FNAC DARTY

Ivry, July 25, 2018

Strong growth of first-half results

- **Good resilience of revenues despite a lackluster consumption environment: €3,200 million in sales for the first half of 2018 (-0.4% like-for-like[1])**
- **Good international sales momentum over the first half: +0.5% like-for-like[1]**
- **Gross margin of 31.1%, up sharply thanks to solid operational execution**
- **Current operating income increased by 35%**
- **Net profit at €8 million, up €111 million**
- **Fnac Darty integration nearing completion: €105 million in synergies generated at the end of June 2018, objective of €130 million in synergies achieved by the end of 2018 confirmed**

Enrique Martinez, Chief Executive Officer of Fnac Darty, declared: *"This semester once again shows the Group's operational agility and the relevance of its omnichannel model. The Group is showing good sales resilience and very strong earnings growth. The Fnac Darty integration is successfully advancing, and we are rapidly deploying our Confiance+ plan. As announced, we have established several partnerships with key players, which allow us to offer our customers the best household appliances, electronics and cultural products retail experience."*

KEY FIGURES

(€ millions)	H1 2018	H1 2017	Change
Revenues	**3,200**	**3,216**	**-0.5%**
Like-for-like var.[1]			*-0.4%*
Current operating income	**46**	**34**	**+35%**
Net Income, Group share	**8**	**-103**	**+€111M**
Free cash flow from operations	**-305**	**-265**	**-€40M**

1 Like-for-like: excludes effect of changes in foreign exchange rates, variations in scope, store openings and closings

HIGHLIGHTS OF THE FIRST HALF

Very solid results thanks to good operational execution

The consumer 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 (+20 basis points), thanks to the Group's good commercial execution.

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.

Fast rollout of the Confiance+ plan

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

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 create 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 deployed.

Purchasing agreements with the **Carrefour** Group are gradually being deployed, with a limited positive impact on results expected in 2018.

Improvement of the Group's omni-channel 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 photography (drones and 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 Q1 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), and 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.

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 semester, 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 reparability rating in its tests. Fnac Darty has 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.

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 organization 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 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 headquarters organization is in place, and the relocation of teams has been finalized this half-year.
The Group launched a capital increase reserved for employees, with near 5,000 employees investing in the new enterprise project. This operation 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.

HALF-YEAR OPERATING PERFORMANCE AND RESULTS

Analysis of second-quarter sales performance

Group sales for the second quarter of 2018 totaled €1,513 million, down 1.7% on a like-for-like basis compared with 2017.
I**n France-Switzerland**, revenue was down 2.1% on a like-for-like basis. Sales were impacted by a drop in traffic linked to strikes and the sluggish consumption environment.
Moreover, despite the highly competitive environment, the Group demonstrated solid operational execution and tight control of its commercial investments.
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.
Household appliances sales growth is impacted by an unfavorable base effect, due to the June 2017 heat wave, when sales of air conditioners and fans rose sharply. Editorial products also sustained an unfavorable comparison effect, with product launches (video game consoles) last year.
I**n the Iberian Peninsula**, revenue was up 2.5% on a like-for-like basis. Spain posted solid growth in the quarter, with strong growth in services in particular. Portugal continued to show sustained growth, driven by the expansion and good performance of telephony and editorial products.
In the Benelux zone, like-for-like sales were down -2.3%. Belgium posted a mixed performance with small domestic appliances, television and telephony continuing to grow, while IT and imaging markets were less dynamic, like in France. Activity in the Netherlands was down during the quarter, impacted in particular by the closure of 6 stores, since the beginning of the year, as part of the company's transformation plan. Competition in this country remains intense.

Analysis of first-half revenues and results by segment

First-half revenue was €3,200 million, down -0.5% in published figures and -0.4% in like-for-like vs. 2017.
Revenues for the **France-Switzerland** segment were down -1.4% in the first half (-0.7% like-for-like). The first half was negatively impacted by a weak and competitive IT market, particularly in the second quarter. In this context, the Group maintained good control of its commercial investments and costs, thus posting strong growth in current operating income at €46.5 million, compared with €32.4 million in the first half of 2017. The operating margin stood at 1.9%, up 60 basis points.

Sales for the **Iberian Peninsula** were up sharply in the first half, at +4.6% in published data, and +1.4% in like-for-like. 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.
Current operating income for the region was €3.3 million, up €0.9 million compared to 2017.

Revenues for **Benelux** grew over the period (+1.2%) despite the impact of store closures in the Netherlands. E-commerce sites posted double-digit growth in both countries. In Belgium, sales grew in the first half, driven by white goods, as well as telephony and television. In the Netherlands, in a still tense commercial climate, BCC sales showed slight like-for-like growth over the first half, driven in particular by the excellent performance of its e-commerce website. The transformation plan is being well executed, with 6 stores closed this semester, and thanks to the partnership with Wehkamp profitability should reach breakeven over the next quarters.
Current operating income in the Benelux was down €3.3 million compared to the previous year, reflecting both the impact of technical factors (allocation of headquarter costs) for half of the decrease, and the increased competitive pressure.

Results up sharply

The gross margin rate stood at 31.1%, up 20 basis points despite the significant dilutive effect from the development of franchise activities (-30 basis points). This excellent performance comes from purchasing synergies, development of services, and from the Group's controlled commercial policy, despite the competitive environment.

The deployment of Fnac Darty synergies continued, reaching €20 million over the first half, and €105 million since the beginning of the integration. Operational efficiency and cost reductions continued, enabling the cost base to decline despite the full effect of inflation felt in the first half-year.

Current operating income thus increased by €12 million compared to the first half of 2017, reaching €46 million.

Non-recurring expenses were -€10.9 million over the half-year and mainly concerned the costs of implementing synergies.

With a financial result of -€25.2 million, including €6 million in non-recurring costs related to the renegotiation of bank debt, and a tax charge of -€2.4 million, net income from continuing operations for the first half of the year was €7.1 million, an improvement of nearly €22 million compared to the first half of 2017. Net income - Group share increased by +€111 million, reaching €7.8 million.

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FINANCIAL STRUCTURE

The Group's net financial debt stood at €417 million at June 30, 2018, compared to €86 million at December 31, 2017. The change in debt results mainly from the negative operating free cash flow over the period (at -305m€), due to the usual seasonality of the Group's activity.
The change compared to 2017 is mainly due to the change in working capital requirements, due to lower business in the first half of the year and the effects of timing differences in payments, following the change in the accounting closing date for Darty.
At June 30, 2018, cash and cash equivalents totaled €497 million, and the revolving credit facility of €400 million was undrawn.

In the first half of 2018, the Group renegotiated its SFA, improving conditions and extending its maturity by two years. The success of this operation demonstrates the confidence of banking partners in Fnac Darty's strategy. The Group's financial solidity was also confirmed by Standard & Poor's, which raised Fnac Darty's rating outlook to positive, in April 2018.

CONCLUSION AND 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 base effect 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.

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APPENDICES

The condensed consolidated financial statements for the first half of 2018 were approved by the Board of Directors on July 25, 2018. The audit procedures on the consolidated financial statements have been performed and the statutory auditors' report is in preparation.

SUMMARY INCOME STATEMENT

	In €m		
	H1 2017*	H1 2018	Var.
Revenues	**3,216**	**3,200**	**-0.5%**
Gross margin	**995**	**996**	**+0.2%**
As a % of revenues	*30.9%*	*31.1%*	
Total costs	**961**	**951**	**-1%**
As a % of revenues	*29.9%*	*29.7%*	
Current operating income	**34**	**46***	**+35%**
As a % of revenues	*1.1%*	*1.4%*	
Other non-current operating income and expenses	-22	-11	
Operating income	**12**	**35**	**+189%**
Net financial expense	-22	-25	
Income tax	-5	-2	
Net income from continuing operations for the financial year	**-15**	**7**	**n/a**
Net income from discontinued operations	-88**	1*	
Consolidated net income, Group share	**-103**	**8**	**n/a**
EBITDA	**84**	**95**	**+12%**
As a % of revenues	*2.6%*	*3.0%*	

* Restated for the valuation of Darty's identifiable assets and liabilities
** Including the cumulative historical operating losses and the amount of capitalization in connection with the sale of Fnac Brazil to Livraria Cultura in July 2017

CASH FLOW STATEMENT

	In €m	
	H1 2017*	H1 2018
Cash flow from operations before tax, dividends and interest	**74**	**78**
Change in working capital requirement	-271	-321
Income tax paid	-21	-17
Net cash flows from operating activities	**-218**	**-260**
Operating investments	-47	-47
Change in debt and receivables relating to non-current assets	-2	1
Operating divestments	1	1
Net cash flows from operating investment activities	**-47**	**-45**
Free cash flow from operations	**-265**	**-305**

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

CURRENT OPERATING INCOME BY OPERATING SEGMENT

(€ millions)	H1 2017	As a % of revenues	H1 2018	As a % of revenues	Change
France and Switzerland	32.4	1.3%	46.5	1.9%	+14.1
Iberian Peninsula	2.4	0.9%	3.3	1.1%	+0.9
Benelux	-0.9	-0.2%	-4.2	-1.0%	-3.3
Group	**33.9**	**1.1%**	**45.6**	**1.4%**	**+11.7**

FIRST HALF 2018 REVENUES

(€ millions)	H1 2018 In €m	Change compared with H1 2017		
		Actual	at constant exchange rates	like-for-like basis
France and Switzerland	**2,482**	-1.4%	-1.2%	-0.7%
Iberian Peninsula	**294**	+4.6%	+4.6%	+1.4%
Benelux	**423**	+1.2%	+1.2%	+0.1%
Group	**3,200**	**-0.5%**	**-0.4%**	**-0.4%**

2018 SECOND QUARTER REVENUES

(€ millions)	Q2 2018 In €m	Change compared with Q2 2017		
		Actual	at constant exchange rates	like-for-like basis
France and Switzerland	**1,179**	-2.6%	-2.4%	-2.1%
Iberian Peninsula	**142**	+6.0%	+6.0%	+2.5%
Benelux	**192**	-2.2%	-2.2%	-2.3%
Group	**1,513**	**-1.8%**	**-1.7%**	**-1.7%**

STORE NETWORK

	Dec. 31, 2017	Opening	Closing	June 30, 2018
France and Switzerland	**516**	**26**	**1**	**541**
Traditional Fnac	86	2	0	88
Suburban Fnac	14	0	0	14
Travel Fnac	19	3	0	22
Proximity Fnac	42	6	0	48
Fnac Connect	5	1	0	6
Darty	349	14	1	362
Fnac Darty France:	1	0	0	1
Of which franchised stores	*204*	*26*	*1*	*229*
Iberian Peninsula	**59**	**1**	**0**	**60**
Traditional Fnac	42	1	0	43
Travel Fnac	2	0	0	2
Proximity Fnac	13	0	0	13
Fnac Connect	2	0	0	2
Of which franchised stores	*4*	*0*	*0*	*4*
Benelux	**153**	**0**	**6**	**147**
Traditional Fnac	10	0	0	10
Proximity Fnac	1	0	0	1
Darty	142	0	6	136
Fnac Darty Group	**728**	**27**	**7**	**748**
Traditional Fnac	138	3	0	141
Suburban Fnac	14	0	0	14
Travel Fnac	21	3	0	24
Proximity Fnac	56	6	0	62
Fnac Connect	7	1	0	8
Darty	491	14	7	498
Fnac/Darty	1	0	0	1
Of which franchised stores	*208*	*26*	*1*	*233*

The France-Switzerland zone includes 9 stores abroad: 3 in Morocco, 1 in Congo, 1 in Cameroon, 2 in the Ivory Coast and 2 in Qatar, and 15 stores in the French Overseas Territories.

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

CHANGE IN REVENUES AT CONSTANT EXCHANGE RATES AND COMPARABLE SCOPE OF CONSOLIDATION

The change in revenues at constant exchange rates and comparable scope of consolidation means that the impact of exchange rate fluctuations has been excluded and that the effect of changes in scope is corrected to not take modifications (acquisition, sale of subsidiary) into account. The exchange rate impact is eliminated by recalculating sales for financial year N-1, based on the exchange rates used for financial year N. The revenues of subsidiaries acquired or sold since January 1 of financial year N-1 are excluded from the calculation of the change. This indicator can be used to measure the change in revenues excluding the effects of exchange rates and scopes of consolidation.

CHANGE IN REVENUES (LIKE-FOR-LIKE)

The change in revenues on a like-for-like basis means that the impact of exchange rate fluctuations has been excluded, that the effect of changes in scope is corrected to not take modifications (acquisition, disposal of subsidiary) into account and that the effect of directly-owned store openings and closings since January 1 of financial year N-1 has been excluded. This indicator can be used to measure revenues excluding the effects of exchange rates, scopes of consolidation and directly-owned store openings and closings.