

## Sales up 0.5% at constant exchange rates driven by France (+1.5%)

- Continued positive momentum in sales in France (+1.5%)
- Consolidated revenues up 0.5% in the 1<sup>st</sup> quarter 2016 (at constant exchange rates)
- Gross margin rate under control
- Growing contribution of transformation levers: increased weight of new product categories, sustained growth of the Internet channel and sharp increase in omni-channel sales

### 1<sup>st</sup> quarter revenues

	Q1 2016 In €m	Change compared with Q1 2015		
		reported	at constant exchange rates	on a same-store basis *
France	601	1.5%	1.5%	1.4%
Iberian Peninsula	149	-1.5%	-1.5%	-2.2%
Brazil	24	-29.3%	-5.6%	-5.6%
Other countries	65	-2.6%	-1.8%	-4.5%
<b>Group</b>	<b>839</b>	<b>-0.6%</b>	<b>0.5%</b>	<b>0.1%</b>

\* at constant exchange rates and comparable consolidation scope

## HIGHLIGHTS OF THE 1<sup>st</sup> QUARTER

The Group's consolidated revenues increased by 0.5% at constant exchange rates.

There was a negative exchange rate impact of 1.1%, primarily due to the sharp fall in the Brazilian real against the euro.

The Group's consolidated revenues amounted to €839 million in the 1<sup>st</sup> quarter, or a decrease of 0.6%.

### Continued positive momentum in sales in France

France reported a 1.5% increase in sales, a performance that confirms the positive trend over the last quarters (+0.9% in the 2<sup>nd</sup> half of 2015, and +0.4% for the full-year 2015).

### Resilience of International operations

Revenues in the Iberian Peninsula were down -1.5% in markets that remained highly competitive.

Market conditions in Brazil were extremely tough, against the backdrop of a deterioration in the economic environment. Fnac Brazil, where sales fell by 5.6% over the period (at constant exchange rates), continued to show its resilience thanks to the good performance of the Internet channel.

Sales in the Other Countries Region, which includes Switzerland and Belgium, were down -1.8% at constant exchange rates.

### Sustained growth of the Internet channel

The Internet channel experienced strong growth in the 1<sup>st</sup> quarter, which was primarily driven by Fnac.com and Fnac.be.

Omni-channel sales increased sharply in all countries, and amounted to over 50% of the Group's Internet orders.

The marketplaces continued to expand, while taking an ever larger share of Internet business volumes.

The Group is investing on an ongoing basis in strengthening its omni-channel model. The 2016 roadmap includes the launch of the Swiss e-commerce site, the upgrading of the websites in Spain and Portugal, and the enhancement of the delivery services in France and abroad.

### Continuation of the offer diversification strategy

Sales of new product categories kept on growing at a rapid rate, thanks to effective commercial execution, and to a favorable innovation cycle. New product categories accounted for 16.1% of revenues in the 1<sup>st</sup> quarter (compared with 13.1% in the 1<sup>st</sup> quarter of 2015). Fnac continued to gain market share in telephony and connected objects in France. It benefited from its positioning as the benchmark for innovation among specialized retail chains, and from the significant investments made, notably via the roll-out of the *Fnac Connect* concept across the store network. The launch of the Sports category, which was introduced on the Marketplace in France in late 2015, is promising.

### Acceleration in the expansion of the store network

The expansion of the network under new store formats continued in the 1<sup>st</sup> quarter with the opening of three franchised proximity stores in France within the Intermarché network.

The Group also opened a 2<sup>nd</sup> franchised store in the Ivory Coast.

The store network included 49 stores under new formats at the end of March 2016, in addition to four stores in "new regions" with high potential.

In 2016, the Group will accelerate the expansion of its store network, which is a key component of its omni-channel strategy and is targeting around 20 store openings over the fiscal year, primarily under franchise.

## Gross margin rate under control

The Group continued to pursue an aggressive commercial policy on markets that remain highly competitive. Gross margin remained under tight control, thanks to the good management of commercial operations and strengthened collaboration with key suppliers, and therefore recorded a very limited erosion.

## Ongoing cost-cutting drive

The Group continued its policy of improving operational efficiency and cost reduction, in line with its objective to generate between €30 million and €40 million in cost savings over the 2016 fiscal year.

## **Strategic partnership with Vivendi**

On April 11, Groupe Fnac announced a strategic partnership with Vivendi in the cultural contents, live events, and ticketing fields. This partnership was accompanied by Vivendi's acquisition of a €159 million interest in Fnac via a reserved capital increase.

Following this capital increase, which will be submitted for the approval of the shareholders at the Extraordinary General Meeting on May 24, 2016, Vivendi will hold around 15% of Groupe Fnac's share capital and voting rights. Vivendi's investment in Fnac will enable the Group to benefit from additional resources in order to implement its development and external growth plans.

## **ANALYSIS BY REPORTING SEGMENT**

### **France**

France reported sales growth of 1.5%.

The Internet channel's growth was very strong, on a double-digit trend, and was primarily boosted by all the omni-channel drivers.

Omni-channel sales continued to increase sharply, and now represent over 50% of Internet orders (53% in the 1<sup>st</sup> quarter of 2016 compared with 44% in the 1<sup>st</sup> quarter of 2015).

The increase in traffic on Fnac.com was driven by m-commerce, with mobile traffic increasing by over 50%.

The marketplace sales momentum remained strong, and specifically benefited from the strategy aimed at diversifying the offer.

In-store sales were unchanged in the 1<sup>st</sup> quarter.

The expansion of the network continued over the period, and included the opening of three proximity stores under franchise with the Intermarché network (two conversions of Culture & Loisirs stores and the creation of one new store). A second Fnac store was opened in Abidjan, as part of the partnership signed in September 2015 with the Prosuma Group, a major operator in the retail sector in the Ivory Coast.

### **Iberian Peninsula**

The region's revenues decreased by -1.5%.

The Internet channel expanded, driven by the development of omni-channel sales, which accounted for around 40% of Internet orders.

The contribution made by the development of the network was positive for the overall region in the 1<sup>st</sup> quarter, in view of the opening of two proximity stores in the 4<sup>th</sup> quarter of 2015.

Fnac Spain announced the opening of a franchised store in Andorra, which is scheduled for July 2016. In addition, a *Fnac Connect* store, the first one in the country, will open in Bilbao by the summer.

## **Brazil**

Fnac Brazil's activity continued to hold up well in an extremely adverse consumption environment. Sales decreased by 5.6% in local currency (-29.3% at current exchange rates). The Internet channel expanded. The stores continued to suffer from the decrease in footfall in shopping malls.

## **Other Countries**

Sales in the region were down 1.8% at constant exchange rates (-2.6% at current exchange rates).

The ramp-up of the website in Belgium continued. Fnac.be benefited from a complete upgrade in the first quarter, similar to the one performed on Fnac.com in July 2015, which enabled the customer experience to be enhanced and improved. The weight of the Internet channel has increased significantly over the past few months, and accounted for c.10% of Fnac Belgium's sales in the 1<sup>st</sup> quarter. Omni-channel sales also increased sharply, and accounted for over one third of Internet orders in the 1<sup>st</sup> quarter of 2016 compared with 22% in the 1<sup>st</sup> quarter of 2015. In addition, Fnac Belgium will open its 10<sup>th</sup> store in Alost at the end of June.

Fnac Switzerland benefited from the ramp up of the Conthey Store, which opened in August, in a consumption environment that remains sluggish.

## **Outlook**

The performance in the 1<sup>st</sup> quarter confirms the positive sales momentum reported by the Group over the past few months, and the success of its transformation.

In 2016, Fnac is well positioned to continue its market share gains in a consumer environment that remains uncertain. The Group specifically intends to accelerate the development of its store network in France and abroad, pursue its strategy to enrich its product offer, especially online, and increase its initiatives on the book and ticketing markets.

The Group will continue its policy aimed at improving operating efficiency, and has set itself a cost-saving target of between €30 million and €40 million for 2016 on a stand-alone basis. It will also continue its efforts to maximize cash generation.

In the longer term, Fnac, on a stand-alone basis and irrespective of the Darty transaction, confirms its operating profitability target of above 3%, after finalization of the transformation of its business model, and under stabilized market and macro-economic conditions.<sup>1</sup>

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<sup>1</sup> For the purposes of Note 1 on Rule 28.1 of the City Code on Takeovers and Mergers, Fnac confirms that this is a long-term aspirational target and not an indication of the likely level of profits for Fnac for the current financial period or any subsequent financial periods

## FIRST QUARTER 2016 REVENUES

**Matthieu Malige, the Group's Chief Financial Officer**, will hold a conference call for investors and analysts on Thursday, April 21, 2016 at 6.15 pm (Continental European time), 5.15 pm (UK time) and 12.15 pm (US Eastern time).

### Conference call dial-in numbers:

France: +33 1 70 77 09 42  
UK: +44 203 367 9456  
US: +1 855 402 7763

### Replay dial-in numbers (available until Friday, May 20, 2016)

France: +33 1 72 00 15 00  
UK: +44 203 367 9460  
US: +1 877 64 230 18

Replay access code: 300741#

## NEXT PUBLICATION

Groupe Fnac will announce its 2016 half-year results on July 28, 2016 after the market closes.

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## APPENDICES

### Store network by format

	Dec. 31, 2015	Mar. 31, 2016
<b>France</b>	<b>124</b>	<b>128</b>
Traditional *	74	75
Suburban	14	14
Travel	18	18
Proximity	16	19
Connect	2	2
<i>Of which franchised stores</i>	<i>38</i>	<i>42</i>
<b>Iberian Peninsula</b>	<b>49</b>	<b>48</b>
Traditional	40	39
Suburban	0	0
Travel	2	2
Proximity	7	7
Connect	0	0
<i>Of which franchised stores</i>	<i>1</i>	<i>1</i>
<b>Brazil</b>	<b>12</b>	<b>12</b>
Traditional	11	11
Suburban	0	0
Travel	1	1
Proximity	0	0
Connect	0	0
<b>Other countries</b>	<b>14</b>	<b>14</b>
Traditional	14	14
Suburban	0	0
Travel	0	0
Proximity	0	0
Connect	0	0
<b>Group</b>	<b>199</b>	<b>202</b>
Traditional	139	139
Suburban	14	14
Travel	21	21
Proximity	23	26
Connect	2	2
<i>Of which franchised stores</i>	<i>39</i>	<i>43</i>

\*including one store in Morocco, two stores in the Ivory Coast, and one store in Qatar