GROUPE FNAC

Interim financial report 2013

Groupe FNAC

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Chapter 1:

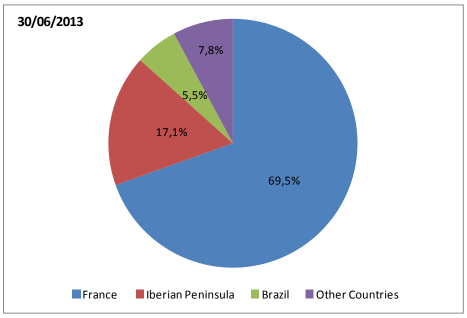
Groupe FNAC in the first half of 2013 – Key figures

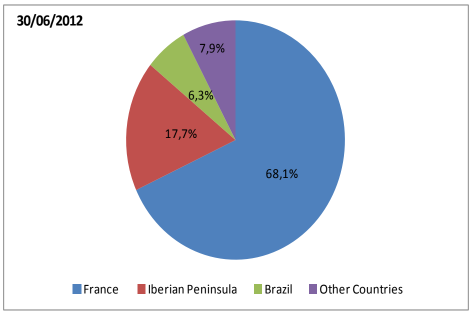
Key consolidated Group figures

(€ million)	30 June 2013	30 June 2012	Variation
Revenues	**1 669,5**	**1 772,8**	-5,8%
Gross margin	**507,7**	**540,7**	-6,1%
Gross margin in % of revenues	30,4%	30,5%	
EBITDA	**20,6**	**20,7**	-0,5%
EBITDA margin in % of revenues	1,2%	1,2%	
Current operating income	**(12,4)**	**(13,4)**	7,5%
Operating income in % of revenues	-0,7%	-0,8%	
Operating income	**(20,2)**	**(47,0)**	57,0%
Operating income in % of revenues	-1,2%	-2,7%	
Consolidated net income	**(27,3)**	**(77,7)**	64,8%
Net income from continuing operations	(22,9)	(49,2)	53,5%
Gross operational investments	21,7	60,9	-64,5%
Operational free cash flow	**(291,9)**	**(303,0)**	3,7%
Equity	491,1	(50,5)	1072,5%
of which attributable to owners of the Company	491,1	(50,5)	1072,5%
Net financial indebtedness	(127,4)	479,3	-126,6%
Average workforce	13 005	13 597	-4,4%

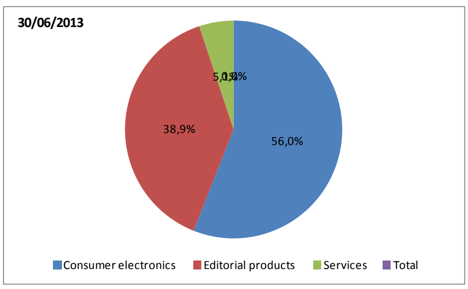
Data per share (in €)	30 June 2013	30 June 2012	Variation
Consolidated net income	**(2,98)**	**(88,70)**	96,6%
Net income from continuing operations	(2,20)	(56,15)	96,1%

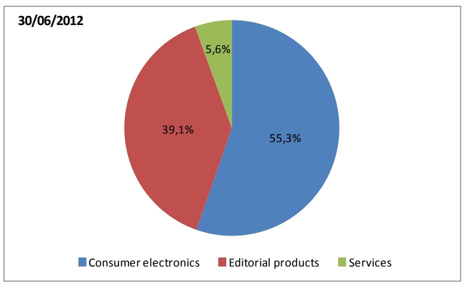
Breakdown of revenue by operational segment





Breakdown of revenue by product and service segment





Chapter 2

1. Half year report

A- Foreword – Definitions

IFRS 5 – Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 – Non-current assets held for sale and discontinued operations; the Group has presented certain activities as discontinued, sold or to be sold. Net income and losses from these activities are included under a separate income statement heading, 'Net income from discontinued operations', and are restated in the statement of cash flows and income statement for all reported periods.

The assets and liabilities relating to operations that are discontinued, sold or to be sold are presented on separate lines in the Group's balance sheet, without restatement for previous periods. Assets and liabilities relating to discontinued operations are not presented on separate lines in the Group's statement of financial position.

As stated in Note 8 to the condensed consolidated half year financial statements, FNAC Italia (sold in November 2012) and FNAC Service are classified as discontinued operations.

Definition of reported and comparable revenue

The Group's reported revenue (or profit from ordinary activities) corresponds to its published revenue. The Group also uses the concept of comparable data to measure organic growth of its business activities. The concept of comparable revenue consists of revenue restated for translation differences relating to foreign subsidiaries in 2012 and the adjustment of 2013 revenue for the impact of changes in scope that occurred in 2012 or 2013 through the closing of stores that do not have full history of operations during the twelve months of 2012.

Definition of current operating income

Groupe FNAC's total operating income includes all revenues and expenses related to Group activities, whether those revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consists of unusual items, notably as concerns the nature or frequency that could distort the assessment of Group entities' economic performance, as defined by French National Accounting Board (Commission des Normes Comptables – CNC) recommendation No. 2009.R.03 of July 2, 2009.

Consequently, Groupe FNAC monitors operating performance using recurring operating income, which is defined as the difference between total operating income and other non-recurring operating income and expenses (see Note 5 to the condensed consolidated half year financial statements), as the balance for the year.

Recurring operating income is an intermediate line item intended to facilitate the understanding of the entity's operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long-term in order to ensure the continuity and relevance of financial information.

Definition of EBITDA and EBITDAR

In addition to its published results, the Group uses additional performance indicators that exclude the impact on current operating income of net charges to depreciation, amortization and provisions on non-current operating assets recognized in recurring operating income, for EBITDA, and rent excluding rental expenses for operating leases relating to fixed assets for EBITDAR. The Group considers that this information can help investors in their analysis of the performance of the Group. These indicators will also be used in the context of the financial covenants applicable within the syndicated loan. EBITDA and EBITDAR are not financial indicators defined by the IFRS standards and are not presented in the condensed financial statements. EBITDA and EBITDAR are not standardized indicators and consequently the definition of the Group could be different from the definition of other companies.

Definition of free cash flow from operations and available cash flow

The Group also uses an intermediate line item, 'Free cash flow from operations', to monitor its financial performance; This financial indicator measures net operating cash flow less net operating investments (defined as purchases and sales of property, plant and equipment and intangible assets).

Available cash flow corresponds to free cash flow from operations plus interest and dividends received less interest paid and equivalent.

Definition of net debt

As defined by CNC recommendation No. 2009-R.03 of July 2, 2009, net debt comprises gross borrowings, including accrued interest, less net cash.

Rounding

The following tables include data that has been rounded individually. The calculations made on the basis of the rounded items may differ from the totals or sub-totals presented.

B- Highlights

Preparation for Groupe FNAC's initial public offering

On October 9, 2012, the Kering Group announced the separation and initial public offering of Groupe FNAC, the European leader in the leisure and technical products markets, via the allocation of Groupe FNAC shares to Kering shareholders. Groupe FNAC's shares were first traded on the stock market on June 20, 2013.

In preparation for the Group's initial public offering, the Kering Group recapitalized Groupe FNAC twice (see Section 21.1.7 of the IPO Prospectus), with a first recapitalization on December 27, 2012 via the injection of €539,587,048 in two stages:

- an initial recapitalization of €291.3 million on December 27, 2012 via the capitalization of receivables
- a second recapitalization of €248.3 million on December 27, 2012 via a cash capital increase

And a second recapitalization, on April 17, 2013, in three stages:

- a reduction in capital resulting from losses of €104,238,407, which reduced share capital from €545,718,719 to €441,480,312;
- a capital increase of €70,023,682.82, with no issue premium, via an increase in the par value of shares of €11.42, which increased the par value of each share from €72.00 to €83.42;
- finally, a reduction in capital not resulting from losses that reduced the share capital to €16,595,610.

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 general cash needs of the Group (see Section 10.2.2.2 of the IPO Prospectus).

At the same time, on April 24, 2013 the Company also issued sixty undated 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 (see Section 10.2.2.2 of the IPO Prospectus)

FNAC 2015 strategic plan deployment

Groupe FNAC is pursuing the deployment of its strategic plan, named FNAC 2015, which was announced on July 19, 2011, with the following developments:

- Launch of new product lines

In order to strengthen customer loyalty, Groupe FNAC is developing an approach which encompasses all departments in its stores, by expanding the range of products offered, such as toys in the Children's department, small household electronics in the Home Furnishings department, as well as publishing products and mobile phone plans in partnership with SFR.

- Store network densification

The Group is accelerating the opening of franchises. Three new stores opened in the first half of 2013 (Marseille airport, Pontault-Combault and Toulouse Blagnac)

- Multi-channel / omni-channel development

The omni-channel strategy was implemented by the group in France and has nearly doubled the volume of orders placed on the website at fnac.com, and initiated or delivered in store. This proportion increased by over 10 entry points in June 2012.

- Continued improvement of operational efficiency

Groupe FNAC is implementing cost reduction policies to:

- improve the purchase conditions by pooling the commercial functions of the internet and store channels
- improve the productivity of the organization by adjusting structures in both the stores and the back office
- continue the rationalization of expenses, mainly by renegotiating existing contracts.

C- First-half of 2013 business review

C.1 - Analysis of the Group's operational performance

The main financial indicators taken from Groupe FNAC's consolidated financial statements for the first half of 2013 are presented below:

(€ million)	June 30, 2013	June 30, 2012	Variation
Revenues	**1 669,5**	**1 772,8**	-5,8%
Gross margin	**507,7**	**540,7**	-6,1%
Gross margin in % of revenues	30,4%	30,5%	
EBITDA	**20,6**	**20,7**	-0,5%
EBITDA margin in % of revenues	-0,5%	-0,5%	
Current operating income	**(12,4)**	**(13,4)**	7,5%
Current operating income in % of revenues	-0,7%	-0,8%	
Operating income	**(20,2)**	**(47,0)**	57,0%
Operating income in % of revenues	-1,2%	-2,7%	
Consolidated net income	**(27,3)**	**(77,7)**	64,8%
Net income from continuing operations	(22,9)	(49,2)	53,5%
Net operationnal investments	21,7	60,9	-64,5%
Operational free cash flow	(291,9)	(303,0)	3,7%
Equity	491,1	(50,5)	1072,5%
attributable to owners of the Company	491,1	(50,5)	1072,5%
Net financial indebtedness	(127,4)	479,3	-126,6%
Average workforce	13 005	13 597	-4,4%

The Group's first half performance is traditionally affected by the seasonal nature of its businesses, which generate the bulk of their earnings and free cash flow from operations in the second half of the year.

C.1.1 Revenues

Consolidated revenue from continuing operations for the first half of 2013 amounted to €1,669.5 million, down 5.8% on first half 2012 as reported and 5.2% based on comparable Group structure and exchange rates. On a constant store basis and comparable exchange rates, the decrease in revenue is 6.4%.

(€ million)	30 June 2013	30 June 2012	Real variance	Comparable variation (1)
France	1 160,9	1 207,9	-3,9%	-3,9%
Iberian Peninsula	285,7	313,1	-8,8%	-8,8%
Brazil	91,9	111,4	-17,5%	-8,9%
Other countries	131,0	140,4	-6,7%	-5,9%
Revenues	**1 669,5**	**1 772,8**	**-5,8%**	**-5,2%**

Market conditions have remained difficult in all geographical areas where the Group is present, but Groupe FNAC managed to gain market share.

The decrease of revenue is greater on the Iberian Peninsula, where the economic situation has deteriorated significantly, especially in Spain. Activity in Brazil is also down 8.9% at constant exchange rates, mainly due to a high level of commercial activity and a good first half of 2012. The growth of Internet use in Brazil started again in the second quarter of 2013.

In France and Other Countries, the economic situation is also difficult and is unfavorably impacting consumption and the Group's revenue.

Revenue from technical products is down due to the drop in TV and video sales. Revenue from the consumer electronics sub-category is up thanks to the good performance of tablet and smartphone sales. Sales of KOBO readers have been very good since the beginning of the year.

Revenue from publishing products is down, mainly due to the decline of the Disc and Gaming which has been strongly impacted by the drop in its markets.

The deployment of new products in dedicated areas continues to be successful.

Membership remains a major factor in the Group's commercial policy. The revenues generated by members increased in the first half of 2013.

Growth in online sales has been slowing down, as has been happening in the rest of the market.

New stores continue to open, as was demonstrated by the opening of 3 new franchise stores in France.

C.1.2 Current operating income

At June 30, 2013, the recurring operating income of Groupe FNAC reached -€12.4 million, up 7.5% compared to the first half of 2012. The operational margin remained stable compared to the end of June 2012. The decrease in funds due to lower revenue was partially offset by the success of the plan to save on expenses.

(€ million)	30 June 2013	In % of revenues	30 June 2012	In % of revenues	Real variation
France	(16,1)	-1,4%	(12,4)	-1,0%	-29,5%
Iberian Peninsula	7,1	2,5%	5,5	1,8%	28,6%
Brazil	(2,4)	-2,6%	(3,5)	-3,1%	30,9%
Other Countries	(1,0)	-0,7%	(3,0)	-2,1%	64,8%
Current operating income	**(12,4)**	**-0,7%**	**(13,4)**	**-0,8%**	**7,5%**

C.1.3 EBITDA and EBITDAR

(€ million)	30 June 2013	30 June 2012	Variation réelle
Current operating income	**(12,4)**	**(13,4)**	**7,5%**
Depreciation and amortization of non current assets	33,0	34,1	-3,3%
EBITDA	**20,6**	**20,7**	**-0,5%**
Rent	69,6	69,4	0,3%
EBITDAR	**90,2**	**90,1**	**0,1%**

EBITDA for the first half of 2013 reached €20.6 million, down 0.5% compared to the first half of 2012 based on published data.

EBITDAR for the first half of 2013 reached €90.2 million, up 0.1% compared to the first half of 2012 based on published data.

C.1.4 Other non-current operating income and expenses

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the relevance of monitoring the Group's economic performance.

At June 30, 2013, this item represented a €7.8 million net expense and included mainly €10.3 million in restructuring expenses, €6.1 million litigation charges and charges for other operational risks and a gain on the disposal of the equity interest in Cyrillus Deutschland GmbH, and the sale of Form@Home.

As at June 30, 2012, this item represented a net expense of €33.6 million and was comprised of €31.5 million in restructuring charges, relating in particular to the FNAC 2015 relaunch plan, and litigation charges and charges for other operational and tax risks of €2.1 million.

C.1.5 Net financial expenses

At June 30 2013, the Group's net financial expenses can be broken down as follows:

(€ million)	30 June 2013	30 June 2012	Variation
Net financial expenses	**(0,8)**	**(2,7)**	**70,6%**
Other financial revenues and expenses	**(3,3)**	**(3,5)**	**5,6%**
Total	**(4,1)**	**(6,2)**	**34,1%**

In the first half of 2013, the net financial result represents a financial expense of €4.1 million compared to a €6.2 million financial expense for the same period in the previous year.

For the first six months of 2013, the cost of the Group's net debt was down 70.6% compared to the same period in the previous year due to the decrease in the Group's net debt in the first half of 2013.

As at June 30, 2013, other financial income and expenses are mainly comprised of a €2.7 million expense for the cost of consumer credit and €0.9 million for the effect from the discounting of assets and liabilities.

C.1.6 Corporate income tax

For the first half of 2013, the Group's income tax expenses break down as follows:

(€ million)	30 June 2013	30 June 2012
Pre-tax income	(24,3)	(53,2)
Non-current items	(7,8)	(33,6)
Current income before tax	**(16,5)**	**(19,6)**
Total tax charge	(6,3)	(18,3)
Tax on non-current items	0,2	11,3
Current tax charge	**(6,5)**	**(29,6)**
Effective tax rate	**-25,96%**	**-34,40%**
Current tax rate	**-39,39%**	**-151,02%**

The income tax expense in the first half of the year is calculated based on the estimated effective tax rate for the full year for each tax entity or sub-group. The total income tax expense comprises a €4.5 million expense for CVAE for the first half of 2013 (€5.0 million for the first half of 2012).

C.1.7 Net income from continuing operations

For the first half of 2013, consolidated net income from Groupe FNAC continuing operations amounted to -€30.6 million; it was -€71.5 million for the same period of the previous year.

Adjusted for non-recurring items net of tax, attributable net income from continuing operations increased by 53.5% to -€22.9 million as of June 30, 2013; it was -€49.2 million a year earlier.

C.1.8 Net income (loss) from discontinued operations

Discontinued operations include all assets (or groups of assets) accounted for in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations (see Note 8 to the condensed half year financial statements at June 30, 2013).

As at June 30, 2013, the net expense of €0.4 million for discontinued operations corresponds to the sale of FNAC Service and FNAC Italia.

As at June 30, 2012, the net expense of €6.2 million for discontinued operations includes the contribution of FNAC Service and FNAC Italia.

C.1.9 Net income attributable to the owners of the Company

Net income attributable to owners of the company totaled -€31.0 million as at June 30, 2013; up 60.1% from the first half of 2012, when it totaled -€77.7 million.

C.1.10 Earnings per share

The weighted average number of Groupe FNAC shares used to calculate earnings per share was 10,409,746 for the first half of 2013, which is significantly higher than in the first half of 2012 (see Note 9 to the Condensed consolidated half year financial statements at June 30, 2013).

As at June 30, 2013, earnings per share stood at -€2.98, up 96.6% from the first half of 2012 figure of -€88.70.

Excluding non-recurring items, net earnings per share from continuing operations amounted to -€2.20, 96.1% higher than the -€56.15 reported for the first half of 2012.

C.2 Analysis of operational performance by operational segments

C.2.1 France

(€ million)	30 June 2013	30 June 2012	Variation
Revenues	**1 160,9**	**1 207,9**	**-3,9%**
Current operating income	**(16,1)**	**(12,4)**	**-29,8%**
Current operating income in % of revenues	-1,4%	-1,0%	
Operating income	**(21,5)**	**(41,8)**	**48,6%**
Operating income in % of revenues	-1,9%	-3,5%	
Net operationnal investments	18,0	52,7	-65,8%
Average workforce	8 467	8 734	-3,1%

France Revenues

In France, in the first half of 2013, as in 2012, the Group was exposed to market decline on all product segments and a difficult consumer environment. For 2013, revenues reached €1,160.9 million, compared to €1,207.9 million for 2012, down 3.9%. On a same-store basis, revenues are down 5.3%.

At the end of May 2013 (June data not yet available), the Group continued to gain market share in France in both technical and publishing products.

The number of members in France increased sharply at the end of June 2013 in relation to June 2012. The weight of revenues generated by members in total France revenue continues to increase.

Revenue from publishing continues to fall due to the decline of the Disk and gaming subcategories. Publishing products benefit from the good performance of the Children's department, with 19 openings in the second half of 2012 and 37 openings in the first half of 2013. Moreover, the business volume of e-books is increasing rapidly compared to the first six months of 2012.

In the first half of 2013, revenues generated by technical products decreased, due largely to the decline in the mass market consumer electronics sub-category, which comes from the fall in TV-video, audio and photography sales. Technical products nonetheless benefitted from the deployment of household electronics with 38 new Home Furnishings departments implemented since June 2012. The growth of online sales is slowing down, in line with market trends.

Current operating income for France

Current operating income for France was -€16.1 million for the first half of 2013, versus -€12.4 million in 2012. The continuation of the cost reduction policy of 2012 and the new 2013 plans have limited the impact of the decrease of sales on current operating income.

C.2.2 Iberian peninsula

(€ million)	30 June 2013	30 June 2012	Variation
Revenues	**285,7**	**313,1**	**-8,8%**
Current operating income	**7,1**	**5,5**	**29,1%**
Current operating income in % of revenues	2,5%	1,8%	
Operating income	**6,2**	**4,7**	**31,9%**
Operating income in % of revenues	2,2%	1,5%	
Net operationnal investments	2,1	5,9	-64,4%
Average workforce	2 952	3 061	-3,6%

Iberian Peninsula Revenues

Revenues from the Iberian Peninsula in the first half of 2013 totaled €285.7 million, versus €313.1 million in the first six months of 2012, down 8.8%. On a same-store basis, revenues are down 9.5%. The decline in revenues is the consequence of the steep downturn in the region. The area is especially impacted by Spain, whose publishing and technical markets are in a sharp decline. FNAC in Portugal's business activity is resisting the depressed economic environment well.

Revenues from technical products are down. This is mainly linked to the decline in the mass-market consumer electronics segment, due to the effects from an Iberian market in steep decline and an unfavorable base effect on TV and video sales related to the 2012 EUFA European Football Championship, which was partially offset by the increase in tablet and Smartphone sales.

The decline in publishing product revenues is mainly linked to the disk and gaming sub-category. The encouraging performance in the Children's department and paper product segment partially offset the decline in revenues from traditional publishing products.

Current operating income for the Iberian Peninsula

Current operating income for the Iberian Peninsula increased to €7.1 million in the first half of 2013, versus €5.5 million in the first six months of 2012.

Current operational profitability is improving, rising from 1.8% to 2.5%, with the decrease in gross margin being offset by the decrease in payroll costs and current optimization plans for other current expenses.

C.2.3 Brazil

(€ million)	30 June 2013	30 June 2012	Variation
Revenues	**91,9**	**111,4**	**-17,5%**
Current operating income	**(2,4)**	**(3,5)**	**31,4%**
Current operating income in % of revenues	-2,6%	-3,1%	
Operating income	**(2,6)**	**(4,0)**	**35,0%**
Operating income in % of revenues	-2,8%	-3,6%	
Net operationnal investments	0,5	1,3	-61,5%
Average workforce	827	878	-5,8%

Revenue of Brazil

In the first half of 2013, revenues in Brazil reached €91.9 million versus €111.4 million in the first six months of 2012, down 17.5%. At constant exchange rates, revenues are down 8.9%. The first half's business activity was strongly impacted by the strong growth of the first six months of 2012, which rose 7.9% at constant exchange rates for the first six months of 2011.

The business trend improved in the second quarter. On a constant store basis, revenues decreased 8.5%, versus 13.6% in the first quarter. The action plan implemented in March on internet (in particular the improvement of the websites functionalities and a reinforced visibility on major search engines) has collected positive results with a return to growth in the second quarter of internet sales.

Technical products revenues decreased due to the mass-market consumer electronics segment, which had record TV and Video sales in the first half of 2012.

Publishing products sales are also down due to the fall in sales on the disc and gaming sub-category.

Current operating income for Brazil

Current operating income for Brazil totaled -€2.4 million for the first half of 2013 versus -€3.5 million in the first half of 2012.

Current operational profitability is improving, from -3.1% to -2.6%. The decrease in the value of the gross margin is offset by pursued cost reduction efforts on payroll and other current costs.

C.2.4 Other countries

(€ million)	30 June 2013	30 June 2012	Variation
Revenues	**131,0**	**140,4**	**-6,7%**
Current operating income	**(1,0)**	**(3,0)**	**68,1%**
Current operating income in % of revenues	-0,8%	-2,1%	
Operating income	**(2,3)**	**(5,9)**	**61,5%**
Operating income in % of revenues	-1,7%	-4,2%	
Net operationnal investments	1,1	1,0	10,0%
Average workforce	759	924	-17,9%

Revenues in other countries

Revenues in other countries (Belgium and Switzerland) totaled €131.0 million in the first half of 2013 versus €140.4 million in the first half of 2012, down 6.7% in data released and 5.9% at constant exchange rates.

The decline of revenues is a result of the economic recession of both countries due to the decline in the economic environment throughout the area.

Revenues for technical products are down and have been impacted by the fall in TV and video sales. The performance of the new Home Furnishings departments is encouraging, especially in Switzerland, where all stores now have this new dedicated area.

Revenues in publishing products are down mainly because of the fall in sales of the disc and gaming sub-category, despite the recent deployment of the FNAC Children's departments.

Current operating income for other countries

Current operating income in other countries reached -€1.0 million in the first half of 2013 versus -€3.0 million in the first six months of 2012.

Current operating profitability is improving, from -2.1% to -0.7%, with the decline in revenues being offset by higher gross margins and a reduction in expenses.

D- Comments on the group's financial position

Groupe FNAC's consolidated financial statements position as of June 30 reflects the habitual impact of the seasonal nature of the Group's activities:

(€ million)	30 June 2013	30 June 2012	31 december 2012
Goodwill on other net intangible assets	394,4	473,6	396,8
Other non current assets	223,1	274,5	237,1
Current assets	(146,8)	(200,7)	(413,4)
Provisions	(107,8)	(130,5)	(115,5)
Capital employed	**362,9**	**416,9**	**105,0**
Assets to be sold		11,8	
Equity	**490,3**	**(50,5)**	**397,0**
Net financial indebtedness	(127,4)	479,3	(292,0)

D.1 Capital employed

As of June 30, 2013, capital employed decreased by €54.0 million compared to June 30, 2012. This decrease is related mainly to the depreciation of goodwill on the France and Brazil CGUs accounted for at year-end 2012, which was partially offset by the decrease in provisions.

D.2 Goodwill and other intangible net assets

As of June 30, 2013, goodwill and other intangible net assets represent 28.3% of the balance sheet total (23.0% as of December 31, 2012 and 30.1% as of June 30, 2012).

It is comprised mainly of:

- Goodwill of €323.5 million
- Other net intangible assets of €70.9 million

The above balance remained fairly stable compared to December 31, 2012. The variance versus June 30, 2012 is mainly due to asset depreciations of €92.1 million on goodwill and tangible and intangible assets for the France and Brazil CGUs (see Note 18.3 of the Consolidated financial statements at December 31, 2012).

D.3 Other non-current net assets

(€ million)	30 June 2013	30 June 2012	31 december 2012
Net tangible assets	182,5	216,9	197,3
Net deferred taxes	33,1	28,6	33,9
Net non current financial assets	7,4	28,7	5,8
Other non current assets	0,1	0,3	0,1
Net other non current assets	**223,1**	**274,5**	**237,1**

Compared to December 31, 2012, the other non-current net assets decreased mainly under the effect of the depreciation of tangible assets. The change from June 30, 2012 comes mainly from the depreciation of tangible assets and the disposal of other non-current financial assets.

Deferred taxes mainly correspond to the deferred tax assets in Spain and Portugal, as well as the deferred tax assets on provisions for pensions and other post-employment benefits in France.

D.4 Current net assets

As at June 30, 2013, current net assets totaled -€146.8 million, compared to -€200.7 million as of June, 30, 2012 and -€413.5 million as of December 31, 2012. This item breaks down as follows:

(€ million)	30 June 2013	30 June 2012	31 december 2013
Inventory	469,9	497,7	495,2
Trade receivables	77,3	91,0	118,8
Trade payables	(401,3)	(476,3)	(717,1)
Tax receivables and payables	(3,4)	(12,9)	(1,4)
Other current assets and liabilities	(289,3)	(300,2)	(309,0)
Net current assets	**(146,8)**	**(200,7)**	**(413,5)**

As of June 30, 2013, Groupe FNAC's current net assets increased €266.7 million compared to the close of the previous fiscal year.

Changes in inventory resulted in a cash inflow of €25.3 million in the first half of 2013. This positive impact originates from the implementation of an inventory reduction policy. Inventory levels improved by €27.8 million compared to June 30, 2012.

In the first half of 2013, the decrease in trade receivables generated a cash inflow of €41.5 million. This development comes mainly from the seasonal variations in the Group's business activity.

As at June 30, 2013, the decrease in accounts payable generated a cash outflow of €315.8 million over the first six months of 2013. This variance is mainly due to the payment of year-end suppliers due to the strong activity of the Group in December that year.

The decrease in the other net current assets generated a cash outflow of €19.7 million in the first half of 2013.

D.5 Provisions

(€ million)	30 June 2013	30 June 2012	31 december 2013
Provisions for pensions and other post-employment benefits	64,1	52,6	63,2
Other provisions for contingencies and losses	43,7	77,9	52,3
Provisions	**107,8**	**130,5**	**115,5**

As at June 30, 2013, the provisions for pensions and other post-employment benefits amount to €64.1 million, up €11.5 million compared to June 30, 2012 and due mainly to the decrease in the discounting rate from 4.5% to 3.0% at the end of December 2012.

In the first half of 2013, other provisions decreased compared with year-end 2012, mainly as a result of the consumption of provision for the restructurings of the FNAC 2015 plan, the reversal of certain disputed rights by Kering over the second half of 2012 and the reversal of other provisions for operational and tax risks.

D.6 Net assets held for sale

This item results from the application of IFRS 5 to operations that were sold during the period, or were in the process of being sold. As of June 30, 2012, these operations corresponded to FNAC Italia.

D.7 Equity

(€ million)	30 June 2013	30 June 2012	31 december 2013
Equity - attributable to owners of the Company	490,3	(50,5)	397,0
Equity - attributable to non-controlling interests	0,0	0,0	
Equity	**490,3**	**(50,5)**	**397,0**

As at June 30, 2013, Groupe FNAC consolidated equity increased compared to the close of the previous year; equity attributable to owners of the company increased by €93.2 million due mainly to the effects of:

- the net result attributable to owners of the company for the first half of 2013 (-€31.0 million)
- the capital increase (€70.0 million)

- the issue of undated deeply subordinated notes (€60.0 million)
- the negative effects of currency translation adjustments (-€1.3 million)

In the first half of 2013, the capital of Groupe FNAC increased by 10,463,939 shares following the share capital increase of April 17, 2013. As of June 30, 2013, the share capital of Groupe FNAC is composed of 16,595,610 shares with a nominal value of €1. At this date, Groupe FNAC holds 65,000 treasury shares under the terms of the liquidity contract. Excluding the liquidity contract, Groupe FNAC holds no other treasury shares as of June 30, 2013.

D.8 Net debt

The Group's net debt is traditionally higher at the end of the first half of the fiscal year than at the end of the year due to the seasonal nature of its business. Groupe FNAC's net debt stood at -€127.4 million as of June 30, 2013, and broke down as follows:

(€ million)	30 June 2013	30 June 2012	December 31, 2012
Gross financial debt	8,6	557,0	13,5
Cash and cash equivalents	(136,0)	(77,7)	(305,5)
Net financial debt	**(127,4)**	**479,3**	**(292,0)**

As of June 30, 2013, the gross debt includes mainly bank overdrafts.

D.9 Solvency

The credit facility entered into by Groupe FNAC includes two financial covenants as of June 30, 2013, which are defined as follows as of that date:

- the solvency ratio (adjusted net financial debt of 5 times the property rental costs minus leasing expenses in relation to EBITDAR, calculated over a 12-month period) must be lower or equal to 2.85;
- the equity ratio (the amount of the Group's equity) must be higher than €375.0 million;

As of June 30, 2013, all financial covenants are complied with.

The target values of the covenants to be achieved vary for each test period.

D.10 Liquidity

As at June 30, 2013, Groupe FNAC had cash and cash equivalents of €136.0 million (€305.5 million as at December 31, 2012), as well as confirmed undrawn credit facilities of €250.0 million.

As at June 30, 2013, cash and cash equivalents comprise mainly marketable securities maturing in three months or less and certificates of deposit.

The portion of the Group's gross borrowings maturing within one year corresponded to 93.0% as of June 30, 2013 (94.9% as of December 31, 2012 and 100.0% as of June 30, 2012).

In view of the above, the Group is not exposed to short-term liquidity risk.

The Group's loan agreements feature standard pari passu, cross default and negative pledge clauses.

The Group's debt contracts do not include any rating trigger clauses.

D.11 Changes in net debt

Changes in net financial debt may be broken down as follows:

(€ million)	30 June 2013	30 June 2012
Net financial indebtedness as of January 1	**(292,0)**	**152,4**
Free operational cash flow	291,9	303,0
Net interests paid and dividends received	7,2	2,7
Dividends paid	0,0	
Acquisition and disposal of subsidiairies	0,3	
Other movements	(134,9)	21,2
Net financial indebtedness as of June 30	**(127,4)**	**479,3**

D.11.1 Free cash flow from operations and available cash flow

In the first half of 2013, free cash flow from operations totaled -€291.9 million, compared to -€303.0 million in the first six months of 2012.

(€ million)	30 June 2013	30 June 2012
Cash flow from operations before tax, dividends and interest	**(7,9)**	**15,0**
Change in working capital requirements (excluding tax)	(259,0)	(246,3)
Income tax paid	(3,3)	(10,8)
Net treasury cash flow from operations	**(270,2)**	**(242,1)**
Net operational cash flow	(21,7)	(60,9)
Free operational cash flow	**(291,9)**	**(303,0)**
Interests and dividends received	0,4	0,4
Interest and dividends paid	(7,6)	(3,1)
Available cash flow	**(299,1)**	**(305,7)**

Cash flow from operating activities before tax, dividends and interest decreased €22.9 million compared to the first six months of 2012.

Compared to the first half of 2012, the net outflows from changes in working capital requirements increased by €12.7 million. This rise reflects a combination of the following factors:

- the negative impact of the changes in inventory of €7.9 million
- the positive impact of €11.3 million from the changes in trade receivables
- the negative impact of €61.3 million from the changes in accounts payable
- and the positive impact of €45.2 million from the changes in other current operational assets and liabilities.

Compared to the first half of 2012, net cash outflows relating to income tax decreased by €7.4 million.

As of June, 30, 2013, the net cash outflows for gross operational investments decreased by €39.2 million, compared to the first six months of last year, resulting in a significant decrease in investments in the first half of 2013.

Gross operational investments excluding changes in amounts payable on assets totaled €19.1 million in the first half of 2013, down 55.1% compared to the first six months of 2012. They break down as follows:

(€ million)	30 June 2013	30 June 2012	31 december 2012
France	16,4	38,2	67,3
Iberian Peninsula	1,4	2,4	6,2
Brazil	0,2	1,0	2,4
Other countries	1,0	0,9	2,5
Acquisition of tangible and intangible assets	**19,1**	**42,5**	**78,5**
Variance of accounts payable asset suppliers	2,6	18,4	16,6
Operational investments	**21,7**	**60,9**	**95,1**

The decrease in operational investments is an expression of the policy to reduce investments, as well as the acceleration of its development through franchises.

Excluding franchises, no stores were opened in the first half of 2013. In the first half of 2012, the Group opened two stores in France, in Quimper and Paris Bercy. Internationally, stores in Majadahonda in Spain and Goainia in Brazil opened their doors in the first half of 2012. In the second half of 2012, only the Chambourcy store in France was opened.

D.11.2 Net interest paid and dividends received

As at June 30, 2013, net cash outflows relating to net financial interest included interest paid and dividends received for -€0.8 million, as well as the outflow for the expense of establishing the credit facility, for €6.4 million.

D.11.3 Dividends paid

In the first half of both 2013 and 2012, no dividends were paid out by Groupe FNAC to its shareholders.

D.11.4 Acquisitions and disposals of subsidiaries

In the first half of 2013, the Group sold its subsidiary Form@Home. No acquisition or disposal occurred in the first half of 2012.

D.11.5 Other movements

For the first half of 2013, other movements include for the most part the capital increase and issue of the undated deeply subordinated notes and the sale price of the interest in Cyrillus Deutschland GmbH. For the first half of 2012, they include for the most part cash flows relating to discontinued businesses and occurrences of translation differences.

E- Groupe FNAC net income

The group ended the first half of 2013 with a net loss of -€31.0 million, compared with a net loss of -€77.7 million for the first six months of 2012. The net income from continuing operations for the first half of 2013 is -€30.6 million and the net result from discontinuing operations is -€0.4 million.

F- Transactions with related parties

Transactions with related parties in the first half of 2013 are described in Note 17 to the condensed consolidated half year financial statements as of June 30, 2013.

G- Subsequent events

G.1 Restructuring transactions

Groupe FNAC will conduct a few restructuring transactions consisting of universal asset transfers in order to optimize its legal organization during the third quarter of 2013, i.e., the merger of FNAC Service into FNAC Direct, the merger of FNAC Spectacles and FNAC Global Services into FNAC SA, and the merger of Lysiane Thomas Diffusion into France Billet.

G.2 Items comprising remuneration of the Chairman and Chief Executive Officer:

At its meeting of July 30, 2013, upon the recommendation of the Appointments and Remuneration Committee, the Board of Directors reviewed and approved the compensation items for its Chairman and Chief Executive Officer, Mr. Alexandre Bompard.

Fixed salary 2013

For the 2013 financial year, the annual fixed salary of the Chairman and Chief Executive Officer was set at €900,000 gross.

Variable salary 2013 (paid in 2014)

For the 2013 financial year, the annual variable salary of the Chairman and Chief Executive Officer is a maximum of 105% of fixed remuneration.

It is based 80% on the achievement of financial objectives and 20% on the achievement of qualitative objectives.

The 2013 financial objectives for the variable portion are set out below:

- Group Current Operating Income
- Group Free Cash Flow
- Group Revenues
- Change in Group market share

Other items

Mr. Alexandre Bompard benefits from "Officers' Civil Liability" insurance as well as unemployment insurance.

He benefits from the Healthcare Costs, Provident, and Retirement Schemes (Article 83 scheme), in the same way as Fnac employees.

Finally, a company vehicle is assigned to him.

Non-competition clause

In addition, on July 30, 2013 the Board of Directors authorized the signing of a non-competition covenant with Mr. Alexandre Bompard limited to a period of two years in the retail sector specializing in cultural and/or technology and leisure products for the general public in France, Belgium, Spain, Switzerland, Portugal and Brazil. This non-competition covenant is limited to a period of two years from the end of his term of office. In return for this commitment, Mr. Alexandre Bompard will receive gross remuneration of 80% of his monthly fixed remuneration for a period of two years from the effective discontinuance of his term of office. The Board of Directors may waive the implementation of this clause.

G.3 Long-Term Incentive Plan

Upon recommendation of the Appointments and Remuneration Committee, on July 30, 2013 the Board of Directors approved and adopted the main characteristics of a Long-Term Incentive Plan aimed at building employee loyalty in order to retain key Group employees, while bringing their interests into line with those of the Company and its shareholders (LTIP Plan).

This plan is based on a period of two years, and schedules the allocation of value units, ending in July 2015. The value per unit will be based on an average of the FNAC Group's share price.

As long as the senior executive in question is still present within the FNAC Group on July 31, 2015, the value units will be acquired on that date. The associated cash payment will be effective from October 2015.

For members of the Executive Committee and the Chief Executive Officer, partial payment will be made in October 2015, with the remainder paid in July 2016 on the condition that said members are present at both of these dates. If the FNAC share price in July 2015 is below a predefined price threshold, then no payment will be made.

Under this plan, Mr. Alexandre Bompard was awarded units representing 197,925 units. Payments to Mr. Alexandre Bompard in respect of this plan will be listed each year in the items relating to "remuneration and benefits of the Chairman and Chief Executive Officer" in the IPO prospectus.

H- Main risks and uncertainties for the remaining six months of the year

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 has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

According to their experts, none of the disputes in which Groupe FNAC companies or businesses are involved threatens Groupe FNAC's normal and foreseeable course of business or its planned development.

Groupe FNAC believes that a provision has been recorded at year-end for any litigation of which it is aware and which involves material risks that are likely to affect its net assets, income or financial position. No litigation is material at the Company or Groupe FNAC level, when considered on a stand-alone basis.

Groupe FNAC is not aware of any other litigation or arbitration, which could have, or may have had in the recent past, a significant effect on the financial position, business or the result of the Company or Groupe FNAC.

The main risks and uncertainties to which the Group could be exposed in the second half of 2013 are further described in the Risk Management chapter of the IPO Prospectus dated 25 April 2013 Section 4.7.

I- Outlook

The implementation of the commercial model transformation plan is going to accelerate in the second half with the opening of several new franchised shops and the deployment of new product families.

The macro-economic conditions will continue to weigh on the consumer environment in the second half, with all markets remaining on negative trends. The Group will continue to counter-balance the negative effect of the decrease in sales by continuing to gain market share and pursue its cost reduction policy and increasing the productivity of its organization.

2. Condensed consolidated half year financial statements for the six months ended June 30, 2013

The following tables include individually rounded data. The arithmetical calculations based on rounded data can present some differences with the aggregates or subtotals reported.

CONSOLIDATED PROFIT AND LOSS STATEMENT AT JUNE 30, 2013, JUNE 30, 2012 AND THE YEAR ENDED DECEMBER 31, 2012

(€ million)	Notes	June 30, 2013	June 30, 2012	December 31, 2012
CONTINUING OPERATIONS				
Revenus		**1 669,5**	**1 772,8**	**4 061,1**
Cost of sales		(1 161,8)	(1 232,1)	(2 841,8)
Gross margin		**507,7**	**540,7**	**1 219,3**
Personnel expenses		(270,1)	(286,6)	(591,4)
Other current operating income and expense		(250,0)	(263,2)	(554,6)
Current operating income and expense		**(12,4)**	**(13,4)**	**63,3**
Other non-current operating income and expense	5	(7,8)	(33,6)	(130,2)
Operating income		**(20,2)**	**(47,0)**	**(66,9)**
Net financial expense	6	(4,1)	(6,2)	(15,0)
Pre-tax income		**(24,3)**	**(53,2)**	**(81,9)**
Income tax	7	(6,3)	(18,3)	(33,7)
Net income from continuing operations		**(30,6)**	**(71,5)**	**(115,6)**
of which attributable to owners of the Company		(30,6)	(71,5)	(115,6)
of which share attributable to non-controlling interests				
DISCONTINUED OPERATIONS				
Net income from discontinued operations	8	**(0,4)**	**(6,2)**	**(26,1)**
of which attributable to owners of the Company		(0,4)	(6,2)	(26,1)
of which share attributable to non-controlling interests				
Net consolidated income		**(31,0)**	**(77,7)**	**(141,7)**
Net income attributable to owners of the Company		**(31,0)**	**(77,7)**	**(141,7)**
Earnings per share (in euros)	9.1	(2,98)	(88,70)	(151,81)
Diluted eranings per share (in euros)	9.1	(2,98)	(88,70)	(151,81)
Net income on continuing operations attributatble to owners of the Comp		**(30,6)**	**(71,5)**	**(115,6)**
Earnings per share (in euros)	9.1	(2,94)	(81,62)	(123,85)
Diluted eranings per share (in euros)	9.1	(2,94)	(81,62)	(123,85)
Net current income on continuing operations attributable to		**(22,9)**	**(49,2)**	**12,6**
Earnings per share (in euros)	9.2	(2,20)	(56,15)	13,50
Diluted eranings per share (in euros)	9.2	(2,20)	(56,15)	13,50

Consolidated comprehensive income statement

(€ million)	Notes	June 30, 2013	June 30, 2012	December 31, 2012
Net income		**(31,0)**	**(77,7)**	**(141,7)**
Translation differences		(1,3)		(3,4)
Items that may be reclassified subsequently to profit or loss		**(1,3)**		**(3,4)**
Actuarial differences (1)				(7,2)
Items that may not be reclassified subsequently to profit or loss				**(7,2)**
Other comprehensive income items, after tax	10	**(1,3)**		**(10,6)**
Total comprehensive inccome		**(32,3)**	**(77,7)**	**(152,3)**
of which attributable to owners of the Company		(32,3)	(77,7)	(152,3)
of which share attributable to non-controlling interests				

(1) Net of tax

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2013, JUNE 30, 2012 AND THE YEAR ENDED DECEMBER 31, 2012

ASSETS

(€ million)	Notes	June 30, 2013	June 30, 2012	December 31, 2012
Goodwill		323,5	403,0	323,5
Intangible assets		70,9	70,6	73,3
Property, plant & equipment		182,5	216,9	197,3
Non-current financial assets		7,4	28,7	5,8
Deferred tax assets		33,1	28,6	33,9
Other non-current assets		0,1	0,3	0,1
Non-current assets		**617,5**	**748,1**	**633,9**
Inventory		469,9	497,7	495,2
Trade receivables		77,3	91,0	118,8
Tax receivable due		5,5	14,8	9,2
Other current financial assets		0,0	0,0	
Other current assets		88,5	103,9	162,6
Cash and cash equivalents	12	136,0	77,7	305,5
Current assets		**777,2**	**785,1**	**1 091,3**
Assets held for sale	**8**		**41,3**	
Total assets		**1 394,7**	**1 574,5**	**1 725,2**

LIABILITIES & EQUITY

(€ million)	Notes	June 30, 2013	June 30, 2012	December 31, 2012
Share capital	11.1	16,6	6,1	545,7
Equity-relatad reservers		493,8	48,4	48,4
Translation reserves		1,3	3,1	2,6
Other reserves		(21,4)	(108,1)	(199,7)
Equity - attributable to owners of the Company		**490,3**	**(50,5)**	**397,0**
Equity-share attributable to non-controlling interests		0,0	0,0	
Equity		**490,3**	**(50,5)**	**397,0**
Long-term borrowings and financial debt	13	0,6	0,2	0,7
Provisions for pensions and other equivalent benefits		64,1	52,6	63,2
Deferred tax liabilities		0,0	0,0	
Non-current liabilities		**64,7**	**52,8**	**63,9**
Short-term borrowings and financial debt	13	8,0	556,7	12,8
Other current financial liabilities		(0,0)	(0,0)	
Trade payables		401,3	476,3	717,1
Provisions		43,7	77,9	52,3
Tax liabilities payable		8,9	27,7	10,6
Other current liabilities		377,8	404,1	471,6
Current liabilities		**839,7**	**1 542,7**	**1 264,3**
Liabilities relating to assets held for sale	**8**		**29,5**	
Total liabilities and equity		**1 394,7**	**1 574,5**	**1 725,2**

CONSOLIDATED CASH FLOW STATEMENT AT JUNE 30, 2013, JUNE 30, 2012 AND THE YEAR ENDED DECEMBER 31, 2012

(€ million)	Notes	June 30, 2013	June 30, 2012	December 31, 2012
Net income from continuing operations		**(30,6)**	**(71,5)**	**(115,6)**
Other income and expenses w ith no impact on cash (1)		16,3	63,2	170,0
Cash flow from operations	15.1	**(14,3)**	**(8,3)**	**54,4**
Financial interest income and expense		0,8	2,7	5,2
Dividends received		(0,0)	(0,0)	
Net tax charge payable		5,6	20,6	37,8
Cash flow from operations before tax, dividends and interest		**(7,9)**	**15,0**	**97,4**
Change in w orking capital requirement		(259,0)	(246,3)	(25,1)
Income tax paid		(3,3)	(10,8)	(34,5)
Net cash flows from operating activities		**(270,2)**	**(242,1)**	**37,8**
Purchase of property, plant & equipement and intangible assets	15.2	(21,7)	(60,9)	(95,1)
Disposal of property, plant & equipement and intangible assets		0,0	0,0	0,2
Purchase of subsidiairies net of cash acquired	15.3			0,1
Disposal of subsidiairies net of cash trasnferred	15.3	(0,3)		
Purchase of other financial assets		(1,8)	(3,5)	(2,4)
Disposal of other financial assets		8,7	0,2	19,1
Interest and dividends received		0,4	0,4	0,7
Net cash flows from investing activities		**(14,7)**	**(63,8)**	**(77,6)**
Increase/Decrease in equity and other transactions w ith shareholders	15.4	130,0	(0,0)	539,6
Increase/decrease of treasury shares		(1,1)		
Dividends paid to shareholders		(0,0)		(20,5)
Redemption of borrow ings	15.6			(0,4)
Increase/decrease in other financial debt	15.7	(0,5)	329,7	(222,8)
Other interest and equivalent paid		(7,6)	(3,1)	(5,9)
Net cash flows from financing activities		**120,8**	**326,6**	**290,0**
Cash flow s from discontinues operations	8	(0,4)	(22,1)	(31,7)
Impact of fluctuations in exchange rates		(0,5)	4,1	3,4
Net change in cash		**(165,0)**	**2,7**	**221,9**
Cash and cash equivalents at the beginning of the financial year	12	**293,3**	**71,5**	**71,5**
Cash and cash equivalents at the end of the financial year	12	**128,3**	**74,2**	**293,3**

(1) Other income and expenses with no impact on cash include:

- current and non-current amortization and depreciation, as well as impairment on non-current assets
- accruals and reversals on current and non-current accruals for risks
- accruals, reversals and fair value measurement of provisions for pensions and other equivalent benefits
- income and expenses with no impact on cash related to stock options and related transactions
- net result on the sale of operating and financial assets
- accruals and reversals on deferred taxes

CHANGE IN CONSOLIDATED EQUITY

(Before appropriation of earnings) (€ million)	Number of shares outstanding (1)	Share capital	0,1	Treasury shares	TSSDI	Translation reserves	Reserves and earnings	Capitaux propres: Attributable to the Company	Total
As of December 31, 2011	**875 953**	**6,1**	**48,4**			**6,0**	**(30,0)**	**30,5**	**30,5**
Total comprehensive income for the 1st semester 2012						**(2,8)**	**(77,7)**	**(80,5)**	**(80,5)**
Valuation of share-based payments							(0,5)	**(0,5)**	**(0,5)**
Au 30 juin 2012	**875 953**	**6,1**	**48,4**			**3,1**	**(108,1)**	**(50,5)**	**(50,5)**
Total comprehensive income for the 2nd semester 2012						**(0,5)**	**(71,4)**	**(71,9)**	**(71,9)**
Increase / Decrease in equity	5 255 718	539,6						**539,6**	**539,6**
Valuation of share-based payments							0,3	**0,3**	**0,3**
Dividends paid							(20,5)	**(20,5)**	**(20,5)**
Au 31 décembre 2012	**6 131 671**	**545,7**	**48,4**			**2,6**	**(199,7)**	**397,0**	**397,0**
Résultat global total du 1er semestre 2013						**(1,3)**	**(31,0)**	**(32,3)**	**(32,3)**
Increase / Decrease in equity	10 463 939	(529,1)	446,5				152,6	**70,0**	**70,0**
Emission of TSSDI					60,0				
Treasury shares				(1,1)					
Valuation of share-based payments							(3,3)	**(3,3)**	**(3,3)**
Dividends paid									
Changes in consolidation perimeter							(0,0)	**(0,0)**	**(0,0)**
Total comprehensive income for the 1st semester 2013	**16 595 610**	**16,6**	**494,9**	**(1,1)**	**60,0**	**1,3**	**(81,4)**	**490,3**	**490,3**

(1) Par value of shares as of June 30, 2013

(2) Number of shares outstanding as of June 30, 2013 : 16 595 610

Notes to the consolidated financial statements

NOTE 1 GENERAL INFORMATION

1.1. General Information

Groupe FNAC, the Group's parent company, is a Limited Company *(Société Anonyme*) with a Board of Directors governed by French law. The company's registered office is located at 9 rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry sur Seine, France and listed on Euronext Paris. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Groupe FNAC is subject to all legislation governing commercial companies in France, and specifically to the provisions of the French Commercial Code (*Code de commerce*).

The consolidated financial statements at June 30, 2013 reflect the financial position of Groupe FNAC and its subsidiaries.

On July 30, 2013, The Board of Directors approved the consolidated financial statements at June 30, 2013 and authorized their publication on July 30, 2013.

1.2. Publication background

Groupe FNAC, which consists of Groupe FNAC company and of its subsidiaries (jointly referred to as "Groupe FNAC"), is the leader in the leisure and technical products retail market in France and a major player on the other geographical markets where it operates, namely Spain, Portugal, Brazil, Belgium and Switzerland. Groupe FNAC also has franchise operations in Morocco.

The admission of Groupe FNAC's securities for trading on a regulated market (NYSE Euronext Paris) that occurred on June 20, 2013, required the drafting of consolidated financial statements according to IFRS. The procedures for the preparation of these financial statements are detailed in Note 2 *Accounting principles and policies*.

Groupe FNAC's consolidated financial statements are shown in millions of euros.

NOTE 2 ACCOUNTING PRINCIPLES AND POLICIES

2.1. General principles and statement of compliance

In accordance with European Regulation No. 1606/2002 of July 19, 2002, Groupe FNAC's consolidated financial statements at June 30, 2013, have been prepared in accordance with international accounting standards, as published and approved by the European Union and mandatorily applicable at that date, at the closing date for these financial statements.

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

The consolidated financial statements at June 30, 2013, have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union, which makes possible the presentation of a selection of financial information.

The financial statements shown do not take into account draft standards and interpretations that were still at the exposure draft stage at the end of the period with IASB (International Accounting Standards Board) and IFRIC, or standards where the application was not mandatory in 2013.

The financial statements do not include all financial information required for the annual financial statements and must be read with the support of the annual financial statements at December 31, 2012.

All standards adopted by the European Union are available 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

The consolidated financial statements are prepared in accordance with the accounting standards and interpretations applied by the Group for the year-end consolidated financial statements, with the exception of income tax and retirement costs and other employee benefits, which are estimated with a specific methodology described in Note 2.3.

The new mandatory standards applicable at January 1st, 2013 are as follows:

- the amendments to IAS 19 - Employee Benefits;
- the amendments to IFRS 7 – Financial instruments, information to be provided – Compensation of financial assets and liabilities;
- the new IFRS 13 - Fair Value Measurement;
- the improvements to IFRS (cycle 2009-2011)

- IFRS 1 - First-time adoption of International Financial Reporting Standards
- 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 Other Comprehensive Income (OCI) - presentation of other comprehensive income items, has been applied by anticipation since January 1, 2012.

The first application of the revised IAS 19 standard has no significant impact on the Group's financial statements.

The other standards do not apply to the Group or do not have significant impacts on the consolidated financial statements at June 30, 2013.

The impact of the new standards on consolidation, and specifically the impact of IFRS 10 and IFRS 12, applicable as from January 1, 2014 in the European Union at the latest, are currently under review. The impact on consolidation of IFRS 11 and the amendments to IAS 28, applicable as from January 1, 2014 in the European Union at the latest, have no impact on the Group's financial statements.

2.3. Basis of preparation of consolidated financial statements

2.3.1. Income tax

The tax charge for the period (current and deferred) is determined according to the effective tax rate estimate for the full year for each entity and fiscal group. It is then adjusted for any specific operation relative to the current half year.

2.3.2. Post-employment and other long-term employee benefits

The expense for the first half of the year relative to post-employment and other long-term employee benefits equals half of the 2013 expense.

2.3.3. Seasonal nature of business activity

Revenues, gross operating profit and the key financial indicators (of which the operating cash flow) vary strongly by season due to high demand during the last quarter of the year, particularly in December. Consequently, the semi-annual financial results are not necessarily representative of those expected for a full-year basis for 2013.

2.4. Use of estimates and judgment

The preparation of the consolidated financial statements implies that Groupe FNAC's Management uses estimates and assumptions, which may have an impact on the carrying amount of certain assets and liabilities, and income and expenses, as well as on the disclosures provided in the Notes to the consolidated financial statements. Groupe FNAC Management reviews its estimates and assumptions on a regular basis in order to ensure that they are appropriate in light of past experience and current economic environment. Based on the changes in these assumptions, the items shown in the Group's future financial statements may differ from current estimates. The impact of changes in accounting estimates is recognized in the period when the change occurs and in all future periods affected.

The main estimates made by Groupe FNAC Management to prepare the financial statements concern the valuation and the useful lives of operating assets, items of property, plant & equipment and intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to the business activities, 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. Groupe FNAC also uses discount rate assumptions that are based on market data, in order to estimate its long-term assets and liabilities.

In addition, Groupe FNAC Management has estimated the impact on accounts of certain transactions that are not considered by the IFRS standards or any other standards in effect that do not encompass these transactions.

2.5. Tax credit for competitiveness and employment

The *Crédit d'Impôt pour la Compétitivité et l'Emploi* (CICE) has been in place since January 1, 2013 to reduce the cost of labor for corporations to improve the job market and the competitiveness of French companies. Groupe FNAC subsidiaries in France that have employees and pay income tax are eligible for this tax credit.

Due to its characteristics, the CICE has the nature of a public subsidy in the form of a tax credit. In accordance with IAS 20, 'Accounting of public subsidies and information to be provided', the Group accounts the impact in reduction of the related payroll expenses. At June 30, 2013, the decrease in payroll expenses amounts to €3.5 million.

NOTE 3 SIGNIFICANT EVENTS

3.1. Changes in the scope of consolidation

Groupe FNAC's consolidated financial statements at December 31, 2012 include the financial statements of the companies listed in Note 36 of the Consolidated Financial Statements at December 31, 2012, 2011 and 2010.

In the first half of 2013, Groupe FNAC sold Form@Home to Solution 30 at March 31, 2013, generating a net result of zero on the disposal.

Groupe FNAC sold its interest in FNAC Italia to the Kering Group in 2012, generating a total loss on disposal of €10.7 million.

3.2 Other significant events

3.2.1. Preparation for Groupe FNAC's initial public offering

On October 9, 2012, the Kering Group announced the separation and initial public offering of Groupe FNAC, the European leader in the leisure and technical products markets, via the allocation of FNAC Group shares to Kering shareholders. Groupe FNAC's shares were first traded on the stock market on June 20, 2013.

In preparation for the Group's initial public offering, the Kering Group recapitalized Groupe FNAC twice (see Section 21.1.7 of the IPO Prospectus), with a first recapitalization on December 27, 2012 via the injection of €539,587,048 in two stages:

- an initial recapitalization of €291.3 million on December 27, 2012 via the capitalization of receivables
- a second recapitalization of €248.3 million on December 27, 2012 via a cash capital increase

And a second recapitalization, on April 17, 2013, in three stages:

- a reduction in capital resulting from losses of €104,238,407, which reduced share capital from €545,718,719 to €441,480,312;
- a capital increase of €70,023,682.82, with no issue premium, via an increase in the par value of shares of €11.42, which increased the par value of each share from €72.00 to €83.42;
- finally, a reduction in capital not resulting from losses that reduced the share capital to €16,595,610.

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 general cash needs of the Group (see Section 10.2.2.2 of the IPO Prospectus).

At the same time, on April 24, 2013 the Company also issued sixty undated 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 (see Section 10.2.2.2 of the IPO Prospectus)

NOTE 4 OPERATING SEGMENTS

The information relating to the operating segments shown follows the same accounting rules as those used for the consolidated financial statements, and set out in the notes to the consolidated financial statements.

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

Other income and expenses with no impact on cash primarily include current and non-current additions to and reversals on depreciation of non-current assets and provisions for contingencies.

Purchases of gross intangible assets and property, plant & equipment correspond to purchases of non-current assets including any cash shortfall, and excluding any investment in non-current assets under finance lease agreements.

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

The Corporate Head Office costs are included in the France operating segment.

4.1. Operating segment information

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
June 30, 2013					
Revenue	**1 160,9**	**285,7**	**91,9**	**131,0**	**1 669,5**
Technical products	630,8	170,7	62,1	71,5	935,1
Editorial products	458,3	107,5	27,4	55,5	648,7
Services	71,8	7,5	2,4	4,0	85,7
Operating income	**(21,5)**	**6,2**	**(2,6)**	**(2,3)**	**(20,2)**
Other income and expenses with no impact on cash (1)	7,3	7,3	0,2	1,5	16,3
Purchase of gross intangible assets and	18,0	2,1	0,5	1,1	21,7
Segment assets	**925,8**	**142,6**	**70,8**	**67,1**	**1 206,3**
Segment liabilities	**553,6**	**134,1**	**34,5**	**56,9**	**779,1**

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
June 30, 2012					
Revenue	**1 207,9**	**313,1**	**111,4**	**140,4**	**1 772,8**
Technical products	649,9	181,2	75,9	74,0	981,0
Editorial products	474,2	123,7	32,6	62,5	693,0
Services	83,8	8,2	2,9	3,9	98,8
Operating income	**(41,8)**	**4,7**	**(4,0)**	**(5,9)**	**(47,0)**
Other income and expenses with no impact on cash (1)	51,4	6,4	2,8	2,5	63,2
Purchase of gross intangible assets and	52,7	5,9	1,3	1,0	60,9
Segment assets	**1 050,3**	**166,2**	**97,5**	**69,4**	**1 383,4**
Segment liabilities	**624,6**	**143,9**	**47,1**	**64,7**	**880,3**

(€ million)	France	Iberian Peninsula	Brazil	Other countries	Total
December 31, 2012					
Revenue	**2 838,8**	**683,3**	**227,5**	**311,5**	**4 061,1**
Technical products	1 507,4	396,7	149,7	160,1	2 213,9
Editorial products	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)**
Other income and expenses with no impact on cash (1)	143,6	11,5	9,7	5,2	170,0
Purchase of gross intangible assets and	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**

(1) Other income and expenses with no impact on cash include:

- current and non-current amortization and depreciation, as well as impairment on non-current assets
- accruals and reversals on current and non-current accruals for risks
- accruals, reversals and fair value measurement of provisions for pensions and other equivalent benefits
- income and expenses with no impact on cash related to stock options and related transactions
- net result on the sale of operating and financial assets
- accruals and reversals on deferred taxes

NOTE 5 OTHER NON-CURRENT OPERATING INCOME AND EXPENSES

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Non-curret operating expense	**(16,4)**	**(33,6)**	**(138,5)**
Restructuring costs	(10,3)	(31,5)	(36,6)
Impairment of assets and proceeds from asset disposals			(93,4)
Litigation and disputes and other risks	(6,1)	(2,1)	(8,5)
Non-current operating income	**8,6**	**(1,8)**	**(8,4)**
Gains on asset disposals	8,6		
Other			8,3
Total	**(7,8)**	**(33,6)**	**(130,2)**

Groupe FNAC's other non-current operating income and expenses, which includes unusual items that are likely to disrupt the monitoring of economic performance, amounted to -€7.8 million at June 30, 2013, and included the following items:

- restructuring costs of -€10.3 million, including store closing expenses;
- litigation and disputes with third parties and other risks amounting to -€6.1 million;
- €8.6 million profit on the sale of the Group's interest in Cyrillus Deutschland GmbH and disposal of the Form@Home subsidiary.

This item amounted to -€33.6 million at June 30, 2012, and included the following items:

- restructuring costs of -€31.5 million;
- litigation and disputes with third parties and other risks amounting to -€2.1 million.

NOTE 6 (NET) FINANCIAL EXPENSES

Net financial expenses were broken down as follows:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Cost of net financial debt	**(0,8)**	**(2,7)**	**(5,1)**
Income from cash and cash equivalents	0,4	0,4	0,8
Financial expense at amortized cost	(1,2)	(3,1)	(5,9)
Other financial income and expense	**(3,3)**	**(3,5)**	**(9,9)**
Foreign exchange gains and losses	0,2	0,0	
Impact of discounting assets and liabilities	(0,8)	(1,1)	(2,5)
Other net financial expense	(2,7)	(2,4)	(7,4)
Total	**(4,1)**	**(6,2)**	**(15,0)**

The cost of net financial debt amounted to -€0.8 million at June 30, 2013 compared with -€2.7 million at June 30, 2012, and primarily consisted of :

- the cost of the Kering Finance current account, which was -€0.6 million at June 30, 2013 compared with -€2.9 million at June 30, 2012;
- the implementation cost of the credit facility of €250 million for -€0.5 million at June, 30 2013. The total cost of implementation of the credit line will be expensed over the time of the credit.

Other net financial income and expense amounted to -€3.3 million at June 30, 2013 (compared with -€3.5 million at June 30, 2012); this item primarily includes the cost of consumer credit, which amounted to -€2.7 million at June 30, 2013 (compared with -€2.4 million at June 30, 2012) and the impact of discounting assets and liabilities, which amounted to -€0.8 million at June 30, 2013 (compared with -€1.1 million at June 30, 2012).

NOTE 7 INCOME TAX

Analysis of income tax expense from continuing operations

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Pre-tax income	(24,3)	(53,2)	(81,9)
Non-current items	(7,8)	(33,6)	(130,2)
Current income before tax	**(16,5)**	**(19,6)**	**48,2**
Total tax charge	(6,3)	(18,3)	(33,7)
Tax on non-current items	0,2	11,3	2,0
Current tax charge	**(6,5)**	**(29,6)**	**(35,7)**
Effective tax rate	**-25,96%**	**-34,40%**	**-41,15%**
Current tax rate	**-39,39%**	**-151,02%**	**74,06%**

All Groupe FNAC's French subsidiaries, which are listed in Note 36 of the Consolidated Financial Statements at December 31, 2012, were consolidated by the Kering Group for tax purposes for the 2012 financial year. The tax losses generated by these entities were used by the Kering Group in full, and no deferred tax was recognized on these tax losses. At January 1, 2013, Groupe FNAC has obtained from the French fiscal authorities the status of a consolidated tax group for its French subsidiaries.

NOTE 8 ASSETS HELD FOR SALE, AND OPERATIONS DISCONTINUED, SOLD OR TO BE SOLD

Operations discontinued, sold or to be sold over all the accounting periods shown include the activities of FNAC Italia (sold in November 2012) and FNAC Service.

Pursuant to IFRS 5, Groupe FNAC ceased to amortize these groups of assets and all the assets that they included as from the date when they were classified as " discontinued, sold or to be sold". The net income from these operations was shown on a separate "Discontinued operations" line in the profit and loss statement for all the accounting periods reported, and was restated in the cash flow statement. The assets and liabilities of the "operations sold or to be sold" were shown on a separate line of Groupe FNAC's balance sheet, with no restatement of prior accounting periods. The assets and liabilities of "discontinued operations" were shown on a separate line of Groupe FNAC's balance sheet.

Impact on the financial statements

The profit and loss and cash flow statements of the operations that are discontinued, sold or to be sold were as follows:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Revenue		**58,8**	**104,6**
Cost of sales		(44,4)	(78,2)
Gross margin		**14,4**	**26,4**
Personnel expenses		(9,9)	(17,3)
Other current operating income and expense		(11,1)	(20,8)
Current operating income		**(6,6)**	**(11,7)**
Other non-current operating income and expense	(0,4)	(0,1)	(20,2)
Operating income	**(0,4)**	**(6,7)**	**(31,9)**
Net financial expense		0,5	0,9
Pre-tax income	**(0,4)**	**(6,2)**	**(31,0)**
Income tax			4,9
Résultat net	**(0,4)**	**(6,2)**	**(26,1)**

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Net cash flows from operating activities	(0,4)	(18,6)	(28,3)
Net cash flows from investiing activities		(0,6)	(0,2)
Net cash from financing activities		(0,0)	(3,3)
Net cash flows	**(0,4)**	**(19,2)**	**(31,7)**
Opening cash balance or net cash flows and change in inter-company cash flows		(2,9)	
Cash flows from discontinued operations	**(0,4)**	**(22,1)**	**(31,7)**

Operations that are sold or to be sold had the following impact on the Group's consolidated balance sheet:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Assets held for sale		**41,3**	
Liabilities relating to assets held for sale		**29,5**	

NOTE 9 EARNINGS PER SHARE

Net earnings per share are calculated on the basis of the weighted average number of shares outstanding.

Diluted earnings per share are equal to net earnings per share insofar as Groupe FNAC has not issued any dilutive instruments.

Groupe FNAC holds 65,000 treasury shares, under the terms of the liquidity contract signed on June 19, 2013, with Rothschild & Cie Banque.

9.1. Earnings per share

Earnings per share at June 30, 2013

(€ million)	Consolidated entity	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(31,0)**	**(30,6)**	**(0,4)**
Weighted average number of ordinary shares	**10 409 746**	**10 409 746**	**10 409 746**
Basic earnings per share (in euros)	**(2,98)**	**(2,94)**	**(0,04)**
Diluted earnings per share (in euros)	**(2,98)**	**(2,94)**	**(0,04)**

Earnings per share at June 30, 2012

(€ million)	Consolidated entity	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(77,7)**	**(71,5)**	**(6,2)**
Weighted average number of ordinary shares	**875 953**	**875 953**	**875 953**
Basic earnings per share (in euros)	**(88,70)**	**(81,62)**	**(7,08)**
Diluted earnings per share (in euros)	**(88,70)**	**(81,62)**	**(7,08)**

Earnings per share at December 31, 2012

(€ million)	Consolidated entity	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(141,7)**	**(115,6)**	**(26,1)**
Weighted average number of ordinary shares	**875 953**	**875 953**	**875 953**
Basic earnings per share (in euros)	**(151,81)**	**(123,85)**	**(27,96)**
Diluted earnings per share (in euros)	**(151,81)**	**(123,85)**	**(27,96)**

9.2. Net earnings per share from continuing operations, excluding non-current items

Non-current items involve the amount net of tax and non-controlling interests shown in the "Other non-current operating income and expense" line in the profit and loss statement.

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Net income attributable to ordinary shareholders	**(30,6)**	**(71,5)**	**(115,6)**
Other non-current operating income and expense	7,8	33,6	130,2
Tax on other non-current operating income and expense	(0,2)	(11,3)	(2,0)
Net income excluding non-current items	**(22,9)**	**(49,2)**	**12,6**
Weighted average number of ordinary shares	**10 409 746**	**875 953**	**933 393**
Basic earnings per share excluding non-current items (in euros)	**(2,20)**	**(56,15)**	**13,50**
Diluted earnings per share (in euros)	**(2,20)**	**(56,15)**	**13,50**

NOTE 10 OTHER COMPREHENSIVE INCOME ITEMS

Other comprehensive income items primarily consist of:

- gains and losses arising on the translation of a foreign operation's financial statements,
- items relating to the valuation of employee benefit commitments, i.e., unrecognized excess pension scheme assets and actuarial differences recorded on defined benefit schemes.

The amount of these assets, before and after the related tax impact, and the impact of reclassification through profit or loss, were as follows:

(€ million)	Gross	Tax	Net
Translation difference	(1,3)		(1,3)
Items that may be reclassified subsequently to profit or loss	**(1,3)**		**(1,3)**
Actuarial differences			
Items that may not be reclassified subsequently to profit or loss			
Other comprehensive income items as of June 30, 2013	**(1,3)**		**(1,3)**

(en millions d'euros)	Brut	Impôt	Net
Translation difference	(2,8)		(2,8)
Items that may be reclassified subsequently to profit or loss	**(2,8)**		**(2,8)**
Actuarial differences			
Items that may not be reclassified subsequently to profit or loss			
Other comprehensive income items as of June 30, 2012	**(2,8)**		**(2,8)**

(en millions d'euros)	Brut	Impôt	Net
Translation difference	(3,4)		(3,4)
Items that may be reclassified subsequently to profit or loss	**(3,4)**		**(3,4)**
Actuarial differences	(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 as of December 31, 2012	**(14,1)**	**3,6**	**(10,6)**

NOTE 11 EQUITY

11.1. Share capital

At June 30, 2013, the share capital amounted to €16,595,610, following a three step recapitalization of Groupe FNAC at April 17, 2013 :

- a reduction in capital resulting from losses of €104,238,407, which reduced share capital from €545,718,719 to €441,480,312;
- a capital increase of €70,023,682.82, with no issue premium, via an increase in the par value of shares of €11.42, which increased the par value of each share from €72.00 to €83.42;
- finally, a reduction in capital not resulting from losses that reduced the share capital to €16,595,610.

The share capital consists of 16,595,610 fully paid-up shares with a par value of €1 (875,953 shares with a par value of €7 at June 30, 2012 and 6,131,671 shares with a par value of €89 at December 31, 2012).

There were no financial commitments involving Groupe FNAC's consolidated equity at June 30, 2013.

11.2. Appropriation of earnings

No dividend was paid in respect of the 2012 financial year in 2013. An exceptional dividend of €20.5 million was paid in 2012.

11.3. Undated deeply subordinated notes (TSSDI)

Groupe FNAC, on April 24, 2013, issued sixty undated 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 and 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 (see Section 10.2.2.2 of the IPO Prospectus).

11.4. Treasury shares

In the first half of 2013, Groupe FNAC bought 65,000 treasury shares under the terms of the liquidity contract signed on June 19, 2013, with Rothschild & Cie Banque.

NOTE 12 CASH AND CASH EQUIVALENTS

This item broke down as follows:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Cash	89,3	67,3	86,6
Cash equivalents	46,7	10,4	218,9
Total	**136,0**	**77,7**	**305,5**

At June 30, 2013, cash equivalents include mainly marketable securities with a maturity of less than three months and certificates of deposit (in Brazil).

At June 30, 2012, cash equivalents included mainly certificates of deposit (in Brazil) with a maturity of less than three months.

At December 31, 2012, cash equivalents included the current account with Kering Finance and certificates of deposit (in Brazil) with a maturity of less than three months.

The Kering Finance current account was paid back in full in the first quarter of 2013 (it was a credit balance of -€553.0 million at June 30, 2012 which was therefore shown under other financial liabilities (see Note 13), and a debit balance of €216.1 million at December 31, 2012).

The items that Groupe FNAC recognizes as "Cash and cash equivalents" meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are reviewed on a regular basis, in accordance with Groupe FNAC's procedures, and in strict compliance with the classification criteria determined by IAS 7 and the AMF's recommendations. These assessments did not result in any changes to the accounting classification at June 30, 2013.

NOTE 13 FINANCIAL DEBT

(€ million)	June 30, 2013	N+1	N+2	N+3	N+4	N+5	Au-delà	June 30, 2012	December 31, 2012
Long-term borrowings and financial debt	**0,6**		**0,4**	**0,1**	**0,1**			**0,2**	**0,7**
Finance lease agreement liabilities	0,6		0,4	0,1	0,1			0,2	0,7
Short-term borrowings and financial debt	**8,0**	**8,0**						**556,8**	**12,8**
Finance lease agreement liabilities	0,3	0,3						0,3	0,3
Bank overdrafts	7,7	7,7						3,5	12,2
Other financial liabilities	(0,0)	(0,0)						553,0	0,3
Total	**8,6**	**8,0**	**0,4**	**0,1**	**0,1**			**557,0**	**13,5**
%		**93,0%**	**4,7%**	**1,2%**	**1,2%**				

All gross debt was recognized at amortized cost at the effective interest rate at June 30, 2013.

Other financial liabilities primarily consist of the current account liabilities payable to Kering Finance, which amounted to €553.0 million at June 30, 2012 and -€216.1 million at December 31, 2012, which was recorded under cash and cash equivalents (see Note 12).

Interest accrued is listed under "Other financial debt".

Most of Groupe FNAC's debt had a maturity of less than one year at June 30, 2013.

NOTE 14 NET FINANCIAL DEBT

Groupe FNAC's net financial debt breaks down as follows:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Gross financial debt	8,6	557,0	13,5
Cash and cash equivalents	(136,0)	(77,7)	(305,5)
Net financial debt	**(127,4)**	**479,3**	**(292,0)**

NOTE 15 CASH FLOW STATEMENT

Cash net of bank overdrafts amounted to €128.3 million at June 30, 2013, and corresponds to the cash and cash equivalents amount shown below:

(€ million)	June 30, 2013	June 30, 2012	December 31, 2012
Balance sheet cash and cash equivalents	**136,0**	**77,7**	**305,5**
Bank overdrafts	7,7	3,5	12,2
Cash and cash equivalents in the cash flow statement	**128,3**	**74,2**	**293,3**

15.1. Cash flow from operations

The composition of cash flow from operations was as follows:

	June 30, 2013	June 30, 2012	December 31, 2012
Net income from continuing operations	**(30,6)**	**(71,5)**	**(115,6)**
Net additions to depreciation, amortization and provisions	26,1	61,9	73,0
Impairment of non-current assets			92,1
Expenses calculated for stock options and equivalent items	(3,3)	(0,5)	(0,2)
Proceeds from operational asset disposals	0,6	2,2	3,1
Proceeds from financial asset disposals	(8,5)	0,8	4,1
Deferred tax	0,7	(2,4)	(4,1)
Discounting of assets and liabilities on pension schemes and related benefits	0,8	1,1	2,0
Other non-cash income and expense	(0,0)	(0,0)	0,0
Cash flow from operations	**(14,3)**	**(8,3)**	**54,4**

15.2. Purchase and disposal of non-current tangible and intangible assets

Purchases of property, plant & equipment and intangible assets mainly involved investments in retail outlets and logistics platforms, as well as IT investments.

(€ million)	June 30, 2013	June 30, 2012	December 30, 2012
Acquisition of intangible assets	(7,6)	(11,7)	(29,1)
Acquisitions of tangible assets	(11,5)	(30,8)	(49,4)
Change in account payables on tangible and intangible assets	(2,6)	(18,4)	(16,6)
Total acquisition of tangible and intangible assets	**(21,7)**	**(60,9)**	**(95,1)**
Disposal of tangible and intangible assets			0,2
Total disposal of tangible and intangible assets			**0,2**
Total acquisition and disposal of tangible and intangible assets	**(21,7)**	**(60,9)**	**(94,9)**

15.3. Acquisitions and disposals of subsidiaries

(€ million)	June 30, 2013	June 30, 2012	December 30, 2012
Acquisition of subsidiairies net of cash acquired			0,1
Disposal of subsidiairies net of cash transferred	(0,3)		
Total	**(0,3)**		**0,1**

At June 30, 2013, the Group has acquired no new subsidiary. The Group sold Form@Home to Solution 30.

In the case of sold operations that have been restated according to IFRS 5, the impact of the cash transferred is shown on the "Net cash flows relating to discontinued operations" line.

15.4. Issuance and redemption of share capital and other equity instruments

At June 30, 2013, the share capital amounted to €16,595,610, following a three step recapitalization at April 17, 2013: a reduction in capital resulting from losses of €104,238,407, which reduced share capital from €545,718,719 to €441,480,312; then, a capital increase of €70,023,682.82, with no issue premium, via an increase in the par value of shares of €11.42, which increased the par value of each share from €72.00 to €83.42; and, finally, a reduction in capital not resulting from losses that reduced the share capital to €16,595,610.

On April 24, 2013, Groupe FNAC issued sixty undated 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 and 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 (see Section 10.2.2.2 of the IPO Prospectus).

15.5. Issuance and redemption of treasury shares

In the first half of 2013, Groupe FNAC bought 65,000 treasury shares under the terms of the liquidity contract signed on June 19, 2013, with Rothschild & Cie Banque, at a weighted average cost of €17.686 per share.

At June 30, 2012 and at December 31, 2012, no issuance and redemption of treasury shares occurred.

15.6. Issuance and redemption of borrowings

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 was established to finance the general cash needs of the Group (see Section 10.2.2.2 of the IPO Prospectus). At June 30, 2013, the credit line has not been used.

In 2012, there was no issuance and redemption of borrowings.

15.7. Issuance and redemption of other borrowings

In the first half of 2013, no significant variance occurred on other borrowings.

In the first half of 2012, other borrowings increased by €329.7 million, due to the seasonality of the Groups activity.

In the second half of 2012, the Group obtained a current account advance of €248.3 million as part of the capital increase of December 27, 2012 (see Note 3.2.1).

NOTE 16 CONTINGENT LIABILITIES, UNRECOGNIZED CONTRACTUAL COMMITMENTS AND CONTINGENT RISKS

16.1. Commitments given or received following asset disposals

FNAC SA, as part of the sale of Form@Home, gave the purchaser of Solution 30 a guarantee on its assets and liabilities until March 31, 2016 for €1.4 million until April 1, 2013, €1.0 million until April 1, 2014 and €0.7 million until April 1, 2015. FNAC SA also committed to ensure a turnover volume of €2.9 million per year over a three-year period ending on April 1, 2016.

No other commitments were given or received following asset disposals.

16.2. Other commitments given

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, Alizé and FNAC España.

The syndicated credit line of Groupe FNAC includes several financial covenants, the limits of which are defined on a yearly and half year basis:

- 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 2.85;
- the equity ratio (the amount of the Group's equity, tested twice a year) must be higher than €375.0 million;
- the liquidity ratio (consolidated net cash flow), is tested once a year at December 31.

At June 30, 2013, all financial covenants are being complied with.

Other commitments given and obligations have not changed significantly compared to those detailed in Note 33 of the Consolidated Financial Statements at December 31, 2012.

To Groupe FNAC's knowledge, no other commitments were given, nor were there any other material contingent liabilities.

16.3. The Group's dependency on patents, licences and supply agreements

Groupe FNAC is not heavily dependent on patents, licenses, or supply agreements.

16.4. 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 believes that a provision has been recorded at year-end for any litigation of which it is aware and which involves material risks that are likely to affect its net assets, income or financial position. 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 17 RELATED PARTY TRANSACTIONS

At June 30, 2013, Groupe Artémis owns 38.88 % of Groupe FNAC's share capital and voting rights.

The main transactions between Kering Group, related party of Groupe Artémis, and Groupe FNAC at June 30, 2013 are as follows:

- payment of an exceptional dividend of €20.5 million in 2012;
- recognition of a €3.8 million fee at June 30, 2013 (€4.3 million paid in at June 30, 2012 and €10.0 million paid in respect of 2012) for an advisory and research assignment 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 at June 30, 2013 (€1.9 million at June 30, 2012 and €1.9 million in 2012);
- recognition of a financial expense of €0.6 million at June 30, 2013 (€2.9 million at June 30, 2012 and €5.4 million in respect of 2012) in respect of interest on current accounts, where the balance amounted to €0 at June 30, 2013 (-€553.0 million at June 30, 2012 and €216.1 million in 2012);
- re-invoicing of the FNAC SA Chairman's salaries for 2013 and 2012 by the Kering Group.

NOTE 18 POST-BALANCE SHEET EVENTS

Groupe FNAC is planning to merge several entities within the Group by a universal contribution of assets in order to optimize its legal structure and reduce its cost structure during the third quarter of 2013, with the absorption of FNAC Service by FNAC Direct, the absorption of FNAC Spectacles and FNAC Global Services by FNAC SA and the absorption of Lysiane Thomas Diffusion within France Billet.

3. Statutory Auditors' review report on the half year financial information

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Statutory Auditors' review report on the interim financial information

For the six months ended June 30, 2013

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed consolidated interim financial statements of Groupe Fnac for the six months ended June 30, 2013;
- the verification of the information contained in the interim management report.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I- Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

II-Specific verification

We have also verified the information given in the interim management report on the condensed consolidated interim financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed consolidated interim financial statements.

Paris-La Défense and Neuilly-sur-Seine, July 30, 2013

The Statutory Auditors

KPMG Audit A department of KPMG SA	Deloitte & Associés
Hervé Chopin	Antoine de Riedmatten

4. Statement by the person responsible for the half year financial report

I certify that, to my knowledge, the condensed consolidated interim financial statements for the six months ended June 30, 2013, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in consolidation, and that the interim management report gives a fair description of material events occurred in the first six months of the financial year and their impact on the interim financial statements as well as a description of the principal risks and uncertainties for the remaining six months of the year, along with the principal transactions with related parties.

Ivry sur Seine, July 30, 2013

Alexandre Bompard

Chief Executive Officer

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August 2nd, 2013