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Ivry-sur-Seine, France, September 19, 2016

Announcement
Supplemental information now available

In connection with the consummation of the acquisition of the issued share capital of Darty plc by Groupe Fnac SA ("*Fnac*") which took place on September 12, 2016, and following a recently-announced notes issue, Fnac provides the following information relating to Fnac and Darty plc:

- other business and financial information of Fnac;
- other business and financial information of Darty, financial information of Darty plc as of and for the financial year ended April 30, 2016, key performance indicators of Darty plc as of June 30, 2016 and unaudited consolidated interim financial statements for Darty plc as of and for the two month periods ended June 30, 2016 and June 30, 2015; and
- other business and financial information of the combined group, market shares of the combined group, risk factors relating to the combined group and unaudited pro forma condensed consolidated financial information as of and for the twelve month period ended June 30, 2016.

A copy of this information (Exhibit A) is available below.

CONTACT

ANALYSTS/INVESTORS	Nadine Coulm	nadine.coulm@fnac.com +33 (0)1 55 21 18 63

DISCLAIMER

This announcement and Exhibit A do not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities in the United States within the meaning of the U.S. Securities Act of 1933, as amended (the "*Securities Act*"). The notes have not been, and will not be, registered under the Securities Act. The notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or the selling security holder and that will contain detailed information about the company and management, as well as financial statements.

This announcement and Exhibit A do not constitute nor shall it, in any circumstances, constitute a public offering nor an invitation to the public in connection with any offer within the meaning of the Directive 2010/73/EU of the Parliament and Council of November 4, 2003 as implemented by the Member States of the European Economic Area (the "*Prospectus Directive*").

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The notes may only be offered or sold in the Republic of France pursuant to Article L. 411-2-II of the French Monetary and Financial Code to providers of third party portfolio management investment services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or qualified investors (*investisseurs qualifiés*) acting for their own account and/or a limited group of investors (*cercle restreint d'investisseurs*) acting for their own account, all as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code.

The distribution of this announcement and Exhibit A into certain jurisdictions may be restricted by law. Persons into whose possession this announcement or Exhibit A come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Forward-Looking Statements

This announcement and Exhibit A may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes, "estimates", "anticipates", "expects, "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding Fnac's or its affiliates' intentions, beliefs or current expectations concerning, among other things, Fnac's or its affiliates' results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Fnac's or its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking

statements contained in this announcement and Exhibit A. In addition, even if Fnac's or its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this announcement and Exhibit A, those results or developments may not be indicative of results or developments in subsequent periods.

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Exhibit A

Other business and financial information of Fnac 5
Other business and financial information of Darty 16
Financial information of Darty plc, as of and for the financial year ended April 30, 2016 19
Key performance indicators of Darty plc as of June 30, 2016 26
Unaudited consolidated interim financial information for Darty plc as of and for the two month periods ended June 30, 2016 and June 30, 2015 30
Other business and financial information of the Combined Group 49
Market shares of the Combined Group 53
Risk factors relating to the Combined Group 55
Unaudited pro forma condensed consolidated financial information as of and for the twelve month period ended June 30, 2016 63
Definitions 79

Other business and financial information of Fnac

Iconic brand

Fnac is a leading European retailer of Consumer Electronics and Editorial Products. In France, Fnac has a leading market share of Consumer Electronics (13.7% market share in 2015) and Editorial Products (16.6% market share in 2015), and customers recognize Fnac as an iconic brand. Fnac is also a significant player in Spain and Portugal and is present in Belgium, Switzerland and Brazil. Fnac has steadily improved its market position in recent years, thus demonstrating the resilience of the Group. In France, Fnac had 114 million visits to stores in the twelve month period ended June 30, 2016 and an average of nearly 9.3 million unique visitors to its website per month (based on data for the first quarter of 2016).

Fnac combines strong brand awareness, a dense network of 205 stores (as of June 30, 2016) in key locations and a strong e-commerce platform attracting a high number of visitors and a large base of loyal customers. Owing to the visibility of its brand, Fnac has managed to build a strong customer loyalty base with a total of 6.2 million loyalty program members, of whom 4.3 million are in France (as of June 30, 2016). The number of loyalty program members of Fnac increased significantly between financial years ended December 31, 2013 and December 31, 2015 (by over 16%). In the twelve month period ended June 30, 2016, revenue generated by Fnac’s loyalty program members accounted for 61.1% of Fnac’s total revenue.

The Fnac brand name has strong spontaneous recognition (which refers to the percentage of people who independently (without any aids or suggestions) recall a brand’s name in a given sector). In 2014, we commissioned CSA to conduct a survey regarding our brand recognition and the Fnac brand came in first in both spontaneous and “top of the mind” brand recognition. 72% of survey respondents in France spontaneously cited Fnac’s name as a go-to retail brand for Editorial Products and 47% of survey respondents in France spontaneously cited Fnac’s name as a go-to retail brand for Consumer Electronics.

Product offering

Fnac’s product offering is diversified, with innovation-driven Consumer Electronics on the one hand, and traffic building, higher margin Editorial Products on the other. This product offering is supported by in-store expertise and unbiased advice, and also by the quality of Fnac’s after-sales service. In recent times, Fnac has further broadened its Consumer Electronics and Editorial Products offerings, introducing a number of new products in recent years, including “Games & Toys”, which are featured in store areas covering a large offering for children, “Home & Design”, which offers domestic appliances with high added value in terms of innovation and design, “Stationery” store areas, based around premium brands, and “Telephony” sections, which were successfully introduced throughout the store network in France in the first quarter of 2014. These new product offerings contribute significantly to product revenue, with an aggregate contribution of 15.2% for the financial year ended December 31, 2015, demonstrating Fnac’s ability to adapt and find new levers for growth.

Omnichannel business model

Through an extensive reconfiguration of its logistical capabilities, Fnac has developed an integrated omnichannel platform which allows it to leverage the synergies between its network of stores and its online presence to offer customers a comprehensive range of products and services. Fnac Web-generated sales are positively impacted by the presence of a store in a particular geographical area (as

customers are generally more likely to make web purchases if they have had the opportunity to view the product in person, or if they have an immediate pick-up option like Fnac's "Click & Collect" offer, whereby customers order online and the goods are delivered to a store). Accordingly, Fnac has expanded its store network in recent years, from 176 stores on December 31, 2013 to 205 stores as of June 30, 2016, with a focus on establishing stores in new regions via new formats (with a particular priority on franchises since Fnac believes this mode of operation limits investment costs while furthering the goal of rapidly increasing Fnac's visibility). In parallel, Fnac has improved connections between stores and warehouses in order to offer "Click & Collect" and "Click-and-Mag", giving a customer in the store access to the entire range of products available online, delivered to a destination of the customer's choice. Fnac has also strengthened its delivery service. Fnac launched Fnac Express+, which, for an annual fee, permits delivery to a customer's home or a Relais Colis pick-up point anywhere in France within one business day of any product available in stock on fnac.com, with no minimum purchase required. Fnac also introduced a two-hour delivery service: "2 Heures Chrono". Fnac Omnichannel revenue as a percentage of web-generated revenue was 48.7% in the twelve month period ended June 30, 2016, up from 44.1% in the financial year ended December 31, 2015 and 33.3% in the financial year ended December 31, 2014.

Fnac's omnichannel offering was enhanced in recent years through a complete remodeling of the architecture of the fnac.com website in 2015, the ramp up of "Marketplace" in France and the Iberian Peninsula and the development of m-commerce solutions, which enable access to the online offer through a mobile-enhanced website or a mobile app.

Fnac's omnichannel offering was also enhanced by an increased focus on price competitiveness. In particular, Fnac adopted an aggressive commercial strategy focusing on price and promotions and exclusive partnerships with certain suppliers. Fnac also coordinated its pricing policies between different distribution channels and selectively aligned its online product prices with internet pure player competitors. As a result, we believe the price differential compared to internet pure players has narrowed in the last three years.

For the twelve month period ended June 30, 2016, sales from our store network accounted for 84.6% of our consolidated revenue and Fnac Web-generated were 15.4% of revenues. In France, Fnac Omnichannel revenue as a percentage of web-generated revenue was 50.2% and Marketplace business volume accounted for 18.2% of web business volume for the twelve month period ended June 30, 2016.

In recent years we have invested to upgrade our m-commerce platform for transaction conducted by mobile devices, which saw traffic in France grow by 13.4% in 2015 and now accounts for 38.4% of fnac.com traffic. In addition, we have launched a host of new apps since the end of 2013 which we work on improving on a continuous basis:

- a "Fnac Spectacles" app launched in France in 2013;
- an IOS fnac.com app upgraded in France at the end of 2013; and
- an Android fnac.com app upgraded in France in May 2014.

Cost savings, cash generation and financial policy

In recent years, Fnac's operating profitability has been driven by successful cost-saving initiatives, together with the management of working capital requirements and a reduction in capital expenditure levels. This has enabled Fnac to generate significant Fnac free cash flow from operations, representing an aggregate amount of €205.1 million between the 2013 and 2015 financial years.

Fnac has implemented initiatives, notably through the "Fnac 2015" strategic plan launched in 2011, to optimize its productivity and transform its structure to lower its breakeven point in a context of changing markets. Fnac has successfully delivered on its cost-saving initiatives, having outperformed its initial objective with €247 million of savings between the 2012 and 2015 financial years. Cost saving efforts have focused on: (i) general expense optimization, such as the improvement of certain processes, simplifying the level of services provided to Fnac, renegotiating contracts with third parties and the negotiation of rent reductions, and (ii) staff cost reductions, the simplification of internal organization and processes, the mutualization of functions and the reshaping of compensation and benefits schemes.

We continued to implement our cost-saving initiatives, generating over €50 million of savings for the financial year ended December 31, 2015, on top of €63.0 million savings for the financial year ended December 31, 2014, €74.0 million savings for the financial year ended December 31, 2013 and €60.0 million savings for the financial year ended December 31, 2012.

Other Financial and Operational Data of Fnac

	As of and for the financial year ended December 31,			**As of and for the six month period ended June 30,**		**As of and for the twelve month period ended June 30,**
	2013	**2014**	**2015**	**2015**	**2016**	**2016**
	(€ in millions unless otherwise stated)					
Fnac EBITDA[(1)]	139.7	147.3	145.7	1.4	8.3	152.6
Fnac EBITDAR[(1)]	278.7	276.6	278.3	68.1	71.6	281.8
Gross margin	1,164.4	1,143.9	1,145.8	483.8	481.8	1,143.8
Current operating income	71.8	77.1	85.0	(29.0)	(23.4)	90.6
Capital expenditures[(2)]	(48.5)	(48.7)	(57.6)	(20.6)	(34.2)	(71.2)
Fnac free cash flow from operations[(3)]	48.0	72.4	84.7	(276.5)	(272.8)	88.4
Number of stores[(4)]	176	184	199	189	205	205
Fnac Like-for-like revenue growth/(fall) (%)[(5)]	(3.6)%	0.5%	(0.5)%	(0.9)%	0.2%	(0.1%)
Fnac France Like-for-like revenue growth/(fall) (%)[(5)]	(3.1)%	1.3%	0.7%	0.4%	1.5%	1.1%
Fnac Web-generated sales (%)[(6)]	13.2%	13.9%	15.0%	14.5%	15.5%	15.4%
Fnac Omnichannel revenue as a percentage of web-generated revenue (%)[(6)]	29.3%	33.3%	44.1%	42.8%	53.8%	48.7%
Number of loyalty program members	5.3	5.6	6.2	5.6	6.2	6.2
Fnac net financial debt[(7)]	(460.9)	(535.1)	(544.1)	(256.8)	(67.7)	(67.7)

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(1) Fnac EBITDA is defined as current operating income before net expense for depreciation, amortization and provisions for fixed operating assets of Fnac. Fnac EBITDAR is defined as Fnac EBITDA before rental payments. Our management believes that Fnac EBITDA and Fnac EBITDAR are meaningful for investors because they provide an analysis of our operating results, profitability and ability to service debt and because Fnac EBITDA and Fnac EBITDAR are used by management to track our business evolution, establish operational and strategic targets and make important business decisions. Fnac EBITDA and Fnac EBITDAR are also measures commonly reported and widely used by analysts, investors and other interested parties in our industry. Although we are presenting Fnac EBITDA and Fnac EBITDAR to enhance the understanding of our historical operating performance, these indicators should not be considered an alternative to profit or loss for the applicable period as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity. Fnac EBITDA and Fnac EBITDAR are not measures prepared in accordance with IFRS. Furthermore, Fnac EBITDA and Fnac EBITDAR may differ from and may not be comparable to similarly titled measures used by other companies, including those used by Darty. The following table presents the reconciliation of Fnac EBITDA and Fnac EBITDAR to current operating income:

	For the financial year ended December 31,			For the six month period ended June 30,		For the twelve month period ended June 30,
	2013	2014	2015	2015	2016	2016
	(€ in millions)					
Current operating income	**71.8**	**77.1**	**85.0**	**(29.0)**	**(23.4)**	**90.6**
Adjusted for:						
Net expense for depreciation, amortization and provisions for fixed operating assets[(a)]	68.0	70.2	60.6	30.4	31.8	62.0
Fnac EBITDA	**139.7**	**147.3**	**145.7**	**1.4**	**8.3**	**152.6**
Rental payments[(b)]	139.0	129.3	132.6	66.7	63.3	129.2
Fnac EBITDAR	**278.7**	**276.6**	**278.3**	**68.1**	**71.6**	**281.8**

(a) Net expense for depreciation, amortization and provisions for fixed operating assets corresponds to the net impairment and provisions on non-current operating assets recognized in current operating income.
(b) Rental payments correspond to property rental payments excluding ancillary costs and expenses incurred in connection with such operating leases.

(2) Fnac capital expenditures mainly relate to the opening of new stores, the refurbishment of existing stores, the opening of new websites and investments in logistics, and are also referred to herein as net capital expenditures.

(3) Fnac free cash flow from operations is equal to Fnac's net cash flows from operating activities minus net capital expenditures. Net capital expenditures means operating investments net of disposals, excluding finance leases. Fnac free cash flow from operations is not a measure prepared in accordance with IFRS. Although we are presenting Fnac free cash flow from operations to enhance the understanding of our historical liquidity, this indicator should not be considered an alternative to cash flows from operating activities. The following table presents a reconciliation of Fnac free cash flow from operations to Fnac's net cash flows from operating activities:

	For the financial year ended December 31,			For the six month period ended June 30,		For the twelve month period ended June 30,
	2013	2014	2015	2015	2016	2016
	(€ in millions)					
Net cash flows from operating activities	**96.5**	**121.1**	**142.3**	**(255.9)**	**(238.6)**	**159.6**
Net capital expenditures[(a)]	(48.5)	(48.7)	(57.6)	(20.6)	(34.2)	(71.2)
Fnac free cash flow from operations	**48.0**	**72.4**	**84.7**	**(276.5)**	**(272.8)**	**88.4**

(a) Net capital expenditures means operating investments net of disposals, excluding finance leases.

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(4) The following table presents the distribution of Fnac's directly operated and franchised stores by geographic region and format as of the dates considered:

	As of December 31,						As of June 30,	
	2013		2014		2015		2016	
	Directly operated	Franchise	Directly operated	Franchise	Directly operated	Franchise	Directly operated	Franchise
France	**87**	**21**	**85**	**27**	**86**	**38**	**86**	**43**
Traditional format	71	1	71	1	71	3	71	4
Outskirts format	16	-	14	-	14	-	14	-
Proximity format	-	4	-	10	1	15	1	18
Connect format	-	-	-	-	-	2	-	2
Travel format	-	16	-	16	-	18	-	19
Iberian Peninsula	**44**	**-**	**47**	**-**	**48**	**1**	**48**	**1**
Traditional format	41	-	40	-	40	-	39	-
Proximity format	1	-	5	-	6	1	6	1
Travel format	2	-	2	-	2	-	2	-
Connect format	-	-	-	-	-	-	1	-
Brazil	**11**	**-**	**12**	**-**	**12**	**-**	**12**	**-**
Traditional format	11	-	11	-	11	-	11	-
Travel format	-	-	1	-	1	-	1	-
Belgium and Switzerland	**13**	**-**	**13**	**-**	**14**	**-**	**15**	**-**
Traditional format	13	-	13	-	14	-	14	-
Proximity format	-	-	-	-	-	-	1	-
Total	**155**	**21**	**157**	**27**	**160**	**39**	**161**	**44**

(5) Fnac Like-for-like revenue growth/(fall) means the calculation of revenue growth/(fall) between a given period and the same period in the previous financial year, as adjusted in order to exclude changes in scope such as acquisitions or disposals of subsidiaries and opening and closure of directly-operated stores, and is expressed as a percentage change between the two periods. Fnac Like-for-like revenue growth/(fall) percentages are presented at constant exchange rates with revenue in foreign currencies for year or period N and year or period N-1 converted at the average N exchange rate. Revenue of subsidiaries acquired or sold (and of directly-operated stores opened or closed) since January 1 of the previous year are excluded from the calculation of Fnac Like-for-like revenue growth/(fall). Fnac Like-for-like revenue growth/(fall) is not a measure prepared in accordance with IFRS. As opposed to Darty Like-for-like revenue growth/(fall), Fnac Like-for-like revenue growth/(fall) includes revenue from franchises as well as revenue from services (both of which Darty excludes in the calculation of Darty Like-for-like revenue growth/(fall)). Fnac France Like-for-like revenue growth/(fall) means Fnac Like-for-like revenue growth/(fall), calculated based on stores and subsidiaries in the France region (including franchised store in Morocco, Ivory Coast and Qatar).

(6) Fnac Web-generated sales is defined as the percentage of our total consolidated revenue derived from purchases on our websites. For the purpose of calculating Fnac Web-generated sales, purchases on our websites do not include "Click-and-Mag", where a sales assistant in a store places an order for the customer on fnac.com when a store does not have a product in stock. Fnac Web-generated sales is not a measure prepared in accordance with IFRS.

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

(7) Fnac net financial debt consists of gross financial debt less cash and cash equivalents. Gross financial debt consists of borrowings from financial institutions, finance lease liabilities, bank overdrafts and other financial liabilities. The following table presents a calculation of net financial debt:

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	As of December 31,			As of June 30,
	2013	2014	2015	2016
	(€ in millions)			
Gross financial debt	0.7	0.5	0.6	51.0
Cash and cash equivalents	(461.6)	(535.6)	(544.7)	(118.7)
Fnac net financial debt	**(460.9)**	**(535.1)**	**(544.1)**	**(67.7)**

Seasonality and Innovation Cycle

Our business is subject to seasonality and has been historically characterized by a substantial increase in store traffic and website traffic as the end-of-year holidays draw near. For example, in the financial year ended December 31, 2015, we generated 35.8% of our consolidated revenue (and an even larger portion of Fnac EBITDA) for the year in the fourth quarter. As a result, our working capital requirements fluctuate and are normally at their peak ahead of the Christmas season. Given this seasonality, unforeseen circumstances can have an exacerbated effect on our business if they take place during this season.

Number of stores

As of June 30, 2016, Fnac leased all of its store locations. As of June 30, 2016, approximately 38% of the Fnac's store locations were leased from nine landlords.

Marketplace

Marketplace is an intermediary online platform linking buyers and sellers. The platform allows professional sellers and private sellers in France, Spain and Portugal, who meet Fnac's service quality criteria and are managed by a dedicated Fnac team, to be listed and to use the fnac.com site as a sales interface benefitting from Fnac's visibility, reputation and transaction security. Marketplace is popular in France, accounting for 17.4% of Fnac Web-generated business volume for the financial year ended December 31, 2015 and is developing steadily in Spain and Portugal.

Loyalty program

In France in 2015, loyalty program members visited our stores three times more often than customers in general and on average they spent double the amount which a non-member did on each visit. As a result, the average yearly expenditure of a customer loyalty program member on our products and services in France was six times higher than a non-member's in 2015, and this average expenditure was even higher for members of our "One" loyalty program (which includes our best customers). We believe that loyalty program members in countries other than France also tend to generate higher yearly expenditures than non-members.

New product offering

The new product offerings contributed significantly to revenue, with a contribution to product revenue of 15.2% for the financial year ended December 31, 2015 compared to 11.0% for the financial year ended December 31, 2014 and 5.9% for the financial year ended December 31, 2013. This continuing increase results from the successful deployment of the Stationery corners in France, market share gains in Telephony and Connected Devices, and a strong performance from other product offerings deployed in 2014 (Games & Toys, Home & Design).

New products such as Games & Toys, Home & Design, Stationery, Telephony and Connected Devices, together represented 16.3% of the product revenue of Fnac in the six month period ended June 30, 2016, an increase of 2.5 percentage points compared to the same period of 2015.

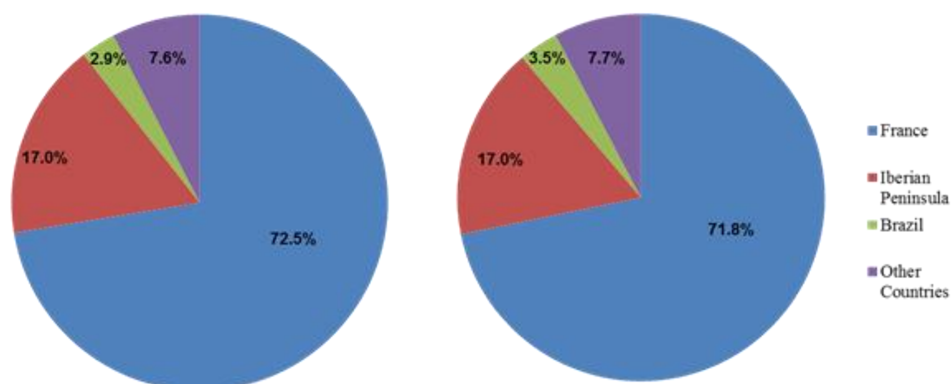
Fnac Ticketing

We have a ticketing and box office services division, known as “France Billet”, which we believe is the leading ticket distributor for shows and events in France in terms of volume of tickets sold. As of December 31, 2015, the network had more than 1,600 points of sale in France, two wholly owned websites (fnacspectacles.com and francebillet.com), over 500 white-label (which means the sites use solutions and resources provided by Fnac without mentioning its name) websites and over 8,300 affiliates (such as works’ councils). In the financial year ended December 31, 2015, France Billet sold nearly 11.5 million tickets, and generated revenue of approximately €436 million in France, proving this is a high-margin and cash-generating activity. As of December 31, 2015, this service had one of the largest offering in France, with tickets sold for nearly 56,000 events during the financial year ended December 31, 2015. To facilitate the in-store collection of tickets ordered online, we have installed ticket collection terminals in most of our stores in France.

Geographic Footprint

Our business has been historically focused on France, which remains our key market. We also maintain operations in eight other countries: Spain, Portugal (together, Iberian Peninsula), Brazil, Belgium, and Switzerland through a combination of directly operated stores and franchises, and Morocco, Qatar and Ivory Coast through franchises (the revenue of which are accounted for under France). Our stores are laid out according to identical formats and market the same range of products in each country, subject to local market adaptations. As of June 30, 2016, our global retail network consisted of 205 stores: 161 operated directly and 44 as franchises. The diagrams below present our revenue by geography for the twelve month period ended June 30, 2016 and for the financial year ended December 31, 2015:

Twelve month period ended June 30, 2016: **Financial year ended December 31, 2015:**



France

As of June 30, 2016, our retail network in the “France” region (which we define as our operations in France but also our franchise operations in Qatar, Morocco and Ivory Coast (which consisted of one, one and two stores, respectively) consisted of 129 stores: 86 operated directly and 43 as franchises. It

generated revenue of €2,802.3 million and current operating income of €65.7 million (across store network and websites) in the twelve month period ended June 30, 2016. Fnac is a market leader in Consumer Electronics and Editorial Products in France, with 13.7% and 16.6% market shares respectively in 2015. Since the first store was opened in Paris in 1957, network densification has gradually increased in Paris and other major cities in the country and Fnac now benefits from a dense store network All the stores are located in key locations in city-centers or in city outskirts, with a total selling space of 239,477 square meters (as of December 31, 2015) and attracted a total of 114 million visits in the twelve month period ended June 30, 2016. In 1999, Fnac launched the fnac.com website, which is the third-biggest e-commerce website in France in terms of average number of unique visitors per month, with nearly 9.3 million unique visitors to its website per month (based on data for the first quarter of 2016).

Iberian Peninsula

As of June 30, 2016, our retail network in the Iberian Peninsula had 49 stores, 27 in Spain and 22 in Portugal. It generated revenue of €655.6 million and current operating income of €21.1 million (across store network and websites) in the twelve month period ended June 30, 2016. The first store opened in Spain in 1993 in Madrid, and the fnac.es website was launched in 2000. Our stores in Spain have a total selling space of 55,260 square meters (as of December 31, 2015) and attracted a total of 33 million visits during the financial year ended December 31, 2015. In Portugal, we opened our first store in 1998 in Lisbon and the fnac.pt website was launched in 2002. Our stores in Portugal have a total selling space of 34,789 square meters (as of December 31, 2015) and attracted a total of 32 million visits during the financial year ended December 31, 2015.

Brazil

As of June 30, 2016, our retail network in Brazil included 12 stores and the fnac.com.br website, which was launched in 2000. It generated revenue of €117.2 million and current operating loss of €3.6 million (across store network and websites) in the twelve month period ended June 30, 2016. The first Brazilian store was opened in 1999 in São Paulo. Our stores in Brazil have a total selling space of 25,699 square meters (as of December 31, 2015) and attracted a total of 14 million visits during the financial year ended December 31, 2015.

Belgium and Switzerland

As of June 30, 2016, our retail network in Belgium and Switzerland included 15 stores. It generated revenue of €292.7 million and current operating income of €7.4 million (across store network and websites) in the twelve month period ended June 30, 2016. Fnac's first Belgian store opened in Brussels in 1981, and the fnac.be website was launched in 2006. As of June 30, 2016, our retail network in Belgium comprised ten stores, with a total selling space of 18,885 square meters (as of December 31, 2015) which attracted a total of ten million visitors during the financial year ended December 31, 2015. Our first Swiss store was opened on Rue de Rive, Geneva, in 2000. As of June 30, 2016, our retail network in French-speaking Switzerland had five stores with a total selling space of 9,133 square meters (as of December 31, 2015) which attracted a total of five million visitors during financial year ended December 31, 2015. The fnac.ch website, launched in 2004 with limited functions, focusing primarily on services such as ticketing and box office services, gift boxes, photo processing and e-books has been completely remodeled in July 2016 and now offers the full range of Fnac products.

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Currency risks

We generated 6.0% of our revenue for the twelve month period ended June 30, 2016 in currencies other than the euro, in particular Brazilian reals and Swiss francs.

Editorial Products

Editorial Products include both physical products (Music, Video, Books, Gaming Products, Stationery, as well as Games & Toys for children) and digital products (digital reading solutions and content offerings). In the twelve month period ended June 30, 2016, we generated revenue of €1,396.1 million from Editorial Products sales, representing 36.1% of our consolidated revenue.

Pension liabilities

As of June 30, 2016, Fnac's Swiss pension plan had a deficit of €5.4 million, which is covered by insurance.

Store formats

The following table presents the different formats of our stores as of June 30, 2016:

Format	Average Surface Area	Location	Offering	Number of stores (as of June 30, 2016)
Traditional	2,400 square meters	City center – Shopping malls	Entire range	139
Outskirts	2,000 square meters	City outskirts	Entire range	14
Proximity	300 to 1,000 square meters	• Towns and smaller cities • Big cities to supplement the store network	Entire range	27
Travel	60 to 300 square meters	Airports and railway stations	• Topical Editorial Products • Consumer Electronics focused on mobility	22
Connect	80 to 100 square meters	City center Shop in Shop	Telephony and Connected Devices	3 stores

Information Technology

Over the next three years, we intend to further improve our Information Technology infrastructure to support our growth. The main initiatives are web development, franchise implementation, market place set-up, store digitalization rollout and some old application overhaul and in this respect we have allocated capital expenditure of €27 million per year.

Principal shareholders

Immediately following the completion of the Acquisition, the share capital of Fnac consisted of 26,122,771 ordinary shares of one euro par value each.

Name	Number of ordinary shares	Percentage of issued share capital
Artémis S.A.	6,451,845	24.7
Knight Vinke Asset Management LLC	3,038,987	11.6
Vivendi S.A.	2,944,901	11.3
DNCA Finance S.A.	2,459,977	9.4
Prudential plc	1,290,706	4.9
Public	9,936,354	38.0
Treasury	0	0.0
Total	**26,122,771**	**100.00**

Remuneration, Other Benefits, Share Ownership

The total compensation paid to Mr. Bompard, Chairman and Chief Executive Officer of Fnac, amounted to €11,512,766 in respect of the financial year ended December 31, 2015, consisting of fixed compensation, annual variable compensation, multi-year variable compensation, attendance fees and in-kind benefits. In addition, the amounts due in 2015 and paid in 2016 to Mr. Bompard as annual variable compensation and attendance fees were €931,500 and €28,733, respectively. In respect of the financial year ended December 31, 2015, Mr. Bompard was granted 65,982 instruments equivalent to stock options and 21,746 instruments equivalent to bonus shares under the long term incentive plan.

The total compensation due to the members of Fnac's executive committee (excluding Mr. Bompard) in respect to the financial year ended December 31, 2015, amounted to €8,758,344. In addition, the members of Fnac's executive committee (excluding Mr. Bompard) received gains on the exercise of their stock options under the long term incentive plan in an aggregate amount of €3,209,152. In respect of the financial year ended December 31, 2015, the members of Fnac's executive committee (excluding Mr. Bompard) were granted 98,972 stock options and 12,361 bonus shares in the aggregate under the long term incentive plan.

The principles and implementation of a long term incentive plan designed for the principal executives of the Group (excluding directors) were approved by the board of directors on July 31, 2013, October 22, 2013, February 26, 2014 and February 26, 2015 respectively on the recommendation of the Nomination and Remuneration Committee, in accordance with the authorization granted by the General Meeting of April 17, 2013. The long term incentive plan consists of an award of stock options (which following vesting entitle the beneficiaries to subscribe for shares) to the executives who are not directors and an allotment of bonus shares to the principal executives, members of the leadership group, and high potential executives and managers, in order to align them to the Group's performance through the appreciation of its share price. In addition, the long term incentive plan provides for the granting of value units to the executives other than directors as well as the granting of instruments equivalent to stock options and instruments equivalent to bonus shares to the chief executive officer which will be settled in cash depending on the share price and do not entitle the beneficiaries to subscribe for shares. Subject to the relevant beneficiary's continuing employment with the Group at the end of the relevant period and subject to a Fnac share performance condition defined for each vesting period, the stock options, the

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instruments equivalent to stock options and the value units will vest by tranche at the end of successive vesting periods, and the bonus shares and the instruments equivalent to bonus shares will vest fully on the maturity date.

Immediately following the completion of the Acquisition, the directors and officers of the Group in their individual capacities (including Mr. Bompard) held 93,904 shares, vested and unvested stock options entitling them to 501,212 ordinary shares and vested and unvested bonus shares entitling them to 39,944 ordinary shares.

Other business and financial information of Darty

Darty's market position

In France, Darty is a joint leader in Consumer Electronics (10.6% market share in 2015) and the leader in White Goods (18.7% market share in 2015), which comprise major and small domestic appliances such as refrigerators, washing machines, dishwashers, coffee machines and irons. In addition, Darty is a significant player in Consumer Electronics and White Goods in Belgium and the Netherlands. With 437 stores (as of June 30, 2016), Darty is well known for the quality of its customer service and after-sales support (including the quality of its product installation and repair services, and of its extended warranties). The brand names under which Darty operates – Darty, Vanden Borre and BCC – are highly recognized brand names in their respective markets. Similar to Fnac, Darty has also worked on developing its online and mobile application sales channels in order to create a seamless omnichannel shopping experience for its customers. In the twelve month period ended June 30, 2016, Darty generated revenue of €3,694.7 million, Darty EBITDA of €126.7 million and Darty EBITDAR of €226.9 million.

Strategy

Darty has increased the number of its physical stores (from 384 stores on April 30, 2014 to 437 stores as of June 30, 2016) while at the same time developing its online and mobile application sales channel in order to create a seamless omnichannel shopping experience for its customers. Darty's French website, Darty.com, attracts an average of 5.3 million monthly unique visitors (based on data for the first quarter of 2016). For the twelve month period ended June 30, 2016, Darty Web-generated sales were 16.7%.

Similarly, Darty has been focused on driving profitability through its "4D" and "Confiance 4.0" strategic plans. Darty has focused on cost efficiency by centralizing sourcing and head office functions, reducing the regional structure, reducing the number of call centers and disposing of non-core freehold properties. Darty has also focused on its after-sales service infrastructure and increasing "Click & Collect" penetration to reduce home delivery costs in France. With a similar emphasis on both working capital management and low capital expenditure spend, Darty was able to generate €200.2 million of Darty free cash flow from operations in the twelve month period ended June 30, 2016, and Darty net financial debt amounted to €181.1 million at the end of that period.

Consumer preferences and product sales mix

Currently, Darty's product sales mix is weighted towards White Goods which support a higher overall gross margin. For the twelve month period ended June 30, 2016, White Goods accounted for 44.3% of product revenue, Brown Goods 17.4% of product revenue, Grey Goods 26.0% of product revenue and accessories 10.6% of product revenue (with an additional 1.7% allocated to other products). The percentage of product revenue accounted for by Grey Goods has been decreasing over the past few years (from 28.3% in the financial year ended April 30, 2014 to 26.1% in the financial year ended April 30, 2016), while the percentage of product revenue accounted for by Brown Goods has slightly increased (from 16.2% in the financial year ended April 30, 2014 to 16.9% in the financial year ended April 30, 2016). Over the same period, White Goods have also accounted for an increasing percentage of product revenue (from 42.8% in the financial year ended April 30, 2014 to 44.5% in the financial year ended April 30, 2016).

Through Darty's acquisition of Mistergooddeal.com completed on April 1, 2014, the rollout of franchise stores, and increase in the number of stores with a kitchen offer, it has increased its channels for the sale of White Goods. However, given the fact that Mistergooddeal.com offers lower-entry price point products and the reduced margins resulting from sales of products to franchises, increased sales under these two new routes can have a negative impact on the gross margin of Darty.

France

As of April 30, 2016, Darty operated 295 stores in France, 221 of these directly and 74 as a franchise which attracted a total of 70.6 million visitors for the financial year ended April 30, 2016. It generated revenue of €2,951.3 million (across store network and websites) for the financial year ended April 30, 2016. In 1999 Darty launched its website which attracts an average of 5.3 million monthly unique visitors (based on data for the first quarter of 2016).

Belgium and the Netherlands

As of April 30, 2016, Darty operated directly 62 stores in Belgium and 74 stores in the Netherlands, which attracted a total of 16.7 million visitors for the financial year ended April 30, 2016. Darty generated consolidated revenue of €705.5 million in Belgium and the Netherlands (across its store network and website) in the financial year ended April 30, 2016.

Workforce

As a result of the positive relationship Darty has with its labor force, Darty was one of the first retailers able to open additional stores on Sundays and, following the "Macron law" (*loi Macron*), increased the total number of stores allowed to open on Sunday to 25 as of June 30, 2016.

Pension liabilities

Darty operates retirement benefit arrangements most notably in the U.K. and in France. In the U.K., it operates a defined benefit pension scheme (the "*Comet Pension Scheme*") with assets held in a separate trustee administered fund. The scheme closed to new entrants on April 1, 2004 and future service accrual ceased on September 30, 2007.

In the U.K., the trustees must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, regular valuations are carried out with plan's obligations measured using prudent assumptions (relative to those used to measure accounting liabilities). The March 2013 triennial valuation was agreed with the trustees in March 2014, resulting in fixed annual payments of £10.0 million per annum aiming to make good a £73 million deficit by May 2019. Darty contributions expected to be paid in the financial year ending April 30, 2017 will total £10.0 million.

In France, post-retirement benefits are primarily provided by the state system though Darty has supplementary funded pension plans in place for certain senior executives. As of June 30, 2016, these pension plans had a deficit of €8.7 million. In addition, Darty is required to pay lump sum retirement indemnities to employees when they retire from service. The entitlement on retirement is secured through the purchase of an annuity from an insurance company under terms prescribed by legislation. No pre-funding is legally required, though €17.4 million of funding has been set aside for retirement indemnity plans at April 30, 2016, set against estimated IAS 19 liabilities of €75.2 million, leading to a net deficit of €57.8 million.

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In the financial year ended April 30, 2016, liabilities in the U.K. were reduced significantly as a result of a falling inflation (actuarial gain of €21.4 million) and the £10.0 million annual deficit contribution. Over the year, the total liability reduced from €38.2 million to €4.0 million, mainly as a result of the gain due to inflation and contributions paid during the year.

Intangible assets

As of June 30, 2016, non-current assets (including goodwill) totaling €922.1 million were carried on the Group's consolidated balance sheet and intangible assets (including goodwill), property, plant and equipment totaling €355.1 million on the consolidated balance sheet of Darty.

Number of stores

A portion of the evolution of Darty's revenue during the periods under review is attributable to the net openings of new stores. As of April 30, 2014, 2015 and 2016, Darty operated 384, 400 and 431 stores, respectively. As of June 30, 2016, Darty operated 437 stores, 355 of these directly and 82 of these as franchises. The financial results of Darty's directly owned stores are fully consolidated in its financial statements. In addition, goods sold to stores operated under franchise are recognized as product revenue, and royalties on revenue generated by franchise stores through business with their clients are recognized as services revenue.

As of June 30, 2016, Darty leased approximately 75% of its store locations and approximately 25% of Darty's store locations were leased from five landlords.

Legal Proceedings and Tax Audits

Darty is also subject to tax audits from time to time and at the moment is subject to an outstanding tax audit from the French Tax Authority, claiming up to €15.3 million in unpaid taxes and penalties relating to Darty's holding company structure. The French Tax Authority has also made a VAT tax reassessment claim against Darty Telecom, via its new owner Bouygues. Should Bouygues be unsuccessful in appealing this claim, Darty's net exposure could be up to €2.9 million.

Darty leases some of its stores and facilities and therefore routinely enters into leasing agreements, which need be renewed from time to time. Darty is involved in a dispute with the landlord of the "Pusignan site", where its warehouse was planned to be relocated, after Darty refused to take possession of the premises due to significant flooding risks. The landlord is claiming up to €11.1 million in damages.

Financial information of Darty plc, as of and for the financial year ended April 30, 2016

Seasonality

Darty's business is subject to seasonality. It has historically realized a higher portion of its revenue, Darty EBITDA and operating cash flows in the second half of its financial year, attributable in large part to increased consumer spending during the Christmas, Black Friday (the promotional weekend in November), New Year and January sales periods in the third quarter of the financial year. For the financial year ended April 30, 2016, it generated 41.4% of Darty EBITDA in the months of October, November and December. As a result of these factors, Darty's working capital requirements fluctuate during the year in response to seasonal trends in its business, and are normally at their highest in October and November when it is building up inventory for the peak Christmas season.

Products

Darty offers a wide range of products and accessories. The product offering of Darty is divided into three main categories: White Goods, Brown Goods and Grey Goods, together with related accessories. As part of Darty's initiative to drive trading at Darty, Darty has been focused on broadening its product range, particularly where complementary to its existing product offerings. An example of this is the introduction of an installed kitchen offer into some of its stores in France. The introduction of the installed kitchen offer has in turn supported the expansion of Darty's White Goods market share. As of April 30, 2016, Darty had 80 stores with a kitchen offer, including 11 stores added during the financial year ended April 30, 2016. A joint venture agreement has been entered into with a partner to provide a kitchen offer at Vanden Borre in Belgium.

White Goods comprise MDA and SDA. MDA includes products such as refrigerators, washing machines and dish washers. SDA includes kitchen appliances and accessories such as microwaves, coffee machines and irons, in addition to health and beauty products such as hair dryers and electric shavers. While MDA as a category experiences relatively low levels of overall innovation in comparison to other product categories, it does benefit from innovation in relation to design and environmental efficiencies. As the market for MDA is well established with a high household penetration rate, sales are primarily non-discretionary and are largely driven by a customer's need to replace a particular product. SDA as a category benefits from high levels of innovation (especially in health and beauty and kitchen appliances) which together with changing lifestyle trends have resulted in increased sales volume and value in the SDA category. For the financial year ended April 30, 2016, SDA sales and MDA sales represented 36.7% and 63.3% respectively, of total White Goods revenue.

Brown Goods include vision and audio products such as flat-screen televisions, DVD and Blu-ray players, MP3 players and docking stations. During the period from 2004 to 2011, sales volume in vision increased significantly as a consequence of the introduction of flat screen technology. Following a peak in sales in 2010, sales volume in vision then declined, although more recently sale volumes have picked up again as a result of high profile sporting events such as the 2016 European football championship and as a result of the switchover of terrestrial channels to high definition that was implemented in early April 2016 in France. This switchover impacted an estimated three million televisions, which required customers to either purchase a set top box or a new television.

Grey Goods include telecommunications and multimedia products such as smart phones, laptops, tablets, digital cameras, printers, scanners, games, electronics and home and wearable connected devices such as energy control systems which permit customers to control consumption of energy (mainly in relation to lighting and heating) from mobile phone apps, lighting, security, health tracking

devices and watches. Grey Goods benefit from a high level of innovation, with sales growth in some areas (such smart phones) offsetting decline in other areas (such as laptops or digital cameras). Given the increasing reliance by consumers on the connectivity provided by these products, they are becoming an increasingly essential part of the modern lifestyle and, as a consequence, purchases of Grey Goods are becoming increasingly non-discretionary.

The accessories sold by Darty include a wide variety of products complementing its core product categories, such as mobile phone and tablet cases, chargers, camera bags and audio and television cables.

The table below shows the proportion of sales of Darty across the main product categories for the financial years ended April 30, 2014, 2015 and 2016, and for the two month period ended June 30, 2016.

	Percentage of Darty product revenue		
	Financial year ended April 30, 2014	**Financial year ended April 30, 2015**	**Financial year ended April 30, 2016**
White Goods	42.8%	44.6%	44.5%
Brown Goods	16.2%	16.2%	16.9%
Grey Goods............	28.3%	26.5%	26.1%
Accessories............	10.7%	10.8%	10.6%
Other......................	1.9%	1.8%	1.8%

As a result of technological developments, the product offering of Darty is continuously evolving. In MDA, innovation focuses on increasing the energy efficiency of products. Within MDA, for washing machines, as an example, this involves improvements to their electricity and water efficiency. The SDA market is dynamic: there are continued fashion and design improvements, with new products in food preparation, health and beauty and robotic vacuum cleaners coming to market on a regular basis. In vision, two new screen technologies are now coming to the market—Ultra HD or “4K” which has a screen resolution four times that of an “HD” screen and “OLED” (Organic Light Emitting Diode) which enables the production of curved and flexible screens. In sound, innovation has recently seen the development of sound bars which enhance the TV experience, wireless hi-fi systems such as Sonos, docking stations and increased headphone ranges where design and fashion are increasingly a feature. In Grey Goods the ranges, sizes and capabilities of smart phones continue to evolve, which gives rise to opportunities for sales growth to offset declines in sales in older product categories (such as laptops).

As well as selling all the major brands, Darty sells a number of own-label brands and licensed brands. Where Darty licenses a brand, it acquires the right to sell merchandise (that has been exclusively manufactured for Darty) under the name of an independent manufacturer with an established image and brand awareness. Own-label brands are used by Darty as the price entry model in any product range, with licensed brands typically used for the mid-range price points. Darty’s own brands include Proline (used for all product categories), Temium (used for accessories), IT works (used for multimedia), Okoia (used for personal care) and Aerian (used for air treatment). Darty’s licensed brands include Hitachi (used across all product categories), JVC (used for vision), Brandt (used for sound and vision), Moulinex (used for microwaves) and Electrolux (used for kitchen appliances).

New Product Categories

Darty has introduced new categories and in-store displays for home ("Maison Connectée") and wearable ("Santé Connectée") connected devices with the intention of capitalizing on increasing customer demand for "connected" technology. This includes products such as energy control systems, lighting, security, health tracking devices and watches. The initial connected product range generated €6.4 million additional revenue during the financial year ended April 30, 2016. Darty has broadened its offer into new product categories and extended ranges in existing categories via nearly 200 third party suppliers with over 300,000 offers which are currently offered via mistergooddeal.com. During the financial year ended April 30, 2016, Darty also became a supplier of White Goods on the website of La Redoute, a leading French mail order company.

Darty also believes that the market in France for the connected home and services market is growing and Darty has started to capitalize on this opportunity by launching a market place for home services. In partnership with Hellocasa, 'Darty Petits Travaux' is offering customers the ability to book online services such as plumbing, electrics, gardening and professional cleaning for a fixed price.

Omnichannel Distribution

Darty believes in the value of engaging with its customers using multiple channels including its stores, website, mobile applications and call centers. This omnichannel offering increases contact with Darty's customers and the options available to its customers to learn about and purchase its products and services. Darty believes that the internet provides it with a significant opportunity for future sales growth. For example, Darty's web channel decreases both its gross margins and its profit margins as a result of the specific products sold online to compete with internet pure players. In recent years, Darty has continued to experience steady growth in the number of online visitors and a significant increase in sales attributable to its website. Darty Web-generated sales grew from 13.6% to 16.5% from the financial year ended April 30, 2014 to the financial year ended April 30, 2016, and Darty's French website, Darty.com, attracts an average of 5.3 million monthly unique visitors (based on data for the first quarter of 2016). Darty Web-generated sales are also positively impacted by the presence of a store in a particular geographical area (customers are generally more likely to make web purchases if they have had the opportunity to view the product in person, or if they have an immediate pick-up option like Darty's "Click & Collect" offer). Darty's ability to fully integrate its web and store sales channels and deliver a cost-effective and seamless shopping experience to its customers could affect its revenue and results of operations. Darty intends to continue its efforts to optimize its omnichannel platform.

The various sales channels of Darty complement each other, and Darty's customers' buying decisions can be influenced by their experiences across the various sales channels. For example, customers can view products in stores and then decide whether to buy these products in one of the stores or via the websites and mobile applications. Alternatively, customers can research their possible purchases online before going to one of the stores to see the product and discuss their potential purchases with sales staff. The websites and mobile applications of Darty not only act as independent sales channels but also generate footfall to its store network. Likewise, Darty Web-generated sales are positively impacted by the presence of a store in a particular geographical area (customers are generally more likely to make web purchases if they have had the opportunity to view the product in person, or if they have an immediate pick-up option like Darty's "Click & Collect" offer). Darty's integrated warehousing and logistics network and after-sales services network serve all of its channels.

Darty believes that the strong level of integration between its channels and its strong online presence distinguish it from most of its competitors, especially the internet pure players. Darty believes that the internet provides a significant opportunity for future sales growth. In recent years, Darty has continued

to experience steady growth in the number of online visitors and its website is among the top 15 most visited retail websites in France with an average of 5.3 million monthly unique visitors (based on data for the first quarter of 2016). Capitalizing on this competitive advantage is a key part of Darty's digitalization strategy.

Research conducted by Darty France shows that, on average, an omnichannel customer (*i.e.*, a customer who combines the store and website offerings to research, acquire and receive Darty products by, for example, ordering a product online and picking it up in-store) visits its stores and website more often than a single channel customer. On average, omnichannel customers spend more and buy from more product categories. All of Darty's businesses offer a "Click & Collect" service enabling customers to purchase online and collect the product in store Darty has adapted its delivery options with dedicated in-store collection points and "Click & Collect" lockers in high traffic stores in France. The "Click & Collect" service has proven very popular and is a fast-growing segment of Darty Web-generated sales, with sales increasing by 66% between the financial years ended April 30, 2015 and 2016.

Store network

As of April 30, 2016 Darty operated (both directly and indirectly through franchises) a total of 431 trading stores with approximately 467,200 square meters of retail trading space. Darty's focus is on operating mid-sized stores (with an average size of 1,078 square meters), which enables it to sell products at all price points and to offer customers a high quality of service. Darty continues to improve its store network, largely by relocating selected stores to retail parks. In France, Darty's stores are largely located in populous areas with a strong representation in or near the largest French cities, such as Paris, Lyon and Marseilles. Darty's French stores are mainly in out-of-town locations, but also in shopping centers and high street locations. Darty has a particularly strong presence in the larger regional and suburban shopping centers. In addition, in order to expand the reach of Darty into lower population areas in France, in particular those of less than 100,000 inhabitants, Darty has established a franchise operation. This has enabled Darty, with low investment levels, to increase its store network into small catchment areas where a typical, larger store would not be economical to operate. The first franchise store opened in March 2014, and as of April 30, 2016, Darty has 74 stores operated under franchise in France, 34 of which were opened during the financial year ended April 30, 2016. The sales uplift on converting to a Darty franchisee for these former independent stores remains very strong and those stores trading in their second year are on average seeing nearly 17% Darty Like-for-like revenue growth. The franchise network has, as of April 30, 2016, reached a scale that is profitable.

The table below sets out the number of stores and their total selling space in each market as of April 30, 2016.

	France		**Belgium**		**Netherlands**	
	Directly-operated	Franchise	Directly-operated	Franchise	Directly-operated	Franchise
Number of stores...	221	74	62	0	74	0
Selling space (square meters)......	319,365	45,982	56,017	0	86,917	0

Since the financial year ended April 30, 2015, Darty has been digitizing its stores, including by providing WiFi in-store and equipping staff with tablets to present products from a wider range than the products held in-store. Tablets also enable a price comparison to competitors and, more recently, trials have commenced to also take purchase payments directly from staff equipped with tablets instead of requiring customers to pay at the cashiers. Darty is also beginning trials of use of electronic tickets to provide

price and product information to customers. During the financial year ended April 30, 2016, a further 59 stores were digitalized and over 1,000 staff equipped with tablets bringing the total number to nearly 2,200 staff in 123 stores as of April 30, 2016. Further digitization is being tested in-store with the use of electronic tickets to provide and update price and product information in an immediate manner.

Websites and Mistergooddeal

As part of Darty's omnichannel approach, Darty France offers products online through the website Darty.com. Darty Web-generated sales grew from 13.6% in the financial year ended April 30, 2014 to 16.5% in the financial year ended April 30, 2015 and the financial year ended April 30, 2016. In the financial year ended April 30, 2015, "Click & Collect" was increasingly popular with customers and represented over 24% of all Darty Web-generated sales. In the financial year ended April 30, 2016, Darty's award-winning "Click & Collect" revenue grew by 66%. Darty has also introduced a dedicated services and subscription section to the Darty.com website and launched a new social media website, www.36000solutions.com, allowing users to interact with, and benefit from, Darty's expert advice and solutions. The website won the "Favori" customer award for the best website in its category in 2013. Darty also received the LSA Innovation Award for its "Click & Collect" lockers in 2013. During the financial year ended April 30, 2016, Darty refreshed the mobile site to improve its look and feel, content and navigation.

In 2014, Darty acquired mistergooddeal.com, an online channel to serve the entry price/low service part of the market, which as of June 30, 2016, is completely integrated into the logistics infrastructure of Darty. Customers can now collect products ordered on mistergooddeal.com from Darty's stores rather than from stand-alone collection points. Mistergooddeal.com has refocused in the past two financial years on Consumer Electronics. No services are included on acquisition of products on mistergooddeal.com and customers must pay a separate fee for any services (including delivery) when acquiring goods on mistergooddeal.com

In Belgium and the Netherlands, Darty Web-generated sales for the financial year ended April 30, 2016, grew from 13.1% for the financial year ended April 30, 2015 to 14.6% for the financial year ended April 30, 2016.

The table below sets out by business segment the value of Darty Web-generated sales, for the financial years ended April 30, 2014, 2015 and 2016 broken down by jurisdiction.

	Revenue April 30, 2014	**Darty Web-generated sales April 30, 2014**	**Revenue April 30, 2015**	**Darty Web-generated sales April 30, 2015**	**Revenue April 30, 2016**	**Darty Web-generated sales April 30, 2016**
	(€ in millions unless otherwise indicated)					
France..........	365.8	14.3%	437.6	17.4%	442.4	17.0%
Belgium and the Netherlands	74.2	11.1%	89.2	13.1%	100.6	14.6%

Marketing Strategy

Darty's primary branding and advertising vehicles are its stores, its websites and mobile applications, billboard and radio advertising, and local press and online marketing. All of its marketing is carried out locally, by brand and country and implemented by in-house teams and external advisors.

Television is occasionally used to increase brand awareness of new offers and services, such as kitchens in France. Darty is also boosting its customer relationship management e-mailing program, enabling direct and personalized customer offers. As of April 30, 2016, Darty had a database of approximately ten million households and uses this information to help personalize customer's shopping experiences with tailored recommendations, automated bundles and 'one click' solutions. During the financial year ended April 30, 2016, various campaigns have been run to activate dormant customers, target those moving house and to promote a number of new product categories.

In France, where Darty enjoys 61% spontaneous brand awareness for White Goods (according to a TNS report dated March 2016), current marketing campaigns are designed to promote the evolved brand position and support increased trading.

In Belgium and the Netherlands, current campaigns focus on television sponsorship of the weather forecast and local radio advertising, complemented by billboard posters, monthly house drops of leaflets and online marketing.

Customers

Darty has started to utilize its database of ten million households to help personalize its customers' shopping experience with tailored recommendations, automated bundles and 'one click' solutions. Darty is also looking to increase customer loyalty, and during the financial year ended April 30, 2016 Darty upgraded the existing credit offer through the Darty Visa connected credit card, providing greater value beyond financing a product purchase. Transactions using the Darty Visa connected credit card lead to gift cards which can be used against future purchases. Other benefits include free subscription to "Le Bouton", special offers on products, VIP shopping evenings and access to flexible financing offers and free credit. During the financial year ended April 30, 2016, Darty launched a new social media initiative with Wibilong (a service provider) enabling customers to join online social groups to discuss particular products before or after purchasing them.

Supply Chain

As a leading player in its core markets, Darty believes that it constitutes a key route to customers for its suppliers. The top ten brands sold by Darty are Samsung, Apple, Sony, Proline, Phillips, Whirlpool, Electrolux, Acer, Bosch and Asus. For the financial year ended April 30, 2016, these brands accounted for 50.3% of Darty's total product revenue. Darty maintains and benefits from strong, long-established relationships with a wide range of suppliers, allowing it to benefit from its suppliers' desire to bring new products to market. Darty is able to leverage its service-led approach and purchasing power, which arises from its ability to buy large volumes of products. As a result, Darty is able to secure beneficial supply terms with its suppliers, and can gain support in other ways, such as access to exclusive products, marketing and merchandising support.

Inventory and Product Management

Darty uses a sales and forecast process for its inventory management in order to optimize product allocation across its stores and plan its inventory levels. As of April 30, 2016, inventory aged more than one year accounted for only 1.77% of Darty's inventory. Darty's store product offering is continuously optimized by its centralized purchasing team. Darty receives electronic feedback of sales levels of its products across its store network every day. With this information, Darty also ensures continuous inventory replenishment every day. This information is also used centrally by country and on a European basis for certain categories in order to align its product offering with changing consumer tastes and new

technology trends. In addition, Darty measures the sales performance of its various products with specific key performance indicators, including stock rotation and margin, and it makes its projections for the expected product demand for the ensuing months. Darty monitors different product ranges and compares its performance with its competitors on a weekly basis via GfK.

Workforce

As of April 30, 2016, Darty employed 11,412 people on a full time equivalent basis and 605 on a temporary basis. The following table sets out a breakdown of the number of employees who have permanent contracts and those who have temporary contracts as of April 30, 2014, 2015 and 2016.

	April 30,					
	2014		2015		2016	
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
France..........................	9,746	390	9,427	485	9,266	427
Belgium........................	1,070	39	1,036	36	1,059	59
The Netherlands...........	925	73	1,088	102	1,087	119
Total	**11,741**	**502**	**11,551**	**623**	**11,412**	**605**

As a specialist retailer committed to the best customer service, one of Darty's key differentiators and strengths is its people. Darty believes that a well-trained workforce is key to its success and it therefore puts great emphasis on its training programs to improve the product knowledge of its store staff. Darty France has online modules for staff training and has expanded them further to cover home delivery and after-sales service.

Information Technology

For the financial year ended April 30, 2016, Darty spent over €8.9 million on IT related capital expenditures (excluding capital expenditures at the store level). Darty's core IT applications include packaged solutions in Darty France such as SAP for accounting, Hyperion for reporting, Clickview and Cognos for business information, Siebel for customer relationship management, Logistic Manager for warehouse management system software, HR Access for human resources, Websphere Commerce for stores and web. In Belgium and the Netherlands, Darty's capital expenditures mainly related to SAP, Microsoft, and in-house developed solutions. Darty's key front office IT systems are used to manage, track and deliver orders, monitor stock and quality control and interface with suppliers and other business partners. Darty also relies on various software for both front and back office systems. Darty uses well known hosting companies such as ATOS to monitor its IT systems to ensure compliance with the highest standards of reliability, business continuity and performance. Darty's key IT systems are replicated and stored into two main ATOS sites in Croissy and Aubervilliers for open systems and in two German sites in Essen for mainframes, and all its stores are linked to its head office as well as to its back up sites. Darty's databases are systematically backed up every day and for core databases they are replicated in real time in two sites. Business continuity plans have been created to respond to possible future incidents. These plans are regularly reviewed, tested and updated.

In 2013, Darty embarked on a project to further improve its IT infrastructure and support its growth which as of April 30, 2016, has been substantially implemented. The main initiatives were web development, franchise implementation, market place set-up, store digitalization rollout and some old application overhaul.

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Key performance indicators of Darty plc as of June 30, 2016

	As of and for the financial year ended April,			As of and for the two month period ended June 30,		As of and for the twelve month period ended June 30,
	2014 (restated)[(a)]	2015	2016	2015	2016	2016
	(€ in millions unless otherwise stated)					
Darty EBITDA[(1)]	128.8	118.8	121.0	5.9	11.6	126.7
Darty EBITDAR[(1)]	227.9	222.1	225.1	23.2	25.0	226.9
Darty retail profit[(2)]	85.5	74.9	93.1	(2.5)	4.1	99.7
Capital expenditures[(3)]	61.9	50.7	45.3	6.6	7.3	45.9
Darty free cash flow from operations[(4)]	(37.9)	(8.7)	136.0	(133.6)	(69.4)	200.2
Number of stores[(5)]	384	400	431	406	437	437
Darty Like-for-like revenue growth/(fall) (%)[(6)]	1.7%	(1.6)%	3.9%	(2.7)%	6.4%	5.2%
Darty Web-generated sales (%)[(7)]	13.6%	16.5%	16.5%	15.8%	17.1%	16.7%
Darty Web-generated revenue growth/(fall) (%)[(7)]	12.7%	22.2%	3.1%	(3.5)%	14.1%	5.5%
Darty net financial debt[(8)]	185.2	223.8	108.8		181.1	181.1

(a) Restated following the sale of discontinued operations during 2015, the CVAE reclassification from operating profit to taxation and the legacy U.K. retirement benefit scheme expenses reclassification from finance costs to operating costs.

(1) Darty EBITDA represents Darty retail profit (as defined below) further adjusted for depreciation and amortization and profit/(loss) on disposal of property, plant and equipment and intangible assets including write-offs. Darty EBITDAR represents Darty EBITDA before rental payments. Darty's management believes Darty EBITDA and Darty EBITDAR are useful for investors and are used by Darty's management for measuring profitability because such adjustments eliminate items which have less bearing on Darty's core operating performance. Darty EBITDA and Darty EBITDAR are not measures prepared in accordance with IFRS and should not be considered an alternative to profit or loss for the applicable period determined in accordance with IFRS as an indicator of Darty's operating performance, or an alternative to cash flows from operating activities as a measure of its liquidity. Furthermore, Darty EBITDA and Darty EBITDAR may differ from and may not be comparable to similarly titled measures used by other companies, including those used by Fnac. The following table presents a reconciliation of Darty EBITDA and Darty EBITDAR to profit/(loss) from continuing operations:

	For the financial year ended April 30,			For the two month period ended June 30,		For the twelve month period ended June 30,
	2014 (restated)[(a)]	2015	2016	2015	2016	2016
	(€ in millions)					
Profit/(loss) for from continuing operations	**10.8**	**15.1**	**2.1**	**(10.4)**	**(1.8)**	**10.7**
Taxation	26.6	17.8	26.3	(4.8)	0.6	31.7
Finance costs	16.0	27.4	25.4	4.2	4.1	25.3
Amortization and impairment of acquisition related intangible assets.	-	0.1	0.6	0.1	0.0	0.5
Exceptional items	29.4	13.7	36.5	8.1	0.5	28.9
Legacy U.K. retirement benefit scheme expenses	1.4	1.3	1.4	0.2	0.6	1.8
Gain on disposal of available-for -sale investments	(2.7)	(1.4)	-	-	-	-

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	For the financial year ended April 30,			For the two month period ended June 30,		For the twelve month period ended June 30,
	2014 (restated)[a]	2015	2016	2015	2016	2016
	(€ in millions)					
Movement in options and related charges over non-controlling interests	3.2	-	-	-	-	-
Share of joint venture and associates' interest and taxation	0.8	0.9	0.8	0.1	0.2	0.9
Darty retail profit	**85.5**	**74.9**	**93.1**	**(2.5)**	**4.1**	**99.7**
Adjusted for:						
Depreciation and amortization	51.5	50.7	49.4	8.4	7.5	48.5
(Profit)/loss on disposal of property, plant and equipment and intangible assets including write-offs	(8.2)	(6.8)	(21.5)	(0)	(0)	(21.5)
Darty EBITDA	**128.8**	**118.8**	**121.0**	**5.9**	**11.6**	**126.7**
Rental payments[b]	99.1	103.3	104.1	17.3	13.4	100.2
Darty EBITDAR	**227.9**	**221.1**	**225.1**	**23.2**	**25.0**	**226.9**

(a) Restated following the sale of discontinued operations during 2015, the CVAE reclassification from operating profit to taxation and the legacy U.K. retirement benefit scheme expenses reclassification from finance costs to operating costs.

(b) Represents operating lease rental payables.

Darty EBITDA and Darty EBITDAR for the twelve month period ended June 30, 2016 presented in the table above is different from EBITDA and EBITDAR of Darty for the twelve month period ended June 30, 2016 presented and used in the Unaudited Pro Forma Condensed Consolidated Financial Information. This difference is due to a reclassification of certain line items for purposes of the preparation of the Pro Forma accounts, in order to follow the calculation methodology used for Fnac EBITDA and Fnac EBITDAR. In particular, (i) share of profit from equity associates are excluded from EBITDA and EBITDAR for Darty in the Pro Forma accounts and (ii) profit (loss) on disposal of property, plant and equipment and intangible assets including write-offs is included in EBITDA and EBITDAR for Darty in the Pro Forma accounts. As a result of this reclassification, EBITDA and EBITDAR information of Darty for the twelve month period ended June 30, 2016 presented and used in the Unaudited Pro Forma Condensed Consolidated Financial Information amount to €145.8 million and €245.9 million, respectively, while Darty EBITDA and Darty EBITDAR presented in the table above amount to €126.7 million and €226.9 million, respectively.

(2) Darty retail profit represents total operating profit before the share of joint venture and associates' interest and taxation, movement in options and related charges over non-controlling interests, gain on disposal of available-for-sale financial assets, legacy U.K. retirement benefit scheme expenses, exceptional items and amortization and impairment of acquisition related intangible assets, including write-offs. Darty's management believes Darty retail profit is useful to investors and is used by its management for measuring profitability because such adjustments eliminate items which have less bearing on Darty's core operating performance.

(3) Capital expenditures represent purchase of property, plant and equipment and intangible assets as disclosed in the Darty Consolidated Cash Flow Information.

(4) Darty free cash flow from operations is defined as Darty's cash generated from operations, sale of business operations, discontinued operations and sale of available-for-sale investments less net capital expenditures from continuing operations. Although Darty is presenting Darty free cash flow from operations to enhance the understanding of Darty's historical liquidity, Darty free cash flow from operations is not a measure prepared in accordance with IFRS and should not be considered as an alternative to operating cash flows determined in accordance with IFRS. The following table reconciles the Darty free cash flow from operations to Darty's net cash flows from operating activities for the periods presented:

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	For the financial year ended April 30,			For the two month period ended June 30,		For the twelve month period ended June 30,
	2014 (restated)[(a)]	2015	2016	2015	2016	2016
	(€ in millions)					
Net cash flows from operating activities	**(12.9)**	**16.6**	**143.9**	**(127.0)**	**(66.7)**	**204.1**
Sale of business operations	1.9	-	-	-	-	0.0
Sale of available for sale investments	2.7	1.4	1.0	-	-	1.0
Net capital expenditures from continuing operations[(b)]	(32.2)	(36.8)	(12.0)	(6.6)	(7.3)	(12.7)
Discontinued operations	2.6	10.1	3.1	-	4.7	7.8
Darty free cash flow from operations	**(37.9)**	**(8.7)**	**136.0**	**(133.6)**	**(69.4)**	**200.2**

(a) Restated following the sale of discontinued operations during 2015, the CVAE reclassification from operating profit to taxation and the legacy U.K. retirement benefit scheme expenses reclassification from finance costs to operating costs.

(b) Represents purchase of property, plant and equipment, proceeds from sale of property, plant and equipment and purchase of intangible assets.

(5) The following table presents the distribution of Darty's owned and franchised stores by geographic region as of the dates considered:

	As of April 30,						As of June 30,	
	2014		2015		2016		2016	
	Owned	Franchise	Owned	Franchise	Owned	Franchise	Owned	Franchise
France	224	0	222	43	221	74	219	82
Belgium	59	0	60	0	62	0	63	0
Netherlands	58	0	75	0	74	0	73	0
Datart	43	0	0	0	0	0	0	0
Total	**384**	**0**	**357**	**43**	**357**	**74**	**355**	**82**

(6) Darty Like-for-like revenue growth/(fall) is calculated based on stores that have been open for a full year and the first four full weeks of trading have passed. Stores where retail space has been added or where a complete format redesign (including addition of mezzanine floor) has taken place, which involves material capital expenditures, are excluded from calculations of Darty Like-for-like revenue growth/(fall). Sales through internet sites are included. As opposed to Fnac Like-for-like revenue growth/(fall), Darty Like-for-like revenue growth/(fall) excludes revenue from franchises as well as revenue from services (both of which Fnac includes in the calculation of Fnac Like-for-like revenue growth/(fall)).

(7) Darty Web-generated sales is defined as sales generated via Darty's websites and mobile transactional applications as a percentage of total product revenue. Darty Web-generated revenue growth is defined as the growth in Darty's sales made directly through Darty's website and delivered to a home or collected via "Click & Collect".

(8) Darty net financial debt is defined as Darty financial debt (being total borrowings and finance leases) minus Darty cash and cash equivalents. The following table presents a calculation of Darty net financial debt:

	As of April 30,			As of June 30,
	2014	2015	2016	2016
	(€ in millions)			
Financial debt	260.7	310.7	265.9	266.1
Cash and cash equivalents	(75.5)	(86.9)	(157.1)	(85.1)
Darty net financial debt	**185.2**	**223.8**	**108.8**	**181.1**

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Summary Geographic Information of Darty

The following table presents the consolidated revenue of Darty on a geographic basis for the periods indicated.

	As of and for the financial year ended April 30,			As of and for the two month period ended June 30,		As of and for the twelve month period ended June 30,
	2014 (restated)[(a)]	2015	2016	2015	2016	2016
	(€ in millions)					
Darty France	2,717.7	2,813.5	2,951.3	401.5	434.7	2,984.5
Darty Belgium and the Netherlands	686.7	698.6	705.5	102.5	107.3	710.3
Total Group	**3,404.4**	**3,512.1**	**3,656.8**	**504.0**	**541.9**	**3,694.7**

(a) Restated following the sale of discontinued operations during 2015, the CVAE reclassification from operating profit to taxation and the legacy U.K. retirement benefit scheme expenses reclassification from finance costs to operating costs.

Unaudited consolidated interim financial information for Darty plc as of and for the two month periods ended June 30, 2016 and June 30, 2015

Darty Plc
Interim financial information
As at 30 June 2016 and 30 June 2015
(2 months)

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GROUP INCOME STATEMENT

For a two-month period	30 June 2016 €m	30 June 2015 €m
Revenue	**541,9**	**504,0**
Group operating profit	2,6	-11,3
Share of post tax profit in joint venture and associates	0,3	0,2
Total operating profit	**2,9**	**-11,0**
Analysed as:		
Retail profit	4,1	-2,5
Share of joint venture and associates interest and taxation	-0,2	-0,1
Legacy UK retirement benefit scheme expenses	-0,6	-0,2
Exceptional items	-0,5	-8,1
Amortisation and impairment of acquisition related intangible assets	—	-0,1
Total operating profit	**2,8**	**-11,0**
Finance costs	-4,1	-4,1
Profit before income tax	**-1,2**	**-15,2**
Taxation	**-0,6**	**4,8**
Profit for the year from continuing operations	**-1,8**	**-10,4**
Loss for the year from discontinued operations	**3,9**	**0,1**
Profit / (loss) for the year	**2,1**	**-10,2**
Profit / (loss) attributable to :		
– Owners of the parent	2,1	-10,2
– Non-controlling interests	0,0	0,0

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GROUP STATEMENT OF CHANGES IN EQUITY

	Total €m
At 1 May 2016 restated	-311,6
Profit for the period from continuing operations	**-1,8**
Profit for the period from discontinuing operations	**3,9**
Other comprehensive income/(expense):	
Remeasurements of post-employment benefit obligations	10,4
Tax on other comprehensive income	-4,0
	6,4
Items that may be reclassified subsequently to profit or loss:	
Exchange differences	-0,1
Fair value on cash flow hedges	2,1
Tax on other comprehensive expense	-0,8
	1,2
Total other comprehensive income/ (expense) for the period	**9,7**
Transactions with owners:	
Dividends paid by the parent company	0,0
Employee share schemes	0,1
Other (non significant)	-0,1
At 30 June 2016	**-301,9**
At 1 May 2015 restated	**-323,9**
Profit for the period from continuing operations	**-10,4**
Profit for the period from discontinuing operations	**0,1**
Items that may be reclassified subsequently to profit or loss:	
Exchange differences	-1,2
	-1,2
Total other comprehensive income/ (expense) for the period	**-11,4**
Transactions with owners:	
Dividends paid by the parent company	0,0
Employee share schemes	0,0
At 30 June 2015	**-335,3**

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GROUP BALANCE SHEET

	30 June 2016 €m	30 June 2015 €m
Assets		
Non-current assets		
Intangible assets	57,5	68,1
Property, plant and equipment	297,6	319,9
Investments	15,8	15,3
Available-for-sale financial assets	0,0	1,0
Other receivables	9,6	9,7
Total non-current assets	**380,5**	**414,0**
Current assets		
Inventories	559,8	505,7
Trade and other receivables	234,9	240,7
Income tax receivables	22,4	9,2
Cash & Cash equivalents	85,1	55,8
Total current assets	**902,2**	**811,3**
Total assets	**1 282,7**	**1 225,2**
Liabilities		
Current liabilities		
Borrowings	-14,9	-23,5
Income tax liabilities	-28,3	-4,9
Trade and other payables	-991,1	-798,5
Provisions	-0,2	-1,8
Total current liabilities	**-1 034,5**	**-828,7**
Non-current liabilities		
Borrowings	-245,8	-390,6
Other payables	-217,4	-216,1
Deferred income tax liabilities	-27,2	-20,9
Retirement benefits	-59,1	-103,2
Provisions	-0,5	-0,8
Total non-current liabilities	**-550,1**	**-731,7**
Total liabilities	**-1 584,6**	**-1 560,4**
Net liabilities	**-301,9**	**-335,2**
Equity attributable to owners of the parent		
Share capital	158,9	158,9
Other reserves	1 018,7	1 012,0
Accumulated losses	-1 478,7	-1 505,2
Total shareholders	**-301,1**	**-334,3**
Non-controlling interests	-0,8	-0,9
Total equity	**-301,9**	**-335,2**

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GROUP CASH FLOW STATEMENT

For a two-month period	30 June 2016 €m	30 June 2015 €m
Cash flows from operating activities	-60,2	-119,7
Interest paid / received	-1,3	-2,4
Tax paid	-5,3	-4,8
Net cash from /(used in) operating activities	**-66,7**	**-127,0**
Sale of discontinued operations, including cash and overdrafts disposed	4,7	
Purchase of property, plant and equipment	-5,3	-5,5
Proceeds from sale of property, plant and equipment	0,0	
Purchase of intangible assets	-2,0	-1,1
Net cash used in investing activities	**-2,6**	**-6,6**
Proceeds from / (Repayments of) borrowings	-2,6	100,4
Dividends paid to shareholders	—	—
Net cash from financing activities	**-2,6**	**100,4**
Net increase in cash, cash equivalents and bank overdrafts	**-71,9**	**-33,1**
Cash, cash equivalents and bank overdrafts at start of the period	152.1	86,7
Cash, cash equivalents and bank overdrafts at end of the period	80,2	53,6

Notes to the financial statements

1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in the periods presented, unless otherwise stated.

The financial information comprises the consolidated financial statements of Darty plc for the two-month periods ended 30 June 2015 and 30 June 2016 prepared in accordance with the accounting policies set out below. Darty plc (the Company), and its subsidiaries (together the Group), is a multi-channel electrical retailer. The Company is a public limited company incorporated and domiciled in the United Kingdom.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary undertakings, joint ventures and associated undertakings. All significant consolidated subsidiary companies have a 30 April accounting year end.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the settlement including assets, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquistion basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Inter-company transactions including income, expenses, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

(b) Associates and joint ventures

Associates are all operations over which the Group has the ability to exercise significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Joint ventures are all operations over which the Group exercises joint control with partners.

Investments in associates and joint ventures are accounted for by the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

1 Accounting policies continued

The Group's share of its associate's and joint venture's post-acquisition profits or losses are recognised in the income statement, its share of post-acquisition valuation movements are adjusted against the carrying amount of the investment and its share of post-acquisition movements in reserves are recognised in reserves. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's undertakings are measured using the currency **of the primary economic environment in which the undertaking op**erates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the majority of the **subsidiaries' functional** currency **and the Group's presentational** currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within operating profit, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the Group operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates; and

(iii) Resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the financial statements

1 Accounting policies continued

When a foreign operation is sold, exchange differences are recycled to the income statement as part of the gain or loss on sale.

Use of adjusted measures

Darty plc believes that retail profit, adjusted profit before tax, EBITDA and adjusted earnings per share provide additional useful information on underlying trends and business performance to shareholders. Each is defined below:

– Retail profit represents total operating profit before the share of joint venture and associate's interest and taxation, gain on disposal of available for sale investments, legacy UK retirement benefit scheme expenses, exceptional items and amortisation and impairment of acquisition related intangible assets.

– EBITDA is defined as retail profit before depreciation and amortisation and profit/(loss) on disposal of property, plant and equipment and intangible assets including write-offs.

– Adjusted profit before tax represents retail profit less finance costs excluding net interest on pension schemes.

A reconciliation from retail profit to GAAP measurement of profit is provided in the Group Income Statement. A reconciliation from EBITDA to GAAP measurement of profit is provided in note 4, 'Segmental analysis'.

These measures are used by the Group for internal performance analysis and incentive compensation arrangements for employees.

These terms are not defined by IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measurements of profit.

Exceptional items

The Group defines exceptional items as those non-recurring items which by their nature or size would distort the comparability of the Group's result from year to year. Exceptional items mainly relate to costs associated with a material restructuring (i.e. termination payments, onerous lease charges, asset impairments and other write offs), material business disruption costs or a material change to accounting estimates which would distort the underlying result.

Segmental information

The Group bases its internal reporting systems on certain reportable segments. These segments are used by the chief operating decision maker, identified as the Group Chief Executive, for assessing performance and allocating resources.

The reportable segments are as follows:

- France (Darty and Mistergooddeal.com)
- Belgium and the Netherlands (Vanden Borre and BCC)

Sales between segments are carried out at arm's length.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the fair value of consideration over the fair value of the Group's share of the net identifiable assets, liabilities, contingent liabilities and fair value of non-controlling

Notes to the financial statements

1 Accounting policies continued

interests of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying value of investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested at least annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment and carried at cost less impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an operation include the carrying amount of any goodwill relating to the operation sold.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. Each of those CGUs represents a separate autonomous unit within the Group, where the management of the unit has independent control and responsibility for managing the cash flow of that unit. In practice these are deemed to be each retail chain of stores acquired.

(b) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment.

(i) Software Software costs are costs that are directly associated with the development of identifiable and unique software products controlled by the Group. Where it is probable that they will generate economic benefits exceeding costs beyond one year, they are recognised as intangible assets. Costs that do not meet the recognition criteria are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to use or sell the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and– the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (two to five years).

(ii) Leasehold rights Amounts paid in order to gain access to certain leasehold premises or a right to trade from a site are recognised as intangible assets. The value in use of these items is calculated using growth rates and discount factors considered appropriate for the relevant CGUs. These costs are amortised to their residual value (value in use) over their estimated useful lives (15 to 20 years) on a straight line basis. If the value in use calculated is greater than carrying value no amortisation charge is recognised.

Property, plant and equipment

Land and buildings comprise mainly retail outlets, warehouses and offices. Fixtures, fittings and equipment comprise tenants' fixtures and improvements, computers and electronic equipment and motor cars and commercial vehicles. All property, plant and equipment is stated at historic cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1 Accounting policies continued

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. They are not depreciated until they are brought into use and transferred to an appropriate and permanent category of property, plant and equipment on completion of construction, unless there are circumstances indicating an impairment of the asset, where provision is made immediately.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate. These costs are included in the carrying amounts only when it is probable that future economic benefits associated with an asset will flow to the Group, the cost of the asset can be measured reliably, the asset's useful life exceeds one full accounting period and costs exceed €1,000 (or equivalent). All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less estimated residual value over their estimated useful lives. The depreciation periods of the principal categories are as follows:

Land and buildings

Freehold buildings	20 years to residual value
Long leasehold buildings	20 years or remaining lease term if shorter
Short leasehold buildings	over the remaining period of the lease
Tenants' fixtures and improvements	between 5 and 20 years

Fixtures, fittings and equipment

Computers and electronic equipment	between 2 and 4 years
Motor cars and commercial vehicles	between 2 and 5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When properties are sold the difference between the sale proceeds and net book value is recognised in the income statement.

Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or that the asset's use may not generate an economic benefit greater than their carrying value. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (as CGUs). For property, plant and equipment and intangible assets, other than goodwill, the CGU is deemed to be each trading store. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business.

Any impairment charge is recognised in the income statement in the year in which it occurs. Nonfinancial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

1 Accounting policies continued

Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held for trading: A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges and the hedge is effective for accounting purposes. Assets in this category are classified as current assets.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include financial assets that are not held for trading purposes, which may be sold, managed and their performance evaluated on a fair value basis in accordance with the Company's investment and risk strategy.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets through the income statement are included in finance costs/income in the income statement in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, where they are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. They are initially recognised at fair value and subsequently carried at amortised cost.

(c) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

(a) Financial liabilities at fair value through profit and loss.

Financial liabilities at fair value through profit or loss held for trading: A financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges, and the hedge is effective for accounting purposes. Liabilities in this category are classified as current liabilities.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include financial liabilities that are not held for trading purposes, which may be sold, are managed and their performance evaluated on a fair basis in accordance with the Company's investment and risk strategy.

1 Accounting policies continued

(b) Financial liabilities at amortised cost

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade payables are non-interest bearing and are stated at amortised cost.

Derivative financial instruments

All derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. All derivatives are categorised as investments held for trading (a sub-category of financial assets at fair value through the income statement) unless they are designated as cash flow hedges. As such they are valued at each balance sheet date and variances in value are charged in full to the income statement.

Derivatives designated as cash flow hedges are tested for their hedge effectiveness on a periodic basis. Should these derivatives fail the requirements of this test they are immediately reclassified as investments held for trading and treated accordingly. To the extent that these derivatives are demonstrated to be an effective hedge, movements in value are accumulated in equity reserves (net of deferred tax) and are recycled against the benefit or charge made to the income statement when the hedged transaction is settled. To the extent that these derivatives are ineffective as a hedge, any variance in value is charged directly to the income statement.

The Group documents at the inception of the transaction outline the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The value of inventory includes the purchase price, costs associated with bringing the inventory to its present location and condition, being the supply chain costs (including transport costs to warehouses, logistics costs within the warehouses and transportation costs to retail stores) and applicable trade discounts, rebates and other subsidies. Net realisable value represents the estimated selling price in the ordinary course of business, less costs estimated to realise the sale of relevant inventory. Provisions have been made, if necessary, for slow moving, obsolete and defective inventories.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible it is written off to the income statement. Subsequent recoveries of amounts previously written off are credited against 'selling expenses' in the income statement.

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1 Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts for which a right of set off exists. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet, but included within cash and cash equivalents for the purpose of the cash flow statement.

Share capital

The Group only has one class of shares, ordinary shares, which are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method where appropriate. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within 12 months of the balance sheet date.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. For liabilities at amortised cost, the carrying value approximates to fair value as the impact of discounting using market interest rates at the end of the reporting period is insignificant.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

Current income tax is the expected income tax payable on the taxable income for the year. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Recognition of deferred income tax assets takes into account IAS12 recognition criteria using the Group's judgement on the probability of future taxable profits being available against which the temporary differences can be utilised.

1 Accounting policies continued

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Employee benefits

(a) Retirement benefits

The Group operates retirement benefit arrangements most notably in the UK and France, which are supplemental to contributions paid to mandatory state funded schemes. Company sponsored schemes are generally funded through payments to insurance companies or trustee administered funds, as determined by periodic actuarial calculations or local legislation. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a retirement benefit under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement benefit that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

For defined benefit plans the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit liability.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income. Past-service costs are recognised immediately in the income statement. Scheme expenses relating to the legacy UK pension scheme have been charged to the income statement as part of operating costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share based compensation

The Group operates equity settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Notes to the financial statements

1 Accounting policies continued

(c) Termination benefits

Termination benefits are payable if employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed either to terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are discounted where the time value of money is considered material. If the Group has a contract that is onerous the present obligation under the contract is recognised and measured as a provision. The provision is the lower of the cost of exiting the contract and the cost of fulfilling the obligation.

A warranty provision estimates the future costs of warranty repairs that will be carried out on products already sold. This provision looks forward to periods over which the warranties will expire, and is calculated on a consistent basis year on year.

Restructuring provisions, comprising lease termination penalties and employee termination payments, are only recognised when plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date. Provisions are not recognised for future operating losses.

A provision is recognised when there is a present constructive obligation to meet the costs of restructure. This arises when there is a detailed formal plan for the restructuring, identifying at least the business or part of the business concerned, principal locations affected and the location, function and approximate number of employees to be compensated for terminating their services.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues from sales of goods are recognised at the point of sale of a product to the customer or upon delivery to the customer, whichever is later. Retail sales are usually settled in cash or by credit or payment card.

Certain companies within the Group sell products with a right of return. Accumulated experience is used to estimate and provide for the value of such returns at the time of sale.

Darty has the right to charge the franchisee an up-front fee to establish the necessary links (which are mainly IT related) to the Darty infrastructure. These fees are accounted for when the store opens. On an ongoing basis, the franchisee will pay a license fee for the use of the brand which is accrued as the

1 Accounting policies continued

rights are used. In addition the franchisee will purchase inventories and compensate Darty for related logistics costs and after sales service cover for each product sale. Inventory sales are recognised when the title passes.

Revenues from services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Royalty and franchise revenue is recognised on an accruals basis in accordance with the substance of the relevant agreements.

The Group sells extended warranty and service contracts. Where the Group has responsibility for fulfilling obligations under these contracts, the Group recognises the corresponding revenue over the period for which cover is provided, excluding any free period of manufacturer's warranty. Direct costs associated with the sale of the warranty are also deferred and charged over the period for which the cover is provided.

Where the Group sells an extended warranty or service contract and a third party insurance company has responsibility for contractual obligations, commission revenue for the insured warranty contract is recognised at the time of sale. Where part of the obligation under these contracts is re-insured by the Group, the revenue relating to the re-insurance is recognised over the period of risk, excluding any period of manufacturer's warranty.

If an extended warranty is sold by a franchisee, Darty will provide all after sales support and so bear the risk and reward relating to that warranty. As with other extended warranty sales, the corresponding revenue and the direct extended warranty selling cost (i.e. the franchisee commission) is spread over the period of risk.

Finance income and costs

Finance income and costs are recognised on a time-proportion basis using the effective interest method.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any financial incentives received from the lessor) are charged to the income statement on a straight-line basis over the full period of the lease.

Benefits received and receivable as an incentive to enter into a lease are deferred and spread on a straight line basis over the life of the lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Lease premiums payable are recorded as a prepayment in the balance sheet and amortised on a straight line basis over the life of the lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Charges made in respect of operating leases of property are adjusted from time to time to reflect the impact of market rent reviews. In particular, in France, Belgium and Holland, there is an annual indexation linked to local price inflation. This is agreed annually and costs are adjusted when agreed and accrued from that date.

Dividends

Dividend income is recognised when the right to receive payment is certain.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised in the period they are paid.

1 Accounting policies continued

Assets held for sale and discontinued operations

Assets and businesses are classified as held for sale, and stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

a) Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in this note. In addition, other asset impairment reviews are carried out whenever performance or changes in circumstances indicate that an impairment may be required. The recoverable amounts of Cash-Generating Units (CGU) have been determined based on value-in-use calculations. These calculations require the use of estimates which include cash flow forecasts for each CGU and discount rates based on the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Please refer to the intangible assets note and the property, plant and equipment note for details of the key assumptions used in these impairment reviews.

b) Retirement benefits

The Group operates retirement benefit arrangements most notably in the UK and France. Any net deficit or surplus arising on defined benefit plans is shown on the balance sheet. The amount recorded is the difference between plan assets and liabilities at the balance sheet date. Plan assets are based on market value at that date. Plan liabilities are based on actuarial estimates of the present value of future pension or other benefits that will be payable to members. The most sensitive assumptions involved in calculating the expected liabilities are mortality rates, price inflation and the discount rate used to calculate the present value of the liabilities. The main financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation.

c) Taxation

Significant judgement is required in determining the provision for income taxes. There are a number of complex tax transactions which result in tax exposures across the Group. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d) Inventories

Inventories are valued at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measured using a weighted average cost formula (see note 16). Net realisable value represents the estimated selling price in the ordinary course of business, less costs estimated to realise the sale of relevant stock. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing. Calculation of these provisions requires judgements to be made which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

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Notes to the financial statements

1 Accounting policies continued

e) Supplier income

The contributions due from suppliers is material and the accounting involves an element of judgement in determining the amount and timing of income to be recognised. The major proportion of supplier contributions comes from annual agreements with suppliers for volume rebates, sometimes conditional on agreed targets. Buyers negotiate the contracted agreements, these will vary in period length by supplier with reconciliations by supplier performed in order to ensure that all rebates booked have been phased appropriately and are recoverable. All rebates are included within cost of sales. Where supplier contributions are provided based on specific activities or services performed they are recognised over the period that those services are provided. Funding for a specific marketing campaign is netted from marketing costs over the period of the campaign.

Principal rates of exchange

	GBP	Turkish Lira	Czech Krown
Average rate – year ended 30 June 2016	0.7905	3.2737	27.0615
Closing rate – 30 June 2016	0.8265	3.206	27.131
Average rate – year ended 30 April 2016	0.7385	3.1678	27.1078
Closing rate – 30 April 2016	0.7840	3.2025	27.0560
Average rate – year ended 30 April 2015	0.7771	2.8347	27.5794
Closing rate – 30 April 2015	0.7312	2.9995	27.4630
Average rate – year ended 30 April 2014	0.8414	2.7506	26.5792
Closing rate – 30 April 2014	0.8219	2.9295	27.4550

2 Segmental analysis

June 2016 For a two-month period	France €m	Netherlands €m	Belgium €m	Unallocated €m	Continuing Group €m
Revenue	**434,7**	**51,3**	**56,0**	**0,0**	**541,9**
Group operating profit	5,9	-3,5	1,6	-1,5	2,6
Share of post tax profit in joint venture and associates	0,3	—	—	—	0,3
Total operating profit	**6,2**	**-3,5**	**1,6**	**-1,5**	**2,9**
Analysed as:					
Retail profit	7,4	-3,5	1,7	-1,6	4,1
Share of joint venture and associates interest and taxation	-0,2	—	—	—	-0,2
Movement in options and related charges over non-controlling interests	-1,1	0,0	-0,1	0,8	-0,4
Legacy UK retirement benefit scheme expenses	—	—	—	-0,6	-0,6
Exceptional items	—	—	—	-0,1	-0,1
Amortisation and impairment of acquisition related intangible assets	—	—	—	—	—
Total operating profit	6,2	-3,5	1,6	-1,5	2,9
Finance costs	0,3	-0,2	0,0	-4,2	-4,1
Profit before income tax	6,5	-3,7	1,6	-5,70	-1,2
Income tax expense	11,7	0,0	0,0	-12,3	-0,6
Profit for the year from continuing operations	**18,3**	**-3,7**	**1,6**	**-18,0**	**-1,8**

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2 Segmental analysis continued

June 2015 For a two-month period	France €m	Netherlands €m	Belgium €m	Unallocated €m	Continuing Group €m
Revenue	**398,6**	**48,1**	**54,4**	**2,9**	**504,0**
Group operating profit	-7,0	-3,2	1,4	-2,4	-11,2
Share of post tax profit in joint venture and associates	0,2	0,0	0,0	0,0	0,2
Total operating profit	**-6,8**	**-3,2**	**1,4**	**-2,4**	**-11,0**
Analysed as:					
Retail profit	1,6	-3,1	1,4	-2,4	-2,5
Share of joint venture and associates interest and taxation	-0,1	—	—	—	-0,1
Movement in options and related charges over non-controlling interests	—	—	—	—	0,0
Legacy UK retirement benefit scheme expenses	—	—	—	-0,2	-0,2
Exceptional items	-8,3	—	—	0,2	-8,1
Amortisation and impairment of acquisition related intangible assets	—	-0,1	—	0,0	-0,1
Total operating profit	**-6,8**	**-3,2**	**1,4**	**-2,4**	**-11,0**
Finance costs	0,1	0,0	0,0	-4,2	-4,1
Profit before income tax	**-6,7**	**-3,3**	**1,4**	**-6,6**	**-15,2**
Income tax expense	0,7	0,0	0,0	4,1	4,8
Profit for the year from continuing operations	**-6,0**	**-3,3**	**1,4**	**-2,5**	**-10,4**

3 Tax risks

Management have assessed the potential tax risks, which takes into account ongoing tax audits underway around the Group, and have made provision accordingly.

A group company has received a demand from the French Tax Authority, claiming up to €15.3m in unpaid taxes and penalties relating to the Group's holding company structure. Extensive professional advice has been obtained for both periods ending 30 June 2016 and 30 June 2015. Negotiations are ongoing and a meeting with the tax administration is planned for the end of September 2016. A provision has been made based on our best estimate of the expected outcome as at 30 June 15 and 30 June 16.

4 Subsequent events

On July 18, 2016, the French competition authority announced its decision to approve the Acquisition. Following such announcement, FNAC announced that it had declared its Offer to be unconditional in all respects and it either held or had received valid acceptances of its Offer in respect of more than 75% of the shares of Darty.

As a consequence certain expenses subject to the successful completion of the Offer have been incurred at the end of July and August for a total amount estimated to 36,86 M€ which is detailed as follow:

– Lawyers/banks/advisors success fees: 16,25 M€

– Share based payments acceleration paid in cash: 11,52 M€

– Top management departure plan: 9,09 M€

At the end of August, the revolving credit facility was drawn by 100 M€. Part of this amount was used to pay the expenses detailed above.

Other business and financial information of the Combined Group

Acquisition

On September 12, 2016 Fnac completed the acquisition of Darty, the leader in White Goods and joint leader (alongside Fnac) in Consumer Electronics in France in 2015, following a number of competing offers made in the context of a tender offer by Fnac and affiliates of Steinhoff International Holdings N.V. over which Fnac finally prevailed in June 2016.

On May 18, 2016, Fnac posted its offer document to shareholders of Darty, which set out the final terms and conditions of Fnac's offer to acquire the entire issued and to be issued share capital of Darty. As a result of Fnac's implementation of a squeeze-out procedure, Fnac completed the Acquisition of the issued share capital of Darty, of which, an aggregate of 162,255,232 Darty shares (representing 30.6% of Darty's issued share capital) comprise elections to receive consideration in the form of Fnac shares, either by virtue of acceptances of the offer or by virtue of elections made pursuant to the squeeze-out.

Other Pro Forma Financial and Operational Data

	As of and for the twelve month period ended June 30, 2016
	(€ in millions)
Combined Group number of stores	642
Pro Forma EBITDA[1]	298.4
Pro Forma EBITDAR[1]	527.7
Adjusted Pro Forma EBITDA[2]	428.4
Pro Forma net financial debt[3]	632.4
Ratio of Pro Forma net financial debt to Adjusted Pro Forma EBITDA	1.5x

(1) We define Pro Forma EBITDA as Pro Forma current operating income before amortization and depreciation, and Pro Forma EBITDAR as Pro Forma EBITDA as further adjusted for rental payments. Please find below a reconciliation of Pro Forma EBITDA and Pro Forma EBITDAR for the period indicated:

	For the twelve month period ended June 30, 2016
	(€ in millions)
Current operating income	**187.9**
Amortizations and Depreciations	110.5
Pro Forma EBITDA	**298.4**
Rental Payments	229.3
Pro Forma EBITDAR	**527.7**

(2) We define Adjusted Pro Forma EBITDA as Pro Forma EBITDA further adjusted for anticipated cost synergies and anticipated revenue synergies. Please find below a reconciliation of Pro Forma EBITDA to Adjusted Pro Forma EBITDA for the period indicated:

	For the twelve month period ended June 30, 2016
	(€ in millions)
Pro Forma EBITDA	**298.4**
Cost synergies[(a)]	110.0
Revenue synergies [(a)]	20.0
Adjusted Pro Forma EBITDA	**428.4**

(a) Cost synergies in the amount of €110.0 million include:

- Improvements in procurement terms in France related to (i) an alignment of terms between Fnac and Darty on Brown Goods and Grey Goods and (ii) volume-related gains due to the increase of the size of the Combined Group resulting in improved bargaining power towards suppliers. Fnac will also aim to extrapolate French gains to other geographic regions (through the creation of a European procurement platform), and to leverage on Darty's Asia platform to source certain Fnac products directly in Asia;
- Logistics cost savings related to a mutualization of logistics platforms, including warehousing;
- Savings related to in-store operating expenses, including (i) the volume effect related to the massification of certain supplier contracts, (ii) productivity gains relating to security costs (covering in particular the mutualization of certain functions for neighboring Fnac and Darty stores);
- IT cost savings related to a merger of certain of Fnac's and Darty's IT systems and savings on procurement of certain IT services; and
- Corporate cost savings related to (i) the closure of Darty's U.K. headquarters and the elimination of certain associated costs, including Darty's listing costs, (ii) de-duplication of certain functions, corporate and head office costs, executive functions, real estate costs and marketing expenses in France and Belgium.

Revenue synergies in the amount of €20.0 million include anticipated revenue from certain cross-selling initiatives, such as Fnac corners focused on Editorial Products in some Darty stores, in order to increase traffic, and Darty corners in certain Fnac stores. In order to enhance Fnac's White Goods offer and increase the mix of higher margin products in the available store space. We also intend to facilitate the cross-selling of products and services via our online channels and extend Fnac's ticketing offer to certain Darty stores in France and Belgium.

Approximately half of the aggregate amount of synergies is expected to be comprised of revenue synergies and improvements in procurement terms, while the rest of the synergies is expected to be comprised of logistics cost savings, savings related to in-store operating expenses, IT cost savings and corporate cost savings.

One-off expenses expected to be incurred in achieving the foregoing synergies, estimated to represent an aggregate amount of between €105 and €110 million and expected to be incurred largely in the financial years ending December 31, 2017 and 2018, have not been deducted. The synergies presented represent the full amount of synergies expected to be realized by the end of 2019. However, investors should note that only approximately 5% of the synergies are expected to be realized in 2016, rising to approximately 50% in 2017, 90% in 2018 and 100% thereafter.

Although these synergies have been estimated on the basis of a careful analysis and review of Darty, investors should note that these figures are estimates and there is no guarantee that we will be able to realize any of these synergies or cost savings in the expected timeframe or at all, and the costs we incur in trying to realize these synergies may outweigh the benefits. In addition, Fnac believes that dis-synergies may arise as a result of the Acquisition (which includes the cost of divestment of six stores referred to in "The Acquisition" and associated loss of revenue from such stores), which have not been deducted. In arriving at the estimate of synergies, Fnac has made the following assumptions: (i) there will be no significant impact on the underlying operations of either business or their ability to win business from customers and (ii) there will be no material changes to macroeconomic, political or legal conditions in the markets or regions in which Fnac and Darty operate that materially impact the implementation or costs to achieve the proposed cost savings.

(3) Pro Forma net financial debt represents pro forma long-term borrowings plus pro forma short-term borrowings less pro forma cash and cash equivalents.

Refinancing

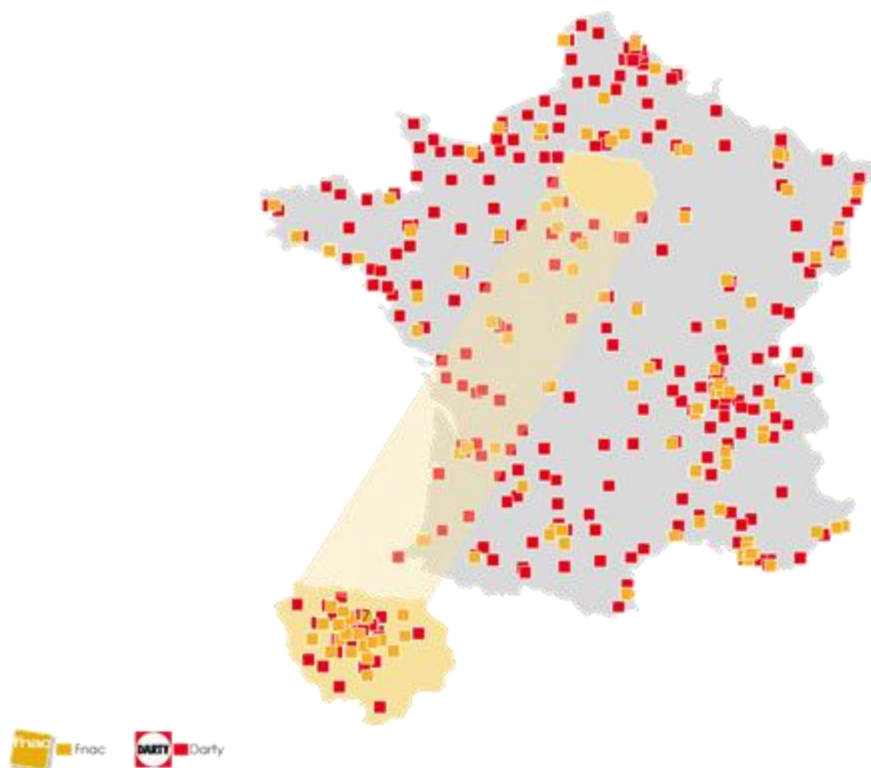
In connection with the Acquisition, Fnac entered into the Senior Facilities Agreement, which provided for a €950.0 million Bridge Facility and a €400.0 million Revolving Facility. On June 23, 2016, a €200.0 million Term Facility was subsequently committed under the terms of the Senior Facilities Agreement, and such Term Facility commitments cancelled on a euro-for-euro basis an equal portion of the Bridge Facility commitments. A loan amounting to the full €200.0 million available under the Term Facility was drawn on July 26, 2016 and a portion of the commitment under the Bridge Facility in an amount of €500.0 million was drawn on August 1, 2016 in order to finance cash consideration paid pursuant to the Acquisition. The remainder of the commitment under the Bridge Facility in an amount of €250.0 million was drawn on September 6, 2016 in order to finance, together with cash, the redemption in full of the Darty Notes.

Business

The Combined Group has a dense network of 642 stores (as of June 30, 2016), primarily in the France region (430), the Iberian Peninsula (49), Belgium (73) and the Netherlands (73) and also in Brazil (12) and Switzerland (5) and consisting of a diversified portfolio of store formats.

The Combined Group will combine the "*agitateur culturel*" ("cultural agitator", the phrase customers associate Fnac with), and the "*contrat de confiance*" ("contract of trust", the phrase customers associate Darty with).

The following map presents the location of Darty's and Fnac's store locations in France as of June 30, 2016:



For the twelve month period ended June 30, 2016, the Combined Group generated 75.4% of its consolidated revenue from the France region (which includes franchises in Qatar, Morocco and Ivory

fnac

Coast), 8.6% from the Iberian Peninsula, 1.8% from Brazil and 14.2% from Belgium, the Netherlands and Switzerland.

Workforce

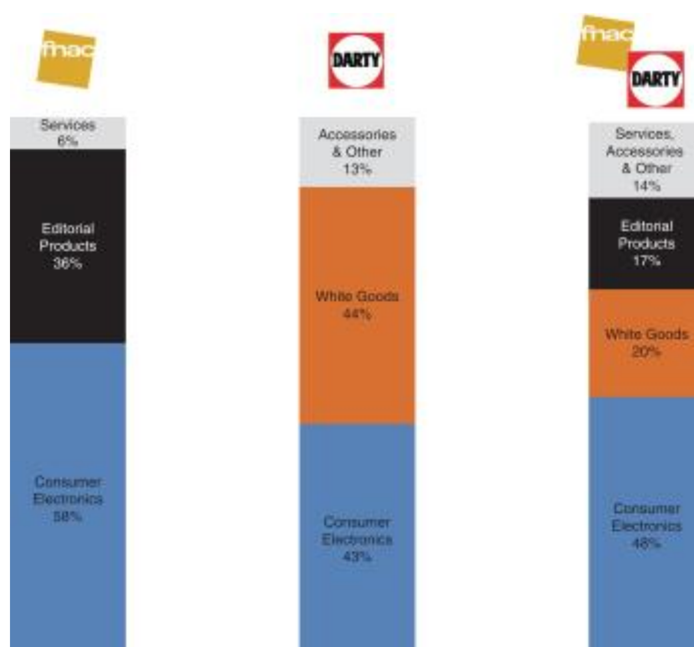
As of December 31, 2015, Fnac had 14,086 employees and as of April 30, 2016, Darty had 12,017 employees.

Market shares of the Combined Group

These market shares have been prepared on the basis of a consistent definition of the markets of Fnac and Darty plc and may therefore differ from market shares previously disclosed.

The Acquisition will enable the Combined Group to be the number one player in Consumer Electornics and White Goods in France, with a 24.3% market share in Consumer Electronics and 18.9% market share in White Goods (based on 2015 data). The Combined Group will also be a leading player in Editorial Products in France (16.6% market share based on 2015 data).

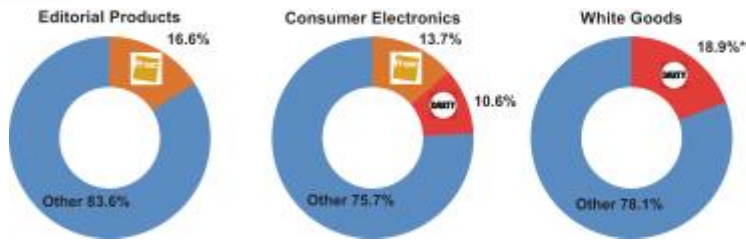
The Combined Group offers a diversified and balanced range of products consisting of Consumer Electronics, White Goods and Editorial Products and also provides a wide range of services to its customers. The following graphic presents the breakdown of the Combined Group's revenue by product and service in the twelve month period ended June 30, 2016:



On a Pro Forma basis (giving effect to the Acquisition and the Refinancing and the payment of fees and expenses related to the foregoing), for the twelve month period ended June 30, 2016, the Combined Group generated revenue of €7,562.5 million and Adjusted Pro Forma EBITDA of €428.4 million.

Pro Forma for the Acquisition, the Combined Group generated 48.2% of its revenue in Consumer Electronics, 20.4% of its revenue in White Goods, 17.4% of its revenue in Editorial Goods and 10.8% in Services and certain other items in the twelve month period ended June 30, 2016.

The Combined Group is expected to have the largest market share in the Consumer Electronics and White Goods markets in France and a leading market share in the Editorial Products, as shown in the diagrams below.



* includes 0.2% of Fnac market share

Risk factors relating to the Combined Group

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

While the Combined Group has a choice in selecting the products to be sold at its stores, it is unable to control the development of products by manufacturers, including the extent to which products include new technologies, features or designs that are attractive to customers. If the Combined Group's suppliers and/or the manufacturers that serve its suppliers are unable to develop products to meet the demands of its customers, the Combined Group's product offering will suffer and sales values could decline as consumers shift their discretionary spending elsewhere. This could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

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

France has recently experienced certain negative developments with respect to the general business climate, as well as social and political unrest. If the social instability intensifies, for example, in the run-up to the next presidential elections in the spring of 2017 and the next parliamentary elections in June 2017, the Combined Group may be exposed to an increased degree of risks arising from interruption of operations due to economic, political or social instability. The Combined Group's security costs may rise as a result of any increased social unrest or violence and footfall in its stores may suffer from adjacent incidents of social unrest or violence. It is possible that any continued or resurgent social and political uncertainty or adverse impact on the French economy as a result thereof, could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

The Combined Group cannot assure you that any of its strategies will be successful.

The Combined Group's future performance is dependent on its ability to identify, develop and execute its strategies. Because the Combined Group has outlined a growth and strategic development platform on which to expand its business, its failure to properly deploy and utilize capital and other resources may adversely affect its planned initiatives. Furthermore, following the Acquisition Fnac has reformulated and will continue to reformulate its strategy for the Combined Group. Misjudgments or flaws in the execution of the Combined Group's strategy could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

The Combined Group's marketing campaigns may prove ineffective.

The Combined Group's sales depend to a large extent on the success of its marketing campaigns. The Combined Group uses various marketing platforms, the most significant one being the Google search engine, on which the Group relies heavily. Any price increases imposed by Google for its services may increase the Combined Group's marketing costs unexpectedly.

From time to time, the Combined Group will need to refresh or reinvent its marketing campaigns, which will require additional expense. In the future, the Combined Group may, for example, make significant marketing efforts in areas such as advertising, search engine optimization and social media presence. These initiatives may fail to attract new customers or to generate the anticipated purchase volumes. More generally, the Combined Group cannot guarantee that its marketing efforts will generate the required degree of brand recognition, promote growth in the number of customers, or expand the volume of sales. In markets where the Combined Group has already achieved significant penetration, acquiring additional customers could prove more difficult and costly. If a marketing campaign fails, the investments

made will turn out to be ineffective and the Combined Group could face a decrease in customer demand and a resulting decline in sales which could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

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

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

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

As of June 30, 2016, approximately 18.8% of Darty's stores and 21.5% of Fnac's stores were operated by franchisees. The Combined Group receives revenue in the form of royalties and fees from such franchisees as well as from the sale of merchandise to franchise stores. Some franchisees are free to fix their prices and to buy products from parties other than the Combined Group, which may have an impact on the Combined Group's revenue. The Combined Group has limited influence over its franchisees and a limited ability to facilitate changes in store ownership and management. Franchisees may also be unwilling or unable to implement strategic initiatives. Although the Combined Group has certain rights to terminate franchisees for non-compliance with terms of their agreement, it may not be able to identify problems and take action quickly enough to prevent its results of operations or reputation from suffering. The Combined Group's principal competitors may have greater influence over their respective store networks because of their ownership of stores, putting the Combined Group at a competitive disadvantage.

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

In addition, the Combined Group could be impacted by the “El Khomri Law”, concerning work, modernizing employee dialog and safeguarding professional careers, which was voted by the French Parliament in 2016. The El Khomri Law is not clear on several points, and this could potentially subject to the Combined Group to litigation, *e.g.*, if the franchisor does not comply with the obligation to provide information to the social dialog committee or if the franchise agreement is converted into an employment contract due to the franchisor interference in the franchisee’s management. The law does not mention any specific sanctions should the franchisor fail to comply with these rules. However, any such litigation could result in unexpected expenses and require significant management time.

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

In December 2012, the French government enacted a competitiveness and employment tax credit (*crédit d’impôt pour la compétitivité et l’emploi*, or the “*CICE*”), as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. Pursuant to the CICE, French corporations will receive a subsidy equal to 6% of the gross salaries paid to these employees in 2014 and subsequent years. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Pursuant to the terms of the CICE scheme, gross salary is calculated on the basis of regular working hours plus overtime hours (but without taking into account the overtime rate payable in respect of such overtime).

Under accounting policies as of the date hereof, the Combined Group is able to record the benefit of the CICE for which it is eligible as a deduction from personnel cost. As such, the benefit of the CICE has a positive impact on the Combined Group’s operating income and EBITDA.

The benefit of the CICE for any particular financial year may only be used, during an initial period of four years, to decrease the Combined Group’s payable corporate income tax. The portion of the benefit of the CICE that will not have been used to offset corporate income tax during the initial four-year period will be payable to the Combined Group by the French Treasury at the end of this period.

Furthermore, in light of ongoing state budgetary pressures in France, the French government may decide at any time to change its policy and limit the application of the CICE (for example, by changing the basis upon which the CICE is calculated), set conditions for companies seeking to benefit from it, or eliminate it altogether. If the French economy improves, the government may also decide that the CICE is no longer needed to increase employment and enhance the competitiveness of the French economy and as a result may choose to repeal the law that established it for budgetary or other reasons. There can be no assurance, therefore, that the Combined Group will continue to be able to benefit from the CICE. Any changes to the CICE, including changes in the conditions or requirements companies must satisfy in order to claim the CICE or the accounting treatment thereof, may result in the decrease or elimination of the positive impact of the CICE on the Combined Group’s results of operations.

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

The Combined Group may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from the Combined Group’s entities. The actual realization of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits and the

future results of the relevant entities. In particular, pursuant Article 209, I, paragraph 3 of the French Tax Code (*Code général des impôts)*, the fraction of French tax loss carry-forwards that may be used to offset the taxable profit with respect to a given fiscal year is limited to €1.0 million plus 50% of the portion of taxable profit exceeding €1.0 million. Any reduction in the Combined Group's ability to use these assets due to changes in laws and regulations, potential tax reassessment, or lower than expected results could have a negative impact on its business, results of operations and financial condition.

The Combined Group may overestimate the synergies that will result from the Acquisition or underestimate the cost of implementing such synergies.

The Acquisition was completed on September 12, 2016. The main aim of the Acquisition is to create value for the Combined Group, especially through synergies in purchasing, logistics optimization, pooling back-office functions, and savings on procurement. However, the synergies on which the Acquisition project was based may not materialize as anticipated. The Combined Group may overestimate the synergies that will result from the Acquisition or underestimate the cost of implementing such synergies, and such costs may outweigh the benefit of such synergies. The amount of synergies is premised upon the Group's intention to maintain separate Fnac and Darty brands and commercial concepts following the completion of the Acquisition.

The anticipated benefits will depend in part on whether Darty's operations can be integrated in an efficient and effective manner into the Group's operations, and whether the expected bases or sources of synergies produce the benefits anticipated. Many operational and strategic decisions with respect to Darty following its acquisition by the Group have not been made and may not have been fully identified. These decisions may present significant challenges to management, including the integration of systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, significant one-time write-offs or restructuring charges, unanticipated costs and the loss of key employees. In particular, certain current and prospective employees may have uncertainties regarding their future roles within the Combined Group, which could have material adverse effects on the ability of the Group and of Darty to recruit and retain key managers and other employees and cold adversely affect employee morale. In addition, an increased focus on integration activities may divert management resources.

Fnac believes that dis-synergies may arise as a result of the Acquisition (which includes the cost of divestment of six stores and associated loss of revenue from such stores), which have not been deducted from the estimated synergies.

In arriving at the estimated synergies, Fnac has made the following assumptions: (i) there will be no significant impact on the underlying operations of either business or their ability to win business from customers and (ii) there will be no material changes to macroeconomic, political or legal conditions in the markets or regions in which Fnac and Darty operate that materially impact the implementation or costs to achieve the proposed cost savings. There can be no assurance that these assumptions will prove to be accurate.

There can be no assurance that the integration of Darty's operations, management and culture into those of the Group's will be timely or effectively accomplished. In addition, the ability of the Combined Group to realize the anticipated synergies are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond its control, such as changes to government regulation governing or otherwise impacting its industry, changes in the political environment in France, operating difficulties, customer preferences, changes in competition and general economic or industry

conditions. Consequently, the Combined Group may overestimate the synergies that will result from the Acquisition or underestimate the cost of implementing such synergies. Failure to realize the expected synergies could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

If there are material and unforeseen difficulties integrating the businesses of the Group and of Darty, the business of the Combined Group could be adversely affected.

There may be difficulties in integrating the Group's business and operations into Darty's business and operations (and vice-versa), and the restructuring of the organizations could present a structural operational risk as well as a risk of loss of efficiency and deflect attention from the management of current business. The difficulties of combining the operations of the two groups may include, among others:

- managing a significantly larger group;
- coordinating geographically separate organizations;
- potential diversion of management focus and resources from other strategic opportunities and from operational matters;
- retaining existing customers and attracting new customers;
- maintaining employee morale and retaining key management and other employees;
- integrating two unique business cultures, which may prove to be incompatible;
- the possibility of faulty assumptions underlying expectations regarding the integration and the acquisition process;
- issues in achieving anticipated operating efficiencies, business opportunities and growth prospects;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- issues in integrating financial reporting, internal control, information technology, communications and other systems;
- changes in applicable laws and regulations; and
- managing tax costs or inefficiencies associated with integrating the Combined Group's operations.

Many of these factors will be outside of the Combined Group's control and any one of them could result in increased costs, decreased revenue and diversion of management's time and energy, which could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

Certain of Darty's contracts contain change of control provisions, which may allow its counterparties to terminate the contract under circumstances such as the Acquisition.

Certain of Darty's contracts contain "change of control" provisions that require Darty to notify the counterparty of a potential change of control or contain language that could be interpreted as allowing,

subject to certain conditions, the counterparty to terminate the contract. Darty has not sent notices of the Acquisition to all of its counterparties to whom it is contractually required to notify of the Acquisition, and Darty did not seek a formal consent from every counterparty that might have a termination right under a change of control provision. Since the Acquisition was announced, Darty has not received any formal notice or inquiry from any counterparty regarding a termination right arising from a change of control. Nevertheless, there can be no assurance that counterparties will not seek to exercise termination rights in the future. If a substantial number of these contracts were terminated as a result of the Acquisition the Combined Group may be forced to enter into new contracts. Some of these new counterparties may have stronger bargaining positions than when Darty's existing contracts were originally negotiated. As a result, the Combined Group may not be able to secure replacement contracts, or the Combined Group may only be able to secure replacement contracts on less favorable terms. Any of these events could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

Completion of the Acquisition could result in the termination of directorship positions or employment contracts of certain key executives or employees of the Group and Darty and the consequential payment of indemnities.

Certain key executives and other employees of the Group and Darty and their respective subsidiaries may terminate their directorship positions or their employment contracts on their own initiative or that of the Combined Group as a result of the Acquisition. If members of the Combined Group's senior management depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted. Such departures could give rise to the payment of indemnities, severance payments and to claims which could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

Any major breakdown of labor relations or labor-related disruptions or strikes following the completion of the Acquisition may significantly impact the ability of the Combined Group to operate its business.

Certain synergies related to the Acquisition concern labor costs and may result in redundancies which may cause dissatisfaction of the Combined Group's employees. Given the labor intensive nature of the Combined Group's business, the Combined Group cannot guarantee that the completion of the Acquisition will not be followed by strikes, work stoppages, work slow-downs or other labor disputes which could materially disrupt the Combined Group's operations or result in a loss of reputation. Any strikes, work stoppages, work slow-downs or other labor disputes may also force the Combined Group to incur unexpected security or legal costs or result in increased wages and benefits, and could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

The financial statements and other financial information of Darty used to prepare the unaudited Pro Forma condensed consolidated financial information, may not be indicative of the future results of Darty as part of the Combined Group.

The unaudited Pro Forma condensed consolidated financial information that gives effect to the Acquisition, the Refinancing and the payment of fees and expenses related to the foregoing. The unaudited Pro Forma condensed consolidated financial information is based on preliminary estimates and assumptions which the Group believes to be reasonable and is being furnished solely for illustrative purposes. The historical results of operations and other financial information of Darty are not necessarily indicative of the contribution of Darty's operations to the Combined Group. The estimates and assumptions used in the calculation of the unaudited Pro Forma condensed consolidated financial

information may be materially different from the Combined Group's actual or future results. Accordingly, the unaudited Pro Forma condensed consolidated financial information does not purport to indicate the results that would have actually been achieved had the Acquisition been completed on the assumed date or for the periods presented, or which may be realized in the future, nor does the unaudited Pro Forma condensed consolidated financial information give effect to any events other than those discussed in the unaudited Pro Forma condensed consolidated financial information and related notes. As a result, you should not place undue reliance on the unaudited Pro Forma condensed consolidated financial information.

The Combined Group might not be able to implement or adapt its post-Acquisition business strategy effectively.

The Group has based its strategy, and in particular its decision to acquire Darty, on its vision of the market, notably one in which retailers have turned to consolidation to achieve the necessary scale to remain competitive in their segment. As a larger and more diversified entity with a stronger capital structure, the Group believes that the Combined Group will be better positioned to respond proactively to the repercussions of the market changes in their respective activities. The Combined Group, however, operates in a market that is affected by economic, competitive and regulatory instability, and the Combined Group must regularly adapt its economic model in order to account for market changes, such as by developing pricing policies, adapting its cost structures, rationalizing its operational organization and adapting its commercial strategy. If the measures the Combined Group implements do not in fact match actual consumer demands, expectations or habits, this would have an adverse effect on the returns on investments made, financial targets, market share and revenue. Consequently, any development of the Combined Group's business strategy which is not sufficiently adapted to actual trends and consumer demands, expectations and habits in the retail markets in which it operates could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

Changes in financial accounting standard on lease accounting may limit the flexibility under the Combined Group's financial obligations.

The International Accounting Standards Board ("*IASB*") has developed a new leases standard, IFRS 16, which supersedes IAS 17 leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Subject to the adoption by the European Union, companies are required to apply IFRS 16 from January 1, 2019. Under IFRS 16 released by IASB in January 2016 (early application is permitted for companies that also adopt IFRS 15), companies will be required to adopt a "right-of-use" approach in accounting for their lease contracts. Under this approach, a lessee is seen as acquiring a right to use an asset under a lease contract, and as paying for that right in the form of lease installments. Lessees will be required to state their rights and obligations arising from lease contracts on their balance sheets. As a result of these changes, a lessee would recognize assets and liabilities for leases of more than twelve months and for which the underlying asset is not of low value.

As a result of IFRS 16, even if there is no fundamental change in the Combined Group's economic position, the Combined Group will have to recognize obligations under its current operating leases on its balance sheet. Given that Fnac leases all of its store locations and Darty leases the vast majority of its store locations, the change in treatment of leases under IFRS 16 may significantly change the presentation of the Combined Group's balance sheet and affect the comparability of its assets and liabilities from year to year. Although the Combined Group is yet to assess the full impact of the new lease standard and to decide on its approach to transition, it is expected that the Combined Group's

balance sheet in the financial year of initial application may differ notably from the balance sheets in previous financial years. For example, as of December 31, 2015 Fnac's operating lease commitments totaled €389.6 million and, as of April 30, 2016, Darty's operating lease commitments totaled €249.2 million, the majority of which would be recognized on their respective balance sheets following the implementation of IFRS 16. In addition, the interpretation of the Combined Group's financial obligations, which rely on ratios based in part on finance leases and which are tested from time to time, may be affected by the recognition of the Combined Group's operating leases on its balance sheet following the implementation of IFRS 16. This may have a material adverse effect on the Combined Group's ability to incur more indebtedness in the future and therefore limit its flexibility to operate its business, which could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

Fnac's inability to open on Sundays in tourist areas in France could present a strategic and economic risk.

Negotiations with trade unions to allow Fnac stores situated in tourist areas to open in France on Sundays are currently suspended. If these negotiations do not resume and are not successful, Fnac may lose market share in the face of competition from other players and will lose the extra business that would be generated by Sunday openings.

Unaudited pro forma condensed consolidated financial information as of and for the twelve month period ended June 30, 2016

fnac

FINANCIAL INFORMATION PRO FORMA Fnac Darty 12 month period ended June 30, 2016

1 Transaction Details

1.1 Terms of the Transaction

The Unaudited Pro Forma Condensed Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act, the regulations of the European Union contained in Regulation (EC) No. 809/2004 and the ESMA update of the CESR recommendations for the consistent implementation of that regulation (ESMA/2011/81), IFRS or U.S. GAAP. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with French GAAS or U.S. GAAS.

The transaction consists in acquiring the entire share capital of Darty Plc ("*Darty*") in exchange of shares of Groupe Fnac SA ("*Fnac*") plus additional cash amount (the "Acquisition").

On July 18, 2016 the French Competition Authority announced that it had decided to authorize the purchase of Darty by Fnac.

The French Competition Authority has asked Fnac to sell five existing sales points and one planned sales point out of the combined networks of Fnac and Darty in France, totaling more than 400 stores. The sales points to be sold are the Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen and Darty Vélizy stores and the Darty Cuisine de Wagram sales point that was expected to open soon. The impact of the closure of these sales points has not been taken into account in preparing the Pro forma financial information.

As at September 15, 2016, the date of preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information, Fnac holds all the shares of Darty.

Payment for the acquisition of the Darty shares has been made as follows:

In € millions	
Contribution transferred	**1,077.6**
of which paid in cash before june '16 (1)	*321.1*
of which payment in shares consideration : 30.55% of Darty (1 share of Groupe Fnac SA for 25 shares of Darty Plc)	*332.3*
of which paid in cash after june '16 (2)	*424.2*
total paid in cash (1)+(2)	*745.4*

1.2 Objective of the Unaudited Pro Forma Condensed Consolidated Financial Information

The objective of the unaudited Pro Forma condensed consolidated Financial Information for the Fnac-Darty combined entity (the "Unaudited Pro Forma Condensed Consolidated Financial Information") is to illustrate the impact that the Acquisition and its financing and the refinancing of Darty's bond by Fnac (the "Refinancing") and the cancellation of all previous credit facilities entered into by Fnac that are not deemed to be further used (the "Credit Facilities" and together with the Refinancing and the Acquisition, the "Transactions") would have had on the historical consolidated statement of financial position as at June 30, 2016 and on the unaudited consolidated income statement for the period from July 1, 2015 to June 30, 2016 (including the financing of the Acquisition and the Refinancing) if the Transactions had taken place at a date prior to their actual occurrence. The Unaudited Pro Forma Condensed Consolidated Financial Information is not necessarily indicative of the future operating result or of the future financial position of the Fnac-Darty combined Group. There is no guarantee that the trends indicated by the Unaudited Pro Forma Condensed Consolidated Financial Information will be representative of the future results or performance of the Fnac-Darty combined Group. The consolidated results and the consolidated statement of financial position of the future Fnac-Darty combined Group may therefore differ significantly from the income statement and statement of financial position presented in the Unaudited Pro Forma Condensed Consolidated Financial Information.

2 Basis of preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information

2.1 Historical financial data used and adjustments made

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared in millions of euros, the euro being the functional currency of the parent companies of the Fnac Darty groups and the currency in which the historical consolidated financial statements of Groupe Fnac and the Darty Group are presented.

The Unaudited Pro Forma Condensed Consolidated Financial Information includes the following:

- Pro Forma consolidated income statement for the period from July 1, 2015 to June 30, 2016;
- Pro Forma consolidated statement of financial position as at June 30, 2016; and
- Explanatory notes.

Given the different closing dates of Groupe Fnac (December 31) and the Darty Group (April 30), the information available for the Darty Group, and the very seasonal aspect of the business of both of these groups, the pro forma consolidated income statement was prepared for the 12-month period ended June 30, 2016.

The Unaudited Pro Forma Condensed Consolidated Financial Information reflects the Transactions (including the acquisition of Darty Plc and its subsidiaries, the financing of the transaction and the refinancing of Darty by Fnac) as if they had taken place on June 30, 2016 for the purposes of the pro forma consolidated statement of financial position, and on July 1, 2015 for the purposes of the pro forma consolidated income statement. The Acquisition will be recognized as a business combination pursuant to the provisions of revised IFRS 3.

The Unaudited Pro Forma Condensed Consolidated Financial Information was prepared based on the following historical information:

- For Groupe Fnac: the Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the basis of the audited consolidated financial statements for the fiscal year ended December 31, 2015 as shown in the 2015 Registration Document registered with AMF (the French financial markets authority) on April 19, 2016 as number R.16-023 and the condensed consolidated financial statements which were the subject of a review, for the 6-month period ended June 30, 2015 and June 30, 2016, and the 2015 and 2016 half-year report. The unaudited consolidated income statement for the 12-month period beginning July 1, 2015 and ending June 30, 2016 were obtained by adding the consolidated income statement flows for the 6-month period ended June 30, 2016 and for the 6-month period ended December 31, 2015. The consolidated income statement for the 6-month period ended December 31, 2015 was obtained by taking the difference between the consolidated income statement for the fiscal year ended December 31, 2015 and the consolidated income statement for the 6-month period ended June 30, 2015. Details of the calculations are shown in the section entitled *"Summary Historical Financial and Operating Information of Fnac – Fnac Consolidated Income Statement Data"* starting on page 17 of the Offering Memorandum. The consolidated income statement obtained in this way is defined as "LAST TWELVE MONTH PERIOD ENDED JUNE 30, 2016" or "LTM" data;
- For the Darty Group: The Unaudited Pro Forma Condensed Consolidated Financial Information was prepared based on the audited consolidated financial statements for the fiscal year ended April 30, 2016 and the unaudited interim consolidated financial statements of Darty for the two-month periods ended June 30, 2016 and June 30, 2015. The unaudited consolidated income statement for the 12-month period beginning July 1, 2015 and ending June 30, 2016 was prepared from the audited consolidated income statement for the fiscal year ended April 30, 2016 with the addition of the income statement flows from the interim two-month period ended June 30, 2016, less those from the interim two-month period ended June 30, 2015, as shown in the unaudited interim consolidated financial statements of Darty for the two-month periods ended June 30, 2016 and June 30, 2015. Details of the calculations are shown in the section entitled *"Summary Historical Financial and Operating Information of Darty – Darty Consolidated Income Statement Data"* starting on page 24 of the Offering Memorandum. The consolidated income statement obtained in this way is defined as "LAST TWELVE MONTH PERIOD ENDED JUNE 30, 2016" or "LTM" data.

2 Basis of preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information continued

Groupe Fnac SA and Darty Plc prepare their consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements of Darty Plc were not the subject of any emphasis of matter or qualification by its auditor. The consolidated financial statements of Groupe Fnac S.A. were likewise not subject to any emphasis of matter or qualification by its statutory auditors.

In addition, given the timescales, it was not possible to make the following adjustments:

- Harmonization of the accounting principles of Darty to ensure consistency with those of Fnac;
- Restatement of provisions for disputes and contingent liabilities; and
- Measurement of identifiable assets and liabilities at fair value in accordance with revised IFRS 3 revised.

The following items, which will be due exclusively to the upcoming changes, are not taken into account in the Unaudited Pro Forma Condensed Consolidated Financial Information:

- the new costs resulting from the reorganization and upcoming changes (both the change in strategy or organizational structure and the impacts from the closures of sales points requested by the French Competition Authority in its decision of July 18, 2016);
- synergies and economies of scale since these are considered to be projections.

In addition, Fnac and Darty have no prior relationship that meets the definition of reciprocal transactions upon actual implementation of the Transaction, and so no adjustment is reflected in the Unaudited Pro Forma Condensed Consolidated Financial Information.

3 Financial information and pro forma adjustments

3.1 Pro forma consolidated income statement for the period from July 1, 2015 to June 30, 2016

				Pro Forma Adjustments LTM				
In € millions	Historical data of Fnac LTM (chapter 2)	Historical data of Darty LTM (chapter 2)	Combination of historical financial Data of Fnac and Darty LTM	Acquisition of DARTY (note 2)*	Funding of the transaction (note 3)	Transaction Costs (note 4)	Combination of Pro Forma Adjustments LTM	Pro Forma financial information LTM
Revenue	3,867.8	3,694.7	7,562.5	0.0	0.0	0.0	0.0	7,562.5
Cost of sales	-2,724.0	-2,601.7	-5,325.7	0.0	0.0	0.0	0.0	-5,325.7
Gross Margin	**1,143.8**	**1,093.0**	**2,236.8**	**0.0**	**0.0**	**0.0**	**0.0**	**2,236.8**
Personnel expenses	-552.7	-609.5	-1,162.2	0.0	0.0	0.0	0.0	-1,162.2
Other operating income & expenses	-500.5	-386.2	-886.7	0.0	0.0	0.0	0.0	-886.7
Current operating income	**90.6**	**97.3**	**187.9**	**0.0**	**0.0**	**0.0**	**0.0**	**187.9**
Other non-current operating income & expenses	-30.9	-31.1	-62.0	-15.4	0.0	-40.4	-55.8	-117.8
Operating income	**59.7**	**66.2**	**125.9**	**-15.4**	**0.0**	**-40.4**	**-55.8**	**70.0**
Current financial expenses	-14.0	-25.3	-39.4	0.0	-15.0	0.0	-15.0	-54.4
Non-current financial expenses	-18.7	0.0	-18.7	0.0	-34.5	0.0	-34.5	-53.2
Pre-tax income	**27.0**	**40.8**	**67.8**	**-15.4**	**-49.5**	**-40.4**	**-105.3**	**-37.5**
Pre-tax income excluding non-current expenses	***76.6***	***71.9***	***148.5***	***0.0***	***-15.0***	***0.0***	***-15.0***	***133.5***
Income tax**	-11.3	-31.7	-43.0	0.0	17.0	19.0	36.0	-7.0
Share of profit from equity associates	0.0	1.6	1.6	0.0	0.0	0.0	0.0	1.6
Net income from continued operations	**15.7**	**10.8**	**26.5**	**-15.4**	**-32.5**	**-21.5**	**-69.3**	**-42.9**
Net income from discontinued operations	0.0	5.3	5.3	0.0	0.0	0.0	0.0	5.3
Consolidated net income	**15.7**	**16.1**	**31.8**	**-15.4**	**-32.5**	**-21.5**	**-69.3**	**-37.5**
Group share	15.1	15.8	30.9	-15.4	-32.5	-21.5	-69.3	-38.4
non-controlling interest	0.6	0.3	0.9	0.0	0.0	0.0	0.0	0.9

In € millions								
Current operating income	90.6	97.3	187.9	0.0	0.0	0.0	0.0	187.9
Amortization & Depreciations	62.0	48.5	110.5	0.0	0.0	0.0	0.0	110.5
EBITDA* **	**152.6**	**145.8**	**298.4**	**0.0**	**0.0**	**0.0**	**0.0**	**298.4**
Rents	129.2	100.1	229.3	0.0	0.0	0.0	0.0	229.3
EBITDAR* **	**281.8**	**245.9**	**527.7**	**0.0**	**0.0**	**0.0**	**0.0**	**527.7**

* Acquisition costs include the reclassification in profit and loss of the change in fair value of Darty shares recognized in the consolidated comprehensive income statement as at June 30 2016.

** The tax effect amount of the adjustments for the pro forma information was calculated using a standard rate of 34.43%.

*** The EBITDA for Darty for the twelve month period ended June 30, 2016, which has been recalculated to be aligned on the Fnac EBITDA definition includes Profit/Loss on disposal of property for €21.5 million and excludes share of profit from equity associates for €2.4 million.

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3 Financial information and pro forma adjustments continued

3.2 Pro forma consolidated statement of financial position as at June 30, 2016

In € millions	Historical data of Fnac LTM (chapter 2)	Historical data of Darty LTM (chapter 2)	Combination of historical financial Data of Fnac and Darty LTM	Pro Forma Adjustments LTM: Acquisition of DARTY (note 2)*	Pro Forma Adjustments LTM: Funding of the transaction (note 3)	Pro Forma Adjustments LTM: Transaction Costs (note 4)	Combination of Pro Forma Adjustments LTM	Pro Forma financial information LTM
Goodwill	332.5	19.0	351.5	1,388.6	0.0	0.0	1,388.6	1,740.1
Intangible non-current assets	70.2	38.5	108.7	0.0	0.0	0.0	0.0	108.7
Tangible non-current assets	148.7	297.6	446.3	0.0	0.0	0.0	0.0	446.3
Investments in companies under equity methode	2.0	0.0	2.0	0.0	0.0	0.0	0.0	2.0
Non-current financial assets	326.7	15.8	342.5	-321.1	0.0	0.0	-321.1	21.4
Deferred tax assets	41.9	0.0	41.9	0.0	10.3	21.7	32.1	74.0
Other non-current assets	0.1	9.6	9.7	0.0	0.0	0.0	0.0	9.7
Non-current assets	**922.1**	**380.5**	**1,302.6**	**1,067.5**	**10.3**	**21.7**	**1,099.6**	**2,402.2**
Inventories	448.1	559.8	1,007.9	0.0	0.0	0.0	0.0	1,007.9
Trade receivables	77.3	234.9	312.2	0.0	0.0	0.0	0.0	312.2
tax receivables due	7.2	22.4	29.6	0.0	0.0	0.0	0.0	29.6
Other current financial assets	25.5	0.0	25.5	0.0	-15.9	0.0	-15.9	9.6
Other current assets	96.6	0.0	96.6	0.0	0.0	0.0	0.0	96.6
cash and cash equivalents	118.7	85.1	203.8	-424.2	502.5	-54.3	24.0	227.8
Current assets	**773.4**	**902.2**	**1,675.6**	**-424.2**	**486.6**	**-54.3**	**8.1**	**1,683.7**
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	**1,695.5**	**1,282.7**	**2,978.2**	**643.2**	**496.9**	**-32.5**	**1,107.7**	**4,085.9**
Share capital	19.6	0.0	19.6	6.5	0.0	0.0	6.5	26.1
Equity-related reserves	650.6	-301.1	349.5	627.7	-19.7	-26.8	581.2	930.7
Translation reserves	-7.4	0.0	-7.4	0.0	0.0	0.0	0.0	-7.4
Other reserves	-38.2	0.0	-38.2	0.0	0.0	0.0	0.0	-38.2
Shareholder's equity, Group Share	***624.6***	***-301.1***	***323.5***	***634.1***	***-19.7***	***-26.8***	***587.6***	***911.2***
Shareholder's equity, non controlling interests	7.3	-0.8	6.5	0.0	0.0	0.0	0.0	6.5
Shareholder's equity	**631.9**	**-301.9**	**330.0**	**634.1**	**-19.7**	**-26.8**	**587.6**	**917.7**
Long term borrowings and financial debt **	0.4	249.5	249.9	9.1	584.0	0.0	593.1	843.0
Provisions for pensions and other equivalent benefits	87.0	59.1	146.1	0.0	0.0	0.0	0.0	146.1
Deferred tax liabilities	0.0	27.2	27.2	0.0	0.0	0.0	0.0	27.2
Other non-current liabilities **	0.0	213.7	213.7	0.0	0.0	0.0	0.0	213.7
Non-current provisions	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.5
Non-current liabilities	**87.4**	**550.1**	**637.5**	**9.1**	**584.0**	**0.0**	**593.1**	**1,230.5**
Short term borrowings and financial debt ***	50.6	16.6	67.2	0.0	-50.0	0.0	-50.0	17.2
Other current financial liabilities ***	18.9	0.0	18.9	0.0	-17.3	0.0	-17.3	1.6
Trade payable	575.9	989.4	1,565.3	0.0	0.0	-5.7	-5.7	1,559.6
Current provisions	12.6	0.2	12.8	0.0	0.0	0.0	0.0	12.8
Tax liabilities payable	13.1	28.3	41.4	0.0	0.0	0.0	0.0	41.4
Other current liabilities	305.1	0.0	305.1	0.0	0.0	0.0	0.0	305.1
Current Liabilities	**976.2**	**1,034.5**	**2,010.7**	**0.0**	**-67.3**	**-5.7**	**-73.0**	**1,937.7**
Liabilities relating to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	**1,695.5**	**1,282.7**	**2,978.2**	**643.2**	**496.9**	**-32.5**	**1,107.7**	**4,085.9**

* Acquisition costs include the reclassification in profit and loss of the change in fair value of Darty shares recognized in the consolidated comprehensive income statement as at June 30 2016.

** The amount of Long Term Borrowing and Financial Debt of Darty's historical data includes €3.7 million of financial lease which were classified in Other non-current liabilities in Darty Interim financial information As at 30 June 2016.

*** The amount of Short Term Borrowing and Financial Debt of Darty's historical data includes €1.7 million of Financial lease which were classified in trade payable in Darty Interim financial information as at 30 June 2016.

3 Financial information and pro forma adjustments continued

3.3 Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

Note 1: Preparation of the historical data LTM for Fnac and Darty

The method used to establish the Darty historical data LTM is explained in chapter 2.1.

The methods used to present the historical income statement LTM and historical statement of financial position are those used by Groupe Fnac SA to present its historical financial statements.

Note 2: Acquisition of Darty

As detailed in chapter 1 Transaction details, the acquisition of the group Darty Plc and its subsidiaries as part of the Acquisition should be accounted in accordance with IFRS 3 revised (Business Combinations), and would also imply that goodwill should be determined as the difference between the fair value of the consideration transferred and the fair value of the amount of the identifiable assets and liabilities (with some exceptions). However, in the context of the Unaudited Pro Forma Condensed Consolidated Financial Information and with no available information about the fair value of the identifiable assets and liabilities, goodwill is determined as the difference between the consideration transferred as determined in accordance with the methods below and the net carrying value of the assets and liabilities recognized in the consolidated statement of financial position of the Darty Group as at June 30, 2016, except for the bond issue and the revolving credit facility (RCF), for which estimated fair values taking into account the unamortized issuance costs have been made, and except for the goodwills recognized in the Darty financial statements. As a result, the so-called "preliminary" goodwill determined below is not, the goodwill that will be recognized in the consolidated financial statements of the Fnac-Darty Group that will be prepared for the year ended December 31, 2016.

The goodwill is determined as follows:

In € millions	June 2016
Net fixed assets	355.1
Exclusion of Darty's goodwill	(19.0)
Other assets	927.6
Other liabilities	(1,584.6)
Net consolidated assets	**(320.9)**
Unamortized bond debt and revolving credit facility issue costs of Darty *	(9.1)
Net assets acquired	**(330.0)**
Contribution consideration	**1,077.6**
Preliminary goodwill	**1,407.6**

* The line "Unamortized bond issuance costs and Darty RCF costs" appears in the notes of the Darty Group consolidated financial statements as at June 30, 2016. These issuance costs are related to the bond issue for €6.4 million and the RCF €2.7 million.

In € millions	
Contribution transferred	**1,077.6**
of which paid in cash before june '16 (1)	*321.1*
of which payment in shares consideration : 30.55% of Darty (1 share of Groupe Fnac SA for 25 shares of Darty Plc)	*332.3*
of which paid in cash after june '16 (2)	*424.2*
total paid in cash (1)+(2)	*745.4*

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3 Financial information and pro forma adjustments continued

Total number of Darty shares (in millions)	529.6
Pourcentage acquired in shares	30.55%
Number of Darty shares paid in fnac shares (in millions)	161.8
Parity Darty / Fnac *	25.0
Number of shares issued by Fnac (in millions)	6.47
value of Fnac shares (in euros)	1.0
Ajustement to share capital	**6.5**
Ajustement to reserves	**325.8**
Value of Fnac share in € **	51.34
Number of shares issued x Value of Fnac share (in millions)	332.3

* Based on a Fnac share at €54.60 and a Darty share at 170 pence based on an exchange rate of €1.282149 = 1 pound at the final offer date (04/22/2016).

** Price on date of takeover = 07/18/2016 as the date on which the Competition Authority authorized Darty's acquisition by Fnac.

The preliminary goodwill is determined as the difference between the consideration transferred as defined above and the net carrying value of the assets and liabilities recognized in the consolidated statement of financial position of the Darty Group as at June 30, 2016, with the exceptions described above.

The final valuations of the assets and liabilities and the accounting of the acquisition will be finalized after the completion of the Acquisition, based on evaluation reports and other studies performed by external valuation specialists.

This preliminary calculation is only for the purposes of preparing the unaudited Pro Forma Condensed Consolidated Financial Information and is therefore hypothetical and may be subject to change.

The determination of the fair value of the assets acquired and liabilities assumed may lead to the booking of some identifiable acquired assets that have a limited lifetime and will therefore be depreciated or amortized. Consequently, the future results of the group could be materially impacted by the depreciation or amortization expenses related to such identifiable acquired assets.

In relation to the aggregation of the historical financial data of Fnac and Darty as at June 30, 2016, the impact of the business combination adjustments on the Unaudited Pro Forma Condensed Consolidated Financial Information is as follows:

In € millions	Acquisition de DARTY (note 2) *
Goodwill	1,388.6
Intangible non-current assets	0.0
Tangible non-current assets	0.0
Investments in companies under equity methode	0.0
Non-current financial assets	-321.1
Deferred tax assets	0.0
Other non-current assets	0.0
Non-current assets	**1,067.5**
Inventories	0.0
Trade receivables	0.0
tax receivables due	0.0
Other current financial assets	0.0
Other current assets	0.0
cash and cash equivalents	-424.2
Current assets	**-424.2**
Assets held for sale	0.0
Total assets	**643.2**

3 Financial information and pro forma adjustments continued

In € millions	Acquisition de DARTY (note 2) *
Share capital	6.5
Equity-related reserves	627.7
Translation reserves	0.0
Other reserves	0.0
Shareholder's equity, Group Share	***634.1***
Shareholder's equity, non controlling interests	0.0
Shareholder's equity	**634.1**
Long term borrowings and financial debt	9.1
Provisions for pensions and other equivalent benefits	0.0
Deferred tax liabilities	0.0
Other non-current liabilities	0.0
Non-current provisions	0.0
Non-current liabilities	**9.1**
Short term borrowings and financial debt	0.0
Other current financial liabilities	0.0
Trade payable	0.0
Current provisions	0.0
Tax liabilities payable	0.0
Other current liabilities	0.0
Current Liabilities	**0.0**
Liabilities relating to assets held for sale	0.0
Total liabilities	**643.2**
Revenue	0.0
Cost of sales	0.0
Gross Margin	**0.0**
Personnel expenses	0.0
Other operating income & expenses	0.0
Current operating income	**0.0**
Other non-current operating income & expenses	-15.4
Operating income	**-15.4**
Current financial expenses	0.0
Non-current financial expenses	0.0
Pre-tax income	**-15.4**
Pre-tax income excluding non-current expenses	***0.0***
Income tax **	0.0
Share of profit from equity associates	0.0
Net income from continued operations	**-15.4**
Net income from discontinued operations	0.0
Consolidated net income	**-15.4**
Group share	-15.4
non-controlling interest	0.0

* Acquisition costs include the reclassification in profit and loss of the change in fair value of Darty shares recognized in the consolidated comprehensive income statement as at June 30 2016.

** The tax effect amount of the adjustments for the pro forma information was calculated using a standard rate of 34.43%.

As at June 30, 2016, the Darty shares held by Groupe Fnac (29.7%) were shown in Groupe Fnac's unaudited interim condensed consolidated financial statements as non-current financial assets,

3 Financial information and pro forma adjustments continued

specifically available-for-sale securities, and measured at fair value. The change in fair value of these shares was recognized as other comprehensive income in the unaudited interim condensed consolidated financial statements of Groupe Fnac as at June 30, 2016, and amount for -€15.4 million. Following the takeover in July 2016, this change in fair value was reclassified in profit and loss in the Unaudited Pro Forma Condensed Consolidated Financial Information.

In the Unaudited Pro Forma Condensed Consolidated Financial Information, the consideration transferred is calculated based on the number of Darty shares outstanding as at June 30, 2016 (529.6 million shares), and takes account of the outcome of the Third Increased Offer (parity of 1 Groupe Fnac SA share for 25 Darty Plc shares for the share swap and 170 pence per Darty share for the cash payment).

Note 3: Financing of the Transaction

In the context of financing the transaction, the Pro Forma Consolidated Statement of Financial position reflects the replacement of the "old financing arrangements" that existed in both groups as at June 30, 2016 with the "new financing arrangements" for the combined purposes of the two groups.

Old financing arrangements:

- Darty bond issue of €250 million
- €250 million Fnac revolving credit facility (RCF), of which €50 million was drawn as at June 30, 2016
- €225 million Darty RCF, not drawn as at June 30, 2016
- Bridge Facility: a portion of the Bridge Facility was drawn on August 1, 2016 in order to finance the Acquisition and a portion was drawn on September 6, 2016 in order to finance the redemption in full of the Darty Notes and fees.

New financing arrangements:

- €650 million bond issue
- Term Loan (TL) of €200 million, all of which is reflected as drawn down in the pro forma assumptions
- Revolving credit facility (RCF) of €400 million, not reflected as drawn down in the pro forma assumptions

The Unaudited Pro Forma Condensed Consolidated Financial Information presented in this offering memorandum has been prepared to illustrate the effect of the Acquisition and the Refinancing and the payment of fees and expenses related to the foregoing. It has been prepared on the basis of an Offering of Notes in an aggregate principal amount of €650 million. Pro Forma financial information prepared on the basis of a different aggregate principal amount of Notes would differ from the Unaudited Pro Forma Condensed Consolidated Financial Information presented in this offering memorandum. In particular, Pro Forma financial expenses, Pro Forma consolidated net income, Pro Forma cash and equivalents, Pro Forma long term borrowings and financial debt would differ significantly from the Pro Forma information presented in this offering memorandum.

The principle that has been adopted is therefore to present a pro forma cash position that matches the actual cash position of the combined entities at the acquisition date, less -€47.5 million of costs to be disbursed in connection with the acquisition financing:

In € millions	Funding of the transaction (Note 3)
€250 million Darty Bond reimbursement	-250.0
Fnac RCF (€250 million) reimbursement	-50.0
High Yield Bond issuance	650.0
Term Loan Issuance	200.0
Financial structure adjustment	**550.0**
Set-up costs to be disbursed in the second half of 2016	-28.4
Costs related to repayment of the Darty bond	-19.1
Financial structure related disbursements	**-47.5**
Cash and cash equivalents	**502.5**

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3 **Financial information and pro forma adjustments** continued

The pro forma adjustments to the income statement allow to present in the pro forma consolidated income statement the overall costs of the acquisition financing, excluding certain historical financial expenses that are considered to be interchangeable under the new financial structure.

In € millions	Pro forma Adjustments	Pro forma Reclassification	Funding of the transaction (Note 3)
Cancellation of financial expenses on the €250 million Darty bond	14.6		
Cancellation of financial expenses on the €225 million Darty RCF	1.5		
Cancellation / reclassification of Financial expenses on the €250 million Fnac RCF	3.3	1.6	
Cancellation of interchangeable expenses	***19.4***	***1.6***	***21.0***
Interest on "New financing arrangements"	-32.0		
Interest for non-use of the RCF of €400 million	-4.0		
New financial structure standard charges	***-36.0***		***-36.0***
Current financial Charges Adjustment	**-16.6**	**1.6**	**-15.0**
Accelerated amortization / reclassification of the "old financing arrangements" costs	-30.1	-1.6	
Amortization over 12 months of the set-up costs of the "new financing arrangements"	-2.8		
Non current financial Charges Adjustment	**-32.9**	**-1.6**	**-34.5**
Total Financial adjustment	**-49.5**	**0.0**	**-49.5**

Cancellation of interchangeable expenses is reflected in an income amount of +€19.4 million.

The standard charges for the new financial structure replacing them, recognized as an adjustment in the pro forma financial statements, amount to -€36.0 million:

- The interest rate considered for the €650 million bond amounts to 4%, leading to a yearly interest expense of (-€26.0 million)
- The interest rate considered for the Term Loan of €200 million amounts to 3%, leading to a yearly interest expense of (-€6.0 million)
- The fee for non-use of the RCF of €400 million (-€4.0 million)

Non-current financial adjustments in the pro forma consolidated income statement amount to -€32.9 million. Those costs mainly include the accelerated amortization of the "old financing arrangement" costs disbursed or committed for a total consideration of -€30.1 million:

- Costs related to early repayment of the Darty bond for (-€14.1 million)
- Bridge Facility and Fnac historical RCF set-up costs (-€13.9 million)
- Residual value write-off of an option hedging instrument (-€2.1 million)

In addition, the Unaudited Pro Forma Condensed Consolidated Financial Information include an adjustment on historical financial charges classification for an amount of (€1.6 million). This adjustment concerns the set-up cost of the €250 million Fnac historical RCF. It has a positive impact on "Current financial expenses" for (+€1.6 million) and a negative impact on "Non-current financial expenses" for (-€1.6 million).

3 Financial information and pro forma adjustments continued

In relation to the aggregation of the historical financial data of Fnac and Darty as at June 30, 2016, the impact of the pro forma adjustments related to the financing of the transaction is as follows:

In € millions	Funding of the transaction (note 3)
Goodwill	0.0
Intangible non-current assets	0.0
Tangible non-current assets	0.0
Investments in companies under equity methode	0.0
Non-current financial assets	0.0
Deferred tax assets	10.3
Other non-current assets	0.0
Non-current assets	**10.3**
Inventories	0.0
Trade receivables	0.0
tax receivables due	0.0
Other current financial assets	-15.9
Other current assets	0.0
cash and cash equivalents	502.5
Current assets	**486.6**
Assets held for sale	0.0
Total assets	**496.9**
Share capital	0.0
Equity-related reserves	-19.7
Translation reserves	0.0
Other reserves	0.0
Shareholder's equity, Group Share	***-19.7***
Shareholder's equity, non controlling interests	0.0
Shareholder's equity	**-19.7**
Long term borrowings and financial debt	584.0
Provisions for pensions and other equivalent benefits	0.0
Deferred tax liabilities	0.0
Other non-current liabilities	0.0
Non-current provisions	0.0
Non-current liabilities	**584.0**
Short term borrowings and financial debt	-50.0
Other current financial liabilities	-17.3
Trade payable	0.0
Current provisions	0.0
Tax liabilities payable	0.0
Other current liabilities	0.0
Current Liabilities	**-67.3**
Liabilities relating to assets held for sale	0.0
Total liabilities	**496.9**

3 Financial information and pro forma adjustments continued

The line « Long term borrowings and financial debt » (ie. €584.0 million) includes the issuance of the High-Yield Bond and Term Loan for €850.0 million, the reimbursement of the Darty's Bond for € -250.0 million, the payment of the accrued interest on Darty bond € -4,9 million and the disbursement of the high-yield bond set-up cost for € -11.1 million.

In € millions	Funding of the transaction (note 3)
Revenue	0.0
Cost of sales	0.0
Gross Margin	**0.0**
Personnel expenses	0.0
Other operating income & expenses	0.0
Current operating income	**0.0**
Other non-current operating income & expenses	0.0
Operating income	**0.0**
Current financial expenses	-15.0
Non-current financial expenses	-34.5
Pre-tax income	**-49.5**
Pre-tax income excluding non-current expenses	***-15.0***
Income tax**	17.0
Share of profit from equity associates	0.0
Net income from continued operations	**-32.5**
Net income from discontinued operations	0.0
Consolidated net income	**-32.5**
Group share	-32.5
non-controlling interest	0.0

** The tax effect amount of the adjustments for the pro forma information was calculated using a standard rate of 34.43%.

Note 4: Transaction costs

These costs were negotiated by Groupe Fnac SA for the entire Acquisition, with no differentiation between the costs due to the capital increase related to the portion of Darty's shares settled in equity, the costs related to the portion of Darty's shares settled in cash, and the costs related to the Acquisition as a whole (Securities Note). They were therefore allocated to consolidated reserves based on the estimated percentage of the consideration transferred settled in equity, with the remaining costs recognized in profit or loss.

The amount of transaction costs incurred by Groupe Fnac is estimated at €26.3 million and recognized in the Pro Forma Financial Information as follows:

In € millions	Consideration transferred	Weighed average	Allocated costs before taxes	Allocated costs after taxes
Equity impact	332.3	30.8%	8.1	5.3
Income statement impact	745.4	69.2%	18.2	11.9
Total	**1,077.6**	**100.0%**	**26.3**	**17.2**

The transaction costs of €26.3 million is broken down between €8.1 million on consolidated reserves and €18.2 million on the consolidated income statement before tax. The breakdown of the transaction costs will also be subject to further analysis based on the final transaction costs as part of the preparation of the Fnac consolidated financial statements for the year ended December 31, 2016. It is a preliminary status based on the information available at that time and may therefore be subject to change.

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3 Financial information and pro forma adjustments continued

The tax effect is calculated using a standard tax rate of 34.43%. It assumes that the deferred tax assets will be recoverable based on the medium-term projection of taxable income.

The costs related to Darty's integration have not been taken into account in the Pro Forma Financial Information.

The transaction costs also include one-off costs of €19.5 million related to the change of control of Darty and incurred by Darty with the banks to protect the interests of its shareholders, and €17.3 million related to bonuses and long-term incentives for former managers.

In € millions	Allocated costs before taxes	Allocated costs after taxes
Darty transaction fees	36.9	24.2
Total	**36.9**	**24.2**

In relation to the aggregation of the historical financial data of Fnac and Darty as at June 30, 2016, the impact of the pro forma adjustments related to the transaction costs is as follows:

In € millions	Transaction Costs (note 4)
Goodwill	0.0
Intangible non-current assets	0.0
Tangible non-current assets	0.0
Investments in companies under equity methode	0.0
Non-current financial assets	0.0
Deferred tax assets	21.7
Other non-current assets	0.0
Non-current assets	**21.7**
Inventories	0.0
Trade receivables	0.0
tax receivables due	0.0
Other current financial assets	0.0
Other current assets	0.0
cash and cash equivalents	-54.3
Current assets	**-54.3**
Assets held for sale	0.0
Total assets	**-32.5**
Share capital	0.0
Equity-related reserves	-26.8
Translation reserves	0.0
Other reserves	0.0
Shareholder's equity, Group Share	***-26.8***
Shareholder's equity, non controlling interests	0.0
Shareholder's equity	**-26.8**
Long term borrowings and financial debt	0.0
Provisions for pensions and other equivalent benefits	0.0
Deferred tax liabilities	0.0
Other non-current liabilities	0.0
Non-current provisions	0.0
Non-current liabilities	**0.0**

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3 Financial information and pro forma adjustments continued

In € millions	Transaction Costs (note 4)
Short term borrowings and financial debt	0.0
Other current financial liabilities	0.0
Trade payable	-5.7
Current provisions	0.0
Tax liabilities payable	0.0
Other current liabilities	0.0
Current Liabilities	**-5.7**
Liabilities relating to assets held for sale	0.0
Total liabilities	**-32.5**

The line "Cash and cash equivalent" includes €40.4 million of transaction costs booked in the Income Statement , €8.1 million booked in Equity and the payment of €5.7 million of trade payables to reflect the cash position in the Pro Forma consolidated statement of financial position as at June 30, 2016.

In € millions	Transaction Costs (note 4)
Revenue	0.0
Cost of sales	0.0
Gross Margin	**0.0**
Personnel expenses	0.0
Other operating income & expenses	0.0
Current operating income	**0.0**
Other non-current operating income & expenses	-40.4
Operating income	**-40.4**
Current financial expenses	0.0
Non-current financial expenses	0.0
Pre-tax income	**-40.4**
Pre-tax income excluding non-current expenses	***0.0***
Income tax**	19.0
Share of profit from equity associates	0.0
Net income from continued operations	**-21.5**
Net income from discontinued operations	0.0
Consolidated net income	**-21.5**
Group share	-21.5
non-controlling interest	0.0

** The tax effect amount of the adjustments for the pro forma information was calculated using a standard rate of 34.43%.

Definitions

"*Acquisition*" are to the acquisition of 100% of the issued share capital of Darty by Fnac;

"*BCC*" are to Darty's "*BCC*" business in the Netherlands;

"*Bridge Facility*" are to the bridge to capital markets term facility made available under the Senior Facilities Agreement;

"*Brown Goods*" are to vision and audio products such as televisions, photography, sound systems and headsets;

"*Comet*" are to the group of companies which, as of February 3, 2012 (being the effective date of the sale of such group by Darty plc), comprised Comet Group plc, its subsidiaries and Triptych Insurance N.V.;

"*Combined Group*" are to Groupe Fnac, S.A. and its subsidiaries, including Darty which was acquired by Fnac in the Acquisition;

"*Consumer Electronics*" are to Grey Goods and Brown Goods. In the case of Fnac, Consumer Electronics also include Fnac's Home & Design product range;

"*Darty*" are to Darty plc and its subsidiaries;

"*Darty Notes*" are to the €250.0 million 5.875% senior notes due 2021 issued by Darty Financements S.A.S. which were redeemed pursuant to the Refinancing;

"*Editorial Products*" are to physical products (Music, Video, Books, Gaming products, Stationery, as well as Games & Toys for children) and digital products (digital reading solutions and content offerings);

"*EU*" are to the European Union;

"*euro*" or "€" are to the lawful currency of the European Monetary Union;

"*Fnac*", "*Group*", "*we*", "*us*" and "*our*" are to Fnac and its subsidiaries, excluding Darty;

"*GfK*" are to the market research firm Gesellschaft für Konsumforschung;

"*Grey Goods*" are to telecommunications and multimedia products such as personal computers, tablets, printers, scanners and games;

"*IFRS*" are to International Financial Reporting Standards, as adopted by the EU;

"*Notes*" are to the offering of notes announced on September 19, 2016;

"*MDA*" are to major domestic appliances, such as refrigerators, washing machines and dishwashers;

"*Offering*" are to the issue of the Notes;

"*Refinancing*" are to the Offering, the entry into the Bridge Facility, the Term Facility and the Revolving Facility and, in each case, the use of proceeds therefrom, including but not limited to the redemption of the Darty Notes, the cancellation and repayment in full of indebtedness under the €225.0 million multi-currency revolving credit facility agreement entered into by Darty Financements S.A.S. on February 13, 2014, and the cancellation and repayment in full of indebtedness under the Fnac €250.0 million revolving credit facility agreement dated April 19, 2013 (as amended on June 24, 2014);

"*Revolving Facility*" are to the revolving credit facility made available under the Senior Facilities Agreement;

"*SDA*" are to small domestic appliances, such as kitchen appliances and accessories such as microwaves, coffee machines and irons, in addition to health and beauty products such as hair dryers and electric shavers;

"*Senior Facilities Agreement*" are to the senior facilities agreement dated April 20, 2016, as amended, entered into between Fnac, Crédit Agricole Corporate and Investment Bank, Natixis, Société Générale and certain other financial institutions as defined therein;

"*Term Facility*" are to the term loan facility made available under the Senior Facilities Agreement;

"*U.K.*" and "*United Kingdom*" are to the United Kingdom of Great Britain and Northern Ireland;

"*Vanden Borre*" are to Darty's "Vanden Borre" business in Belgium;

"*Vivendi*" are to the Vivendi group, including Vivendi S.A.; and

"*White Goods*" are to MDA and SDA.

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This announcement does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, securities in the United States within the meaning of the U.S. Securities Act of 1933, as amended (the "*Securities Act*"). The notes have not been, and will not be, registered under the Securities Act. The notes may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer or the selling security holder and that will contain detailed information about the company and management, as well as financial statements.

This announcement does not constitute nor shall it, in any circumstances, constitute a public offering nor an invitation to the public in connection with any offer within the meaning of the Directive 2010/73/EU of the Parliament and Council of November 4, 2003 as implemented by the Member States of the European Economic Area (the "*Prospectus Directive*").

This announcement does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities in France. The notes have not been and will not be offered or sold to the public in the Republic of France ("*offre au public de titres financiers*") within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Title I of Book II of the Règlement Général of the French financial market authority (*Autorité des marchés financiers*, the "*AMF*").

The notes may only be offered or sold in the Republic of France pursuant to Article L. 411-2-II of the French Monetary and Financial Code to providers of third party portfolio management investment services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or qualified investors (*investisseurs qualifiés*) acting for their own account and/or a limited group of investors (*cercle restreint d'investisseurs*) acting for their own account, all as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code.

The distribution of this announcement into certain jurisdictions may be restricted by law. Persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Forward-Looking Statements

This announcement may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes, "estimates", "anticipates", "expects, "intends", "may", "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding Fnac's or its affiliates' intentions, beliefs or current expectations concerning, among other things, Fnac's or its affiliates' results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Fnac's or its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements

contained in this announcement. In addition, even if Fnac's or its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.