from FY 2013;
* as a "balance carried forward", which, given the previous balance; of -€1,692,591.42, will result in a new balance of -€582,865.06.

In accordance with the law, the General Meeting verifies that, for the three financial years prior to FY 2013, the dividends distributed and income eligible for the tax reduction referred to in 3.2 of Article 158 of the French General Tax Code (CGI) were as follows:

				Distributed earnings per share *(in euro)*	
FY ending on December 31	**Number of dividend-bearing shares**	**Dividend per share** *(in euro)*	**Total** *(in euro)*	**Eligible for 40% tax reduction as per 3.2 of Art. 158 CGI**	**Not eligible for 40% tax reduction as per 3.2 of Art. 158 CGI**
2010	875,953	372	325,854,516	372	0
2011	875,953	23.44	20,533,612.13	23.44	0
2012	0	0	0	0	0

Fourth Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, approves the agreement concluded between Kering and Groupe Fnac in the course of the financial year in accordance with Article L. 225-42 paragraph 3 of said Code.

Fifth Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-42-1 paragraph 6 and L. 225-38 et seq. of the French Commercial Code, approves the non-compete commitment for Alexandre Bompard, Chairman and Chief Executive Officer, as mentioned in this report.

Sixth Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-42-1 paragraph 6 and L 225-38 et seq. of the French Commercial Code, approves the inclusion of Alexandre Bompard, Chief Executive Officer, in the fixed-contribution supplementary pension scheme, as mentioned in this report.

Seventh Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, approves the agreement between Groupe Fnac and Kering BV regarding the issuance of perpetual deeply subordinated notes ("TSSDI") by Groupe Fnac SA for an amount of €60 million, as mentioned in this report.

Eighth Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, approves the agreement on exit from tax consolidation between Kering SA and Groupe Fnac SA and its French subsidiaries, as mentioned in this report.

Ninth Resolution

Approval of a regulated agreement – Special auditors' report

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the special Statutory Auditors' report on the transactions and agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code, approves the agreement between Groupe Fnac SA and its French subsidiaries with effect from January 1, 2013, as mentioned in this report.

Tenth Resolution

Renewal of the term of office as Director of Carole Ferrand as Director

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the report of the Board of Directors, renews the term of Carole Ferrand as Director for a term of three years, up to the close of the General Meeting to be held in 2017 called to approve the financial statements for the financial year ending on December 31, 2016.

Eleventh Resolution

Renewal of the term of office as Director of Brigitte Taittinger-Jouyet as Director

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the report of the Board of Directors, renews the term of Brigitte Taittinger-Jouyet as Director for a term of three years, up to the close of the General Meeting to be held in 2017 called to approve the financial statements for the financial year ending on December 31, 2016.

Twelfth Resolution

Renewal of the term of office as Director of Alban Gréget as Director

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the report of the Board of Directors, renews the term of Alban Gréget as Director for a term of three years, up to the close of the General Meeting to be held in 2017 called to approve the financial statements for the financial year ending on December 31, 2016.

Thirteenth Resolution

Authorization for the Board of Directors to trade in company shares

The General Meeting, deciding under the conditions of quorum and majority required by Ordinary General Meetings, and having reviewed the report of the Board of Directors, authorizes the Board of Directors to purchase or cause the purchase of company shares, with the capacity to delegate under the terms determined by the law in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, primarily for the:

- implementation of any share purchase option plan for company shares under the provisions of Articles L. 225-177 et seq. of the French Commercial Code, or any similar plan; or
- allocation or sale of shares to employees as their part in company profits, or implementing any company or Group savings plan (or similar plan) under the conditions provided under law, primarily Articles L. 3332-1 et seq. of the French Labor Code, or providing a free allocation of such shares in connection with a contribution in company securities and/or as a substitute for the discount, according to the applicable legislative and regulatory provisions; or
- allocation of free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; or
- generally, honoring of obligations associated with stock option programs or other allocations of shares to employees or executives of the Company or of an associate company; or
- awarding of shares when exercising the rights attached to securities conferring access to the capital through buyback, conversion, exchange, presentation of a warrant or in any other way; or
- cancellation of all or part of the securities thus bought back; or
- delivery of shares (in exchange, as payment or otherwise) in connection with acquisitions, mergers, demergers or capital contributions; or
- stimulation of the secondary market or the liquidity of Groupe Fnac shares through a market maker under a liquidity contract compliant with the Ethics Charter recognized by the *Autorité des Marchés Financiers*.

This program is also intended to enable the implementation of any market practice that would be accepted by the *Autorité des Marchés Financiers*, and, more broadly, the execution of any other transaction compliant with the regulations in force. In such an event, the Company will advise its shareholders through a press release.

The purchase of company shares may entail a number of shares, such that:

- the number of shares purchased by the company during the buyback program does not exceed 10% of the shares comprising the corporate capital at any time whatsoever, this percentage applying to a capital adjusted in accordance with the operations subsequently affecting this General Meeting, whereby it is specified that (i) the number of shares acquired for safekeeping and subsequent application in the context of a merger, demerger or capital contribution operation cannot exceed 5% of the corporate capital, and (ii) where the shares are bought back to promote liquidity under the conditions defined by the General Regulations of the *Autorité des Marchés Financiers*, the number of shares taken into account for the calculation of the 10% limit provided for in the first paragraph corresponds to the number of shares purchased, less the number of shares resold during the term of the authorization;

* the number of shares the company shall hold at any time whatsoever cannot exceed 10% of the shares comprising the corporate capital as of the date under consideration.

Shares may be acquired, disposed of or transferred at any time within the limits set by the legal provisions and regulations in force, albeit not during a period of public tender, and by any means, on regulated markets, multilateral trading facilities, systematic internalizers, or over-the-counter transactions, including block acquisition or disposal (without limits to the part of the buyback program that may be executed by this means), by public bidding or exchange, or through the use of optional mechanisms or other financial forward instruments traded on the regulated markets, multilateral trading facilities, systematic internalizers, or over-the-counter transactions, or through the delivery of shares following the issuance of securities giving access to the corporate capital by conversion, exchange, repayment, exercise of a bond or by any other manner, either directly or indirectly, through the intermediation of an investment broker acting under the terms of Article L. 225-206, II, of the French Commercial Code.

The maximum purchase price of shares in the context of this resolution is set at fifty-five euros (€55) (or the equivalent of this amount in any other currency as of the same date).

The General Meeting delegates the power to adjust the maximum purchase price above to the Board of Directors in case of modification of share face value, increase of capital due to the incorporation of reserves, free allocation of shares, division or regrouping of shares, distribution of reserves or of any other assets, amortization of capital, or any other transaction entailing equity, in order to take account of the effect that these operations have on share value.

The overall amount allocated to the aforementioned share buyback program authorized may not exceed €91,275,855.

This authorization is given for a term of eighteen months to be counted from this General Meeting and puts an end, effective this same date, to the authorization granted for the same purpose to the Board of Directors by the Ordinary and Extraordinary General Meeting of April 17, 2013 (Seventeenth Resolution).

The General Meeting grants to the Board of Directors all powers, with the ability to delegate under the conditions of law: to decide and implement this authorization to specify, where necessary, the terms and establish the methods thereof; to undertake the purchase program; and, above all, to place any trading order, conclude any agreement, allocate or reallocate the shares acquired to the objectives pursued under the conditions applicable by virtue of the laws and regulations; and, where appropriate, to set the conditions and manner by which the preservation of the rights of the holders of securities or options will be ensured, in accordance with the provisions of laws, regulations and contracts; to make any statements to the *Autorité des Marchés Financiers* and any other competent authority; to perform any other formalities, and, in general, to take all necessary measures.

Fourteenth Resolution

Recommendation on items of compensation due or attributed to Alexandre Bompard, Chairman and Chief Executive Officer, for FY 2013

The General Meeting, having reviewed the report of the Board of Directors, and deciding under the conditions of quorum and majority required by ordinary General Meetings, issues a favorable recommendation regarding the items of compensation due or attributed to Alexandre Bompard, Chairman and Chief Executive Officer for the financial year ending on December 31, 2013, as reflected in Registration Document 2013, 3.3.1 of the Management Report, paragraph “Compensation and benefits paid to corporate executives and directors”.

Fifteenth Resolution

Powers in respect of legal and administrative formalities

The General Meeting, deciding under the conditions of quorum and majority required for Ordinary General Meetings, grants full authority to the bearer of an original, copy or extract of the minutes of this meeting to perform all filings and formalities prescribed by law.

9

Additional information about the Registration Document

9.1 Persons responsible

9.1.1 Person responsible for the Registration Document

Alexandre Bompard, President and Chief Executive Officer of Groupe Fnac.

9.1.2 Statement from the person responsible for the Registration Document and the Annual Financial Report

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to the best of my knowledge, these financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report (the cross-reference table of which is presented in section 9.8.1 herein) presents fairly the changes in business, results and the financial position of the Company and of the companies forming part of the consolidated group, and includes a description of the principal risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, Deloitte & Associés and KPMG Audit, in which they state that they have audited the information relating to the financial position and accounts contained herein and read this document in its entirety.

The Statutory Auditors' report on the consolidated and parent company financial statements presented in the Registration Document may be found on pages 5.7 and 5.8 of said document."

Ivry, April 24, 2014

Alexandre Bompard

Chairman and Chief Executive Officer

9.1.3 Person Responsible for Financial Information

Matthieu Malige
Group CFO
Immeuble Le Flavia
9, rue des Bateaux-Lavoirs
94768 Ivry-sur-Seine Cedex
Tel: +33 1 55 21 57 93

9.2 Statutory Auditors

9.2.1 Appointed Statutory Auditors

Deloitte & Associés
Represented by Antoine de Riedmatten
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
Deloitte & Associés is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG Audit, a Department of KPMG SA
Represented by Hervé Chopin
1, cours Valmy
92923 Paris La Défense Cedex
KPMG is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

9.2.2 Alternate Statutory Auditors

BEAS
Represented by Dominique Jumaucourt
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
BEAS is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG AUDIT IS
Represented by Jay Nirsimloo
Immeuble Le Palatin
3 cours du Triangle
92939 Paris La Défense Cedex
KPMG AUDIT IS is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

9.3 Statutory Auditors' fees

	Deloitte & Associés Amount (net of VAT)			KPMG Audit Amount (net of VAT)		
(€ million)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
Statutory audit, certification, audit of the parent company and consolidated financial statements	0.7	0.8	(16.7%)	0.6	0.0	-
Other procedures and services directly related to the Auditors' duties	0.6	0.7	(14.8%)	0.1	0.0	-
Audit subtotal	**1.3**	**1.5**	**(15.9%)**	**0.7**	**0.0**	**-**
Other services (legal, tax and social security)	0.1	0.2	(44.8%)	0.0	0.0	-
TOTAL	**1.4**	**1.7**	**(18.9%)**	**0.7**	**0.0**	**-**

9.4 Information from third parties, expert certifications and interest declarations

Some of the information found in chapter 1, "Presentation of the Group," comes from third-party sources. The Company certifies that this information was, to the best of its knowledge, faithfully reproduced and that, to the knowledge of the Company, based on the data published or provided by these sources, no fact has been omitted that would render this information inaccurate or misleading.

9.5 Publicly available documents

Copies of this Registration Document are available free of charge from the Company's head office. This document may also be viewed on the Company's website (www.groupe-fnac.com) and on the website of the *Autorité des Marchés Financiers* (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of these documents) may be viewed:

* Groupe Fnac's bylaws are available on the Company's website (www.groupe-fnac.com);
* any report, correspondence and other historical financial information or document, assessments and statements prepared by an expert at the Company's request, of which a part is included or referred to herein; and
* historical financial information included in this prospectus.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's head office.

Regulated information pursuant to the AMF General Regulations has been available on the Company's website since the Company's shares were admitted to trading on Euronext Paris.

9.6 Information on equity investments

Information relating to companies in which the Company holds equity that could have a material impact on the value of its assets, financial position or earnings is provided in section 7.6, "Group Organization," note 36, "List of subsidiaries consolidated at December 31, 2013," in section 5.2, "Notes to the consolidated financial statements for the fiscal year ended December 31, 2013," and in note 18, "Table of subsidiaries and shareholdings" herein.

9.7 Documents incorporated by reference

Pursuant to Article 28 of EC Regulation No. 809/2004 dated April 29, 2004, this Registration Document incorporates by reference the following information to which the reader may refer:

For fiscal years ended December 31, 2010, December 31, 2011 and December 31, 2012: key figures, Group businesses, business report, investment policy, consolidated financial statements and related Statutory Auditors' report presented in the Prospectus approved by the AMF on April 25, 2013, on pages 33 to 36, 57 to 60, 62 to 160, and 167 to 219 respectively, and in note 3, pages 1 to 49 and 259 to 260.

The information contained in the Prospectus, other than that mentioned above, may be replaced or updated as necessary by information contained in this Registration Document. The Prospectus is available from the Company's head office or online at www.groupe-fnac.com under the Finance tab.

9.8 Correspondence tables

9.8.1 Management report cross-reference table (Articles L. 225-100 et seq. of the French Commercial Code)

Management report categories	Section
Business activity	
Company's position and business during the fiscal year just ended	4.1.2
Business results for the Company, its subsidiaries and the companies that it controls	4.1
Key performance indicators of a financial and non-financial nature	1.1, 4.1.1
Analysis of changes in business, earnings and the financial position	4.1
Progress made or difficulties encountered	5.1.2
Description of the main risks and uncertainties	6
Information about the use of financial instruments: goals, the Company's financial risk policy	5.2.29
Information about market risk (interest rates, foreign exchange, shares)	5.2.29
Information of country risk	5.2.29
Important events since the balance sheet date and Management Report date	4.3.2, 5.2.35
Developments foreseeable for the Company and entities included in the consolidated group and future prospects	4.3.1
Changes in the presentation of the parent company (and consolidated) financial statements	N/A
The Company's research and development activities	1.6
Significant equity investments in companies headquartered in France	N/A
Trade payables – payment terms	N/A
Corporate governance	
List of directorships and positions held in any company by each corporate officer	3.1.1
Total remuneration and benefits in kind paid to each corporate officer during the past fiscal year (including a list of approved principles and rules for determining the remuneration and benefits granted to corporate officers)	3.3
Commitments of any kind made by the Company to its corporate officers	3.3
Transactions completed by directors and corporate officers on Company shares	N/A
Options granted, subscribed or purchased during the fiscal year by corporate officers, corresponding to remuneration components, compensation, or benefits due or that may become due as a result of taking up, terminating or changing office, or subsequently	N/A
Executive corporate officers' option exercise and lock-up conditions	N/A
Lock-up conditions of free shares granted to executive corporate officers	N/A
Senior Management method of the Company	3.5.2.2
CSR	
Social information	2.3
Environmental Information	2.4
Information about the technological accident risk policy	N/A

Management report categories	Section
Share capital and shareholder structure	
Employee share ownership	N/A
Main shareholders and ownership structure and voting rights as of December 31, 2013	7.3.1
Information about factors likely to have an impact in the event of a takeover bid	3.5.2.8
Special report on stock subscription and purchase options, and free share awards	7.2.4
Information about the share buyback program – transactions carried out by the Company on its own shares (number of average purchase and sale price, reasons for acquisitions made, percentage of share capital represented, etc.)	7.2.3
Any adjustments to shares conferring entitlement to capital in the event of share buybacks or financial transactions	N/A
Summary table of currently valid capital increase authorizations	7.2.1
Profit or loss for the period and proposed appropriation of earnings	8.2
Other	
Dividends paid during the last three fiscal years	7.5
Comments made by the Works Council on the economic and social position	N/A
Table of the Company's results for the last five fiscal years	5.5
Injunctions or monetary penalties for anti-competitive practices	N/A

9.8.2 Annual financial report cross-reference table (Article 222-3 of the AMF General Regulations)

Prospectus Name	Reg. Doc. Section
Groupe Fnac parent company financial statements	5.3 and 5.4
Groupe Fnac consolidated financial statements	5.1 and 5.2
Management report	See Management Report cross-reference table
Statement by the person responsible for the annual financial report	9.1
Statutory Auditors' Report on the parent company financial statements	5.8
Statutory Auditors' Report on the consolidated financial statements	5.9
Auditors' fees	9.3
Report of the Chairman of the Board of Directors on the preparation and organization of the Board's work and internal control and risk management procedures instituted by the Company	3.5
Statutory Auditors' report, prepared in application of Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors	3.6

9.8.3 Table corresponding to the categories of Appendix I of European Regulation No. 809/2004

Prospectus Number	Prospectus Name	Reg. Doc. Section
1.	**Persons responsible**	
1.1	Names and functions of persons responsible	9.1.1
1.2	Statement by the person responsible	9.1.2
2.	**Statutory Auditors**	
2.1	Names and addresses of the Statutory Auditors	9.2
2.2	Resignation, removal or non-reappointment	9.2
3.	**Selected financial information**	
3.1	Selected historical financial information	1.1, 4.1.1
3.2	Selected financial information for interim periods	N/A
4.	**Risk factors**	**6, 5.2.29**
5.	**Group Information**	
5.1	History and development	
5.1.1	Company name	7.1.1.1
5.1.2	Place of registration and registration number	7.1.1.2
5.1.3	Date of incorporation and duration	7.1.1.3
5.1.4	Registered office, legal form and applicable legislation	7.1.1.4
5.1.5	Important events in the development of the issuer's business	4.1.2, 1.2
5.2	Investments	
5.2.1	Investments since 2011	4.4.1
5.2.2	Main investments in progress	5.2.4, 5.2.32
5.2.3	Main investments planned	4.4.2
6.	**Business**	
6.1	Principle activities	
6.1.1	Nature of the issuer's operations and principle activities	1.4
6.1.2	New products or major services introduced	1.4
6.2	Principal markets	1.3.2
6.3	Exceptional factors	1.2
6.4	Dependence	N/A
6.5	Basis for any statements made by the Company regarding its competitive position	1.3
7.	**Organizational Chart**	
7.1	Simplified Group organizational chart	7.6.1
7.2	Major subsidiaries	7.6.2.2
8.	**Property, plant and equipment**	
8.1	Significant existing or planned property, plant and equipment	1.6
8.2	Environmental issues that may affect the use of tangible non-current assets	2.4

Prospectus Number	Prospectus Name	Reg. Doc. Section
9.	**Review of the Group's Financial Position and Results**	
9.1	Financial position	4.1
9.2	Operating income (loss)	
9.2.1	Significant factors	4.1.2.3
9.2.2	Significant changes to net sales or revenues	4.1.3.2
9.2.3	Strategies or factors that could influence the Company's operations	4.1.2.2
10.	**Cash and capital resources**	
10.1	Information on the Company's short- and long-term capital resources	4.2.2, 5.1, 5.2.23
10.2	Sources and amounts of the Company's cash flows	4.2.3, 5.2.27, 5.2.36
10.3	Information on the Company's borrowing requirements and funding structure	5.2.27, 5.2.31
10.4	Information regarding any restrictions on the use of capital that have significantly influenced or could significantly influence the Company's operations, either directly or indirectly	5.2.29
10.5	Information regarding anticipated sources of funds	5.2.28
11.	**Research and Development, patents and licenses**	**1.6**
12.	**Information on trends and forecasts**	**4.3**
13.	**Profit forecasts or estimates**	**N/A**
14.	**Administrative, management and supervisory bodies and Senior Management bodies**	
14.1	Administrative, management and supervisory bodies and Senior Management bodies	3.1.1
14.2	Conflicts of interest of administrative, management and supervisory bodies and Senior Management bodies	3.1.2
15.	**Remuneration and benefits of senior executives**	
15.1	Remuneration of corporate officers	3.3
15.2	Total amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits	3.3.1.3, 5.2.25
16.	**Functioning of administrative and management bodies**	
16.1	Date of expiration of the current terms of office	3.1.1, 3.2.1
16.2	Service contracts linking members of the administrative, management or supervisory bodies	3.2.2
16.3	Information about the Company's audit and remuneration committees	3.2.3
16.4	Statement of compliance with France's corporate governance system	3.2.4
17.	**Employees**	
17.1	Number and breakdown of employees	2.3.1
17.2	Shareholdings and stock subscription or purchase options held by members of the Board of Directors	3.1.1.1
17.3	Profit-sharing agreements and incentive schemes	3.4
18.	**Principal shareholders**	
18.1	Shareholders	7.3.1
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Prospectus Number	Prospectus Name	Reg. Doc. Section
20.	**Financial information regarding the issuer's assets and liabilities, financial position and earnings**	
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20.2	Pro forma financial information	N/A
20.3	Financial statements	5.1, 5.3
20.4	Audit of the historical annual financial information	
20.4.1	Statement of audit of the historical financial information	5.1, 5.3
20.4.2	Other information audited by the Statutory Auditors	3.6, 3.7
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20.5	Date of latest financial information	5.1, 5.3
20.6	Interim financial and other information	N/A
20.7	Dividend distribution policy	7.5
20.7.1	Amount of any adjusted dividend per share for comparison purposes when the number of the issuer's shares has changed	N/A
20.8	Judicial and arbitration proceedings	5.6
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21.1.6	Share capital of any Company of the Group that is the subject of an option or of an agreement to put it under option	7.2.6
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23.	**Information from third parties, expert certifications and interest declarations**	**9.4**
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25.	**Information on equity investments**	**5.2.19, 5.4.18, 9.6,**

Notes

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Design & conception: RR DONNELLEY

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