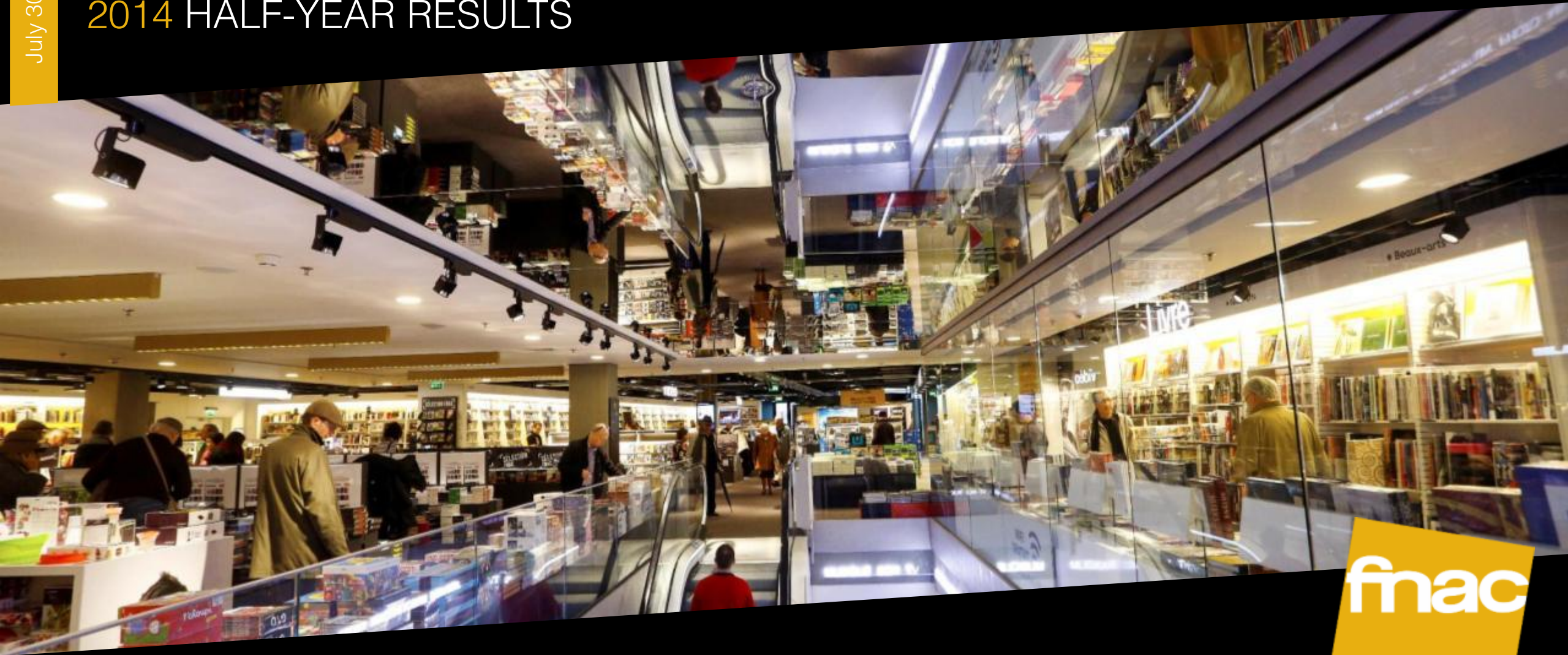


July 30<sup>th</sup>, 2014

# fnac

## 2014 HALF-YEAR RESULTS





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# Key highlights

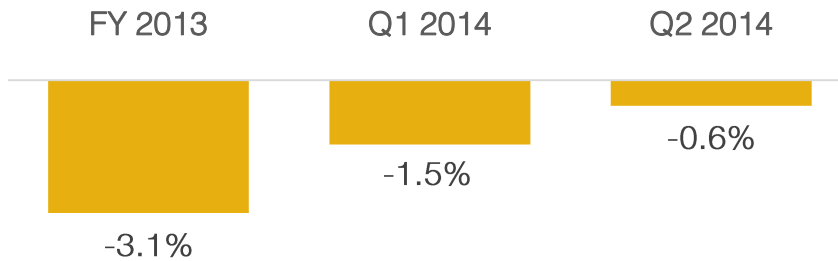
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- Stabilization of Group sales in the 2<sup>nd</sup> quarter: -0.3% on a like-for-like basis
  - thanks to sales growth in France : +0.8% on a like-for-like basis
- Group sales down -1.1%\* in the 1<sup>st</sup> half (vs. -5.2% in the same period of 2013)
- Decrease of -€7m in current operating income
  - increased pressure on gross margin (-60 bp) due to commercial investments and unfavorable product mix
  - Good progress in cost savings
- Free cash flow improves by €19m in the first half
  - Net cash position up €69m end of June 2014 (vs. end of June 2013)
- Maturity of the revolving credit facility extended to July 2017

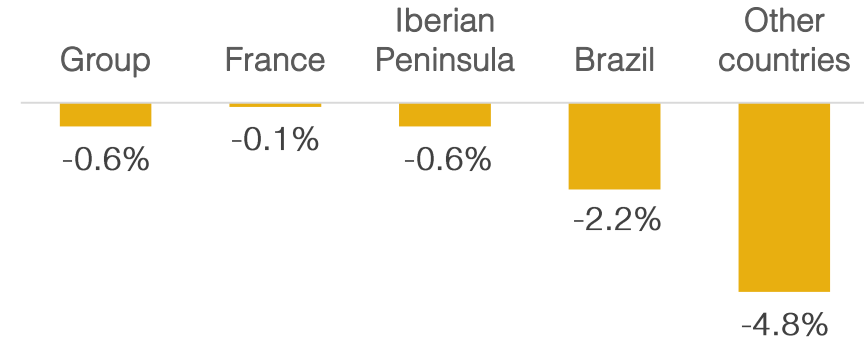
\* At comparable scope of consolidation and constant FX

# Improved sales trend continued in the 2<sup>nd</sup> quarter

Group sales evolution



2<sup>nd</sup> quarter 2014 sales evolution



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

- Sluggish consumer environment in all countries with declining markets and increased commercial intensity
- Further improvement in Group sales performance, in particular in France
  - ▣ Like-for-like sales up 0.8%
  - ▣ Stable sales on an all-store basis (-0.1%)
- Continuing outperformance of technical products vs. editorial products
  - ▣ Increased contribution of mobile phone category – successful launch in France
  - ▣ Less favorable product line-up in editorial products (except Gaming)

# Stepping up our omnichannel proposal

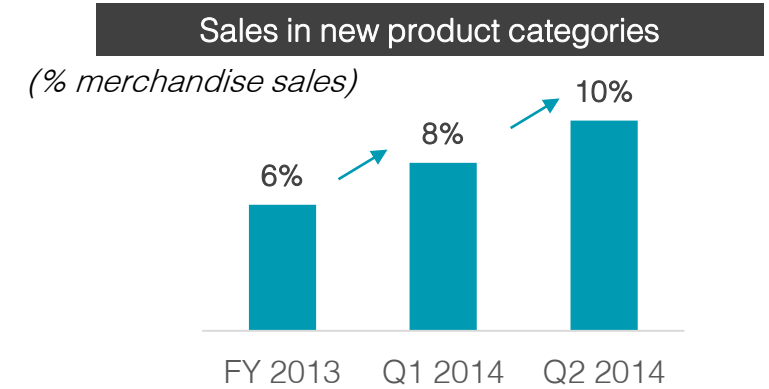
- Sustained growth of online volume
  - Driven notably by the rapid development of Marketplaces
  - Marketplaces gross merchandise volume (GMV) up 30%\*
  - Ramp up of Marketplace in Portugal, now accessible to professional sellers
- Increased contribution of omnichannel sales
  - Accounting for 31% of online sales\* in the 1<sup>st</sup> half (up 2 points)
  - Success of click & collect 1h with payment in stores
  - Click & mag to be implemented in the Iberian Peninsula by end 2014
- Continued improvement of m-commerce tools
  - Android platform of new Fnac.com app launched in May '14
  - Acceleration of m-commerce traffic on Fnac.com and Fnac spectacles
  - New app Fnac.pt launched in Portugal in June '14



\* France + Iberian Peninsula

# Deployment of new product categories well underway

- Contribution of new product categories to sales increasing gradually
- Successful deployment of mobile phone sections in France
- Stationery sections deployed in c. 25 stores in France in the 2<sup>nd</sup> quarter
- Opening of a flagship store dedicated to connected devices and telephones



# Expansion on new formats in line with objective

- Openings in the 1<sup>st</sup> half
  - ▣ 2 proximity stores in France (Puy-en-Velay, Boulogne-sur-Mer)
  - ▣ 1 travel retail in Brazil (Guarulhos airport / Sao Paulo state)
- 25 new format stores end of June 2014
  - ▣ 6 proximity / 19 travel retail
  - ▣ 2.3% of banner sales in France, resp. 2.6% in Portugal
- Openings already scheduled in the next few months
  - ▣ 2 proximity stores in France (Compiègne, Beauvais)
  - ▣ Qatar
  - ▣ 3 proximity stores in the Iberian Peninsula



# Enhancing customer service

- Introduction of Fnac Express+
  - Unlimited express delivery of any product available on Fnac.com\*
  - For a one-year subscription
- Launch of Pass Location
  - Exclusive rental service for technical products
  - Now available for Apple products
  - Soon to be extended to other categories and brands
- Deployment of self-service ticketing kiosks in stores
  - Available in 35 stores in France



**fnac** *express+*

\* Excluding Marketplace



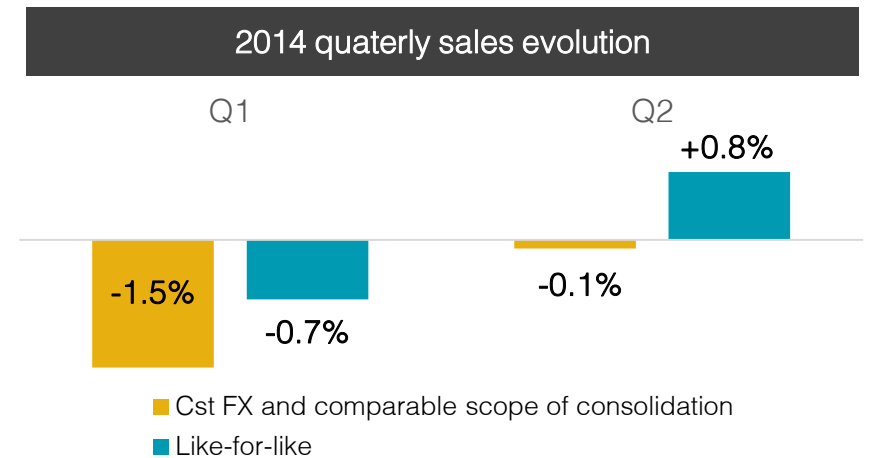
# Good execution of cost savings program offsets most of the margin pressure

€m	H1 2013	H1 2014	% CHANGE
<b>REVENUES</b>	1,669	1,639	-1.8%
Gross Margin <i>% Revenues</i>	508 30.4%	489 29.8%	-3.7%
Personnel costs <i>% Revenues</i>	-270 -16.2%	-268 -16.3%	0.9%
Other expenses <i>% Revenues</i>	-217 -13.0%	-205 -12.5%	5.7%
<b>EBITDA</b>	20.6	16.4	-20.4%
<i>% Revenues</i>	1.2%	1.0%	
Depreciation*	-33	-36	-9.1%
<b>Current operating income</b>	-12.4	-19.7	-58.9%
<i>% Revenues</i>	-0.7%	-1.2%	

- Half-year sales down -1.1% at constant forex and comparable scope of consolidation
- Decrease in gross margin (-60 bp) due to
  - ▣ Commercial investments, in relation with the introduction of mobile phone category in France
  - ▣ A more negative product mix impact
  - ▣ The continuation of an offensive commercial strategy in more promotional markets
- Good execution of cost savings program
  - ▣ Costs down -3%
- Decrease of -€7m in current operating income

\* Depreciation, amortization & provisions

€m	H1 2013	H1 2014	% Change
Revenues	1,161	1,153	-0.7%
Current operating income	-16.1	-21.3	-32.3%
<i>Operating margin</i>	-1.4%	-1.8%	-

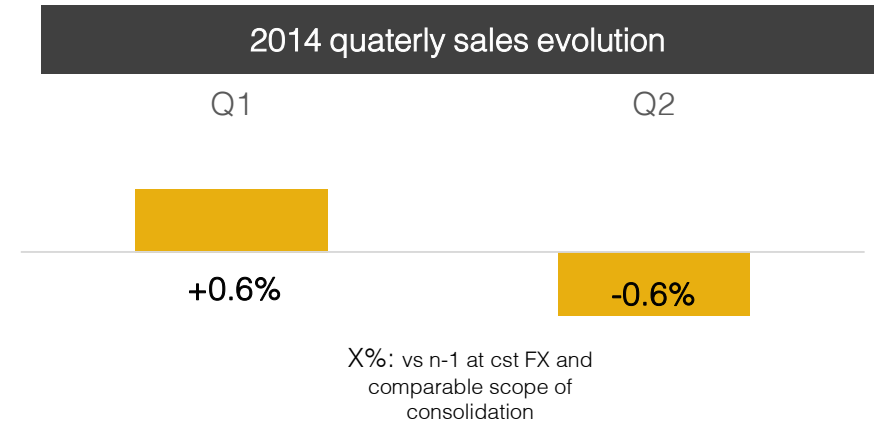


- Sales recovery confirmed with like-for-like sales up +0,8% in the 2<sup>nd</sup> quarter, stable in the first half
- Significant improvement of store sales performance – Sustained growth in online sales
- Continued gains of market share\* in both editorial products and technical products
- Increased pressure on gross margin due to
  - ▣ the roll-out of mobile phone sections and the weak performance of editorial products
  - ▣ more promotional markets in some categories (e.g. tablets)
- Good momentum in cost savings initiatives

\* GfK – End of May

# Focus Iberian Peninsula

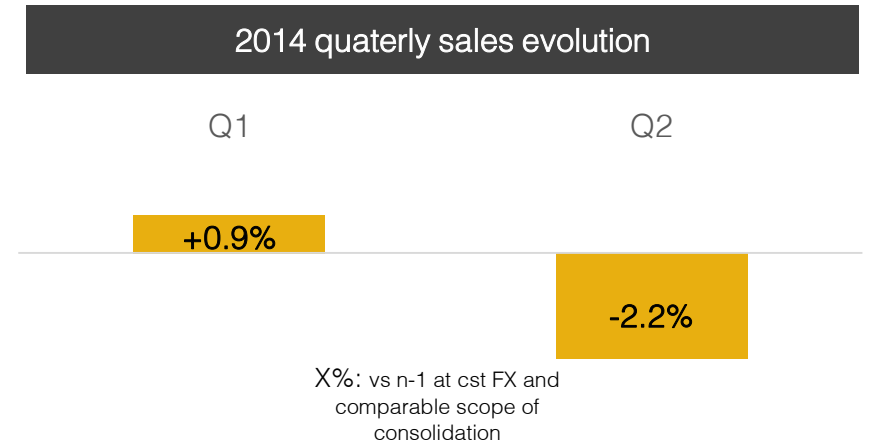
€m	H1 2013	H1 2014	% Change
Revenues	286	286	0.0%
Current operating income	7.1	4.7	-33.8%
<i>Operating margin</i>	2.5%	1.6%	-



- Confirmation of sales stabilization in a context of slow economic recovery
- Good performance of Portugal, with sales up in the 1<sup>st</sup> half
- Tougher market conditions in Spain against a backdrop of higher commercial aggressiveness
- Online GMV\* growing in the high teens driven by the rapid ramp-up of Marketplaces
- Fnac market share kept stable

\* Gross merchandise volume

€m	H1 2013	H1 2014	% Change
Revenues	92	77	-15.8%
<i>Change at constant rate</i>			-0.6%
Current operating income	-2.4	-2.6	-8.3%
<i>Operating margin</i>	-2.6%	-3.4%	-

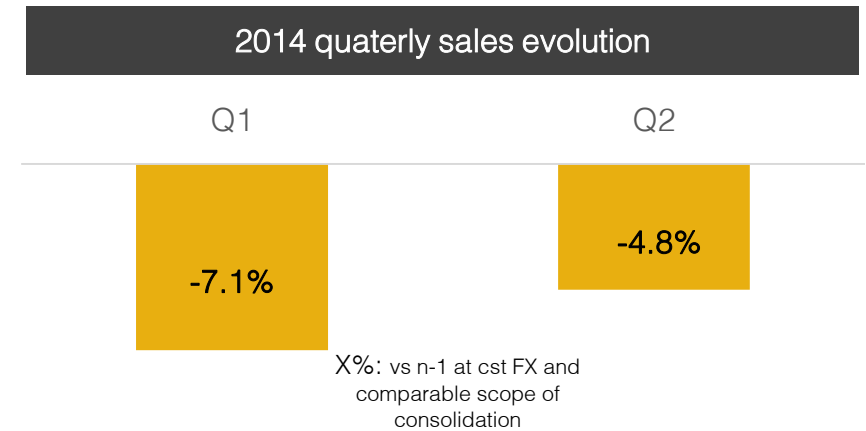


- Poor performance in June caused by a sharp fall in footfall from the beginning of the World Cup
- Stable sales in the 1<sup>st</sup> half
- Good performance of technical products offset by the very poor performance of editorial products (low line-up)
- Current operating income in line with 2013

\* At constant FX

# Focus other countries

€m	H1 2013	H1 2014	% Change
Revenues	131	123	-5.8%
<i>Change at constant rate</i>			-6.0%
Current operating income	-1.0	-0.5	50.0%
<i>Operating margin</i>	-0.8%	-0.4%	-



- Improved sales performance in the 2<sup>nd</sup> quarter vs. the 1<sup>st</sup> quarter
- Difficult market conditions throughout the semester with very high promotional intensity, especially in Switzerland
- Good performance of new product categories
- Current operating income up thanks to the ongoing benefit of pooling purchases with France and the good execution of cost reduction initiatives

# Decrease in net current income of -€7m

€m	H1 2013	H1 2014	% Change
Current operating income	-12.4	-19.7	-58.9%
Non-current operating income and expenses	-7.8	-7.6	+2.6%
Operating income	-20.2	-27.3	-35.1%
Financial charges	-4.1	-4.8	-17.1%
Tax	-6.3	-4.8	+23.8%
Net income from continuing operations	-31.0	-37.0	-19.4%
Net income from discontinued operations	0	0	na
Consolidated net income	-31.0	-37.0	-19.4%
Net current income from continuing operations	-22.9	-29.7	-29.7%

- Stable non-current operating items
  - ▣ 2014 net expenses comprise mostly restructuring costs and reversal of provisions for risks and litigation
- Increase in financial charges: +€0.7m
  - ▣ mostly reflects the cost of the revolving credit facility
- Tax slightly down
- Decrease of -€7m in net current income



# Improvement in free cash flow generation: +€19m

€m	H1 2013	H1 2014	Var.
Cash flow from operations before tax, dividends and interest	-8	9	+17
Change in inventories	23	26	+3
Change in other working capital *	-285	-289	-5
Tax	-3	-2	+1
CAPEX	-19	-16	+3
<b>Free cash flow</b>	<b>-292</b>	<b>-272</b>	<b>+19</b>

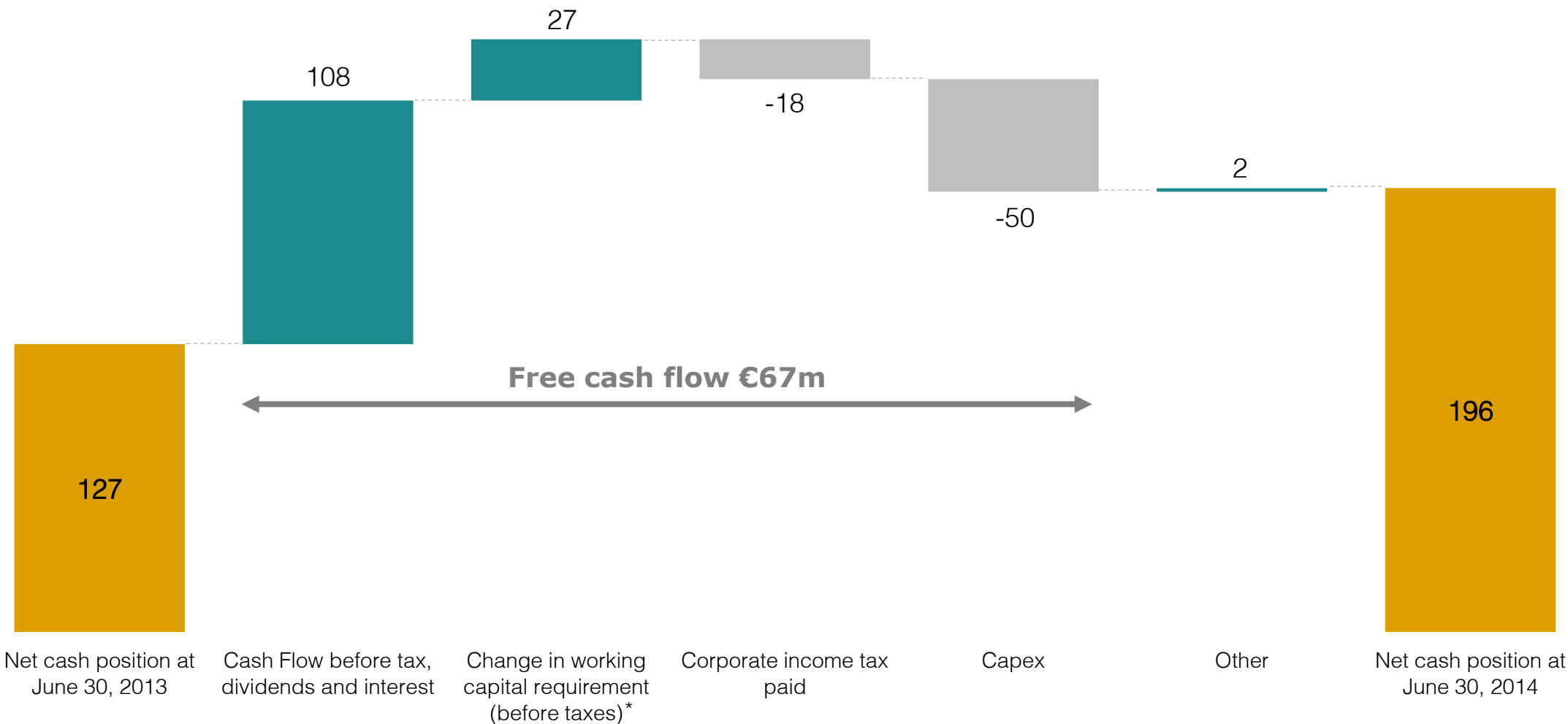
- Increase in cash flow from operations due to lower non-current cash items and notably restructuring expenses
- Further optimization of inventories
  - ▣ Inventories down -4.5% end of June 2014 (vs. end of June 2013)
- Good management of suppliers' terms
- Good control of capex

NB: Cash consumption in the first half reflecting the seasonality of the business

\* Including change in liabilities relative to capex for an amount of -€2.5m in H1 2013 and -€5.1m in H1 2014



# Net cash position improved by €69m over the last 12 months



\* Including change in liabilities relative to capex for an amount of €1.4m



# Enhanced financial flexibility

€m	12/31/2012*	06/30/2013	12/31/2013	06/31/2014
Shareholders' equity	527	490	540	510
Net Cash	422	127	461	196
<i>Change in net cash</i>		+39	+69	

- High level of shareholders' equity
- Net cash position improved by €69m over the last twelve months
- Financial covenants met on the €250m revolving credit facility
- Amendment signed on July 24<sup>th</sup> with the syndicate of lenders
  - ▣ Facility maturity extended to July 24<sup>th</sup>, 2017 (from April 18<sup>th</sup>, 2016)
  - ▣ Artemis lock-up maintained until initial maturity

\* After taking in consideration the capital strengthening operations carried out at the start of 2013

# Conclusion and outlook

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- The interim results confirm the gradual improvement in the sales performance of the Group and the strengthening of its financial profile.
- Market conditions to remain unchanged for the rest of the year, with declining markets and strong competitive pressure.
- Market share gains to continue, supported by the further implementation of “Fnac 2015”, especially through
  - ▣ Ramp-up of new product categories and new services
  - ▣ Building on our omnichannel expertise
  - ▣ Offensive commercial policy
  - ▣ Expansion of new formats gaining momentum.
- The Group intends to limit the pressure on gross margin in the 2<sup>nd</sup> half thanks to commercial action plans launched in the 2<sup>nd</sup> quarter and a less unfavorable product mix.
- The Group is confident in its ability to exceed its 2013-2014 objective of €80 m cost savings.
- It will pursue its initiatives to maximize cash generation.



# Appendices



# Q1 and Q2 revenue

€m	Q1 2014	Change vs Q1 2013			Q2 2014	Change vs Q2 2013		
		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	585	-1.4%	-1.5%	-0.7%	568	0.1%	-0.1%	0.8%
Iberian Peninsula	153	0.6%	0.6%	-0.3%	133	-0.6%	-0.6%	-1.8%
Brazil	38	-17.9%	0.9%	0.9%	39	-13.5%	-2.2%	-2.5%
Other countries	63	-7.0%	-7.1%	-7.1%	60	-4.4%	-4.8%	-4.8%
<b>Group</b>	<b>839</b>	<b>-2.4%</b>	<b>-1.5%</b>	<b>-1.1%</b>	<b>800</b>	<b>-1.1%</b>	<b>-0.6%</b>	<b>-0.3%</b>



# H1 revenue

€m	H1 2014	Change vs H1 2013		
		Reported	at constant FX and comparable scope of consolidation	Like for like at constant FX
France	1,153	-0.7%	-0.8%	-0.1%
Iberian Peninsula	286	0.0%	0.0%	-1.0%
Brazil	77	-15.8%	-0.6%	-0.8%
Other countries	123	-5.8%	-6.0%	-6.0%
<b>Group</b>	<b>1 639</b>	<b>-1.8%</b>	<b>-1.1%</b>	<b>-0.8%</b>



# EBITDAR

	H1 2013	H1 2014	% Change
Current operating income	-12	-20	-58.9%
Net depreciation and amortization charges	33	36	9.1%
<b>EBITDA</b>	<b>21</b>	<b>16</b>	<b>-20.4%</b>
Rents	70	65	-6.8%
<b>EBITDAR</b>	<b>90</b>	<b>81</b>	<b>-9.9%</b>



# Financial charges

€m	H1 2013	H1 2014	% Change
Cost of net indebtedness	0	0	na
Other financial charges (net) <sup>(1)</sup>	-4	-5	-23.7%
<b>Financial charges (net)</b>	<b>-4</b>	<b>-5</b>	<b>-17.1%</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	H1 2013	H1 2014
Income before tax	-24	-32
Non-current operating expenses and Revenues	-8	-8
<b>Current income before tax</b>	<b>-17</b>	<b>-25</b>
Current tax (expense) / Income	-6	-5
Tax on non-current items	0	0
<b>Total tax charge</b>	<b>-7</b>	<b>-5</b>
<b>Net current income</b>	<b>-23</b>	<b>-30</b>



# Balance sheet

ASSETS in €m	H1 2013	H1 2014
Goodwill	324	332
Intangible assets	71	66
Tangible assets	183	166
Non-current financial assets	7	7
Deferred tax assets	33	31
Other non-current assets	0	0
<b>Non-current assets</b>	<b>618</b>	<b>601</b>
Inventories	470	449
Accounts receivable	77	77
Current tax receivables	6	9
Other current financial assets	6	4
Other current assets	82	128
Cash & cash equivalents	136	197
<b>Current assets</b>	<b>777</b>	<b>864</b>
Assets held for sale		
<b>Total assets</b>	<b>1,395</b>	<b>1,465</b>

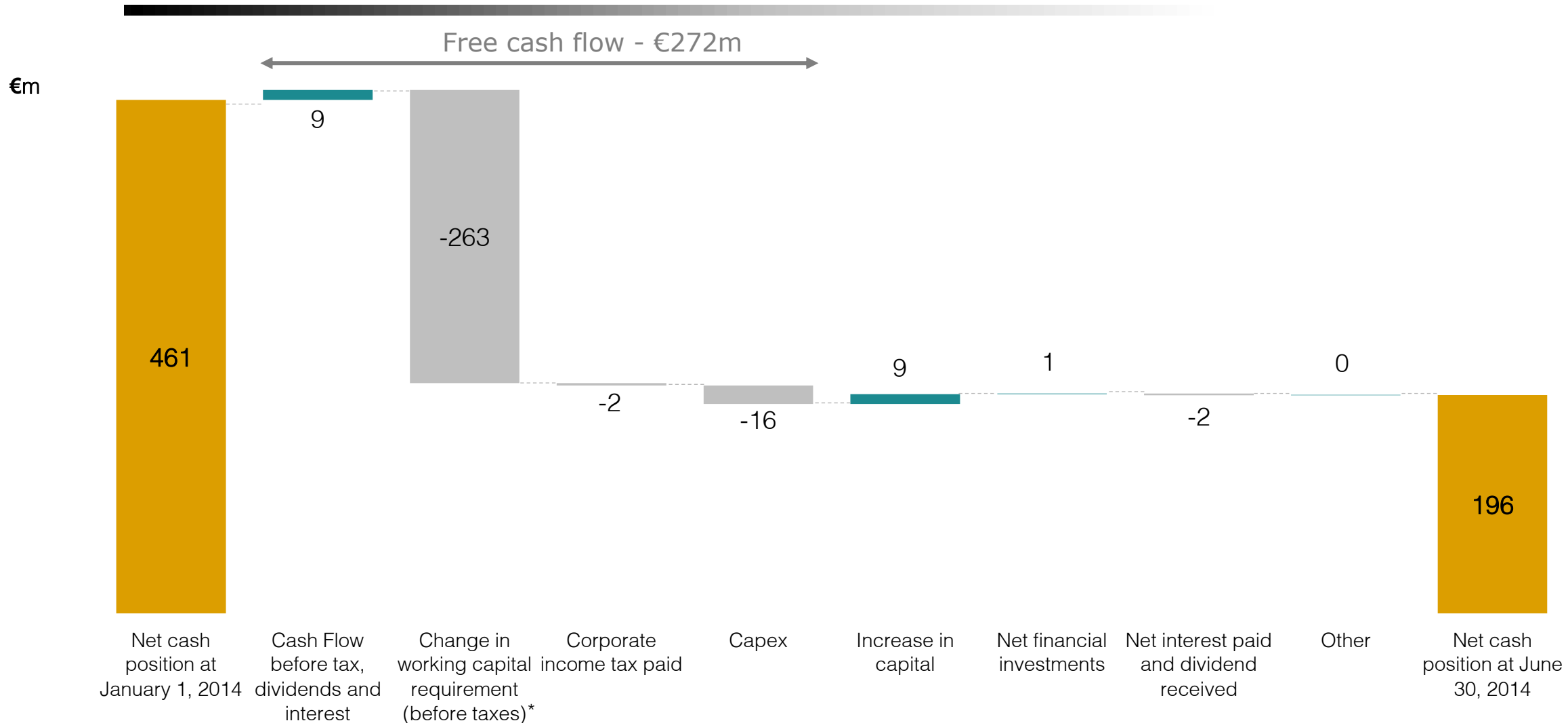
EQUITY AND LIABILITIES in €m	H1 2013	H1 2014
Share capital	17	17
Reserves related to equity	494	495
Conversion reserves	1	0
Other reserves	-21	-9
Equity attributable to non-controlling interests	0	7
<b>Equity</b>	<b>490</b>	<b>510</b>
Long-term liabilities	1	0
Provisions for retirement and similar benefits	64	68
Deferred tax liabilities		
<b>Non-current liabilities</b>	<b>65</b>	<b>69</b>
Short-term liabilities	8	0
Other current financial liabilities	1	5
Accounts payable	401	492
Provisions	44	42
Tax liabilities	9	7
Other current liabilities	377	341
<b>Current liabilities</b>	<b>840</b>	<b>887</b>
Liabilities associated with assets classified as held for sale		
<b>Total liabilities and equity</b>	<b>1,395</b>	<b>1,465</b>

# Cash flow statement

€m	H1 2013	H1 2014
<b>Net income from continuing operations</b>	<b>-31</b>	<b>-37</b>
Net additions to depreciation, amortization and provisions	16	38
Financial interest income and expense	1	3
Net tax charge payable	6	5
<b>Cash flow from operations before tax, dividends and interest</b>	<b>-8</b>	<b>9</b>
Change in working capital requirement	-259	-258
Income tax paid	-3	-2
<b>Net cash flows from operating activities</b>	<b>-270</b>	<b>-251</b>
Net capex	-22	-22
Disposal subsidiaries net of cash transferred	-2	0
Net other financial assets	9	1
Interests and dividends received	0	0
<b>Net cash flows from investing activities</b>	<b>-15</b>	<b>-21</b>
Increase / decrease in equity and other transactions with shareholders	130	9
Treasury share transactions	-1	0
Increase / decrease in other financial debt	-1	0
Other interest and equivalent paid	-8	-2
<b>Net cash flows from financing activities</b>	<b>121</b>	<b>6</b>
Cash flow from discontinued operations	0	0
Impact of fluctuations in exchange rates	-1	0
<b>Net change in cash</b>	<b>-165</b>	<b>-265</b>



# Net cash position

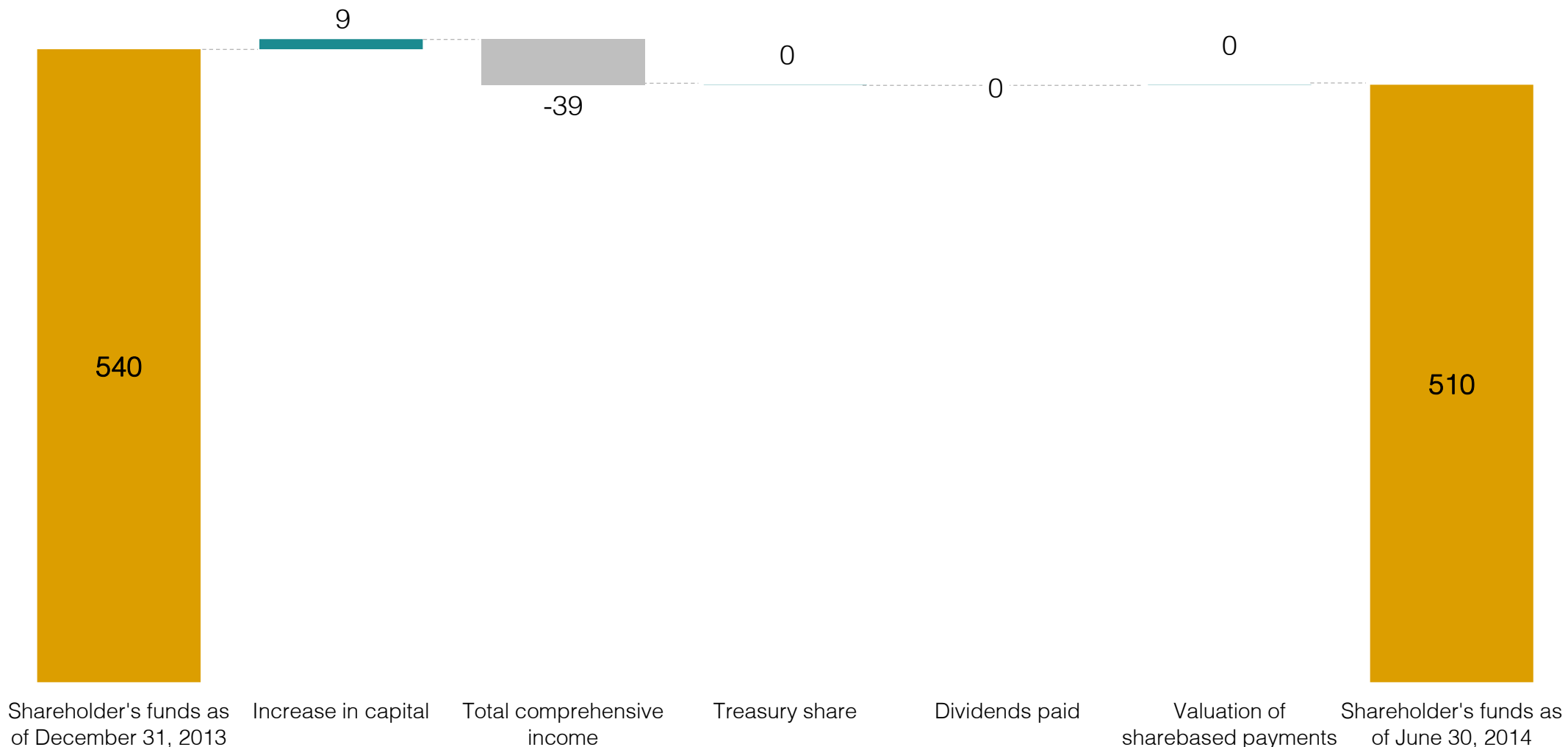


\* Including change in liabilities relative to capex for an amount of -€5.1m



# Shareholders' funds

€m





# Store network

	December 31, 2013			June 30, 2014		
	Owned	Franchised	Total	Owned	Franchised	Total
France	87	21*	108	85	23*	108
Iberian Peninsula	44	0	44	44	0	44
Brazil	11	0	11	12	0	12
Other countries	13	0	13	13	0	13
<b>Group</b>	<b>155</b>	<b>21</b>	<b>176</b>	<b>154</b>	<b>23</b>	<b>177</b>

\* Included 1 store in Morocco



# Exchange rates

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	H1 2013	H1 2014
BRL (Brazil)	2.67	3.15
CHF (Switzerland)	1.23	1.22