FNAC DARTY

Interim financial report

FINANCIAL STATEMENTS AT JUNE 30

2018

This is a free translation into English of the half-year report issued in French and it is provided solely for the convenience of English speaking users.

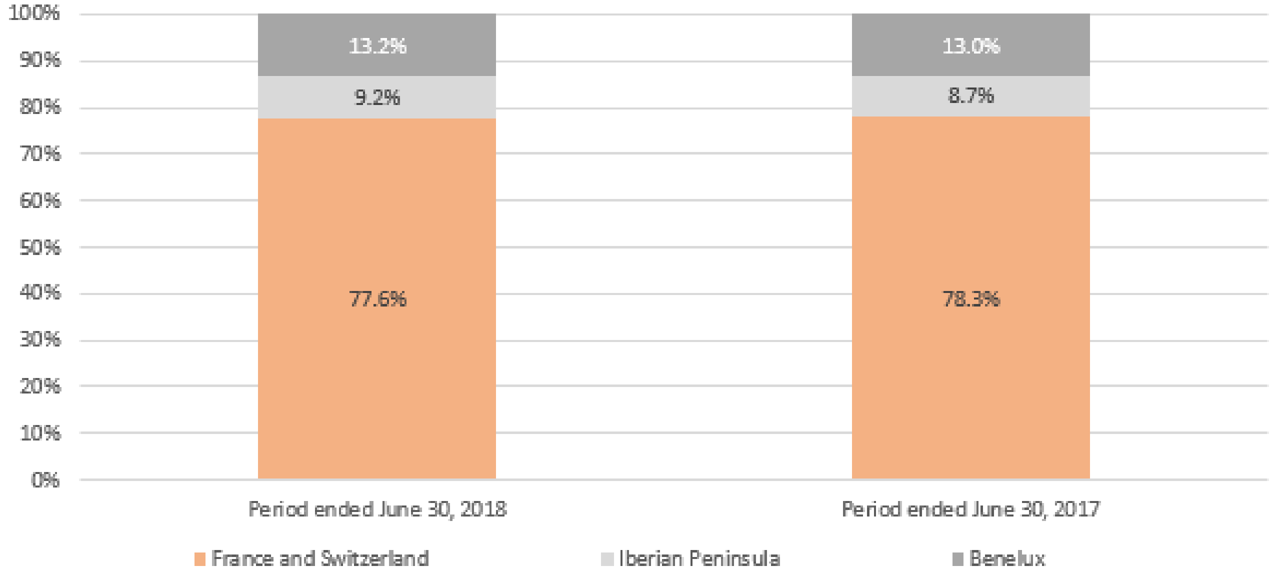
1 FIRST HALF OF 2018 – KEY FIGURES

(€ million)	Period ended June 30 **2018**	 **2017***	 **Change**
Revenues	3,199.5	3,215.8	(0.5%)
Gross margin	996.4	994.6	0.2%
As % of revenues	31.1%	30.9%	0.2pt
EBITDA (1)	94.5	84.2	12.2%
As % of revenues	3.0%	2.6%	0.3pt
Current operating income	45.6	33.9	34.5%
As % of revenues	1.4%	1.1%	0.4pt
Operating income	34.7	12.0	189.2%
As % of revenues	1.1%	0.4%	0.7pt
Net income from continuing operations	7.1	(15.1)	147.0%
Net income from continuing operations, Group share	6.8	(15.3)	144.4%
Net income from discontinued operations, Group share	1.0	(88.1)	101.1%
Consolidated net income, Group share	7.8	(103.4)	107.5%
Net operating investments	44.6	47.4	(5.9%)
Free cash flow from operations	(304.5)	(264.9)	(14.9%)
Shareholders' equity	1,130.3	940.2	20.2%
Group share	1,122.9	933.2	20.3%
Net financial debt	416.9	502.5	(17.0%)
Average workforce	21,950	22,615	(2.9%)

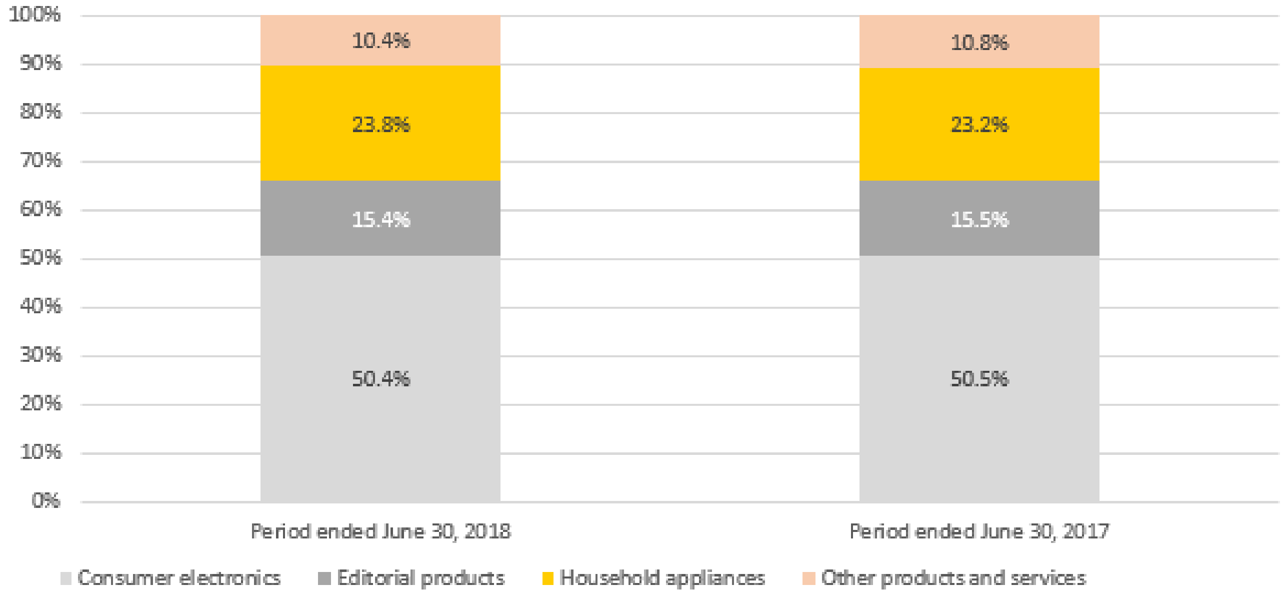
* Restated for the measurement of Darty's identifiable assets and liabilities

(1) EBITDA is defined as current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income.

Breakdown of revenues by reporting segment



Breakdown of revenues by category



2 BUSINESS REVIEW

2.1 PREAMBLE – DEFINITIONS

Definition of revenues

The Group's "real" revenues (or income from ordinary activities) correspond to its reported revenues.

The Group uses the following notions to describe change in its revenues:

1- Change in revenues at constant exchange rates:

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

2- Change in revenues at comparable scope of consolidation:

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

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

The change in revenues on a same-store basis means that the impact of directly owned store openings and closures is excluded. Revenues of stores opened or closed since January 1 of year N-1 are excluded from calculations of the change.

Definition of current operating income

The total operating income of Fnac Darty includes all the income and costs directly related to Group operations, whether the income and expenses are recurring or whether they result from one-off operations or decisions.

"Other non-current operating income and expenses" reflects the unusual and significant items for the consolidated entity that could affect tracking of the Group's business performance.

As a result, and in order to monitor Group operating performance, Fnac Darty uses current operating income as a major management balance, which is defined as the difference between the total operating income and "Other non-current operating income and expenses."

Current operating income is an intermediate line item that facilitates understanding of the company's operating performance and can be used as a way to estimate recurring performance. This indicator is presented in a constant and stable manner over time in accordance with the principle of continuity and relevance for financial reporting.

Definition of EBITDA and EBITDAR

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

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

EBITDAR = EBITDA before rental payments.

Definition of free cash flow from operations

The Group also uses an intermediate line item to track its financial performance described as free cash flow from operations. This financial indicator measures net operating cash flow and gross operating investment flow (defined as purchases and sales of property, plant and equipment and intangible non-current assets, and the change in trade payables for non-current assets).

Free cash flow from operations = net cash flows related to operating activities less net operating investments.

Definition of net financial debt

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

Rounding

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

2.2 SIGNIFICANT EVENTS AND INFORMATION ON THE HALF-YEAR PERIOD

2.2.1 Robust results thanks to good operational performance

The consumption environment in the first half of 2018 was lackluster, impacted by unfavorable weather conditions in the first quarter and strikes in France in the second quarter. Against this backdrop, Fnac Darty showed good resilience and posted first-half revenues of €3,200 million, down -0.4% on a like-for-like basis compared with 2017.

Gross margin reached 31.1%, up sharply compared to 2017 (+0.2 points), as a result of the Group's good commercial performance.

Current operating income rose by +35% to €46 million, reflecting the successful rollout of synergies and continued tight cost control.

Net income – Group share increased by +€111 million.

Free cash flow was -€305 million at the end of June 2018, reflecting the usual seasonality of the business.

2.2.2 Fast rollout of the Confiance+ plan

The Group has enriched its partnership ecosystem by concluding several strategic agreements this half year.

In July 2018, the Group signed an exclusive agreement with the e-commerce site Wehkamp in the Netherlands. Its Dutch subsidiary, BCC, will provide Wehkamp with its entire product range, and will manage the purchases (electronic products and household appliances) of the two banners. In return, it will benefit from its partner's digital expertise and logistics capabilities on small parcels.

With Bouygues Telecom, Fnac Darty will accelerate its expansion using the Fnac Connect format, with 50 openings planned over the next 5 years, distributing Bouygues Telecom's fixed and mobile offers.

Fnac Darty has also initiated exclusive discussions with MediaMarktSaturn with a view to creating a "European Retail Alliance", aimed at optimizing partnerships with suppliers and improving the offer to customers. The final agreement is expected for the third quarter.

With Google, the Group will roll out dedicated corners in all its stores. By the end of June 2018, around forty corners have already been installed.

Purchasing agreements with the Carrefour Group are gradually being rolled out, with a modest positive impact on results expected in 2018.

2.2.3 Strengthening of the Group's omnichannel platform

During the half-year, e-commerce activities were marked by solid performance internationally, with double-digit sales growth in all countries. In France, performance was more contrasted, with less momentum in the IT and imaging (photography, drones and portable cameras) markets in the first half, weighing on online sales. Gaming segment growth was impacted by an unfavorable base effect due to console launches in the first half of 2017, with preview orders available online. The Group's marketplaces continued their rapid growth, with an increase in business volume of over +25% during the first half of the year.

E-commerce now represents 18% of Group sales, compared to 17% last year. Omnichannel accounted for 47% of online orders, up +2 points compared to the first half of 2017.

In addition, the Group has taken initiatives to enhance its range of delivery services. Fnac Darty offers delivery on D+1 for its entire range of bulky products, including services (installation and return), covering 80% of the French territory. Online order of editorial products based on store inventories will be launched as a pilot before the end of 2018. Fnac Darty will thus offer better service than pure players in the French market.

The Group's banners in Belgium also offered same-day delivery, throughout Belgium, for the soccer world cup.

Finally, expansion continued with the opening of 27 stores this half-year, 26 of which are franchise stores. Fnac opened 13 stores in the first half, including 12 in France and 1 in Spain. Darty opened 14 stores over the period, all of them in France. At the end of June 2018, Fnac Darty had 748 stores, including 233 franchises. The momentum will continue in the second half, mainly through the opening of franchise stores. The Group should open over 70 stores in 2018.

2.2.4 Continued diversification

Diversification categories, mainly Games/Toys and Home, posted very strong growth over the first half, with a double-digit performance on the web channel.

Growth in the kitchen segment continued with the opening of around ten corners during the half-year, in addition to a kitchen-dedicated Darty store.

Finally, services continued to gain strength, with growth close to +10%.

Fnac Darty has also improved its position as a key player in the circular economy by launching the first "after-sales service indicator", which will be renewed every year to provide customers with more information about the lifespan of household appliances and multimedia equipment. Starting in July 2018, the Fnac lab will publish a product repairability rating in its tests. Fnac Darty is also committed to providing assistance for all products, regardless of their origin, and to repair them if spare parts are available, even long after the warranty period.

2.2.5 Fnac Darty integration being finalized

The Fnac Darty integration projects are currently being finalized. The specialization of inventories and logistics centers is now in place in France, and Belgium's new logistics structure is being finalized. In addition, Fnac.com orders can now be picked up at Darty stores. In Belgium, Fnac.be can deliver its orders using the Vanden Borre inventory. Finally, the rollout of Fnac Home corners for small electrical appliances continued in Spain, with 4 openings in the first half of the year.

IT systems convergence is ongoing, the new organizational structure for head office functions is in place, and the relocation of teams has been finalized this half-year. The Group launched a capital increase reserved for employees, with nearly 5,000 employees investing in the new corporate project. This offer is expected to have a small non-recurring impact on dilution and operating income in the second half.

During the first half, €20 million in additional synergies were deployed, bringing the total synergies deployed since the beginning of the integration to €105 million.

2.3 BUSINESS REVIEW FOR THE FIRST HALF OF 2018

2.3.1 Analysis of Group operating performance

Fnac Darty's main financial indicators for the first half of 2018 are presented below:

	Period ended June 30		
(€ million)	**2018**	**2017***	**Change**
Revenues	3,199.5	3,215.8	(0.5%)
Gross margin	996.4	994.6	0.2%
As % of revenues	31.1%	30.9%	0.2pt
EBITDA (1)	94.5	84.2	12.2%
As % of revenues	3.0%	2.6%	0.3pt
Current operating income	45.6	33.9	34.5%
As % of revenues	1.4%	1.1%	0.4pt
Operating income	34.7	12.0	189.2%
As % of revenues	1.1%	0.4%	0.7pt
Net income from continuing operations	7.1	(15.1)	147.0%
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Consolidated net income, Group share	7.8	(103.4)	107.5%
Net operating investments	44.6	47.4	(5.9%)
Free cash flow from operations	(304.5)	(264.9)	(14.9%)
Shareholders' equity	1,130.3	940.2	20.2%
Group share	1,122.9	933.2	20.3%
Net financial debt	416.9	502.5	(17.0%)
Average workforce	21,950	22,615	(2.9%)

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

(1) EBITDA is defined as current operating income plus net expense for depreciation, amortization and provisions on non-current operating assets recognized in current operating income.

In the first half of the year, Group performance is historically affected by the seasonal nature of the business, for which the main part of the earnings and of the free cash flow from operations is recorded during the second half of the year.

2.3.1.1 Revenues

	Period ended June 30							
	2018		2017*					
Segment	*(€ million)*	*(as % of the total)*	*(€ million)*	*(as % of the total)*	*Change at current exchange rate*	*Change at comparable scope of consolidation*	*Change at constant foreign exchange rates and comparable scope of consolidation*	*Change at constant foreign exchange rates, comparable scope of consolidation, and on a same-store basis*
France and Switzerland	2,482.3	77.6%	2,516.6	78.3%	(1.4%)	(1.4%)	(1.2%)	(0.7%)
Iberian Peninsula	294.0	9.2%	281.0	8.7%	4.6%	4.6%	4.6%	1.4%
Benelux	423.2	13.2%	418.2	13.0%	1.2%	1.2%	1.2%	0.1%
Total	**3,199.5**	**100.0%**	**3,215.8**	**100.0%**	**(0.5%)**	**(0.5%)**	**(0.4%)**	**(0.4%)**

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

Consolidated revenues for continuing operations for the first half of 2018 were €3,199.5 million, down -0.4% at constant exchange rates and comparable scope of consolidation against the same period in 2017. At constant exchange rates and on a same-store basis, revenues also fell by -0.4%.

At constant exchange rates, revenues from consumer electronics were down. The strong growth in the TV segment during the month of June, driven by the soccer World Cup, did not completely offset the decline in the IT and imaging segments, which continued to suffer from a weak innovation cycle, and in which the Group has strong exposure.

Household appliances sales growth was impacted by an unfavorable comparison basis, due to the June 2017 heat wave, when sales of air conditioners and fans rose sharply.

Editorial products sustained an unfavorable comparison effect, with product launches (gaming consoles) last year. However, the book market posted a good sales performance.

Other products and services were up sharply, firstly, on the back of the growth in the Games and Toys, Home & Design, and Kitchen sectors and, secondly, from development of sales of insurance paid monthly and from the continued increase in Marketplace commissions, royalties related to development of the franchise business and income derived from the monetization of advertising space.

Online activities continued to grow and now account for 18% of Group sales, up compared to the same period in 2017, driven by development of the omni-channel strategy, of Marketplaces, and of mobile traffic.

The store network continued to expand, as 27 new stores were opened (13 Fnac, 14 Darty): 1 integrated (in Spain) and 26 under franchise (15 Traditional France, 3 Travel France, 6 Proximity France, 1 Connect France and 1 International in Morocco).

2.3.1.2 Current operating income

At June 30, 2018, Fnac Darty's current operating income was up +€11.7 million. It reached €45.6 million, versus €33.9 million for the first half of 2017. The gross margin rate increased compared to the first half of 2017. Moreover, other costs were down.

	Period ended June 30		
	2018	2017*	
Segment	*(€ million)*	*(€ million)*	*Change*
France and Switzerland	46.5	32.4	43.5%
Iberian Peninsula	3.3	2.4	37.5%
Benelux	(4.2)	(0.9)	(366.7%)
Current operating income	**45.6**	**33.9**	**34.5%**

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

2.3.1.3 EBITDA and EBITDAR

	Period ended June 30				
	2018		2017*		
	(€ million)	*(as % of revenues)*	*(€ million)*	*(as % of revenues)*	*Change*
Current operating income	**45.6**	**1.4%**	**33.9**	**1.1%**	**34.5%**
Depreciation, amortization and provisions (1)	48.9	1.5%	50.3	1.6%	(2.8%)
EBITDA	**94.5**	**3.0%**	**84.2**	**2.6%**	**12.2%**
Rents (2)	105.1	3.3%	106.3	3.3%	(1.1%)
EBITDAR	**199.6**	**6.2%**	**190.5**	**5.9%**	**4.8%**

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

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

First-half EBITDA was €94.5 million, an increase of +€10.3 million compared with the first half of 2017.

First-half EBITDAR was €199.6 million, up by +€9.1 million from the first half of 2017.

See note 2.1 for the definitions of EBITDA and EBITDAR.

2.3.1.4 Other non-current operating income and expenses

	Period ended June 30	
(€ million)	**2018**	**2017***
Costs connected with Fnac Darty restructuring	(8.3)	(12.9)
Costs connected with DARTY acquisition and integration	(0.8)	(3.1)
Other restructuring costs	(0.5)	(2.0)
C3S 2016/Tascom 2015	0.0	(2.4)
Other non-current operating income and expenses, net	(1.4)	(1.5)
Total	**(10.9)**	**(21.9)**

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

"Other non-current operating income and expenses" for the Group reflect the unusual and material items that could affect the relevance of the tracking of the Group's economic performance.

At June 30, 2018, this item represents a net expense of €10.9 million and includes:

- €8.3 million in restructuring costs, related mainly to the implementation of the Group's new organizational structure. In the first half of 2018, these expenses were mainly attributable to the Remote Customer Service reorganization project aimed at streamlining the industrial processes of this activity and refocusing on technical expertise, the core business of Darty's sales staff.
- €0.8 million in costs incurred as part of the Darty integration,
- €0.5 million in restructuring costs related to headcount adjustment measures,
- other non-current income and expenses represented a net expense of €1.4 million resulting from various one-off litigation cases.

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

- €12.9 million in restructuring costs in France and outside of France, related mainly to the implementation of the Group's new organizational structure and primarily the voluntary departure plan opened for employees after the employee consultation process.
- €3.1 million in costs derived from the integration of Darty,
- €2.0 million in restructuring costs related to headcount adjustment measures,
- a €2.4 million expense for the additional C3S tax contribution (social contribution paid by companies).
- other non-current income and expenses represented a net expense of €1.5 million resulting from various one-off litigation cases.

2.3.1.5 Net financial expenses

At June 30, 2018, the Group's net financial expenses broke down as follows:

	Period ended June 30	
(€ million)	**2018**	**2017***
Costs connected with Group debt and financing fees	(20.5)	(18.0)
Other financial income and expense	(4.7)	(4.2)
Net financial expense	**(25.2)**	**(22.2)**

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

In the first half of 2018, net financial income was composed of a net financial expense of €25.2 million, compared with a net financial expense of €22.2 million for the same period the previous year.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its business model as well as Fnac Darty's new scale.

During the first six months of 2018, the cost of net financial debt for the Group mainly comprised the financial interest for the €650 million bond and the €200 million medium-term credit facility. It also includes a €5.9 million expense in connection with the renegotiation of the terms governing the credit facilities and factors in the remaining costs to be amortized from the previous agreement.

The other financial income and expenses primarily reflect the cost of consumer credit and the financial effects from employee post-employment benefits.

2.3.1.6 Income tax

For the first half of 2018, Group income tax broke down as follows:

	Period ended June 30	
(€ million)	**2018**	**2017***
Pre-tax income	**9.5**	**(10.2)**
Current tax expense	(2.6)	(0.2)
Tax charge related to the corporate value-added t	(9.8)	(10.0)
Deferred tax income/(expense)	10.0	5.3
Total tax expense	**(2.4)**	**(4.9)**
Effective tax rate	**25.26%**	**(48.04%)**

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

In the first half, tax expense was calculated based on the effective tax rate estimated for the whole period for each fiscal entity or sub-entity.

The change in net deferred tax assets corresponds to the recognition of tax timing differences.

2.3.1.7 Net income, Group share

For the first half of 2018, net income, Group share, for Fnac Darty's continuing operations was €6.8 million. This was an improvement over the same period last year, when this indicator was -€15.3 million. This progress stems from the Group's improved operating efficiency in the first half of 2018.

Consolidated net income, Group share, for Fnac Darty was €7.8 million. This was an improvement over the same period last year, when this indicator was -€103.2 million and included the costs in connection with the disposal of Fnac Brazil.

2.3.1.8 Net earnings per share

In the first half of 2018, the weighted average number of Fnac Darty shares was 26,661,313 shares. The weighted average number of treasury stock in the first half of 2018 was 18,193 shares, so the weighted average number of Fnac Darty shares used to calculate net earnings per share was 26,643,119 shares.

At June 30, 2018, Group net earnings per share amounted to €0.29. In the first half of the previous year, this figure was -€3.93.

2.3.2 Analysis of operating performance by operating segment

2.3.2.1 France-Switzerland segment

	Period ended June 30		
(€ million)	**2018**	**2017***	**Change**
Revenues	2,482.3	2,516.6	(1.4%)
Current operating income	46.5	32.4	43.5%
Operating profitability	1.9%	1.3%	0.6pt

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

Revenues for the France-Switzerland segment

The revenues generated in France-Switzerland amounted to €2,482.3 million for the first half of 2018, compared with €2,516.6 million for the first half of 2017, a decrease of -1.4%. Revenues at constant exchange rates and on a same-store basis dropped by -0.7%.

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

The strong growth in the TV segment, at over 60% in June, driven by the soccer World Cup, did not completely offset the decline in the IT and photography segments, which continued to suffer from a weak innovation cycle, and to which the Group has a strong exposure.

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. The Books sub-category was up during this half-year.

Household appliances revenues were impacted by an unfavorable comparison basis, due to the June 2017 heat wave, when sales of air conditioners and fans rose sharply.

Revenues generated by Other products and services posted an excellent performance in the first half of the year. This jump came mainly from the good performance of the Toys & Games and Home & Design sectors, the continued growth of Marketplaces, franchise business, and the sale of a large amount of Darty warranty extensions to Nes.

Current operating income for the France-Switzerland segment

The current operating income for the France-Switzerland segment improved by +€14.2 million, from €32.4 million in first half of 2017 to €46.5 million in the first half of 2018. The Group maintained good control of its commercial investments and costs, thus posting strong growth in current operating income.

The operating margin stood at 1.9%, up +0.6 points from the end of June 2017.

2.3.2.2 Iberian Peninsula

	Period ended June 30		
(€ million)	**2018**	**2017***	**Change**
Revenues	294.0	281.0	4.6%
Current operating income	3.3	2.4	37.5%
Operating profitability	1.1%	0.9%	0.3pt

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

Revenues for the Iberian Peninsula

Revenues generated in the Iberian Peninsula in the first half of 2018 rose sharply. They were €294.0 million, compared to €281.0 million year-on-year, up by +4.6%.

After opening eight stores in 2017, Fnac continued to build its presence in the Iberian Peninsula, with the opening of a Fnac store in Valencia, Spain, in the first half of 2018. On a same-store basis, revenues were up by +1.4%.

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

Portugal posted excellent commercial performance, driven by expansion and a good market trend. In Spain, business is also growing, benefiting from expansion and from the solid performance of services.

Revenues generated by consumer electronics were up, primarily driven by Telephony and TV (impact of the soccer World Cup), despite a decline in IT sales, which are facing a competitive landscape.

Revenues from editorial products were up. The downturn in the "Discs and Gaming" sub-category, mainly due to the structural decline in the Audio and Video markets was largely offset by the "Books" sub-category, which posted a sound performance over the half-year.

Revenues generated by Other products and services increased sharply during the period. This growth was due mainly to the excellent performance posted by sales of insurance paid monthly, the Home & Design sector and Marketplace commissions.

Current operating income in the Iberian Peninsula

Current operating income for the Iberian Peninsula saw a profit of €3.3 million for the first half of 2018, an increase from €2.4 million for the same period in 2017, up +0.9% compared with 2017, driven by the expansion and the good performance of Services.

Current operating profitability was up, rising from 0.9% to 1.1%.

2.3.2.3 Benelux segment

	Period ended June 30		
(€ million)	**2018**	**2017***	**Change**
Revenues	423.2	418.2	1.2%
Current operating income	(4.2)	(0.9)	(366.7%)
Operating profitability	(1.0%)	(0.2%)	(0.8)pt

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

Revenues for the Benelux segment

Revenues in the Benelux segment increased by +1.2%, from €418.2 million in the first half of 2017 to €423.2 million in the first half of this year.

Despite the impact from the closing of six stores in the Netherlands in the first half of 2018, revenues of the Benelux segment were up. In 2017, the Group had opened eight new stores in Belgium and closed two in the Netherlands. On a same-store basis, revenues grew slightly by +0.1%.

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

In Belgium, business was driven by e-commerce websites, which posted double-digit growth for both of the country's banners.

In the Netherlands, the continued implementation of the Group's transformation plan enabled BCC to post increased sales. This increase was also driven by the excellent performance of the banner's e-commerce website.

In the first half, revenues from consumer electronics were slightly up, mainly due to the growth in Telephony as well as the "Retail Appliances" category, which was also up, on the back of improved Television sales (impact of the soccer World Cup).

Revenues from editorial products were down as a result of the noticeable drop in the Audio and Video sectors, impacted by digitalization. The Books sub-category declined slightly during this half-year.

Revenues from Household appliances were up, boosted by the "Small household appliances" sub-category, primarily vacuum cleaners sales.

Revenues generated by Other products and services posted an excellent performance in the first half of the year. This upturn stemmed mainly from a continued increase in sales of monthly insurance.

Current operating income for the Benelux segment

Current operating income for the Benelux segment was down. It amounted to -€4.2 in the first half of 2018, compared with -€0.9 million in the first half of 2017, reflecting both the impact of technical factors (allocation of headquarter costs) for half of the decrease, and of increased competitive pressure.

Current operating profitability was down, falling from -0.2% to -1.0%.

2.4 COMMENTS ON THE GROUP'S FINANCIAL POSITION

At the end of the first half of the year, the Group's consolidated balance sheet is typically affected by the seasonal nature of Fnac Darty's business:

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Goodwill	1,541.4	1,541.4	1,541.4
Other non-current assets and liabilities	814.8	750.6	794.7
Current assets and liabilities	(592.0)	(562.7)	(891.6)
Provisions	(215.4)	(236.0)	(252.3)
Capital employed	**1,548.8**	**1,493.3**	**1,192.2**
Net assets held for sale	(1.6)	(50.6)	(3.1)
Shareholders' equity - Group share	1,122.9	933.2	1,096.0
Shareholders' equity - Share attributable to non-controlling interests	7.4	7.0	7.0
Net financial debt at the end of the period	416.9	502.5	86.1

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

2.4.1 Capital employed

At June 30, 2018, capital employed was up +€55.5 million year-on-year. This increase was mainly due to the increase in non-current assets. The Group simultaneously continued its efforts to optimize working capital requirement.

2.4.2 Goodwill

At June 30, 2018, Goodwill amounted to €1,541.4 million.

Goodwill, at June 30, 2017 included the valuation of the real estate acquired. For more details, see Section 5, Note 15.2. of the 2017 Registration Document and Section 3, Note 4 of this document.

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Goodwill	1,541.4	1,541.4	1,541.4

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

2.4.3 Other non-current assets, net

(€ million)	At June 30, 2018	At June 30, 2017*	At December 31, 2017
Net intangible non-current assets	471.4	464.7	473.0
Net property, plant and equipment	604.8	603.6	611.2
Interests in equity associates	19.1	20.6	22.0
Net non-current financial assets	18.4	14.7	15.9
Net deferred taxes	(123.1)	(142.2)	(132.8)
Other non-current liabilities	(175.8)	(210.8)	(194.6)
Other non-current assets	**814.8**	**750.6**	**794.7**

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

At June 30, 2018, other non-current assets, net of liabilities, increased by +€64.2 million compared with June 30, 2017, primarily due to the change in net deferred taxes and other non-current liabilities.

Interests in equity associates were down by -€1.5 million compared with the first half of 2017. This decline is attributable for -€4.1 million to the impact from the application of IFRS 9 by the Ménafinance joint-venture on the recoverability of its trade receivables, offset by income from equity associates in the amount of €2.6 million.

Deferred taxes represented net liabilities of €123.1 million and for the most part reflected the revaluation of Darty’s assets and liabilities, particularly, the valuation of the Darty and Vanden Borre brands on the Group’s balance sheet, along with the revaluation of Darty’s real estate. Their decrease is due to a possible reduction in French tax rates and to the fiscal impact of timing differences.

Other non-current liabilities represented the longer than one year portion of the income on Darty warranty extensions.

2.4.4 Current assets and liabilities

At June 30, 2018, current assets and liabilities were -€554.6 million, compared to net assets of -€301.1 million at June 30, 2017, and -€832.5 million at December 31, 2017. The breakdown is as follows:

(€ million)	At June 30, 2018	At June 30, 2017*	At December 31, 2017
Net inventory	1,026.2	1,000.6	1,072.8
Net trade receivables	81.8	108.8	225.8
Net trade payables	(1,255.1)	(1,101.5)	(1,593.6)
Tax receivables and payables due	13.7	(31.3)	2.9
Other working capital requirements	(458.6)	(539.3)	(599.5)
Current assets and liabilities, net	**(592.0)**	**(562.7)**	**(891.6)**

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

At June 30, 2018, Fnac Darty's current assets and liabilities were a €592.0 million resource, a +€29.3 million improvement compared with June 30, 2017. However it is down on December 31, 2017, a drop mainly explained by the seasonal nature of the business.

Changes in inventory (excluding the effect of changes in foreign exchange rates) led to positive cash flows of €45.0 million in the first half of 2018.

In the first half of 2018, the drop in trade receivables (excluding the effect of changes in foreign exchange rates) generated positive cash flows amounting to €85.2 million.

Over the first half of 2018, the decline in trade payables (excluding the effect of changes in foreign exchange rates) generated negative cash flows of €329.3 million.

In the first half of 2018, the change in other working capital requirements included the disposal of Fnac's 2017 CICE (French tax credit for employment and competitiveness) receivables for an amount of €12.3 million. In the first half of 2017, the change in other working capital requirements included the disposal of Fnac and Darty's 2016 CICE (French tax credit for employment and competitiveness) receivables for an amount of €23.6 million.

The French Amending Finance Law for 2012 established a tax credit for employment and competitiveness (CICE), which corresponds to a tax credit that can be reimbursed after four years and is levied based on remuneration less than or equal to 2.5 times the minimum wage in France. In June 2018 and June 2017, the Group disposed of its CICE receivables for 2016 and 2017, without recourse.

2.4.5 Provisions

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Provisions for pensions and equivalent benefits	151.0	193.2	179.8
Other provisions	64.4	42.8	72.5
Provisions	**215.4**	**236.0**	**252.3**

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

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Discount rate			
- France	1.65%	1.80%	1.55%
- Switzerland	0.75%	0.75%	0.75%
- United Kingdom	2.70%	2.70%	2.40%

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

The increase in interest rates seen during the first half of 2018 in the main geographical regions, including the euro zone, have resulted in higher benchmark discount rates that are the rates for investment grade corporate bonds. An adjustment to the amount of the net investment was recognized in the interim financial statements, which translated into a decrease in related commitments.

The -€28.8 million decrease in the provision since December 31, 2017, came mainly from the discount of the Comet pension fund commitment.

Regarding the retirement packages in France, the additions recognized in the first half of 2018 were partially offset by the impact of the 0.10% increase in the benchmark discount rates.

The impact on shareholders’ equity appears under “Other items of comprehensive income.”

“Other provisions” include mainly the provisions for restructuring and operational and tax contingencies. The -€8.1 million decrease from December 31, 2017, stemmed mainly from the use of provisions for restructuring recorded as part of implementing the Group’s new organizational structure.

2.4.6 Shareholders’ equity

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Shareholders’ equity – Group share	1,122.9	933.2	1,096.0
Shareholders’ equity – Share attributable to non-controlling interests	7.4	7.0	7.0
Shareholders’ equity	**1,130.3**	**940.2**	**1,103.0**

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

In the first half of 2018, Fnac Darty’s consolidated shareholders’ equity was up +€27.3 million from the closing of the previous year.

The proportion of shareholders’ equity attributable to the Group was up by +€26.9 million, due mainly to the change in the discount rates used to measure retirement commitments. Net income - Group share contributed to this increase in the amount of €7.8 million.

The proportion of shareholders’ equity attributable to non-controlling interests was up +€0.4 million to €7.4 million.

2.4.7 Net financial debt

At the end of the first half of the year, Group net financial debt is usually higher than at year-end because of the seasonal nature of the business. At June 30, 2018, Group net financial debt was €416.9 million and broke down as follows:

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Gross financial debt	913.9	861.6	861.0
Cash and cash equivalents	(497.0)	(359.1)	(774.9)
Net financial debt at the end of the period	**416.9**	**502.5**	**86.1**

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

Gross financial debt was made up mainly of the €650.0 million bond maturing in 2023 and the €200.0 million medium-term credit facility and short-term negotiable debt securities in the amount of €54.0 million.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group’s financial cost reflects the strengthening of its business model as well as Fnac Darty’s new scale. Net financial debt was down -€85.6 million from June 30, 2017, due to an improvement in the Group's cash position.

2.4.8 Solvency

Financing instruments of the Group included financial covenants at June 30, 2018.

At June 30, 2018, the Group was in compliance with all half-year financial covenants.

The target values of the covenants vary for each testing period.

2.4.9 Liquidity

At June 30, 2018, Fnac Darty had €497.0 million in cash on hand (€774.9 million at December 31, 2017), plus a confirmed €400.0 million revolving credit facility, unused on that date, as well as a short-term negotiable debt instruments program of €300 million, drawn in the amount of €54.0 million.

At June 30, 2018, cash included investment securities of less than three months.

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

2.4.10 Change in net cash position

The change in net cash position is rationalized as follows:

(€ million)	**At June 30, 2018**	**At June 30, 2017***
Free cash flow from operations	(304.5)	(264.9)
Interest paid net of interest and dividends received	(16.6)	(17.4)
Purchases and disposals of subsidiaries net of cash acquired or transferred	0.0	(0.1)
Purchases and sales of other financial assets	(1.6)	0.0
Purchases and sales of treasury stock	(6.0)	3.8
Dividends paid	0.0	0.0
Capital increase/(decrease)	0.0	7.6
Other transactions with shareholders	0.0	(3.9)
Net cash flows from discontinued operations	0.0	(14.7)
Financing of the Comet pension fund	(2.2)	(5.7)
Other (1)	0.1	(0.2)
Change in net debt	**(330.8)**	**(295.5)**

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

Net financial debt at January 1	**86.1**	**207.0**
Financial debt at June 30	**416.9**	**502.5**

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

2.4.10.1 Free cash flow from operations

The Group uses an intermediate line item to track its financial performance described as free cash flow from operations. This financial indicator measures net operating cash flows and net operating investment flows (defined as purchases and disposals of property, plant and equipment and intangible non-current assets, and the change in supplier accounts payable for non-current assets).

For the first six months of 2018, Fnac Darty's free cash flow from operations was -€304.5 million; this was a -€39.6 million decline from the -€264.9 million recorded for the first half of 2017.

In 2018, the change in the working capital requirement included a cash inflow of €12.3 million from the disposal of the CICE receivables. In 2017, the change in the working capital requirement included a cash inflow of €23.6 million due to the disposal of the CICE receivables.

(€ million)	At June 30, 2018	At June 30, 2017*
Cash flow from operations before tax, dividends and interest	**77.9**	**74.1**
Change in working capital requirement	(320.6)	(270.5)
Income tax paid	(17.2)	(21.1)
Net cash flows from operating activities	**(259.9)**	**(217.5)**
Net operating investments	(44.6)	(47.4)
Free cash flow from operations	**(304.5)**	**(264.9)**

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

At June 30, 2018, net operating investments were €44.6 million.

(€ million)	At June 30, 2018	At June 30, 2017*
France and Switzerland	(41.6)	(39.4)
Iberian Peninsula	(2.2)	(1.8)
Benelux	(3.0)	(5.6)
Purchases of property, plant and equipment and intangible non-current assets	**(46.8)**	**(46.8)**
Disposals of property, plant and equipment and intangible non-current assets	1.3	1.2
Change in payables and receivables relating to non-current assets	0.9	(1.8)
Net operating investments	**(44.6)**	**(47.4)**

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

2.4.10.2 **Net interest paid and dividends received**

At June 30, 2018, net outflows for net financial interest paid and dividends received mainly included the disbursement of interest for financing and utilization and non-utilization fees for credit facilities.

2.4.10.3 **Purchase and sales of other financial assets (net)**

In the first half of 2018, outflows of €1.6 million included a €0.9 million investment in the Daphni Purple Fund. The Group agreed to underwrite the remaining 56% of shares for €3.9 million.

2.4.10.4 **Sale and purchases of treasury stock**

In the first half of 2018, the outflows for the purchase of treasury stock pertained to the purchase of shares made as part of the liquidity agreement entered into on June 19, 2013, with Rothschild & Cie Banque. At June 30, 2018, the Group held 69,000 treasury stocks.

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

2.4.10.5 **Capital increase and decrease and changes in liabilities to shareholders**

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

2.4.10.6 **Net cash flows from discontinued operations**

In the first half of 2017, net cash flows related to discontinued operations mainly represented financial flows generated by Fnac Brazil.

2.4.10.7 **Financing of the Comet pension fund**

The financing of the British Comet pension fund represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom.

2.5 RELATED PARTY TRANSACTIONS

At June 30, 2018, the Ceconomy Retail International group held 24.2% of the capital and 24.2% of the voting rights in Fnac Darty.

In the first half of 2018, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.

As previously reported,

At June 30, 2017, the Artémis Group owned 24.3% of Fnac Darty's share capital and 24.3% of its voting rights.

At June 30, 2017, the Vivendi Group owned 11.1% of Fnac Darty's share capital and 11.1% of its voting rights.

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

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

In the first half of 2017, the main transactions between all Fnac Darty consolidated companies and the Vivendi Group were as follows:

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

2.6 EVENTS OCCURRING AFTER THE CLOSE OF THE PERIOD

2.6.1 Partnership with the Dutch firm Wehkamp

Fnac Darty continues its partnership strategy in connection with the Confiance + plan, and announced on July 4 the signing of an exclusive agreement between BCC, its Dutch subsidiary specializing in electronics and household appliances, and Dutch online retailer Wehkamp.

According to this agreement, which will come into effect at the end of October 2018, BCC will make its entire product line available to Wehkamp and manage purchasing (electronics and appliances) for both brands. In return, it will benefit from the digital expertise of its partner, as well as its logistical capacity for small parcels. BCC will deliver and install large appliances and televisions. In the long term, both companies wish to extend their partnership to other services, such as after-sales service, operated by BCC at home or in-store, or financing solutions.

This cooperation will allow both players to strengthen their positions in the Netherlands. Thanks to Wehkamp's power in e-commerce, coupled with BCC's expertise in electronics and services and its network of stores, customers will be able to access an omnichannel offering that is unique in the Dutch market.

This agreement is a major step in the transformation plan of Fnac Darty's Dutch subsidiary, aiming to strengthen BCC's digital capabilities while making full use of its recognized know-how acknowledged for almost 50 years.

2.6.2 Employee stock ownership

The first Employee Stock Ownership plan of the Fnac Darty Group was rolled out for employees located in Belgium, Spain, France, the Netherlands, Portugal and Switzerland.

Around 5,000 employees elected to purchase Fnac Darty shares under preferential terms, with an average subscription amount of €1,500.

This operation is expected to have a small non-recurring impact on dilution and operating income in the second half.

2.7 MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING HALF-YEAR

Fnac Darty's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

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

The Group is not aware of any litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at year-end. No litigation is material at the Company or Group level, when considered on a stand-alone basis.

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

The main risks and uncertainties the Group may face in the second half of 2018 are set out in Section 6 of the Group's 2017 Registration Document.

2.8 OUTLOOK

Despite lackluster markets, the Group once again demonstrated its operational agility and its ability to deliver earnings growth.

For the second half of 2018, the Group remains cautious about the consumption environment and its markets. Innovation cycles should be more favorable in the second half of the year, particularly for technical products, but the third quarter will suffer from an unfavorable comparison basis due to numerous product launches over the same period in 2017. In the fourth quarter, the Group will remain focused on operational excellence.

Finally, expansion will continue in the second half of 2018, mainly through the opening of franchise stores, with more than 70 store openings expected for the Group in 2018.

The integration between Fnac and Darty is being finalized, and the Group reaffirms with confidence its objective of €130 million in synergies deployed by the end of 2018.

The Group also confirms its mid-term objectives of higher growth than its markets and current operating margin between 4.5% and 5% of sales.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED INCOME STATEMENT

FOR POSITIONS AT JUNE 30, 2018 AND JUNE 30, 2017 AND THE PERIOD ENDED DECEMBER 31, 2017

(€ million)	**Notes**	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Income from ordinary activities	5	**3,199.5**	**3,215.8**	**7,448.2**
Cost of sales		(2,203.1)	(2,221.2)	(5,187.3)
Gross margin		**996.4**	**994.6**	**2,260.9**
Personnel expenses	6	(536.6)	(526.9)	(1,093.1)
Other current operating income and expenses		(415.4)	(434.3)	(899.6)
Share of profit from equity associates		1.2	0.5	1.9
Current operating income	5	**45.6**	**33.9**	**270.1**
Other non-current operating income and expenses	7	(10.9)	(21.9)	(53.3)
Operating income		**34.7**	**12.0**	**216.8**
(Net) financial expense	8	(25.2)	(22.2)	(44.0)
Pre-tax income		**9.5**	**(10.2)**	**172.8**
Income tax	9	(2.4)	(4.9)	(48.3)
Net income from continuing operations		**7.1**	**(15.1)**	**124.5**
Group share		6.8	(15.3)	124.2
share attributable to non-controlling interests		0.3	0.2	0.3
Net income from discontinued operations	16.4	**1.0**	**(88.1)**	**(87.0)**
Group share		1.0	(88.1)	(87.0)
share attributable to non-controlling interests		0.0	0.0	0.0
Consolidated net income		**8.1**	**(103.2)**	**37.5**
Group share		7.8	(103.4)	37.2
share attributable to non-controlling interests		0.3	0.2	0.3
Net income, Group share		**7.8**	**(103.4)**	**37.2**
Earnings per share (€)	10	0.29	(3.93)	1.41
Diluted earnings per share (€)	10	0.29	(3.91)	1.40
Net income from continuing operations, Group share		**6.8**	**(15.3)**	**124.2**
Earnings per share (€)	10	0.26	(0.58)	4.70
Diluted earnings per share (€)	10	0.25	(0.58)	4.68

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(€ million)	Notes	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Net income		**8.1**	**(103.2)**	**37.5**
Items that may be reclassified subsequently to profit or loss		1.2	(8.5)	(3.1)
Items that may not be reclassified subsequently to profit or loss		24.4	(9.9)	0.2
Other items of comprehensive income, after tax		**25.6**	**(18.4)**	**(2.9)**
Total comprehensive income	11	**33.7**	**(121.6)**	**34.6**
Group share		33.6	(121.8)	34.3
share attributable to non-controlling interests		0.1	0.2	0.3

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

FOR POSITIONS AT JUNE 30, 2018 AND JUNE 30, 2017 AND THE PERIOD ENDED DECEMBER 31, 2017

ASSETS

(€ million)	Notes	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Goodwill	4	1,541.4	1,541.4	1,541.4
Intangible non-current assets		471.4	464.7	473.0
Property, plant and equipment		604.8	603.6	611.2
Interests in equity associates		19.1	20.6	22.0
Non-current financial assets		18.4	14.7	15.9
Deferred tax assets		66.9	48.2	59.9
Other non-current assets		0.0	0.0	0.0
Non-current assets		**2,722.0**	**2,693.2**	**2,723.4**
Inventories		1,026.2	1,000.6	1,072.8
Trade receivables		167.4	143.6	265.1
Tax receivables due		32.3	44.0	50.2
Other current financial assets		21.5	23.1	22.3
Other current assets		349.1	237.8	358.0
Cash and cash equivalents	13	497.0	359.1	774.9
Current assets		**2,093.5**	**1,808.2**	**2,543.3**
Assets held for sale	16.4	**0.0**	**48.7**	**3.1**
Total assets	5	**4,815.5**	**4,550.1**	**5,269.8**

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

LIABILITIES

(€ million)	Notes	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Share capital	12	26.7	26.5	26.7
Equity-related reserves		988.8	984.7	988.8
Translation reserves		(5.3)	(8.4)	(5.2)
Other reserves		112.7	(69.6)	85.7
Shareholders' equity – Group share		**1,122.9**	**933.2**	**1,096.0**
Shareholders' equity – Share attributable to non-controlling interests		7.4	7.0	7.0
Shareholders' equity		**1,130.3**	**940.2**	**1,103.0**
Long-term borrowings and financial debt	14	852.7	854.5	853.8
Provisions for pensions and other similar benefits		151.0	193.2	179.8
Other non-current liabilities		175.8	210.8	194.6
Deferred tax liabilities		190.0	190.4	192.7
Non-current liabilities		**1,369.5**	**1,448.9**	**1,420.9**
Short-term borrowings and financial debt	14	61.2	7.1	7.2
Other current financial liabilities		21.4	9.6	18.5
Trade payables		1,387.0	1,177.1	1,765.6
Provisions		64.4	42.8	72.5
Tax liabilities payable		18.6	75.3	47.3
Other current liabilities		761.5	749.8	828.6
Current liabilities		**2,314.1**	**2,061.7**	**2,739.7**
Liabilities relating to assets held for sale	16.4	**1.6**	**99.3**	**6.2**
Total liabilities	5	**4,815.5**	**4,550.1**	**5,269.8**

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

CONSOLIDATED CASH FLOW STATEMENT

FOR POSITIONS AT JUNE 30, 2018 AND JUNE 30, 2017 AND THE PERIOD ENDED DECEMBER 31, 2017

(€ million)	Notes	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Net income from continuing operations		**7.1**	**(15.1)**	**124.5**
Non-cash income and expenses		36.5	60.9	133.6
Cash flow from operations	16.1	**43.6**	**45.8**	**258.1**
Financial interest income and expense		21.9	18.1	34.4
Dividends received		0.0	0.0	(0.1)
Net tax expense payable		12.4	10.2	60.7
Cash flow from operations before tax, dividends and interest		**77.9**	**74.1**	**353.1**
Change in working capital requirement		(320.6)	(270.5)	56.3
Income tax paid		(17.2)	(21.1)	(98.3)
Net cash flows from operating activities	16.1	**(259.9)**	**(217.5)**	**311.1**
Purchases of property, plant and equipment and intangible non-current assets		(45.9)	(48.6)	(113.9)
Disposals of property, plant and equipment and intangible non-current assets		1.3	1.2	2.0
Purchases of subsidiaries net of cash acquired		0.0	(0.1)	(0.3)
Acquisitions of other financial assets		(1.6)	0.0	(1.5)
Net cash flows from investing activities	16.2	**(46.2)**	**(47.5)**	**(113.7)**
Capital increase/(decrease)		0.0	7.6	11.9
Other transactions with shareholders		0.0	(3.9)	(3.9)
Purchases or sales of treasury stock		(6.0)	3.8	4.2
Dividends paid to shareholders		0.0	0.0	(0.2)
Increase/decrease in other financial debt		52.8	0.0	(2.5)
Interest and equivalent payments		(16.6)	(17.4)	(20.9)
Financing of the Comet pension fund	16.5	(2.2)	(5.7)	(8.5)
Net cash flows from financing activities	16.3	**28.0**	**(15.6)**	**(19.9)**
Net cash flows from discontinued operations	16.4	0.0	(14.7)	(56.2)
Impact of fluctuations in exchange rates		0.2	(1.5)	(2.3)
Net change in cash		**(277.9)**	**(296.8)**	**119.0**
Cash and cash equivalents at the beginning of the period	16	**774.9**	**655.9**	**655.9**
Cash and cash equivalents at the end of the period	16	**497.0**	**359.1**	**774.9**

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

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Number of shares outstanding [1]	Share capital	Equity-related reserves	Translation reserves	Other reserves and net income	Shareholders' equity		
(€ million)						Group share	Non-controlling interests	Total
At December 31, 2016	**26,122,771**	**26.1**	**977.5**	**(4.4)**	**43.4**	**1,042.6**	**6.8**	**1,049.4**
Total comprehensive income				**(4.0)**	**(117.9)**	**(121.9)**	**0.2**	**(121.7)**
Capital increase/(decrease)	396,846	0.4	7.2			**7.6**		**7.6**
Treasury stock					4.0	**4.0**		**4.0**
Valuation of share-based payments					0.9	**0.9**		**0.9**
Other movements						**0.0**		**0.0**
At June 30, 2017	**26,519,617**	**26.5**	**984.7**	**(8.4)**	**(69.6)**	**933.2**	**7.0**	**940.2**
Total comprehensive income				**3.2**	**153.0**	**156.2**	**0.1**	**156.3**
Capital increase/(decrease)	138,518	0.2	4.1			**4.3**		**4.3**
Change in scope						**0.0**		**0.0**
Treasury stock					0.2	**0.2**		**0.2**
Valuation of share-based payments					2.6	**2.6**		**2.6**
Dividends paid					(0.2)	**(0.2)**		**(0.2)**
Share of Darty Plc. acquisition expenses posted to shareholders' equity					(0.3)	**(0.3)**		**(0.3)**
Other movements						**0.0**	(0.1)	**(0.1)**
At December 31, 2017	**26,658,135**	**26.7**	**988.8**	**(5.2)**	**85.7**	**1,096.0**	**7.0**	**1,103.0**
Total comprehensive income				**(0.1)**	**33.5**	**33.4**	**0.3**	**33.7**
Capital increase/(decrease)	44,245	0.0	0.0			**0.0**		**0.0**
Treasury stock					(6.0)	**(6.0)**		**(6.0)**
Valuation of share-based payments					3.4	**3.4**		**3.4**
Impact first-time application IFRS 9					(4.1)	**(4.1)**		**(4.1)**
Impact first-time application IFRS 15					0.2	**0.2**		**0.2**
Other movements						**0.0**	0.1	**0.1**
At June 30, 2018 (1)/(2)	**26,702,380**	**26.7**	**988.8**	**(5.3)**	**112.7**	**1,122.9**	**7.4**	**1,130.3**

[1] €1 par value of shares.
[2] Number of shares of capital stock at June 30, 2018: 26,702,380
* Restated for the measurement of Darty's identifiable assets and liabilities
** Impairment of financial assets of Ménafinance joint venture

Notes to the Condensed Consolidated Financial Statements

Note 1 General information

1.1. General information

Fnac Darty, the Group's parent company, is a French limited company (*société anonyme)* with a Board of Directors. Its registered office is at 9, rue des Bateaux-Lavoirs, ZAC Port d'Ivry, 94200 Ivry-sur-Seine, France. The company is listed on the Euronext Paris exchange. The Company is registered under No. 055 800 296 with the Créteil Trade and Companies Registry. Fnac Darty is subject to all laws governing commercial companies in France, including the provisions of the French Commercial Code.

The condensed consolidated financial statements at June 30, 2018 reflect the accounting position of Fnac Darty and its subsidiaries, as well as its interests in associates and joint ventures.

On July 25, 2018, the Board of Directors approved the condensed consolidated financial statements at June 30, 2018 and authorized their publication on July 25, 2018.

1.2. Reporting context

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

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

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

Note 2 Accounting principles and policies

2.1. General principles and statement of compliance

Pursuant to European Regulation 1606/2002 of July 19, 2002, the Group's consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with international accounting standards (IAS) as adopted by the European Union (available at http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm) and which are mandatorily applicable at that date, and are presented with comparative data for the same period in 2017 prepared on the same basis.

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and IFRIC Interpretations (IFRS Interpretations Committee).

The condensed consolidated financial statements at June 30, 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union, which permits the presentation of a selection of explanatory notes.
The consolidated financial statements presented do not take into account the standards and interpretations which, at the end of the reporting period, were still in the exposure draft stage with the IASB and the IFRS Interpretations Committee, or standards whose application was not mandatory in 2018.

The notes presented relate to significant events and transactions during the period and should be read in conjunction with the consolidated financial statements at December 31, 2017. They are, in fact, indissociable from the information presented in the consolidated financial statements included in the Group's Registration Document published for the period ended December 31, 2017.

2.2. IFRS guidelines applied

The half-year financial statements are prepared in accordance with the accounting principles and policies applied by the Group to the financial statements for the period ending December 31, 2017, with the exception of income tax and employee benefits, which are subject to specific valuation methods (Note 2.3).

2.2.1 Standards, amendments and interpretations adopted by the European Union and not mandatory for reporting periods beginning on or after January 1, 2018 which were not adopted early by the Group:

- On January 13, 2016, the IASB published **IFRS 16 – Leases.** IFRS 16 will replace the current standard IAS 17. This new standard, which will come into effect for reporting periods beginning on or after January 1, 2019 requires the capitalization of lease agreements.

  For the purposes of the transition to IFRS 16, in the first half of 2018, the Group collected the necessary data on lease agreements falling within the scope of the standard. For reference, leases shorter than 12 months or with a value at inception of under USD 5,000 are exempt from the standard. The Group has identified close to 4,000 leases within the scope of IFRS 16 including 580 property lease agreements.

  For the purposes of determining the relevant period for each lease, a twin approach that looks at both the contract and the economic and commercial criteria was used. The enforceable period of each lease is the period during which the lease cannot be canceled by the lessor (term of lease plus all renewal options available to the lessee). This term is then adjusted using economic criteria to estimate on an aggregate basis a reasonably certain term for each lease. In parallel, a methodology for determining interest rates by country and by currency was developed and is being finalized.

  The calculations and analysis of the financial impact of this new standard on the Group's consolidated financial statements are underway.

  To enable the calculation of the impact and operational monitoring of leases, Fnac Darty acquired an IT solution designed to:

  - Centralize all lease agreements;
  - Update information in real time;
  - Generate accounting items;
  - Manage forecast data;
  - Analyze financial impacts both at the Group level and for controlling areas.

  This system is currently being rolled out and will be finalized in the second half of 2018.

  The Group plans to apply IFRS 16 at January 1, 2019 using the modified retrospective approach, recognizing the cumulative effect of the initial application of the standard on the date of first-time application.

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Annual Improvements to IFRS Standards 2015-2017 Cycle: Miscellaneous provisions,
- IFRIC 23: Uncertainty over Income Tax Treatments.

2.2.2 Standards, amendments and interpretations adopted by the European Union and mandatory for reporting periods beginning on or after January 1, 2018:

- **IFRS 9: Financial Instruments**. Published in November 2016, IFRS 9 sets out the principles for accounting and disclosure of financial assets. These principles replaced, effective January 1, 2018, the principles in IAS 39 – Financial Instruments.

  The questions analyzed in depth were the following:

  - Investment: the Group has units in a private equity fund for which the valuation method has been changed. They are now recognized under debt instruments at fair value through profit or loss versus recognition under other items of comprehensive income previously. The implementation of IFRS 9 has no material impact.

  - Hedge accounting: the Group uses currency instruments to hedge its budget and specific commitments in foreign currencies. The derivatives contracted are presently classified as instruments to hedge cash flows. Seeing that the current IAS 39 positioning can be continued, the implementation of IFRS 9 has no impact on the financial statements.

  - Impairment of financial assets: the Group examined its method for impairment of trade receivables. This new impairment model allows the recognition of all expected losses on trade receivables from the outset. Given the consumer retail sales activity, which implies a low level of receivables and a very low risk of non-recovery, the implementation of IFRS 9 has no impact. The Ménafinance joint venture is impacted by the implementation of IFRS 9. The application of this standard on the impairment of financial assets had an impact of -€4.1 million on Group shareholders' equity at January 1, 2018.

  The Group applied IFRS 9 retrospectively at January 1, 2018 with a cumulative catch-up of the impact on shareholders' equity on the application date.

- **IFRS 15: Revenue from contracts with customers**. IFRS 15 replaced, with effect from January 1, 2018, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes.

  In the second half of 2017, the Group had conducted a qualitative and quantitative analysis of the main questions that could impact the financial statements for the transition to IFRS 15. The questions analyzed in depth were the following:

- Agent/Principal classification;
- Warranties;
- Sales with right of return;
- Group banner gift vouchers and cards;
- Franchise agreements;
- Loyalty programs.

The analysis of the impact of IFRS 15 was conducted in the second half of 2017 across the Group's scope. Thematic interviews with the subsidiaries along with the analysis of the various contracts made it possible to assess the impact of the standard on current revenue recognition practices. In light of the analyses conducted, IFRS 15 does not have a material effect on the Group's financial statements.

With respect to the Agent/Principal classification, Fnac Darty Group does a portion of its activities in association with partners, raising the question of its role in these transactions. Following an analysis of contracts, the application of IFRS 15 does not materially change revenue recognition and presentation.

With regard to warranty contracts, the application of IFRS 15 leads to the identification of two distinct performance obligations under certain contracts, including a return offer (5-year Warranty Extension Contracts). The impact in terms of revenue recognition rate and presentation is not material.

For sales with rights of return: in accordance with IAS 18, up to December 31, 2017 the Group recognized a net provision for estimated rights of return. The estimate of returns is based on observed return statistics. For sales with a right of return, IFRS 15 does not permit set-off and leads to presenting a reimbursement liability with contra item of revenues and returned goods by a contra item with the cost of the purchases. The impact of IFRS 15 is essentially a presentation impact on revenues and on purchasing costs, without net impact on margin.

For gift vouchers and cards, IFRS 15 impacts the date of recognition of the income from non-use which, as a variable element of the revenue tied to the sale of the card, must be recognized in proportion to the customer's utilization of the card. Up to December 31, 2017, when it could be reliably estimated on a multi-year statistical basis, the proceeds from non-use of cards and gift vouchers were recognized in income from ordinary activities upon activation of the card or voucher. In the opposite case, it was recognized at the expiration of the card or voucher. The impact of IFRS 15 on revenues is not material.

With respect to Fnac franchise agreements and Darty franchise agreements, under IFRS 15, royalties generated on the basis of sales must be recognized on the date on which the underlying sale takes place. Following an analysis of contracts, the application of IFRS 15 does not change revenue recognition and presentation.

In the case of loyalty programs, income from the sale of loyalty cards is spread over the validity period of the cards, reflecting the timetable of benefits offered. Consequently, the application of IFRS 15 does not change revenue recognition and presentation.

The Group applied IFRS 15 retrospectively at January 1, 2018 with a cumulative catch-up of the effects set against shareholders' equity on the transition date.

- IFRS 15 and its Clarifications
- Annual Improvements to IFRS Standards 2014-2016 Cycle: Miscellaneous provisions;
- Amendments to IAS 40 – Transfers of Investment Property;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.

The application of these amendments had no material impact on the Group's consolidated financial statements.

2.2.3 Standards, amendments and interpretations not yet adopted by the European Union and mandatory for post-2018 reporting periods:

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

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2016 Cycle: Miscellaneous provisions;
- Amendments to References to the Conceptual Framework in IFRS Standards.

2.3. Special features of the preparation of interim financial statements

2.3.1. Income tax

The tax expense for the period (current and deferred) is determined on the basis of the estimated effective tax rate for the current period as a whole, for each tax entity and sub-group.

2.3.2. Employee benefits

The post-employment benefit expense for the half-year is equal to one-half of the net expense calculated for the period ended December 31, 2018.

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

2.3.3. Seasonality of activities

Revenues, operating income and all operating indicators (including working capital requirement) are characterized by a high seasonality linked to a high level of activity in the last quarter of the calendar year. Consequently, the interim results at June 30, 2018 are not necessarily representative of those that can be expected for the full period ending December 31, 2018.

2.4. Use of estimates and assumptions

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

When exercising its judgment, the Group looks at its past experience and all available information considered critical in light of its environment and circumstances. The estimates and assumptions used are continually reexamined. Given the uncertainties inherent in any measurement process, it is possible that the final amounts included in the Group's future financial statements may differ from current estimates.
The main estimates made by the management in preparing the financial statements concern the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, and goodwill, the amount of the provisions for contingencies and other provisions relating to the business, as well as the assumptions used for the calculation of the obligations relating to employee benefits, share-based payments, deferred taxes and financial instruments. In particular, the Group uses discount rate assumptions, based on market data, in order to estimate its long-term assets and liabilities.

The main estimates and assumptions used by the Group are detailed in the specific paragraphs in the notes to the financial statements and especially in the following notes:

Estimate	**Nature of the estimate**
Impairment tests on non-financial assets	Level of cash generating unit combination for impairment test Main assumptions used for the construction of value-in-use (discount rates, infinite growth rates, anticipated cash flow) Assessment of the economic and financial context of the countries in which the Group operates
Employee benefits and similar payments	Discount rate, expected rate of return on assets and salary increase rate
Income from ordinary activities	Linear spread of revenues related to sales of loyalty cards and sales of extended warranties over the term for which services are rendered Recognition of income from ordinary activities in gross sales or commissions according to the analysis of the Group's involvement as principal or agent The return offer under certain warranty contracts requires the Group to use estimates and assumptions The estimate of returns is based on observed return statistics For gift vouchers and cards, the estimates and assumptions relate to the date of recognition of the income from non-use which, as a variable element of the revenue tied to the sale of the card, is recognized in proportion to the customer's utilization of the card
Cost of merchandise sales	At period-end, a valuation of discounts and commercial services to be collected is conducted based on the contracts signed with suppliers. This valuation is based on the amount of the annual purchases, the quantities of articles purchased, or other contract conditions, such as thresholds reached or the growth in purchasing volume for discounts and the performance of services rendered to suppliers for commercial cooperation
Inventories	Prospects for inventory run-down for calculating depreciation
Tax	Assumptions used to recognize deferred tax assets related to tax loss carryforwards and timing differences
Provisions	Underlying assumptions for assessing the legal position and risk valuation
Performance-based remuneration plans	Assumptions used to assess the fair value of allotted instruments (expected volatility, dividend yield, discount rate, expected turnover of beneficiaries)
Assets held for sale	Assets held for sale are valued and recognized at the lower amount of their net book value and fair value minus cost of sale

Note 3 Significant events

In the first half of 2018, the Fnac Darty Group and the Carrefour Group created the GIE *(Groupement d'intérêt économique)* called Fourty, tasked with pooling purchases of consumer electronic products and household appliances in France for both groups. GIE Fourty is a joint venture under IFRS 11. This company has been consolidated under the equity method from the first half of 2018.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty Groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

Note 4 Allocation of the acquisition price for Darty

The Fnac Darty consolidated financial statements at June 30, 2017 included a provisional measurement of the identifiable assets and liabilities acquired. The assessment was completed in the second half of 2017, and the allocation of the acquisition price for Darty revised accordingly.

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

The following table shows:

- The consideration provided for the Darty Group in the amount of €1,079.0 million;
- The identifiable assets acquired less the liabilities assumed recognized after remeasurement at fair value on the acquisition date in the amount of -€129.5 million;
- Final goodwill of €1,208.5 million corresponding to the difference between the consideration and the fair value of net assets acquired.

(€ million)		June 30, 2017 restated	June 30, 2017 reported
	Total consideration	**Fair Value**	**Fair Value**
Total consideration	**1,079.0**		
Net assets acquired at fair value		**(129.5)**	**(112.0)**
Valuation of brands		*337.0*	*337.0*
Valuation of franchise relations		*17.7*	*17.7*
Leasehold rights and lease agreements		*6.2*	*6.2*
Other intangible non-current assets		*22.4*	*22.4*
Property, plant and equipment		*460.4*	*474.2*
Financial assets		*27.5*	*27.5*
Assets held for sale		*(3.6)*	*0.5*
Working capital requirement		*(376.8)*	*(364.3)*
Net Financial Debt		*(217.3)*	*(217.3)*
Pensions and other employee-related liabilities		*(146.3)*	*(146.6)*
Other liabilities, net		*(256.8)*	*(269.4)*
Goodwill		**1,208.5**	**1,191.0**

Note 5 Operating segments

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

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

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

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

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

- The operating segments break down into three segments:
  - France-Switzerland: this segment is composed of the Group's activities managed from France. These activities are carried out in France and French territories, Switzerland and Monaco. This segment also includes the franchises in Morocco, Qatar, Ivory Coast, Cameroon, and Congo which are managed from France;
  - Iberian Peninsula: this segment consists of Group activities in Spain and Portugal;
  - Benelux: this segment consists of Group activities performed and grouped in Belgium, the Netherlands and Luxembourg.

Information per operating segment

(€ million)	France and Switzerland	Iberian Peninsula	Benelux	Total
June 30, 2018				
Income from ordinary activities	**2,482.3**	**294.0**	**423.2**	**3,199.5**
- Consumer electronics	1,220.8	172.4	219.9	**1,613.1**
- Editorial products	378.8	92.0	22.8	**493.5**
- Household appliances	601.5		160.0	**761.4**
- Other products and services	281.3	29.6	20.6	**331.5**
Current operating income	**46.5**	**3.3**	**(4.2)**	**45.6**
Purchases of property, plant and equipment and intangible non-current assets (1)	(37.6)	(5.1)	(3.2)	**(45.9)**
Segment assets	**3,560.2**	**163.1**	**436.9**	**4,160.2**
Segment liabilities	**1,921.5**	**171.4**	**231.3**	**2,324.2**

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

(€ million)	France and Switzerland	Iberian Peninsula	Benelux	Total
June 30, 2017*				
Income from ordinary activities	**2,516.6**	**281.0**	**418.2**	**3,215.8**
- Consumer electronics	1,236.1	169.8	218.3	**1,624.2**
- Editorial products	384.3	90.2	24.2	**498.7**
- Household appliances	585.9		159.0	**744.9**
- Other products and services	310.3	21.1	16.7	**348.1**
Current operating income	**32.4**	**2.4**	**(0.9)**	**33.9**
Purchases of property, plant and equipment and intangible non-current assets (1)	(37.9)	(4.9)	(5.8)	**(48.6)**
Segment assets	**3,451.8**	**147.9**	**391.9**	**3,991.6**
Segment liabilities	**1,799.4**	**163.7**	**174.5**	**2,137.6**

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

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

(€ million)	France and Switzerland	Iberian Peninsula	Benelux	Total
December 31, 2017				
Income from ordinary activities	**5,855.9**	**675.5**	**916.8**	**7,448.2**
- Consumer electronics	2,912.7	404.1	485.1	**3,801.9**
- Editorial products	978.7	215.4	58.6	**1,252.7**
- Household appliances	1,277.5		335.5	**1,613.0**
- Other products and services	687.0	56.0	37.6	**780.6**
Current operating income	**234.4**	**23.6**	**12.1**	**270.1**
Purchases of property, plant and equipment and intangible non-current assets (1)	(93.2)	(9.8)	(10.9)	**(113.9)**
Segment assets	**3,732.7**	**186.5**	**402.3**	**4,321.5**
Segment liabilities	**2,284.8**	**288.2**	**216.6**	**2,789.6**

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

Note 6 Payroll expenses

The application of IFRS 2 – Share-based Payment, results in the recognition of a personnel expense that is allocated on a straight-line basis over the vesting period as follows. At June 30, 2018, all plans allotted by the Group will be equity-settled.

Payroll expenses for the period include an expense related to the application of this standard. This expense is recognized for the share of the fair value of services rendered during the period. It relates to the performance stock option plans.

Based on the assumptions detailed in the 2017 annual financial statements, this expense totaled €4.6 million for the first half of 2018 compared with €3.6 million for the first half of 2017.

Note 7 Other non-current operating income and expenses

(€ million)	June 30, 2018	June 30, 2017 Adjusted*	December 31, 2017
Costs connected with Fnac Darty restructuring	(8.3)	(12.9)	(46.7)
Costs connected with DARTY acquisition and integration	(0.8)	(3.1)	(1.4)
Other restructuring costs	(0.5)	(2.0)	(5.1)
C3S 2016/Tascom 2015	0.0	(2.4)	0.0
Other non-current operating income and expenses, net	(1.4)	(1.5)	(0.1)
Total	**(10.9)**	**(21.9)**	**(53.3)**

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

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

At June 30, 2018, this item represents a net expense of €10.9 million and includes:

- €8.3 million in restructuring costs, related mainly to the implementation of the Group’s new organizational structure. In the first half of 2018, these expenses were mainly attributable to the Remote Customer Service reorganization project aimed at streamlining the industrial processes of this activity and refocusing on technical expertise, the core business of Darty's sales staff.
- €0.8 million in costs incurred as part of the Darty consolidation,
- €0.5 million in restructuring costs related to headcount adjustment measures,
- other non-current income and expenses represented a net expense of €1.4 million resulting from various one-off litigation cases.

At June 30, 2017, they comprised a net expense of €21.9 million and included:

- €12.9 million in restructuring costs in France and outside of France, related mainly to the implementation of the Group's new organizational structure and primarily the voluntary departure plan opened for employees after the employee consultation process.
- €3.1 million in costs derived from the integration of Darty,
- €2.0 million in restructuring costs related to headcount adjustment measures,
- a €2.4 million expense for the additional C3S tax contribution (social contribution paid by companies).
- other non-current income and expenses represented a net expense of €1.5 million resulting from various one-off litigation cases.

Note 8 (Net) financial expense

Net financial expense breaks down as follows:

(€ million)	**June 30, 2018**	**June 30, 2017 Adjusted***	**December 31, 2017**
Costs connected with Group debt and financing fees	(20.5)	(18.0)	(34.2)
Cost of consumer credit	(1.9)	(2.4)	(6.1)
Other financial income and expenses, net	(2.8)	(1.8)	(3.7)
Net financial expense	**(25.2)**	**(22.2)**	**(44.0)**

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

In the first half of 2018, net financial income was composed of a net financial expense of €25.2 million, compared with a net financial expense of €22.2 million for the same period the previous year.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its business model as well as Fnac Darty's new scale. During the first six months of 2018, the cost of net financial debt for the Group mainly comprised the financial interest for the €650 million bond and the €200 million medium-term credit facility. It also includes a €5.9 million expense in connection with the renegotiation of the terms governing the credit facilities and factors in the remaining costs to be amortized from the previous agreement.

The other financial income and expenses primarily reflect the cost of consumer credit and the financial effects from employee post-employment benefits.

Note 9 Tax

Analysis of the income tax expense on continuing operations

(€ million)	June 30, 2018	June 30, 2017 Adjusted*	December 31, 2017
Pre-tax income	**9.5**	**(10.2)**	**172.8**
Current tax expense	(2.6)	(0.2)	(40.3)
Tax charge related to the corporate value-added t	(9.8)	(10.0)	(20.4)
Deferred tax income/(expense)	10.0	5.3	12.4
Total tax expense	**(2.4)**	**(4.9)**	**(48.3)**
Effective tax rate	**25.26%**	**(48.04%)**	**27.95%**

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

In the first half, tax expense was calculated based on the effective tax rate estimated for the whole period for each fiscal entity or sub-entity.

The change in net deferred tax assets corresponds to the recognition of tax timing differences.

Until December 31, 2017, the subsidiaries of the former Fnac and Darty Groups belonged to two tax consolidation groups formed by Fnac Darty and Darty Holdings respectively. Pursuant to the provisions of Article L. 223-6 i of the French General Tax Code, Darty Holdings and its subsidiaries opted at January 1, 2018 to belong to the tax consolidation group formed by Fnac Darty. The tax group formed by Darty Holdings therefore ceased to exist as of January 1, 2018.

Note 10 Earnings per share

Net earnings per share are calculated based on the weighted average number of shares outstanding less the weighted average number of shares held by the consolidated companies.

In the first half of 2018, Fnac Darty held an average of 18,193 treasury stocks as part of the liquidity agreement entered into on June 19, 2013 with Rothschild & Cie Banque.

At June 30, 2018, the Group held 69,000 treasury stocks.

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

For the first half of 2018, instruments issued by the Group had a dilutive effect of 151,011 shares.

The number of shares that could potentially become dilutive during a subsequent period was 168,760.

10.1. Earnings per share

Earnings per share at June 30, 2018

At June 30, 2018

(€ million)	Consolidated Group	Group share: Continuing operations	Group share: Discontinued operations
Net income attributable to ordinary shareholders	**7.8**	**6.8**	**1.0**
Weighted average number of ordinary shares issued	26,661,313	26,661,313	26,661,313
Weighted average number of treasury stock	(18,193)	(18,193)	(18,193)
Weighted average number of ordinary shares	**26,643,119**	**26,643,119**	**26,643,119**
Basic earnings per share (€)	**0.29**	**0.26**	**0.04**

(€ million)	Consolidated Group	Group share: Continuing operations	Group share: Discontinued operations
Net income attributable to ordinary shareholders	**7.8**	**6.8**	**1.0**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**7.8**	**6.8**	**1.0**
Weighted average number of ordinary shares	26,643,119	26,643,119	26,643,119
Potentially diluting ordinary shares	151,011	151,011	151,011
Weighted average number of diluted ordinary shares	**26,794,131**	**26,794,131**	**26,794,131**
Diluted earnings per share (€)	**0.29**	**0.25**	**0.04**

Earnings per share at June 30, 2017

At June 30, 2017*

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

(€ million)	Consolidated Group	Group share Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**(103.4)**	**(15.3)**	**(88.1)**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**(103.4)**	**(15.3)**	**(88.1)**
Weighted average number of ordinary shares	26,293,813	26,293,813	26,293,813
Potentially diluting ordinary shares	174,302	174,302	174,302
Weighted average number of diluted ordinary shares	**26,468,115**	**26,468,115**	**26,468,115**
Diluted earnings per share (€)	**(3.91)**	**(0.58)**	**(3.33)**

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

Earnings per share at December 31, 2017

At December 31, 2017

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares issued	26,447,149	26,447,149	26,447,149
Weighted average number of treasury stock	(18,289)	(18,289)	(18,289)
Weighted average number of ordinary shares	**26,428,860**	**26,428,860**	**26,428,860**
Basic earnings per share (€)	**1.41**	**4.70**	**(3.29)**

(€ million)	Consolidated Group	Group share Continuing operations	Group share Discontinued operations
Net income attributable to ordinary shareholders	**37.2**	**124.2**	**(87.0)**
Convertible and exchangeable instruments	-	-	-
Diluted net income, Group share	**37.2**	**124.2**	**(87.0)**
Weighted average number of ordinary shares	26,428,860	26,428,860	26,428,860
Potentially diluting ordinary shares	123,418	123,418	123,418
Weighted average number of diluted ordinary shares	**26,552,278**	**26,552,278**	**26,552,278**
Diluted earnings per share (€)	**1.40**	**4.68**	**(3.28)**

Note 11 Other items of comprehensive income

Other items of comprehensive income mainly comprise:

- profit and loss from the conversion of the financial statements of operations outside France;
- the change in the effective portion of hedging instruments;
- items relating to the assessment of employee benefit obligations: revaluation of net liabilities for defined benefit plans. The increase in interest rates seen during the first half of 2018 in the main geographical regions, including the euro zone, have resulted in higher benchmark discount rates that are the rates for investment grade corporate bonds. In parallel, the Group has revised its actuarial assumptions. An adjustment to the amount of the net commitment was recognized in the interim financial statements. The impact on shareholders' equity appears under "Other items of comprehensive income."

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

(€ million)	**At June 30, 2018**	**At June 30, 2017***	**At December 31, 2017**
Discount rate			
- France	1.65%	1.80%	1.55%
- Switzerland	0.75%	0.75%	0.75%
- United Kingdom	2.70%	2.70%	2.40%

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

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

At June 30, 2018

(€ million)	**Net**
Translation difference	(0.1)
Fair value of hedging instruments	1.3
Items that may be reclassified subsequently to profit or loss	**1.2**
Revaluation of net liabilities for defined benefit plans	24.4
Items that may not be reclassified subsequently to profit or loss	**24.4**
Other items of comprehensive income at June 30, 2018	**25.6**

At June 30, 2017

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

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

At December 31, 2017

(€ million)	Net
Translation difference	(0.8)
Fair value of hedging instruments	(2.3)
Items that may be reclassified subsequently to profit or loss	**(3.1)**
Revaluation of net liabilities for defined benefit plans	0.2
Items that may not be reclassified subsequently to profit or loss	**0.2**
Other items of comprehensive income at December 31, 2017*	**(2.9)**

Note 12 Shareholders’ equity

12.1. Share capital

At June 30, 2018, the share capital stood at €26,702,380. It was comprised of 26,702,380 fully paid-up shares with a par value of €1 each. The capital increase in the first half of 2018 represented the creation of 44,245 shares to increase the share capital reserved for the free allotment of shares as part of performance-based remuneration plans.

12.2. Appropriation of earnings

No dividend was paid for the 2017 period. The profit for the 2017 period was allocated to shareholders' equity.

12.3. Treasury stock

In the first half of 2018, Fnac Darty held an average of 18,193 treasury stocks as part of the liquidity agreement entered into on June 19, 2013 with Rothschild & Cie Banque.

At June 30, 2018, the Group held 69,000 treasury stocks.

Note 13 Cash and cash equivalents

Cash and cash equivalents break down as follows:

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Cash	494.5	352.7	766.4
Cash equivalents	2.5	6.4	8.5
Total	**497.0**	**359.1**	**774.9**

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

In the first half of 2018, cash equivalents were comprised of Sicavs (open-ended investment funds).

At June 30 and December 31, 2017, cash equivalents were comprised of Sicavs (open-ended investment funds). The Sicavs included an amount allocated to the liquidity agreement designed to increase trading liquidity and stabilize the Fnac Darty stock price. This amount was €6.0 million at June 30, 2017 and €8.0 million at December 31, 2017.

The items that the Group recognizes as “Cash and cash equivalents” meet the strict criteria listed in the AMF Position issued in 2008 and updated in 2011. In particular, investments are regularly reviewed in compliance with the Group procedures and in strict compliance with the qualification criteria defined under IAS 7 and with AMF recommendations. At June 30, 2018, these analyses did not lead to changes in the accounting classification.

Note 14 Financial debt

(€ million)	**At June 30, 2018**	**N+1**	**N+2**	**N+3**	**N+4**	**N+5**	**Beyond**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Long-term borrowings and financial debt	**852.7**		**1.9**	**0.8**		**200.0**	**650.0**	**854.5**	**853.8**
Bonds 2023	650.0						650.0	650.0	650.0
Medium-term credit facility	200.0					200.0		200.0	200.0
Finance lease liabilities	2.7		1.9	0.8				4.5	3.8
Short-term borrowings and financial debt	**61.2**	**61.2**						**7.1**	**7.2**
Capitalized interest on 2023 bonds	5.4	5.4						5.3	5.3
Negotiable debt instruments	54.0	54.0							
Finance lease liabilities	1.8	1.8						1.8	1.9
Total	**913.9**	**61.2**	**1.9**	**0.8**		**200.0**	**650.0**	**861.6**	**861.0**
%		6.7%	0.2%	0.1%		21.9%	71.1%		

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

At June 30, 2018, gross financial debt consisted mainly of the €650 million bond issue maturing in 2023 and the €200 million medium-term credit facility.

On April 18, 2018, Fnac Darty completed the renegotiation of financial terms and the maturity extension of its credit facilities signed with its financial partners on April 20, 2016. The final maturity of the Term Loan of €200 million in notional value will be extended by two years, to April 2023, with a repayment schedule amended accordingly. The maturity of the revolving facility of €400 million in notional value will also be extended to April 2023. Beyond maturity extensions, the improvement of the Group's financial cost reflects the strengthening of its business model as well as Fnac Darty's new scale. Furthermore, in the first half of 2018, Fnac Darty issued short-term negotiable debt instruments to finance its operations. This totaled €300 million at June 30, 2018 with €54 million being used.

Note 15 Net financial debt

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

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Gross financial debt	913.9	861.6	861.0
Cash and cash equivalents	(497.0)	(359.1)	(774.9)
Net financial debt	**416.9**	**502.5**	**86.1**

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

Note 16 Cash flow statement

Cash stood at €497.0 million at June 30, 2018 and corresponded to the amount of cash and cash equivalents presented below:

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Balance sheet cash and cash equivalents	497.0	359.1	774.9
Bank overdrafts	-	-	-
Cash and cash equivalents in the cash flow statement	**497.0**	**359.1**	**774.9**

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

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

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Net cash flows from operating activities	(259.9)	(217.5)	311.1
Net cash flows from investing activities	(46.2)	(47.5)	(113.7)
Net cash flows from financing activities	28.0	(15.6)	(19.9)
Net cash flows from discontinued operations	0.0	(14.7)	(56.2)
Impact of fluctuations in foreign exchange rates	0.2	(1.5)	(2.3)
Net change in cash	**(277.9)**	**(296.8)**	**119.0**

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

16.1. Net cash flows from operating activities

Cash flows from operating activities are mainly produced by the Group's principal cash generating activities and can be broken down as follows:

(€ million)	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Cash flow from operations before tax, dividends and interest	77.9	74.1	353.1
Change in working capital requirement	(320.6)	(270.5)	56.3
Income tax paid	(17.2)	(21.1)	(98.3)
Net cash flows from operating activities	**(259.9)**	**(217.5)**	**311.1**

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

The composition of cash flow from operations is as follows:

(€ million)	At June 30, 2018	At June 30, 2017 Adjusted*	At December 31, 2017
Net income from continuing operations	**7.1**	**(15.1)**	**124.5**
Current & non-current provisions and reversals on non-current assets and provisions for contingencies and charges	45.8	61.3	140.7
Current proceeds from the disposal of operating assets	(1.3)	1.0	0.9
Non-current proceeds from the disposal of operating assets	0.6	2.1	1.1
Non-current proceeds from the disposal of financial assets	0.1	0.6	0.2
Deferred tax income and expense	(10.0)	(5.3)	(12.4)
Discounting of provisions for pensions & other similar benefits	1.3	1.2	3.1
Cash flow from operations	**43.6**	**45.8**	**258.1**
Financial interest income and expense	21.9	18.1	34.4
Dividends received			(0.1)
Net tax expense payable	12.4	10.2	60.7
Cash flow from operations before tax, dividends and interest	**77.9**	**74.1**	**353.1**

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

16.2. Net cash flows from investing activities

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

Operating and financial investments made by the Group in the first half of 2018 amounted to €46.2 million.

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Net operating investments	(44.6)	(47.4)	(111.9)
Net financial investments	(1.6)	(0.1)	(1.8)
Cash flows from investing activities	**(46.2)**	**(47.5)**	**(113.7)**

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

The Group's net operating investments in the first half of 2018 amounted to €44.6 million, the bulk of which comprised purchases of property, plant and equipment and intangible assets, primarily for the purposes of opening new points of sale, renovating existing points of sale, pushing forward with the convergence of the Fnac and Darty IT systems, and developing websites.

(€ million)	**At June 30, 2018**	**At June 30, 2017 Adjusted***	**At December 31, 2017**
Purchases of property, plant and equipment and intangible non-current ass	(46.8)	(46.8)	(112.6)
Change in debt for non-current assets	0.9	(1.8)	(1.3)
Total non-current asset purchases	**(45.9)**	**(48.6)**	**(113.9)**
Disposals of non-current assets	1.3	1.2	2.0
Total purchases and disposals of non-current assets	**(44.6)**	**(47.4)**	**(111.9)**

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

The Group's net financial investments represented an outflow of €1.6 million in the first half of 2018 versus an outflow of almost zero in the first half of 2017.

(€ million)	**At June 30, 2018**	**At June 30, 2018 Adjusted***	**At December 31, 2017**
Purchases of subsidiaries net of cash acquired	0.0	(0.1)	(0.3)
Acquisitions of other financial assets	(1.6)	0.0	(1.5)
(Net) financial investments	**(1.6)**	**(0.1)**	**(1.8)**

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

In the first half of 2018, the outflow of €1.6 million included €0.9 million in investment in the Daphni Purple fund. The Group agreed to underwrite the remaining 56% for €3.9 million.

16.3. Net cash flows from financing activities

(€ million)	At June 30, 2018	At June 30, 2018 Adjusted*	At December 31, 2017
Capital increase/(decrease)	0.0	7.6	11.9
Other transactions with shareholders	0.0	(3.9)	(3.9)
Purchases or sales of treasury stock	(6.0)	3.8	4.2
Dividends paid to shareholders	0.0	0.0	(0.2)
Increase/decrease in other financial debt	52.8	0.0	(2.5)
Interest and equivalent payments	(16.6)	(17.4)	(20.9)
Financing of the Comet pension fund	(2.2)	(5.7)	(8.5)
Net cash flows from financing activities	**28.0**	**(15.6)**	**(19.9)**

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

At June 30, 2018, there were no cash flows associated with changes in the share capital or transactions with shareholders.

At June 30, 2017, the €7.6 million capital increase reflected the exercise of stock options as part of the Group performance-based remuneration plans. This increase was offset by the change in the liability to subscribers who had already paid cash in the 2016 period, for the amount of €3.9 million.

In the first half of 2018, the outflows for the purchase of treasury stock pertained to the purchase of shares made as part of the liquidity agreement entered into on June 19, 2013, with Rothschild & Cie Banque. At June 30, 2018, the Group held 69,000 treasury stocks.

In the first half of 2017, inflows for the purchase of treasury stock represented mainly the redemption of Darty shares held by UBS as part of the share-based remuneration plans for managers of the former Darty Group. This item also included inflows and outflows related to the acquisition of Fnac Darty shares. At June 30, 2017, the Group did not hold any treasury stock.

In the first half of 2018, the €52.8 million net increase in financial debt mainly included the issuance of short-term negotiable debt instruments (NEU CP) for €54.0 million. In the first half of 2018, Fnac Darty issued short-term negotiable debt instruments to fund its operations.

Net outflows for net financial interest paid mainly include the payment of interest on financing instruments as well as utilization and non-utilization fees on credit lines.

The financing of the UK pension fund that was assumed upon acquisition of Darty represents the cash paid by the Group under the pension commitments for former Comet employees in the United Kingdom.

16.4. Net cash flows from financing activities and discontinued operations

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

On July 19, 2017 Fnac Darty signed an agreement to sell its Fnac Brazil subsidiary to the Livraria Cultura Group.

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

Net income from discontinued operations includes the Fnac Brazil activity in the amount of €1.0 million in 2018 and -€87.6 million in 2017. In 2017, net income related to Fnac Brazil included the cost of the activity of Fnac Brazil until the date of disposal on July 19, 2017, and all the costs related to the disposal of Fnac Brazil after its recapitalization. In the first half of 2018, the €1.0 million bonus represented the reversal of provisions for costs related to the disposal of Fnac Brésil, which had become redundant.

In 2017, net cash flows from discontinued operations included the activity of Fnac Brazil up to the disposal date.

(€ million)	June 30, 2018	June 30, 2017 Adjusted*	December 31, 2017
Income from ordinary activities	**0.0**	**53.9**	**58.5**
Cost of sales	0.0	(42.3)	(45.7)
Gross margin	**0.0**	**11.6**	**12.8**
Personnel expenses	0.0	(6.0)	(6.8)
Other current operating income and expenses	0.0	(11.2)	(13.1)
Current operating income	**0.0**	**(5.6)**	**(7.1)**
Other non-current operating income and expenses	1.0	(80.5)	(75.1)
Operating income	**1.0**	**(86.2)**	**(82.1)**
(Net) financial expense	0.0	(2.0)	(4.8)
Pre-tax income	**1.0**	**(88.1)**	**(87.0)**
Income tax	0.0	0.0	0.0
Net income	**1.0**	**(88.1)**	**(87.0)**

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

(€ million)	June 30, 2018	June 30, 2017 Adjusted*	December 31, 2017
Net cash flows from operating activities	0.0	(13.0)	(19.2)
Net cash flows from investing activities	0.0	0.0	0.0
Net cash flows from financing activities	0.0	(1.3)	0.0
Net cash flows	**0.0**	**(14.3)**	**(19.2)**
Change in cash position	0.0	(0.3)	(37.0)
Net cash flows from discontinued operations	**0.0**	**(14.7)**	**(56.2)**

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

(€ million)	June 30, 2018	June 30, 2017 Adjusted*	December 31, 2017
Assets held for sale	**0.0**	**48.7**	**3.1**
Inventories Fnac Brazil	*0.0*	*15.2*	*0.0*
Trade receivables Fnac Brazil	*0.0*	*9.0*	*0.0*
Receivables from suppliers Fnac Brazil	*0.0*	*2.2*	*0.0*
Other current assets Fnac Brazil	*0.0*	*20.7*	*0.0*
Assets relating to stores being sold	*0.0*	*1.6*	*3.1*
Liabilities relating to assets held for sale	**1.6**	**99.3**	**6.2**
Liabilities relating to assets held for sale, Brazil	*0.0*	*94.0*	*0.0*
Liabilities relating to stores being sold	*1.6*	*5.3*	*6.2*
Fnac Brazil translation gain/(loss) recognized in equity	**0.0**	**(5.9)**	**0.0**

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

In the first half of 2018, net liabilities held for sale included the assets and liabilities associated with the points of sale that the competition authority, on July 18, 2016, requested be sold.

The points of sale to be sold were in 2016 the stores Darty Belleville, Darty Italie 2, Fnac Beaugrenelle, Darty Saint-Ouen, Darty Vélizy and the Wagram Darty Kitchen point of sale.

In 2017, three stores were sold to buyers approved by the Competition Authority. These were the Darty Wagram, Darty Vélizy and Darty Italie 2 stores.

The three other stores have still not been sold and their valuation was revised in the first half of 2018, compared with the previous period.

On September 11, 2017, the Competition Authority published an opinion on the conditions for executing the commitments made under Decision 16-DCC-11 of July 27, 2016 for the exclusive takeover of Darty by Fnac.

For two of the three points of sale not yet sold, Fnac Darty submitted a buyer, as required by its commitments, to the Authority, which did not approve the buyer. For the third point of sale, Fnac Darty requested an extension in the deadline for meeting its commitment, which the Authority refused. In this context, the Board of the Competition Authority decided to intervene to verify the conditions under which the Group is executing the commitments it made. This decision does not in any manner prejudice the consequences that may follow. Fnac Darty continues to examine several options for resolving this as soon as possible.

Moreover, in the context of the disposal of Darty points of sale (Velizy 2, Italie 2 and Wagram), guarantees were delivered to the buyers to guarantee rents in a total amount of €14.9 million.

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

Contingent liabilities, unrecognized contractual commitments and contingent risks at December 31, 2017 are set out in Section 5, note 33 of the 2017 Registration Document.

Compared to 2017, there is no material change in the commitments given or received in terms of contractual obligations, pledges or charges on real estate.

Proceedings and litigation

Fnac Darty's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business, including disputes with tax, employment and customs authorities. A provision has been recorded for any expenses that may arise and are considered likely by those companies and businesses and their experts.

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

Fnac Darty is not aware of any other litigation involving material risks likely to affect its net assets, earnings or financial position for which a provision had to be recorded at the end of the period. No litigation is material at the Company or Group level, when considered on a stand-alone basis.

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

Note 18 Related parties

At June 30, 2018, the Ceconomy Retail International group held 24.2% of the capital and 24.2% of the voting rights in Fnac Darty.
In the first half of 2018, there were no transactions between Fnac Darty consolidated companies and the Ceconomy Retail International group.
As previously reported,

At June 30, 2017, the Artémis Group owned 24.3% of Fnac Darty’s share capital and 24.3% of its voting rights.

At June 30, 2017, the Vivendi Group owned 11.1% of Fnac Darty’s share capital and 11.1% of its voting rights.

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

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

In the first half of 2017, the main transactions between all Fnac Darty consolidated companies and the Vivendi Group were as follows:

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

Note 19 Events occurring after the close of the period

Partnership with the Dutch company Wehkamp

Fnac Darty continues its partnership strategy in connection with the Confiance + plan, and announced on July 4 the signing of an exclusive agreement between BCC, its Dutch subsidiary specializing in electronics and household appliances, and Dutch online retailer Wehkamp.

According to this agreement, which will come into effect at the end of October 2018, BCC will make its entire product line available to Wehkamp and manage purchasing (electronics and appliances) for both brands. In return, it will benefit from the digital expertise of its partner, as well as its logistical capacity for small parcels. BCC will deliver and install large appliances and televisions. In the long term, both companies wish to extend their partnership to other services, such as after-sales service, operated by BCC at home or in-store, or financing solutions.

This cooperation will allow both players to strengthen their positions in the Netherlands. Thanks to Wehkamp's power in e-commerce, coupled with BCC's expertise in electronics and services and its network of stores, customers will be able to access an omnichannel offering that is unique in the Dutch market.

This agreement is a major step in the transformation plan of Fnac Darty's Dutch subsidiary, aiming to strengthen BCC's digital capabilities while making full use of its recognized know-how acknowledged for almost 50 years.

Employee stock ownership

The first Employee Stock Ownership plan of the Fnac Darty Group was rolled out for employees located in Belgium, Spain, France, the Netherlands, Portugal and Switzerland.

Over 5,000 employees elected to buy Fnac Darty shares on preferential terms, with an average subscription of €1,500.

This offer is expected to have a small non-recurring impact on dilution and operating income in the second half.

4 REPORT OF THE STATUTORY AUDITORS

Fnac Darty S.A.

Société Anonyme

9, rue des Bateaux-Lavoirs

ZAC Port d'Ivry

94200 Ivry-sur-Seine (France)

Statutory Auditors' Report on the interim financial information

Period from January 1 to June 30, 2018

Dear Shareholders,

In accordance with the mission entrusted to us by your General Meetings and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have carried out:

- the limited review of the consolidated half-year financial statements of the company Fnac Darty S.A. for the period from January 1 to June 30, 2018, as attached to this report;
- the verification of the information provided in the half-year business report.

These condensed consolidated half-year financial statements have been drawn up under the responsibility of the Board of Directors. It is our responsibility, on the basis of our limited review, to express our conclusion on these statements.

I - Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists primarily of interviewing members of the management team responsible for accounting and financial matters and performing analytical procedures. This work is less extensive than that required for an audit conducted in accordance with professional standards applicable in France. As a result, the assurance in a limited review that the financial statements, taken as a whole, do not contain any material anomalies is a moderate assurance, lower than that obtained in the course of an audit.

Based on our limited review, we have not identified any material anomalies likely to call into question the compliance of the condensed consolidated half-year financial statements with IAS 34 – Interim Financial Reporting of the IFRS guidelines as adopted by the European Union.

II – Specific verification

We also verified the information provided in the half-year business report commenting on the condensed consolidated half-year financial statements that were the subject of our limited review. We have no observations to make on its fair presentation and its consistency with the condensed consolidated half-year financial statements.

Paris La Défense, July 27, 2018

Statutory Auditors

KPMG Audit *Département de KPMG S.A.*	Deloitte & Associés
Eric Ropert *Associé*	Stéphane Rimbeuf *Associé*

5 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the past half-year have been prepared in accordance with the applicable accounting standards and give a true and fair view of the holdings, financial position and earnings of the company and of all consolidated companies, and that the Half-Year Report gives a fair description of significant events that occurred during the first six months of the period, their impact on the half-year financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the year.

Ivry-sur-Seine, July 27, 2018

Enrique Martinez

Chief Executive Officer

Investor contact

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Fnac Darty
A French joint stock company *(société anonyme)* with capital of €26,702,380
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