

July 28<sup>th</sup>, 2016

# fnac

## 2016 HALF-YEAR RESULTS





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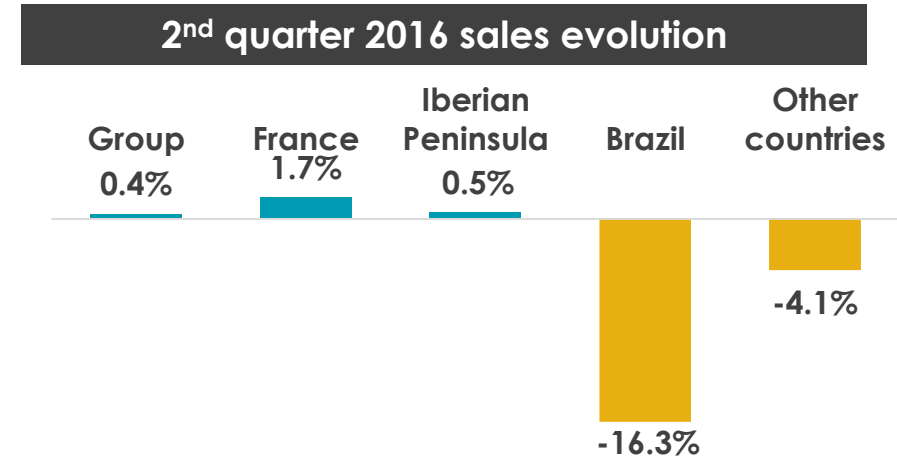
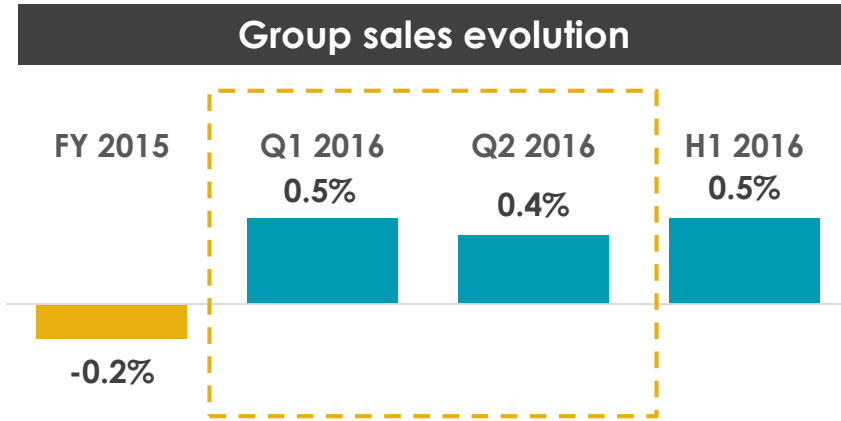


# Key highlights

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- Group sales up 0.5% in the 1<sup>st</sup> half (at constant FX)
- Continued positive momentum in sales in France: +1.6% in the 1<sup>st</sup> half
- Stable gross margin
- Increase in current operating income (+€6m)
- Improved free cash flow (+€4m)
- Acquisition of Darty to be completed in August

# Continued positive sales momentum in France in 2<sup>nd</sup> quarter



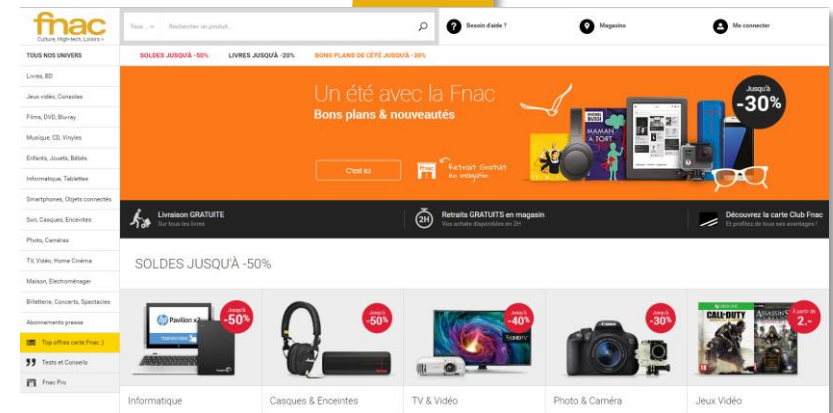
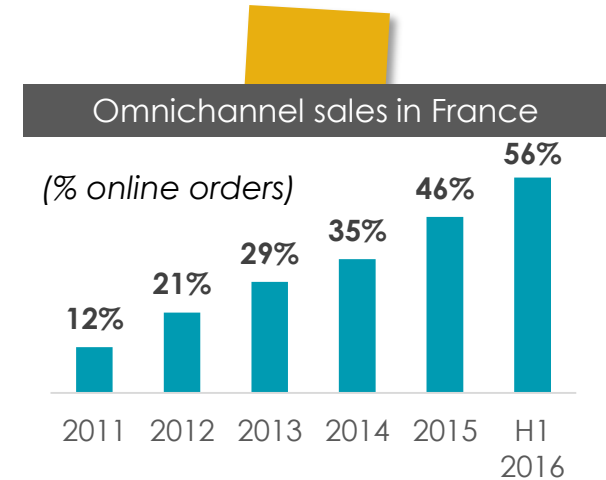
X%: vs N-1 at comp. scope of consolidation and cst FX

- Group sales up 0.4%<sup>(1)</sup> in 2<sup>nd</sup> quarter
- Continued positive sales momentum in France despite an unfavorable commercial environment (social unrest, petrol shortage, floods in Paris region)
- Improved sales performance in the Iberian Peninsula in both countries
- Sharp deterioration of market conditions in Brazil in a context of political instability
- Sales up in Switzerland. Negative impact of social and security climate on instore activity in Belgium

(1) At comparable scope of consolidation and constant FX

# Expanding our omnichannel model

- Strong sales momentum online in the 1<sup>st</sup> half
  - ▣ Driven by Fnac.com and Fnac.be
  - ▣ Increased contribution of omnichannel sales in all countries
  - ▣ Continued development of marketplaces at a rapid pace in France and Iberia
  - ▣ M-commerce still gaining momentum
  
- Upcoming initiatives to enhance omnichannel growth
  - ▣ Improved delivery services
  - ▣ Launch of Fnac.ch end of July
  - ▣ Upgrade of web platforms in Iberia scheduled in October

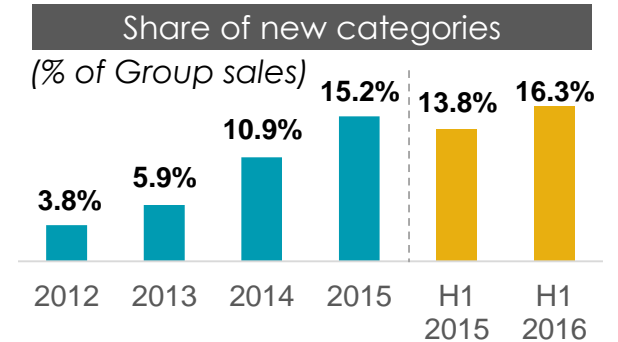


(1) Order online from a store  
 (2) Pick up web order in store in one hour



# Continued ramp-up of new product categories

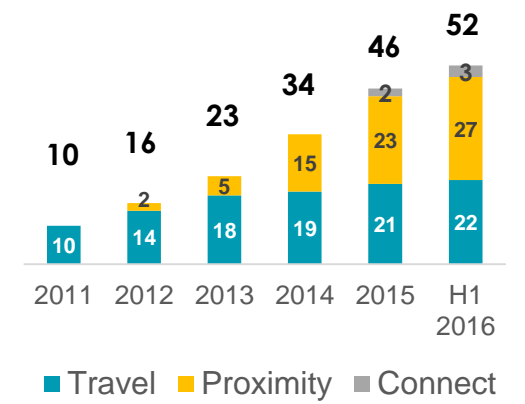
- Steady increase of the contribution of new products
  - Reaching 16.3% of sales in H1 (+2.5pts)
  - Driven by good commercial execution and market share gains
  
- Continuation of the offer diversification strategy
  - Focused on internet
  - Sport and DIY & Gardening categories launched on Fnac.com



# Accelerating expansion

- 7 openings in the 1<sup>st</sup> half:
  - ▣ 3 proximity stores in France (within the Intermarché network)
  - ▣ 1 travel store in France
  - ▣ 1<sup>st</sup> proximity store in Belgium (Alost)
  - ▣ 1<sup>st</sup> Fnac Connect store in Spain (Bilbao)
  - ▣ 2<sup>nd</sup> store in Ivory Coast
  
- Partnership signed with Vindemia in the Indian Ocean
  - ▣ 6 proximity store openings targeted in La Reunion
  - ▣ 1<sup>st</sup> store opened in July
  
- Expansion pace to be sustained in the 2<sup>nd</sup> half with an objective of over 20 openings for the full-year

New format stores network



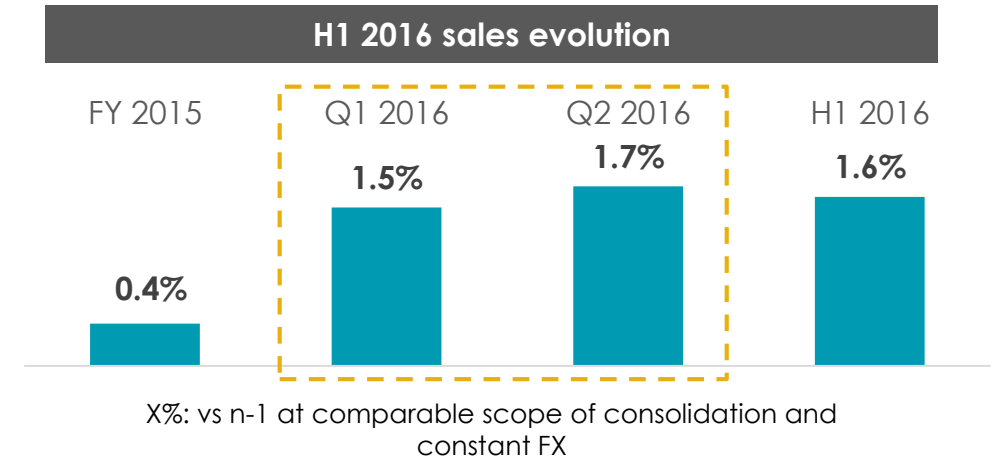
# Increase in current operating income

€m	H1 2015	H1 2016	% CHANGE
<b>REVENUES</b>	<b>1 628</b>	<b>1 620</b>	<b>-0.5%</b>
Gross Margin	484	482	-0.4%
% Revenues	29.7%	29.7%	
Personnel costs	-276	-264	4.2%
% Revenues	-16.9%	-16.3%	
Other expenses	-237	-241	-1.6%
% Revenues	-14.6%	-14.9%	
<b>Current operating income</b>	<b>-29</b>	<b>-23</b>	<b>19.3%</b>
% Revenues	-1.8%	-1.4%	

- Half-year sales up 0.5% at constant forex
- Stable gross margin rate
  - ▣ Continuation of an offensive commercial strategy in promotional markets
  - ▣ Good management of commercial operations
  - ▣ Increased contribution of services
- Costs down 1.5%
  - ▣ Good execution of cost savings initiatives
- Increase of €6m in current operating income

(1) Depreciation, amortization & provisions

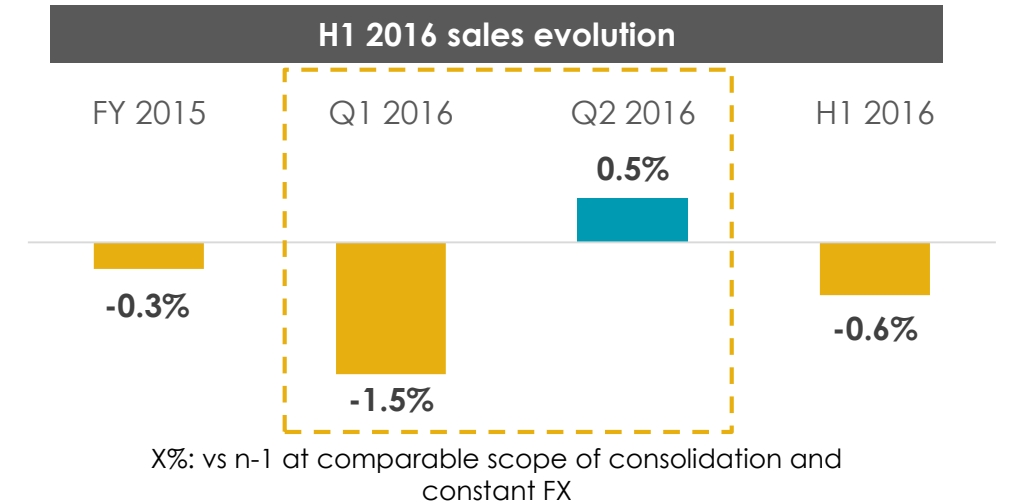
€m	H1 2015	H1 2016	% Change
Revenues	1 148	1167	1.6%
<i>Life-for-like</i>			1.5%
Current operating income	-31.2	-18.7	40.1%
Operating margin	-2.7%	-1.6%	



- Continued positive sales momentum in France with sales up 1.6% (vs 0.4% in FY 15) in a soft consumer environment
- Double-digit internet growth
- Increased contribution of new format stores (to c. 5% of sales under banner)
- Gross margin well under control
- Good momentum in cost saving initiatives

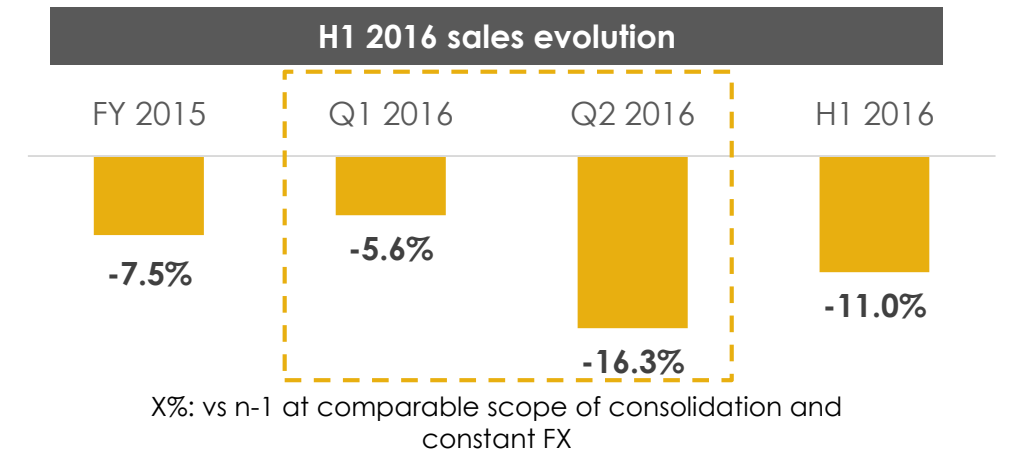
# Focus Iberian Peninsula

€m	H1 2015	H1 2016	% Change
Revenues	284	282	-0.6%
<i>Life-for-like</i>			-1.4%
Current operating income	4.2	1.2	-71.4%
Operating margin	1.5%	0.4%	



- Sales almost stable in the 1<sup>st</sup> half
- Spain benefiting from improved macro and expansion. Markets still negative in Portugal
- Well managed gross margin in promotional markets
- Good execution of cost savings initiatives
- Decrease in current income mostly due to a one-off cost related to a store closure in Madrid

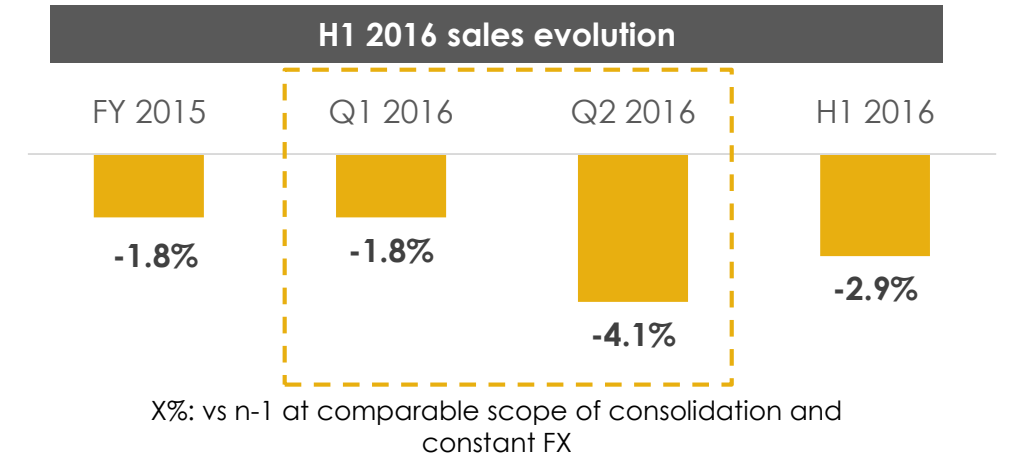
€m	H1 2015	H1 2016	% Change
Revenues	68	48	-28.8%
<i>Change at constant rate</i>			-11.0%
Current operating income	-1.8	-4.9	n/a
Operating margin	-2.6%	-10.1%	



- Tougher market conditions in the 2<sup>nd</sup> quarter in a context of political instability
- Sales pressure on gross margin partly mitigated by a tight monitoring of costs
- Decline in current operating income

# Focus Belgium and Switzerland

€m	H1 2015	H1 2016	% Change
Revenues	129	123	-4.2%
<i>Change at constant rate</i>			-2.9%
Current operating income	-0.2	-1.0	n/a
Operating margin	-0.2%	-0.8%	



- Sales up in Switzerland driven by expansion and continuing market share gains
- Activity in Belgium suffered from social and security context
  - ▣ Sharp decline of traffic in Brussels stores
  - ▣ Strong growth of internet and omnichannel sales
- Current operating income kept almost stable thanks to well managed gross margins and costs

# Decrease in net income due to one-off costs incurred for Darty's acquisition

€m	H1 2015	H1 2016	% Change
<b>Current operating income</b>	<b>-29</b>	<b>-23</b>	<b>19.3%</b>
Non-current operating income and expenses	-2	-23	n/a
<b>Operating income</b>	<b>-31</b>	<b>-47</b>	<b>-52.1%</b>
Financial charges	-5	-24	n/a
Tax	-7	-4	40.5%
<b>Consolidated net income</b>	<b>-43</b>	<b>-75</b>	<b>-76.5%</b>
<b>Net current income<sup>(1)</sup></b>	<b>-41</b>	<b>-35</b>	<b>15,9%</b>

(1) Consolidated net income, Group share excluding non-recurring items and excluding financial expenses related to the acquisition of Darty

- Higher non-current operating items
  - ▣ Including costs related to Darty's acquisition (€9m) and restructuring costs
- Increase in financial charges due to one-off expenses related to the acquisition of Darty
  - ▣ Fees related to the implementation of the credit facilities and cost of FX hedge
- Net current income excl. Darty related costs growing €6m



# Improved free cash flow generation

€m	H1 2015	H1 2016	Var.
<b>EBITDA</b>	<b>1</b>	<b>8</b>	
Others	0	2	
<b>Operating cash flow before tax (excl. non-current items)</b>	<b>1</b>	<b>11</b>	<b>9</b>
Change in working capital	-244	-226	
CAPEX	-15	-23	
<b>Free cash flow before tax (excl. non-current items)</b>	<b>-258</b>	<b>-239</b>	<b>19</b>
Other financial income and expenses	-1	-2	
Tax	-7	-8	
<b>Free cash flow after tax, other financial income and expenses (excl. non-current items)</b>	<b>-267</b>	<b>-248</b>	<b>18</b>
Non-current operating income and expenses (cash effect)	-10	-24	
<b>Free cash flow</b>	<b>-277</b>	<b>-273</b>	<b>4</b>

- Current operating cash flow up €9m
- Good management of working capital
  - ▣ Strong actions on receivables and payables
- Good control of Capex
  - ▣ In line with FY target (c.€60m)
- Higher non-current cash items
  - ▣ Including costs related to Darty's acquisition

# Strong balance sheet

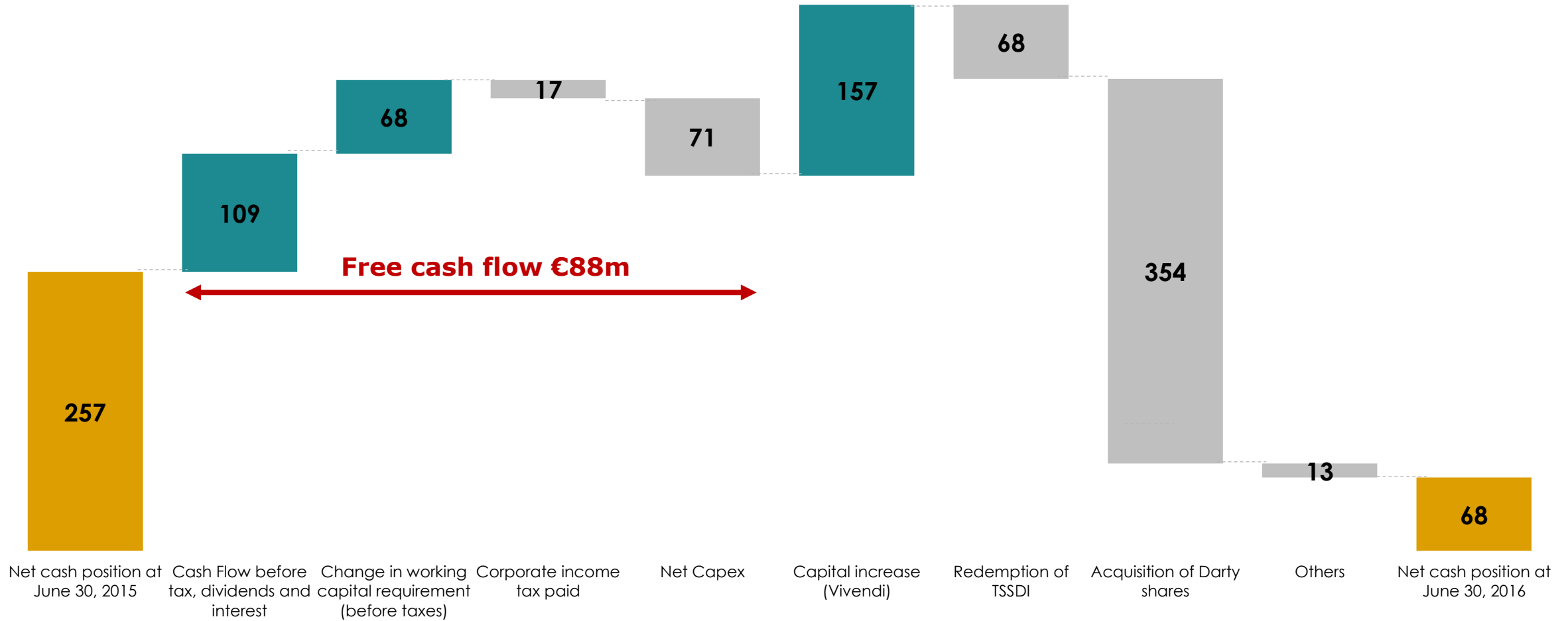
€m	30/06/2015	31/12/2015	30/06/2016
Shareholders' funds	549	564	632
o/w equity	489	564	632
o/w TSSDI	60	-	-
Net cash	257	544	68

- High level of shareholders 'equity
  - ▣ After completion of the capital increase reserved to Vivendi (€157m net)
  - ▣ And redemption of the TSSDI <sup>(1)</sup> on Dec 30<sup>th</sup> 2015 (for an amount of €68m)
- Net cash position at end of June reflecting
  - ▣ the acquisition of 29.7% of Darty's shares in April
  - ▣ Partly offset by the proceeds of the Vivendi capital increase
- Financial covenants met on the €250m revolving credit facility

(1) perpetual deeply subordinated notes subscribed by Kering on June 19, 2013



# Robust free cash flow generation over the last 12 months



July 28<sup>th</sup>, 2016

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## 2016 HALF-YEAR RESULTS



# Conclusion

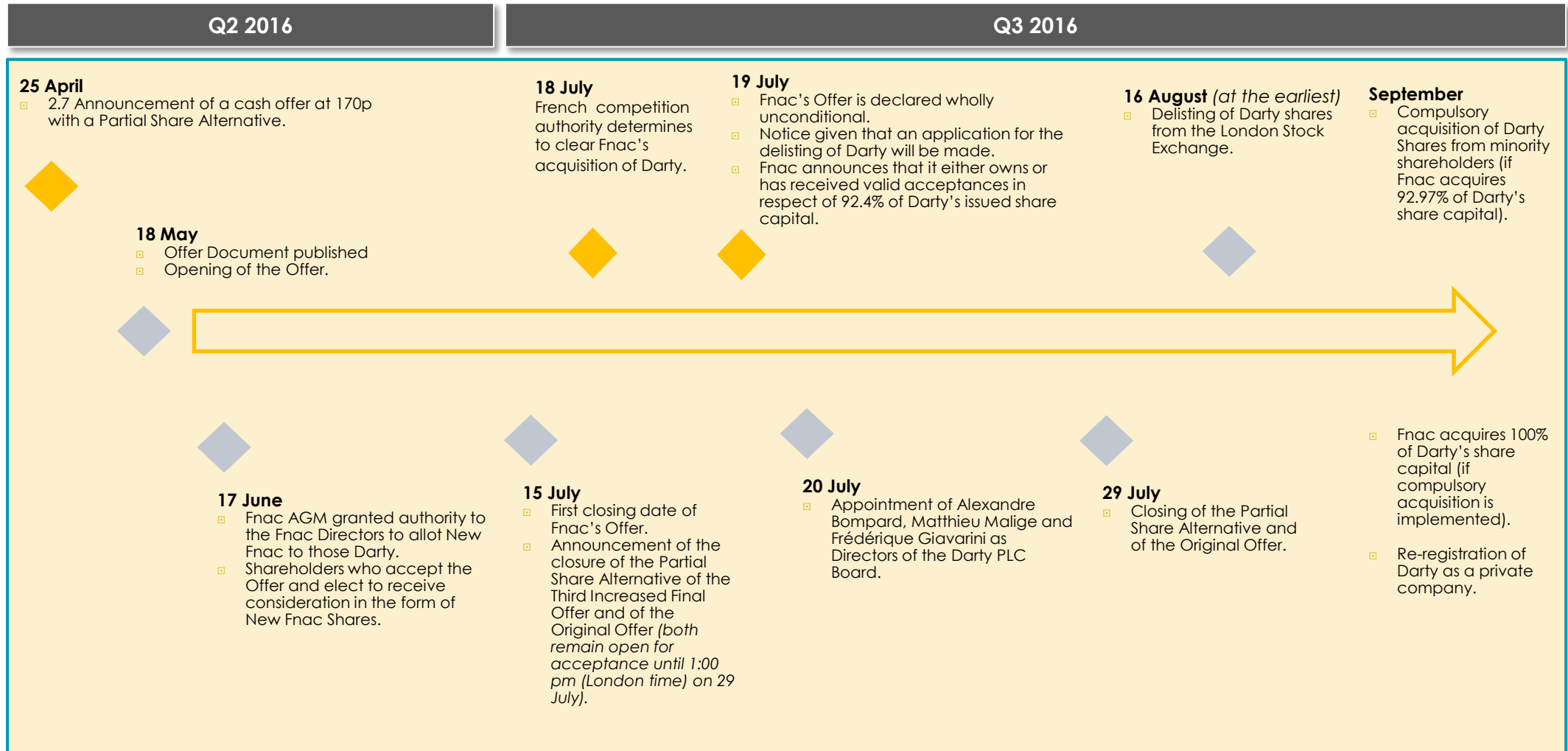
The Fnac logo is displayed on a yellow square background, tilted slightly to the right. The logo itself is white and consists of the lowercase letters 'fnac' in a bold, sans-serif font.

# Conclusion and outlook

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- The interim results confirm the positive sales momentum reported by the Group over the past few months and the robustness of its commercial and financial model
- In 2016, Fnac intends to strengthen its leadership in a consumer environment still uncertain
- Fnac will focus particularly on
  - accelerating the expansion of its retail network in France and internationally mainly in franchise
  - continuing its strategy to enrich its range of products, especially online
  - increasing its initiatives in the book and ticketing markets
- The Group will pursue its initiatives to improve operational efficiency and confirms its cost savings objective of €30m to €40m for 2016
- It will also continue its efforts to maximize cash generation
- In the longer term, the Group confirms its objective to achieve a current operating profitability above 3% under stabilized market and economic conditions

# Offer for Darty - Indicative transaction timetable



July 28<sup>th</sup>, 2016

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## 2016 HALF-YEAR RESULTS



# Appendices

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# Q1 and Q2 revenue

€m	Q1 2016	Change vs Q1 2015			Q2 2016	Change vs Q2 2015		
		Reported	at constant FX and comparable scope of consolidation	Like for like at constant FX		Reported	at constant FX and comparable scope of consolidation	Like for like at constant FX
France	601	1.5%	1.5%	1.4%	566	1.7%	1.7%	1.6%
Iberian Peninsula	149	-1.5%	-1.5%	-2.2%	134	0.5%	0.5%	-0.5%
Brazil	24	-29.3%	-5.6%	-5.6%	24	-28.1%	-16.3%	-16.3%
Other countries	65	-2.6%	-1.8%	-4.5%	58	-5.9%	-4.1%	-6.6%
<b>Group</b>	<b>839</b>	<b>-0.6%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>781</b>	<b>-0.4%</b>	<b>0.4%</b>	<b>0.0%</b>





# H1 revenue

€m	H1 2016	Change vs H1 2015		
		Reported	at constant FX and comparable scope of consolidation	Like for like at constant FX
France	1167	1.6%	1.6%	1.5%
Iberian Peninsula	282	-0.6%	-0.6%	-1.4%
Brazil	48	-28.8%	-11.0%	-11.0%
Other countries	123	-4.2%	-2.9%	-5.5%
<b>Group</b>	<b>1620</b>	<b>-0.5%</b>	<b>0.5%</b>	<b>0.0%</b>

# Non current operating income and expenses

€m	H1 2015	H1 2016
<b>Non current operating expenses</b>	<b>-1.7</b>	<b>-23.3</b>
Costs relating to the acquisition of Darty plc	-	-9.1
Restructuring costs	-1.7	-5.3
Tascom 2015	-	-5.3
Disposals of subsidiaries	-	-2.7
Others expenses	-	-0.9
<b>Non current operating income</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-1.7</b>	<b>-23.3</b>

## EBITDAR

€m	H1 2015	H1 2016	% Change
Current operating income	-29	-23	19%
Net depreciation and amortization charges	-30	-32	-5%
<b>EBITDA</b>	<b>1</b>	<b>8</b>	<b>n/a</b>
Rents	-67	-63	5%
<b>EBITDAR</b>	<b>68</b>	<b>72</b>	<b>5%</b>

# Financial charges

€m	H1 2015	H1 2016	% Change
Cost of net indebtedness	-0,3	-1,8	n/a
Net financial expenses related to the acquisition of Darty	0,0	-17,6	n/a
Other financial charges (net) <sup>(1)</sup>	-4,2	-4,7	-12%
<b>Financial charges (net)</b>	<b>-4,5</b>	<b>-24,1</b>	<b>n/a</b>

(1) Includes expense on the cost of free consumer credit, the impact of discounting assets and liabilities and fees related to the revolving credit facility



# Net current income

€m	June 30, 2015	June 30, 2016	% change
<b>Consolidated net income</b>	<b>-42.8</b>	<b>-75.5</b>	<b>-76.4%</b>
Other non-current operating income and expenses	-1.7	-23.3	n/a
Taxes on other non-current operating income and expenses	0.3	0.2	33.3%
Net financial expenses related to the acquisition of Darty	-	-17.6	n/a
<b>Consolidated net income. Group share excluding non-current items and excluding financial expenses related to the acquisition of Darty</b>	<b>-41.4</b>	<b>-34.8</b>	<b>15.9%</b>

# Balance sheet

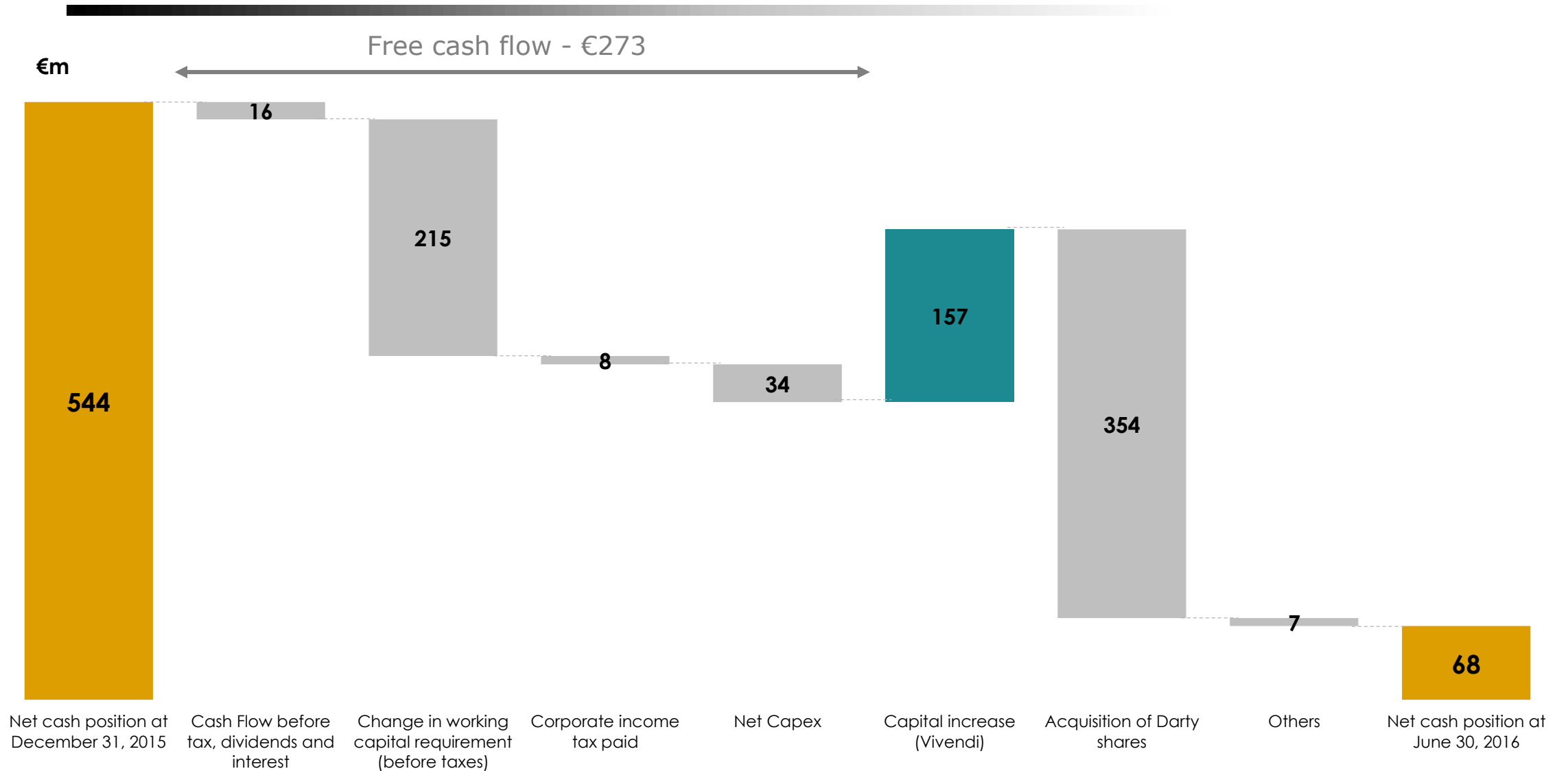
ASSETS in €m	H1 2015	H1 2016	EQUITY AND LIABILITIES in €m	H1 2015	H1 2016
Goodwill	332.4	332.5	Share capital	16.7	19.6
Intangible assets	65.4	70.2	Reserves related to equity	495.7	650.6
Tangible assets	150.7	148.7	Conversion reserves	-4.0	-7.4
Participations dans les sociétés mises en équivalence	-	2.0	Other reserves	33.6	-38.2
Non-current financial assets	7.2	326.7	Equity attributable to non-controlling interests	6.9	7.3
Deferred tax assets	32.9	41.9	<b>Equity</b>	<b>548.9</b>	<b>631.9</b>
Other non-current assets	0.1	0.1	Long-term liabilities	0.2	0.4
<b>Non-current assets</b>	<b>588.7</b>	<b>922.1</b>	Provisions for retirement and similar benefits	76.3	87.0
Inventories	436.6	448.1	Deferred tax liabilities	-	-
Accounts receivable	76.4	77.3	<b>Non-current liabilities</b>	<b>76.5</b>	<b>87.4</b>
Current tax receivables	4.4	7.2	Short-term liabilities	0.2	50.6
Other current financial assets	4.1	25.5	Other current financial liabilities	-	18.9
Other current assets	121.0	96.6	Accounts payable	493.7	575.9
Cash & cash equivalents	257.2	118.7	Provisions	25.2	12.6
<b>Current assets</b>	<b>899.7</b>	<b>773.4</b>	Tax liabilities	9.5	13.1
Assets held for sale	-	-	Other current liabilities	334.4	305.1
<b>Total assets</b>	<b>1,488.4</b>	<b>1,695.5</b>	<b>Current liabilities</b>	<b>863.0</b>	<b>976.2</b>
			Liabilities associated with assets classified as held for sale	-	-
			<b>Total liabilities and equity</b>	<b>1,488.4</b>	<b>1,695.5</b>

# Cash flow statement

€m	H1 2015	H1 2016
<b>Net income from continuing operations</b>	<b>-42.6</b>	<b>-75.2</b>
Net additions to depreciation, amortization and provisions	24.9	42.7
Financial interest income and expense	2.4	10.8
Net tax charge payable	5.4	6.0
<b>Cash flow from operations before tax, dividends and interest</b>	<b>-9.9</b>	<b>-15.7</b>
Change in working capital requirement	-238.6	-215.3
Income tax paid	-7.4	-7.6
<b>Net cash flows from operating activities</b>	<b>-255.9</b>	<b>-238.6</b>
Net capex	-20.6	-34.2
Disposal of subsidiaries net of cash transferred	-2.5	-
Acquisition / disposal of other financial assets	-0.4	-354.9
Interests and dividends received	0.6	0.3
<b>Net cash flows from investing activities</b>	<b>-22.9</b>	<b>-388.8</b>
Increase / decrease in equity and other transactions with shareholders	1.9	157.1
Treasury share transactions	-1.0	-0.2
Increase / decrease in other financial debt	-0.1	50.1
Other interest and equivalent paid	-2.1	-5.7
<b>Net cash flows from financing activities</b>	<b>-1.3</b>	<b>201.3</b>
Cash flow from discontinued operations	-	-
Impact of fluctuations in exchange rates	1.7	0.2
<b>Net change in cash</b>	<b>-278.4</b>	<b>-425.9</b>



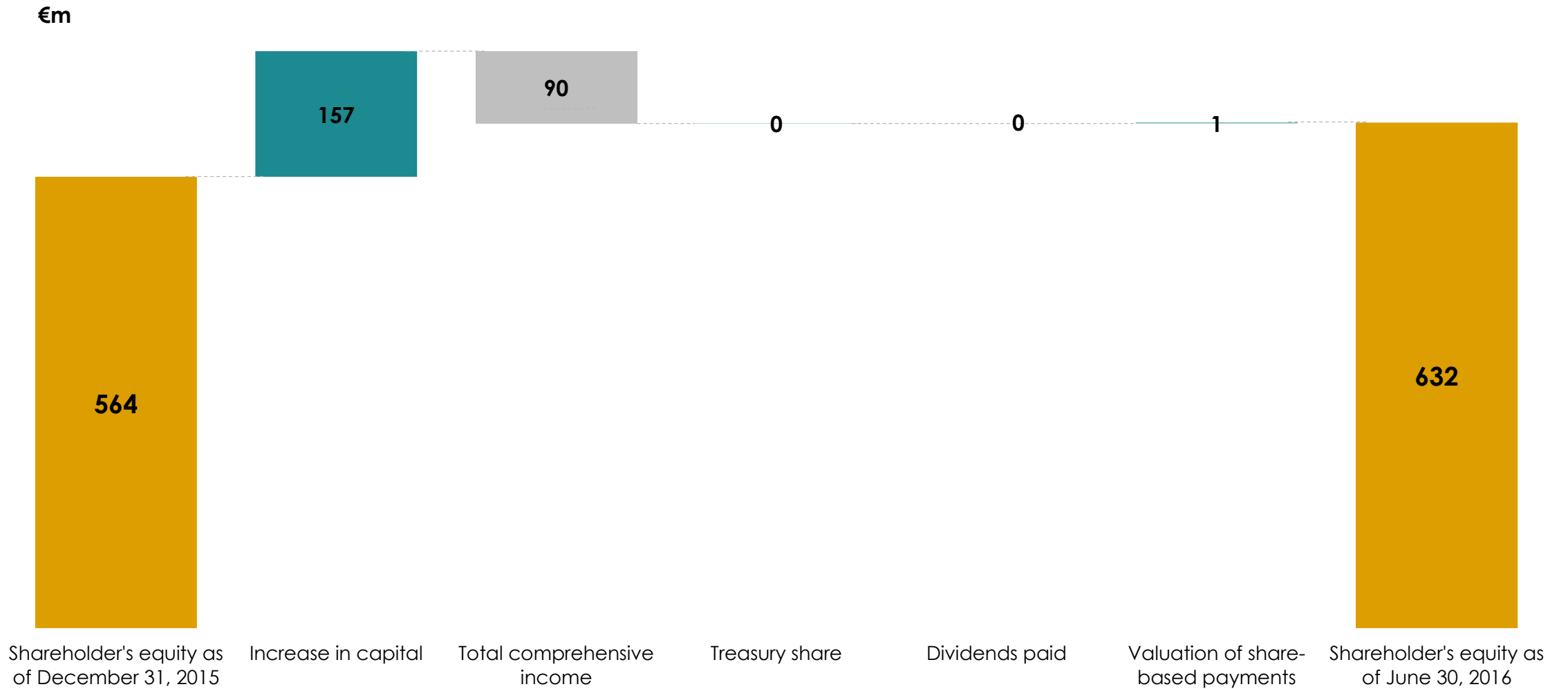
# Net cash position







# Shareholders' funds





# Store network

	December 31, 2015			June 30, 2016		
	Owned	Franchised	Total	Owned	Franchised	Total
France	86	38 <sup>(1)</sup>	124	86	43 <sup>(2)</sup>	129
Iberian Peninsula	48	1	49	48	1	49
Brazil	12	0	12	12	0	12
Other countries	14	0	14	15	0	15
<b>Group</b>	<b>160</b>	<b>39</b>	<b>199</b>	<b>161</b>	<b>44</b>	<b>205</b>

(1) Included 1 store in Morocco and 1 store in Qatar

(2) Included 1 store in Morocco, 1 store in Qatar and 2 stores In Ivory Coast



# Exchange rates

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	H1 2015	H1 2016
<b>BRL (Brazil)</b>	<b>3.31</b>	<b>4.13</b>
<b>CHF (Switzerland)</b>	<b>1.06</b>	<b>1.10</b>

NB : average rates