

Further step of transformation achieved with third quarter sales up +2.2%

- Consolidated revenues grew by 2.0% in the third quarter compared to a decline of -1.1% in the first half (at comparable scope of consolidation and constant exchange rates)
- Acceleration in sales growth driven by France, where same-store sales rose by 4.7% in the third quarter
- Third-quarter performance confirms success of the "Fnac 2015" strategy: increasing contribution of new product categories (11% of revenues), accelerated growth in online sales, sharp increase in omni-channel sales, continued expansion into new formats
- Decline in gross margin more limited in the third quarter compared with the first half

Alexandre Bompard, Chairman and Chief Executive of Group Fnac made the following comments:
"By returning to positive growth in sales in the third quarter, Groupe Fnac has achieved a new phase in its transformation. The increased share of new product categories in total revenues, the acceleration of the growth of internet, the sharp increase in omni-channel sales and the dynamic expansion of new store formats demonstrate the relevance of the strategy that has been in place for the past three years. This performance is all the more satisfying given that it was accomplished in a period of sluggish consumption."

Third quarter revenues

	Q3 2014 in €m	Change vs. Q3 2013		
		published	at constant exchange rates and comparable scope of consolidation	same-store basis*
France	610	3.5%	3.4%	4.7%
Iberian Peninsula	147	0.4%	0.4%	-0.4%
Brazil	42	-6.9%	-7.6%	-8.3%
Other countries	63	0.6%	-0.1%	-0.1%
Group	863	2.2%	2.0%	2.7%

* At constant exchange rates and comparable scope of consolidation

Third quarter 2014 revenues

Fnac achieved a further step of transformation, recording a net acceleration in its sales momentum. Group revenues rose by 2.0% in the 3rd quarter of 2014, compared to a decline of -1.1% in the first half year of 2014 and -3.1% for the full year 2013 (at comparable scope of consolidation and constant exchange rates).

The foreign exchange impact was very small (0.1%). The acquisition of Datasport completed in late December 2013 had a positive impact of 0.1%.

The Group's consolidated revenues amounted to €863 million in the 3rd quarter of 2014, 2.2% higher than the figure reported for the 3rd quarter of 2013.

Group sales rose by 2.7% on a same-store basis.

Revenues were stable in the first nine months of the year (at comparable scope of consolidation and constant exchange rates), and rose by 0.4% on a same-store basis.

Robust growth in France

The good third-quarter performance was driven by France, where sales increased by 3.5% and 4.7% on a same-store basis.

Stabilization of international revenues

The Iberian Peninsula recorded a slight growth in revenues (0.4%).

Sales in the Other Countries area, which includes Switzerland and Belgium, were stable in the quarter, marking a significant improvement in trend compared to the first half when they were down by -6% (at constant exchange rates).

Business was more difficult in Brazil, which has been affected by the significant decrease in store traffic during the World Cup and by the economic downturn. Sales declined by -7.6% at constant exchange rates.

Acceleration of online sales

The growth rate of online sales accelerated during the period, driven by the strong increase in revenue growth at Fnac.com and the further development of the marketplaces.

Omni-channel sales (i.e., internet sales related to stores) continued to increase in the 3rd quarter, representing almost 36% of the Group's sales, up six points from the same period in 2013.

Growing contribution of new product categories

The Group continued to benefit from the increased contribution of new product categories, which represented 11% of total Group revenues in the 3rd quarter against 9% in the first half and 6% in 2013. Their contribution to growth has increased substantially in all Group countries.

Accelerating expansion of new formats

The expansion of the new store formats continues in France and abroad. One franchised proximity store was opened in France in the 3rd quarter. The Group also announced the opening of seven proximity stores in the 4th quarter (three franchised stores in France and four directly owned stores in the Iberian Peninsula), which will bring the number of stores in the new formats to 33 at the end of 2014.

Gross margin under control

The decrease in the gross margin rate was more limited in the 3rd quarter, mainly due to the commercial action plans launched in the 2nd quarter.

Continuation of cost-saving policy

The Group also continued its efforts to improve its operational efficiency and reduce costs.

France

Sales in France were up 4.7% on a same-store basis, reflecting the acceleration of the positive momentum of recent quarters.

Total sales rose 3.4% after the impact of store closings (Odéon and Aubervilliers in 2013, Villiers-en-Bière and Portet-sur-Garonne in the summer of 2014).

In a consumer environment that remains sluggish, Fnac benefited from the strategic initiatives it has implemented and continues to strengthen its market positions.

The new telephony sections continued to gain in importance in the 3rd quarter. Sales performance was very satisfactory and Fnac pursued its market share gains. The stationery sections, rolled-out in the spring, delivered good results for the back-to-school period, confirming the potential of the category.

Online sales posted double-digit growth for the period, a net acceleration in the rate of growth compared with the first half of the year. Omni-channel sales increased strongly fueled by new functionalities like the click & collect-one-hour. Marketplace sales continued to grow at a very fast pace and made up 17% of online sales at the end of September.

The Group continued to densify its network of stores, as demonstrated by the opening of two new franchise proximity stores - one in Compiègne on September 18 and one in Beauvais on October 10. Two new openings are planned for the 4th quarter, resulting from the conversion of two "Culture et Loisirs" stores as part of the ongoing discussions with the Intermarché Group.

Iberian Peninsula

Sales in the area increased by 0.4% in the 3rd quarter due to the positive sales momentum of Fnac Portugal. Fnac Spain continued to be hurt by a sluggish consumer environment, especially in the summer.

The growth of the internet channel also picked up speed, thanks notably to the rapid development of the marketplaces.

Expansion into new store formats will accelerate in the 4th quarter with the opening of three proximity stores in Portugal (in Setubal, Faro and Oeiras) and the opening of the first proximity store in Spain (in Valladolid).

Brazil

In a deteriorating macro-economic environment, Fnac Brazil sales were down by -6.9% in the 3rd quarter and by -7.6% at constant exchange rates.

In-store activity was also hurt by the significant drop in traffic during the World Cup soccer tournament and an unfavorable line-up of editorial products throughout the period.

The website continued to show revenue growth.

Other countries

The sales performance of the area (Switzerland and Belgium) improved significantly in the 3rd quarter. Revenues were stable (-0.1% at constant exchange rates), compared with a -6.0% drop in the first half of the year.

The turnaround was mainly due to the success of new marketing campaigns, the increased importance of new product categories and of the website in Belgium.

Outlook

In an environment of sluggish consumption, the Group returned to growth in the 3rd quarter. This performance reflects the successful implementation of the "Fnac 2015" plan and the continuation of an offensive commercial strategy.

The Group remains cautious about the consumer environment in the 4th quarter, which is uncertain given the macro-economic conditions. However, the Group is well positioned to further strengthen its leadership position through the continuous roll-out of new product categories, the strengthening of the omni-channel strategy, and the accelerated expansion of new formats in France and abroad.

The Group also intends to continue to limit adverse effects on gross margin in the 4th quarter. It is also confident that it will be able to exceed its 2013 - 2014 target of €80 million of savings.

The Group will continue its efforts to maximize cash generation during the fiscal year.

3rd QUARTER 2014 REVENUES

Mathieu Malige will host a conference call for Investors and Analysts on Wednesday, October 22 at 6:00 p.m. (CET); 5:00 p.m. (UK); 12:00 p.m. (East Coast USA)

Conference call dial-in:

France: +33 1 70 77 09 38
UK: +44 203 367 9457
US: +1 866 907 5924

Replay dial-in (until December 6, 2014)

France: +33 1 72 00 15 00
UK: +44 203 367 9460
US: +1 877 642 3018
Replay access code: 289812#

NEXT PUBLICATION

Groupe Fnac will announce its 2014 Annual Results on February 27, 2015 before market close

CONTACTS

ANALYSTS & INVESTORS

Nadine Coulm

nadine.coulm@fnac.com
+33 (0)1 55 21 18 63

PRESS

Laurent Glepin

laurent.glepin@fnac.com
+33 (0)1 55 21 53 07

APPENDICES

End-of-September 2014 revenues

	9 months 2014 in €m	Change vs. 9M 2013		
		published	at constant exchange rates and comparable scope of consolidation	Same-store basis *
France	1,763	0.7%	0.6%	1.5%
Iberian Peninsula	433	0.2%	0.2%	-0.8%
Brazil	119	-12.9%	-3.1%	-3.5%
Other countries	187	-3.7%	-4.1%	-4.1%
Group	2,502	-0.5%	0.0%	0.4%

* At constant exchange rates and comparable scope of consolidation

Store network

	Dec 31, 2013	Sept 30, 2014
France	108	109
Wholly owned	87	85
Franchised *	21	24
Iberian Peninsula	44	43
Wholly owned	44	43
Franchised	0	0
Brazil	11	12
Wholly owned	11	12
Franchised	0	0
Other countries	13	13
Wholly owned	13	13
Franchised	0	0
Group	176	177
Wholly owned	155	153
Franchised	21	24

* including the store in Morocco