

Sales growth in France

Stable gross margin rate

- Growth of sales in France in the 1st half: +0.4% on a same-store basis, despite less favorable markets in the 2nd quarter
- Consolidated revenues down -0.7%, and -0.9% at constant exchange rates
- Stable gross margin rate (-10 bp)
- Stable net income: current operating income slightly down, by €4 million, offset by a decrease in non-current expenses.
- Increase in net cash of €60 million as of June 30, 2015, compared to June 30, 2014

Alexandre Bompard, Chairman and CEO of Groupe Fnac, said *"The results posted by Groupe Fnac for the first half of 2015 confirm the robustness of its business model. Sales growth in France, with a stable gross profit margin, in challenging markets characterized by intense promotional activity, once again demonstrates the strength of our brand. The results are notably due to the positive contribution of the transformation levers: sustained growth of the Internet channel, strong increase in omnichannel sales, increase in the weight of new product categories, continued expansion in new formats"*.

KEY FIGURES

(€ millions)	H1 2014	H1 2015	Change
Revenues	1,639	1,628	-0.7%
<i>Change on a comparable basis and at constant exchange rates</i>			-0.9%
<i>Change on a same-store basis</i>			-0.9%
Current operating income	-24.9	-29.0	-16%
Consolidated net income	-42.1	-42.6	-1%
Free cash flow from operations	-272	-277	-2%
Net cash	196	257	31%

Note: Performance in the first half of the year was affected by the seasonal nature of the Group's business. The first half usually makes only a small contribution to the full-year results. The change in free cash flow reflects the traditional steep increase in the working capital requirement at the beginning of the year.

SECOND QUARTER 2015 REVENUES

The Group's consolidated revenues amounted to €784 million in the 2nd quarter, down 2.0% compared with the same period of 2014.

The impact of the exchange rates was neutral for the period, as the depreciation of the Brazilian real against the euro was offset by the appreciation of the Swiss franc.

On a same-store basis, revenues also dropped 2.0%.

Growth of sales in France in the 1st half despite more difficult activity in the 2nd quarter

France posted a 1.3% drop in sales on a same-store basis in the 2nd quarter, in an environment of household consumption that was still sluggish. Business activity in the 2nd quarter suffered from less favorable markets for books and consumer electronics. In France, the 2nd quarter was also marked by a negative calendar over the May-June period and by weather conditions in April that were unfavorable to store traffic. Throughout the 1st half, sales in France evolved favorably, up 0.4% on a same-store basis. Market share continued to improve.

Good international resilience

Performance in the Iberian Peninsula improved in the 2nd quarter with stable sales (-0.1%), compared to a 1.2% drop in the 1st quarter. The improvement in the macroeconomic conditions in Spain began to benefit our markets, which were nevertheless still characterized by strong competitive pressure. In Portugal, a key country for the Group, markets remained negative.

The decline of sales in Brazil slowed down in the 2nd quarter. Sales were down 5.2% at constant exchange rates compared to a decrease of 10.1% in the 1st quarter. In a consumer environment that remained very weak, Fnac Brasil benefited from its premium position and the robust performance of the Internet channel.

Sales in the Other Countries region dropped 5.0% in the 2nd quarter. Market conditions were more difficult in Switzerland where the appreciation of the Swiss franc has led to a decline in traffic at stores close to the border and increased competition. Fnac Suisse will open a 5th store in Conthey, in Valais, in mid-August. Fnac Belgique continued to benefit from the ramp up of the website and the gradual roll-out of the omnichannel functionalities.

Dynamism of the Internet channel

The growth of the Internet channel remained dynamic in the 2nd quarter, particularly in France.

Throughout the first half, the Internet channel posted double-digit growth in France and for the Group as a whole.

The contribution of marketplaces to business volume is up, reaching 17% of Internet business volume in the 1st half of the year.

Omnichannel sales continued to grow very strongly. They represented 44.5% of the orders on Fnac.com in the 1st half of 2015, compared to 30% in the 1st half of 2014. The roll-out of omnichannel features is continuing internationally, with the introduction of "click & mag" in Spain at the end of the 2nd quarter and the forthcoming introduction of "Relais Colis Magasin" in Belgium.

Success of new product categories

The weight of new product categories in revenues continued to increase, despite a basis of comparison that was higher for telephony (roll-out of telephony sections in France at the end of the 1st quarter of 2014).

The new product categories represented 14.6% of revenues in the 2nd quarter of 2015, compared to 13.1% in the 1st quarter of 2015, and 10.9% for 2014 as a whole. This growth confirms the success of the Group's offer renewal strategy and Fnac's ability to position itself quickly in fast-growing categories with strong potential.

The roll-out of *Fnac Connect*, a new concept of spaces that are entirely dedicated to connected devices and telephony, will enhance the positive sales momentum for those categories.

The opening of the 1st *Fnac Connect* store in Angoulême, under franchise, affirmed the pertinence of the concept, which was given the "Janus du commerce" label (an official label sponsored by the Ministries for Industry, Trade and Foreign Commerce and awarded by the Institut Français du Design) in June 2015. Around thirty *Fnac Connect* spaces were also rolled out within the store network in late June.

The roll-out will continue during the 2nd half of the year in stores and in the form of dedicated boutiques. The second dedicated boutique will open in Beaucaire in mid-August.

The roll-out of Stationary sections also continued in France during the 1st half of the year, with approximately fifteen additional sections and the introduction of a small range of products on Fnac.com

Continued expansion into proximity formats

Proximity format expansion continued in the 2nd quarter, with one opening in Ajaccio, and an opening in Dole, within the Intermarché network. The latter store was a creation, in addition to the 3 conversions of "Culture et Loisirs" stores already completed since the beginning of the discussions with the Intermarché Group.

As of late June 2015, the network contained 38 new-format stores (30 in France and 8 internationally).

Expansion will accelerate during the 2nd half, and the number of openings in 2015 (including the *Fnac Connect* format) will be higher than 2014.

On May 19, 2015, Fnac also opened its 1st store in Doha, Qatar, under franchise, in partnership with Darwish Holding.

1ST HALF 2015 RESULTS

The Group's consolidated revenues rose to €1,628 million in the 1st half of 2015, down 0.7% compared to the 1st half of 2014.

There was a favorable exchange rate impact of 0.2%, as the depreciation of the Brazilian real against the euro was offset by the appreciation of the Swiss franc.

Revenues decreased by 0.9% at constant exchange rates and comparable scope of consolidation.

The Group reported current operating income of negative €29.0 million, compared to a loss of €24.9 million in the first half of 2014.

The gross margin rate was 29.7%, down 10 basis points compared to the 1st half of 2014. The good resilience of the gross margin rate, in markets that remain marked by a strong promotional intensity, was a result of the excellent management of commercial operations and the strengthening of the collaboration with key suppliers.

The Group continued to successfully pursue its policy of cost-savings and organizational efficiency.

Other non-current operating income and expenses constituted a net expense of negative €1.7 million in the 1st half of 2015, down from the 1st half of 2014 (negative €7.6 million). This mainly includes restructuring costs.

Net income from continuing operations was negative €42.6 million in the 1st half of 2015, in line with its level of the 1st half of 2014 (negative €42.1 million).

Adjusted for non-recurring items, the net income from continuing operations was a negative €41.3 million, compared to a loss of €34.9 million in the 1st half of 2014.

FREE CASH FLOW

The operational Free Cash Flow was a negative €277 million in the 1st half of 2015, compared to a negative €272 million in the 1st half of 2014.

Given the seasonal nature of the Group's business, cash flow is traditionally negative in the first half.

The Group continued to optimize its working capital requirements, in particular by reducing inventories.

Investments amounted to €15 million, in line with their level during the previous year.

FINANCIAL STRUCTURE

Net cash amounted to €257 million as of June 30, 2015, an increase of €60 million compared with its level on June 30, 2014.

Shareholders' equity amounted to €549 million as of June 30, 2015 (compared to €514 million as of June 30, 2014).

As of June 30, 2015, the covenants of the credit facility were complied with.

CONCLUSION AND OUTLOOK

Performance in the 1st half, which was achieved in a consumer environment that has remained sluggish, confirms the accelerated transformation of the Group and the strengthening of its financial profile.

The Group intends to continue to gain market share in a consumer environment that remains uncertain for the remainder of the year. It considers itself well-positioned to take advantage of improved market conditions thanks to all of the levers implemented within the context of the 2015 Fnac plan: continued deployment of its omnichannel model, pursuit of the policy to enrich the offering of products and services, and accelerated expansion of the proximity format in France and internationally.

The Group will pursue its operational efficiency improvement policy and confirms its target of €30 to €40 million cost savings for 2015.

It will also continue its efforts to maximize cash generation.

In the longer term, the Group confirms its current operating profitability target of above 3%, after finalization of the transformation of its business model and under stabilized market and economic conditions.

The Statutory Auditors reviewed the condensed consolidated financial statements for the 1st half of 2015, as approved by the Board of Directors on July 30, 2015.

Summary income statement

(€ millions)	H1 2014 restated ¹	H1 2015	Change
Revenues	1,639	1,628	-0.7%
Gross margin	489	484	-1.0%
<i>As a % of revenues</i>	29.8%	29.7%	
Total costs	-514	-513	0.2%
<i>As a % of revenues</i>	-31.4%	-31.5%	
Current operating income	-24.9	-29.0	-16.5%
<i>As a % of revenues</i>	-1.5%	-1.8%	
Other non-current operating income and expenses	-7.6	-1.7	77.6%
Operating income	-32.5	-30.7	5.5%
Net financial expenses	-4.8	-4.5	6.3%
Income tax	-4.8	-7.4	-54.2%
Net income from continuing operations	-42.1	-42.6	-1.2%
of which attributable to owners of the company	-42.2	-42.8	-1.4%
Net income from discontinued operations	0	0	
Consolidated net income	-42.1	-42.6	-1.2%
of which attributable to owners of the company	-42.2	-42.8	-1.4%
Net current income from continuing operations	-34.9	-41.3	-18.3%
EBITDA	11.2	1.4	-87.5%
<i>As a % of revenues</i>	0.7%	0.1%	

¹ The Group applied IFRS 21, which was adopted by the European Union on June 17, 2014, to the financial statements for the year ended December 31, 2014. This interpretation was not applied to the interim financial statements of June 30, 2014. The impact of this interpretation of the Fnac Group's financial statements is detailed in Chapter 3, Note 2, Paragraph 2.5 of the Half-Year Financial Report.

2015 FIRST HALF RESULTS

Matthew Malige, Chief Financial Officer, will host a conference call for investors and analysts on Thursday, July 30, 2015, at 6:15 p.m. (CET); 5:15 p.m. (UK); 12:15 p.m. (East Coast USA)

Conference call dial-in:

France: +33 1 70 77 09 44
UK: +44 203 367 9453
US: +1 855 40 277 61

Replay dial-in (available until Friday, August 14, 2015)

France: +33 1 72 00 15 00
UK: +44 203 367 9460
US: +1 877 64 230 18
Replay access code: 295218#

NEXT PUBLICATION

The Fnac Group will publish its revenues for the 3rd quarter on Thursday, October 22, 2015, after the close of trading.

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APPENDICES

Current Operating Income (COI) by operating segment

(COI in € millions)	H1 2014	As a % of revenues	H1 2015	As a % of revenues	Change
France	-26.3	-2.3%	-31.2	-2.7%	-18.6%
Iberian Peninsula	4.7	1.6%	4.2	1.5%	-10.6%
Brazil	-2.6	-3.4%	-1.8	-2.6%	30.8%
Other countries	-0.7	-0.6%	-0.2	-0.2%	71.4%
Group	-24.9	-1.5%	-29.0	-1.8%	-16.5%

2nd Quarter Revenues by Operating Segment

(Rev. in € millions)	Q2 2015	Change compared with Q2 2014		
		published	at comparable scope of consolidation and constant exchange rates	same-store basis*
France	556	-1.8%	-1.8%	-1.3%
Iberian Peninsula	133	-0.1%	-0.1%	-2.8%
Brazil	33	-14.7%	-5.2%	-5.8%
Other countries	62	0.8%	-5.0%	-5.0%
Group	784	-2.0%	-2.0%	-2.0%

* At constant exchange rates and comparable scope of consolidation

1st Half Revenues by Operating Segment

(Rev. in € millions)	H1 2015	Change compared with H1 2014		
		published	at comparable scope of consolidation and constant exchange rates	same-store basis*
France	1,148	-0.3%	-0.3%	0.4%
Iberian Peninsula	284	-0.7%	-0.7%	-3.1%
Brazil	68	-12.2%	-7.7%	-8.4%
Other countries	129	2.6%	-2.8%	-2.8%
Group	1,628	-0.7%	-0.9%	-0.9%

* At constant exchange rates and comparable scope of consolidation

Store network

	Dec. 31, 2014	June 30, 2015
France	112	117
Traditional *	72	73
Outskirts	14	14
Travel	16	16
Proximity	10	13
Connect	0	1
<i>Including franchised stores</i>	<i>27</i>	<i>32</i>
Iberian Peninsula	47	47
Traditional	40	40
Travel	2	2
Proxi	5	5
Brazil	12	12
Traditional	11	11
Travel	1	1
Other countries	13	13
Traditional	13	13
Group	184	189
Traditional	136	137
Outskirts	14	14
Travel	19	19
Proximity	15	18
Connect	0	1
<i>Including franchised stores</i>	<i>27</i>	<i>32</i>

* including one store in Morocco and another store in Qatar