

## Strong growth in first-half results Rapid progress of Fnac Darty integration

- **Good revenue performance**
  - High basis of comparison due to the new digital television standard introduced in France in April 2016
  - Pro forma revenues for first-half 2017 down -2.7% to €3,216 million on a reported basis. First-half 2017 revenues up +2.1% versus first-half 2015
  - Acceleration in revenue dynamic in the second quarter
- **Rapid progress of Fnac Darty integration: €43 million in synergies at end-June 2017**
- **Strong growth in pro forma current operating income: up +€30 million on first-half 2016**
- **Cash flow in line with expectations, affected by seasonal effect and high comparatives**

**Enrique Martinez, Chief Executive Officer of Fnac Darty, commented:** *"Our results in the first half were very solid and reflect both the sound execution of Fnac Darty integration and the robust business models of our two banners. In keeping with the strategy initiated by Alexandre Bompard, the Group will continue its development in order to enhance its omnichannel offering, expand its store network, and boost its diversification."*

### PRO FORMA KEY FIGURES

(€ millions)	H1 2016 <sup>1</sup>	H1 2017	Change
<b>Revenues</b>	<b>3,304</b>	<b>3,216</b>	<b>-2.7%</b>
<i>Like-for-like change<sup>2</sup></i>			<i>-2.4%</i>
<b>Current operating income</b>	<b>3.6</b>	<b>33.9</b>	<b>+€30m</b>
<b>Free cash flow from operations</b>	<b>-222</b>	<b>-265</b>	<b>-€43m</b>

1 Pro forma: taking into account Darty's entry into the scope of consolidation as from January 1, 2016.

2 Like-for-like data: excluding the impact of changes in foreign exchange rates and in the scope of consolidation and of store openings and closings

## FIRST-HALF 2017 HIGHLIGHTS

### **Solid revenue for the first half and acceleration of the dynamic during the second quarter of 2017**

Fnac Darty pro forma<sup>1</sup> revenue for first-half 2017 totaled €3,216 million, down -2.7% based on reported figures and down -2.4% like-for-like<sup>2</sup> compared to first-half 2016.

The high basis for comparison related to the new digital television standard introduced in France in the first half of 2016 masks the strength of the performances delivered by the Group since the start of 2017. Pro forma revenues for the first half rose by +2.1% on first-half 2015 and by +1.2% on first-half 2016 excluding the television segment.

Pro forma revenues in the second quarter came in at €1,541 million, a decline of -2.6% as reported and of -2.3% like-for-like<sup>2</sup> compared to the same period in 2016.

Second-quarter revenue has risen sharply over two years, both in France and Switzerland (up +3.9%) and for the Group as a whole (up +3.5%). In France, excluding the television segment, the Fnac and Darty banners each posted revenue gains. The Group capitalized on growth in the telephony market and new product launches, particularly in the video games segment. Sales of editorial products remained down, offset by a rise in sales of household appliances, whose share of the market continues to increase. Sales of small domestic appliances were uplifted by the impact of hot weather in June.

In the Iberian Peninsula, competition remained fierce and affected growth in Spain. Portugal reported robust growth. In Benelux, Belgium turned in a solid performance. The Netherlands remained virtually stable over the quarter, as the operational turnaround plan began to deliver results.

Internet operations enjoyed sustained growth over the first half, led by the excellent performance of the omnichannel model and the development of marketplaces. The Group continued to expand its network in the second quarter. In total, 32 new stores opened in 2017.

### **Rapid progress of Fnac Darty integration**

The first half of the year saw rapid progress of Fnac Darty integration. A total of €43 million in synergies have been generated since the start of the process, including €34 million in first-half 2017 and €9 million in 2016.

In terms of cost synergies, there was a positive outcome to annual negotiations with suppliers. Indirect purchasing contracts (overheads and service agreements) renegotiations continued, with the Group taking advantage of its larger scale.

IT system convergence is progressing according to plan. The major logistics optimization projects also made headway, with the transfer of the Wissous 2 warehouse currently in progress and Darty already offering home delivery for certain Fnac product categories.

At the end of June, the Group unveiled the new organization plan for its head office in France, after that of Belgium in the first quarter and the closure of London offices in 2016.

In terms of commercial synergies, initiatives continued across the Group's two banners, with the launch of the first Darty shop-in-shop within Fnac stores, and vice-versa.

The opening of the first Fnac Darty store, sporting both banners and run as a franchise in Biganos, has given the Group a new potential field for growth. The overhaul of the Fnac and Darty brand platforms also began, helping to consolidate the complementary nature of the two banners. Darty's new visual identity was first rolled out during the summer sales.

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<sup>1</sup> Pro forma: taking into account Darty's entry into the scope of consolidation as from January 1, 2016.

<sup>2</sup> Like-for-like data: excluding the impact of changes in foreign exchange rates and in the scope of consolidation and of store openings and closings

# FNAC DARTY

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Both banners also continued efforts to develop their range of services (subscriptions, insurances, warranties, after-sales assistance), a true focus for the Group in order to improve differentiation. Discussions between banners were also ongoing, helping to spread best practices.

## **Work continues on the new Fnac Darty model**

### **Rapid progress of the e-commerce offering and enhanced omnichannel model**

Fnac Darty continued to expand its e-commerce operations, thanks to a strong performance from its digital platforms. The Group's marketplaces sustained their rapid momentum, advancing by more than 50% over the first half. The excellent fit between bricks-and-mortar stores and e-commerce platforms was again apparent during the period, with the share of omnichannel sales continuing to grow. The Group pursued its technical developments, increasing the efficiency of its sites and mobile applications.

### **Sustained expansion and successful franchise network**

The network continued to expand at a fast pace in the first half of 2017, with 32 stores opening during the period, of which 21 will be operated under franchise. Fnac opened six stores in the first six months of the year, including 5 in France. Darty opened 25 stores in the period, including 18 in France. At June 30, 2017, Fnac Darty's network comprised 689 stores, including 479 in France. The Group continued to broaden its international footprint, leveraging the expertise of local partners. During the first half, it opened a second store in Qatar, a store in Douala in Cameroon and one in Brazzaville, Congo. This fast-paced expansion will continue in the second half of the year, mainly through new franchised store openings. The Group therefore expects to exceed its target of 50 store openings in 2017.

## **FIRST-HALF OPERATING PERFORMANCE**

### **Strong growth in results**

Gross margin as a percentage of revenues moved up 107 basis points to 30.9%, with both banners contributing to the improvement thanks to the initial benefits of synergies, the development of the services portfolio and a good control of commercial investments.

The deployment of synergies advanced, with €34 million of synergies generated in the first half of 2017 and €43 million since the start of the integration process. The Group continued its efforts to improve operational efficiency and reduce costs.

Current operating income rose €30 million year-on-year, to €33.9 million. Adjusted for the impact of capital gains on property disposals carried out in 2016 (€7 million), the increase in first-half 2017 current operating income was +€37 million.

Non-recurring expenses totaled -€21.9 million in the six months to June 30, 2017 and mainly relate to the cost of unlocking synergies and of performance plans.

Based on a net financial expense totaling -€22.2 million and an income tax expense of -€4.9 million, the Group reported a net loss from continuing operations of -€15.1 million.

The -€88.1 million net loss from discontinued operations reflected the sale of Fnac Brazil to Livraria Cultura as announced on July 19, 2017, including write-off of cumulative historical operating losses and the €36 million recapitalization.

## Analysis of the first-half 2017 performance by reporting segment

### **France-Switzerland**

Revenues for the France-Switzerland segment declined -3.3% over the half-year period (down -2.8% like-for-like<sup>1</sup>) but were up +2.8% compared to the first-half of 2015. Excluding the television segment, whose sales in first-half 2016 had been boosted by the new digital television standard introduced in France, revenues moved up +1.4% over the period. E-commerce continued to perform well, with Fnac.com posting a double-digit rise in sales and Darty enjoying strong marketplace growth. Current operating income surged to €32.4 million from €4.9 million in first-half 2016. The operating margin was 1.3%, up by +1.1 points.

### **Iberian Peninsula**

Sales in the Iberian Peninsula were almost stable over the half-year period (down -0.4%), and rose by +1.1% like-for-like<sup>1</sup>, despite a fierce competitive environment in both countries in the region. Portugal delivered a satisfactory sales performance. Trading proved resilient in Spain, which saw robust growth in online sales and rolled out new commercial initiatives including the introduction of small domestic appliances. Current operating income for the region came in at €2.4 million, a rise of €1.2 million on first-half 2016.

### **Benelux**

Revenues in the Benelux region were almost stable over the period (down -0.4%). Trading picked up in Belgium during the half-year period, driven mainly by a strong performance from white goods and in telephony. E-commerce sites enjoyed double-digit growth and the kitchen specialist store network grew at a very good pace. In the Netherlands, where trading conditions remain tight, the Group continued to roll out its transformation plan. Current operating income for the Benelux region improved, representing a negative -€0.9 million for the first six months of the year.

## **FINANCIAL STRUCTURE**

The Group's **net debt** amounted to €503 million at June 30, 2017, versus €207 million at December 31, 2016<sup>2</sup>. The increase in debt primarily resulted from negative free cash flow from operations over the period, reflecting the seasonality that typically affects the Group's business.

In the first half of 2017, free cash flow from operations was a negative -€265 million, compared with a negative -€222 million in first-half 2016. Adjusted for the impact of proceeds from property disposals (€13 million), free cash flow from operations was a negative -€235 million in first-half 2016.

Year-on-year change reflects the evolution in working capital stemming from a high basis of comparison due to greater business volumes in 2016 (TV impact) and the roll-out of optimization initiatives for the Darty scope in the same year. A reduction in payment terms in the Netherlands also had a negative impact on first-half 2017 cash flow.

At end-June 2017, cash and cash equivalents amounted to €359 million and the €400 million revolving credit line had not been drawn.

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<sup>1</sup> Like-for-like data: excluding the impact of changes in foreign exchange rates and in the scope of consolidation and of store openings and closings

<sup>2</sup> Adjusted for the final valuation of Darty's identifiable assets and liabilities (€1 million).

# FNAC DARTY



## CONCLUSION AND OUTLOOK

Against the backdrop of sluggish markets in the first half of 2017, the Group proved the robustness of its business model and achieved good progress of Fnac Darty integration.

The second half of 2017 will return to a more normative basis for comparison. The Group will continue with the swift execution of its synergies plan and the transformation of its business model. Fast-paced expansion will continue in the second half of the year, mainly through new franchised store openings. The Group therefore expects to exceed its target of 50 store openings in 2017.

Fnac Darty reaffirms its objective of achieving €130 million in synergies by end-2018, at least half of which will have been generated by the end of 2017.

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# FNAC DARTY

## APPENDICES

The condensed consolidated financial statements for the first half of 2017 approved by the Board of Directors on July 25, 2017 were reviewed by the Statutory Auditors.

### SUMMARY INCOME STATEMENT

(€ millions)	Reported			Pro forma		
	H1 2016*	H1 2017	Change	H1 2016*	H1 2017	Change
<b>Revenues</b>	<b>1,572</b>	<b>3,216</b>	<b>+105%</b>	<b>3,304</b>	<b>3,216</b>	<b>-2.7%</b>
<b>Gross margin</b>	<b>471</b>	<b>995</b>	<b>+111%</b>	<b>987</b>	<b>995</b>	<b>+0.8%</b>
<i>As a % of revenues</i>	<i>30.0%</i>	<i>30.9%</i>		<i>29.9%</i>	<i>30.9%</i>	
<b>Total costs</b>	<b>489</b>	<b>961</b>	<b>+96%</b>	<b>983</b>	<b>961</b>	<b>-2.3%</b>
<i>As a % of revenues</i>	<i>31.1%</i>	<i>29.9%</i>		<i>29.8%</i>	<i>29.9%</i>	
<b>Current operating income (loss)</b>	<b>(18)</b>	<b>34</b>	<b>N/A</b>	<b>4</b>	<b>34</b>	<b>N/A</b>
<i>As a % of revenues</i>	<i>(1.1%)</i>	<i>1.1%</i>		<i>0.1%</i>	<i>1.1%</i>	
<i>Other non-current operating income and expenses</i>	(23)	(22)			(22)	
<b>Operating income (loss)</b>	<b>(40)</b>	<b>12</b>	<b>N/A</b>		<b>12</b>	
Net financial expense	(23)	(22)			(22)	
Income tax	(4)	(5)			(5)	
<b>Net income (loss) for the period from continuing operations</b>	<b>(68)</b>	<b>(15)</b>	<b>-77.8%</b>		<b>(15)</b>	
Net income (loss) from discontinued operations	(7)	(88)**			(88)**	
<b>Consolidated net income (loss)</b>	<b>(76)</b>	<b>(103)</b>	<b>+37%</b>		<b>(103)</b>	
<b>EBITDA</b>	<b>13</b>	<b>84</b>	<b>N/A</b>	<b>57</b>	<b>84</b>	<b>+47.5%</b>
<i>As a % of revenues</i>	<i>0.8%</i>	<i>2.6%</i>		<i>1.7%</i>	<i>2.6%</i>	

\* Restated for the reclassification of Fnac Brazil as a discontinued operation.

\*\* Including cumulative historical operating losses and the €36 million capitalization associated with the July 2017 sale of Fnac Brazil to Livraria Cultura.

# FNAC DARTY

## CASH FLOW STATEMENT

	Pro-forma	
	H1 2016*	H1 2017
<b>Cash flow from operations before tax, dividends and interest</b>	<b>14</b>	<b>74</b>
Change in working capital	-174	-271
Income tax paid	-16	-21
<b>Net cash flows from (used in) operating activities</b>	<b>-176</b>	<b>-218</b>
Operating investments	-48	-47
Change in payables and receivables relating to non-current assets	-11	-2
Operating divestments	13	1
<b>Net cash flows from (used in) investing activities relating to operations</b>	<b>-46</b>	<b>-48</b>
<b>Free cash flow from operations</b>	<b>-222</b>	<b>-265</b>

\* Restated for the reclassification of Fnac Brazil as a discontinued operation.

## CURRENT OPERATING INCOME BY OPERATING SEGMENT – PRO FORMA

(€ millions)	H1 2016	% of revenues	H1 2017	% of revenues	Change
France and Switzerland	4.9	0.2%	32.4	1.3%	+27.5
Iberian Peninsula	1.2	0.4%	2.4	0.9%	+1.2
Benelux	-2.5	-0.6%	-0.9	-0.2%	+1.6
<b>Group</b>	<b>3.6</b>	<b>0.1%</b>	<b>33.9</b>	<b>1.1%</b>	<b>+30.3</b>

## FIRST-HALF 2017 REVENUES – PRO FORMA

(€ millions)	H1 2017 € millions	Change vs. H1 2016		
		Actual	At constant exchange rates	On a same-store basis
France and Switzerland	<b>2,517</b>	-3.3%	-3.3%	-2.8%
Iberian Peninsula	<b>281</b>	-0.4%	-0.4%	+1.1%
Benelux	<b>418</b>	-0.4%	-0.4%	-1.9%
<b>Group</b>	<b>3,216</b>	<b>-2.7%</b>	<b>-2.7%</b>	<b>-2.4%</b>

# FNAC DARTY

## FIRST-HALF 2017 REVENUES – REPORTED

(€ millions)	H1 2017 € millions	Change vs. H1 2016		
		Actual	At constant exchange rates	On a same-store basis
France and Switzerland	<b>2,517</b>	+107.2%	+107.0%	+107.5%
Iberian Peninsula	<b>281</b>	-0.4%	-0.4%	+1.1%
Benelux	<b>418</b>	+458.0%	+458.0%	+445.8%
<b>Group</b>	<b>3,216</b>	<b>+104.6%</b>	<b>+104.5%</b>	<b>+105.3%</b>

## SECOND-QUARTER 2017 REVENUES – PRO FORMA

(€ millions)	Q2 2017 € millions	Change vs. Q2 2016		
		Actual	At constant exchange rates	On a same-store basis
France and Switzerland	<b>1,211</b>	-3.5%	-3.5%	-2.9%
Iberian Peninsula	<b>134</b>	+0.1%	+0.1%	+1.5%
Benelux	<b>197</b>	+1.4%	+1.4%	-0.7%
<b>Group</b>	<b>1,541</b>	<b>-2.6%</b>	<b>-2.6%</b>	<b>-2.3%</b>

## SECOND-QUARTER 2017 REVENUES – REPORTED

(€ millions)	Q2 2017 € millions	Change vs. Q2 2016		
		Actual	At constant exchange rates	On a same-store basis
France and Switzerland	<b>1,211</b>	+105.6%	+105.6%	+106.0%
Iberian Peninsula	<b>134</b>	+0.1%	+0.1%	+1.5%
Benelux	<b>197</b>	+459.1%	+459.1%	+435.6%
<b>Group</b>	<b>1,541</b>	<b>+103.4%</b>	<b>+103.4%</b>	<b>+103.5%</b>

# FNAC DARTY

## STORE NETWORK

	Dec. 31, 2016	Opened	Closed	June 30, 2017
<b>France and Switzerland</b>	<b>465</b>	<b>24</b>	<b>4</b>	<b>485</b>
<i>Traditional Fnac</i>	81	2	0	83
<i>Suburban Fnac</i>	14	0	0	14
<i>Travel Fnac</i>	20	1	0	21
<i>Proximity Fnac</i>	31	1	0	32
<i>Connect Fnac</i>	4	1	0	5
<i>Darty</i>	315	18	4	329
<i>Fnac Darty France</i>	0	1	0	1
<i>Including franchised stores</i>	<i>152</i>	<i>21</i>	<i>0</i>	<i>173</i>
<b>Iberian Peninsula</b>	<b>52</b>	<b>1</b>	<b>1</b>	<b>52</b>
<i>Traditional Fnac</i>	40	0	0	40
<i>Travel Fnac</i>	2	0	0	2
<i>Proximity Fnac</i>	8	1	1	8
<i>Connect Fnac</i>	2	0	0	2
<i>Including franchised stores</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>2</i>
<b>Benelux</b>	<b>147</b>	<b>7</b>	<b>2</b>	<b>152</b>
<i>Traditional Fnac</i>	9	0	0	9
<i>Proximity Fnac</i>	1	0	0	1
<i>Darty</i>	137	7	2	142
<b>Groupe Fnac Darty</b>	<b>664</b>	<b>32</b>	<b>7</b>	<b>689</b>
<i>Traditional Fnac</i>	130	2	0	132
<i>Suburban Fnac</i>	14	0	0	14
<i>Travel Fnac</i>	22	1	0	23
<i>Proximity Fnac</i>	40	2	1	41
<i>Connect Fnac</i>	6	1	0	7
<i>Darty</i>	452	25	6	471
<i>Fnac/Darty</i>	0	1	0	1
<i>Including franchised stores</i>	<i>154</i>	<i>21</i>	<i>0</i>	<i>175</i>

The France-Switzerland region includes six international stores: one in Morocco, one in Cameroon, two in Côte d'Ivoire and two in Qatar; along with 11 stores in the French overseas territories (DOM-TOM).

# FNAC DARTY

## DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

### **CHANGE IN PRO FORMA REVENUES AT CONSTANT EXCHANGE RATES AND COMPARABLE SCOPE OF CONSOLIDATION**

The change in revenues at constant exchange rates and comparable scope of consolidation factors out the impact of exchange rate fluctuations and adjusts the scope of consolidation to exclude the impact of any changes (acquisitions or disposals of subsidiaries) during the period. The exchange rate impact is eliminated by recalculating sales for financial year N-1, based on the exchange rates used for financial year N. Revenues of subsidiaries acquired or sold since January 1 of financial year N-1 are excluded from the calculation of the exchange rate impact. This indicator can be used to measure the change in revenues excluding the impact of changes in exchange rates and in the scope of consolidation.

### **CHANGE IN PRO FORMA REVENUES AT CONSTANT EXCHANGE RATES, COMPARABLE SCOPE OF CONSOLIDATION AND ON A SAME-STORE BASIS**

The change in revenues on a same-store basis factors out the impact of exchange rate fluctuations, adjusts the scope of consolidation to exclude the impact of any changes (acquisitions or disposals of subsidiaries) during the period, and excludes the impact of any directly-owned stores that have been opened or closed since January 1 of financial year N-1. This indicator can be used to measure the change in revenues excluding the impact of changes in exchange rates and in the scope of consolidation, and excluding the impact of any directly-owned stores that have been opened or closed during the period.

### **DEFINITION OF PRO FORMA INFORMATION**

Fnac Darty's 2016 revenues include data from Groupe Darty plc as from August 2016. Accordingly, the data are not directly comparable with historically reported data. To provide a more accurate picture of the new entity's economic performance, the company decided to present pro forma data for 2016 and 2017. This treats the operations of the two groups as though the acquisition had taken place on January 1, 2016.

## **REPORTED FIGURES**

	Q2 2016	Q2 2017	H1 2016	H1 2017
Fnac	Apr.- Jun.	Apr.- Jun.	Jan.- Jun.	Jan.- Jun.
Darty	-	Apr.- Jun.	-	Jan.- Jun.

## **PRO FORMA FIGURES**

	Q2 2016	Q2 2017	H1 2016	H1 2017
Fnac	Apr.- Jun.	Apr.- Jun.	Jan.- Jun.	Jan.- Jun.
Darty	Apr.- Jun.	Apr.- Jun.	Jan.- Jun.	Jan.- Jun.