

## Sales growth in the third quarter

- Consolidated revenues grew +0.6% in the third quarter (at constant exchange rates)
- Continued sales growth in France: +0.6% on a high comparison base and in sluggish markets
- Increased international sales (+0.7% at constant exchange rates) driven by the Iberian Peninsula
- Gross margin rate under control
- Growing contribution of transformation levers: increased weight of new product families, sharp rise in omnichannel sales and continued expansion into new formats.

Alexandre Bompard, Chairman and Chief Executive of Groupe Fnac made the following comments: *"After delivering excellent performance in the third quarter of 2014, once again this year, Groupe Fnac's revenues grew over the same period. This good result demonstrates the robustness of Fnac and the benefit of the growth levers deployed over the past years. It once again reflects the resilience of our model, despite an economic environment that remains sluggish."*

### Third quarter revenues

	Q3 2015 In €m	Change vs. Q3 2014		
		published	at constant exchange rates	on a same-store basis *
France	613	0.6%	0.6%	0.6%
Iberian Peninsula	151	2.3%	2.3%	-1.2%
Brazil	30	-27.6%	-2.9%	-3.6%
Other Countries	66	2.9%	-1.1%	-2.9%
<b>Group</b>	<b>860</b>	<b>-0.3%</b>	<b>0.6%</b>	<b>-0.2%</b>

\* at constant exchange rates

## THIRD QUARTER HIGHLIGHTS

Consolidated revenues grew by 0.6% in the third quarter of 2015 (at constant exchange rates), which was a very satisfactory performance given the high comparison base (+2.0% sales growth in the third quarter of 2014) and a market environment that remained sluggish.

There was a negative exchange rate impact of -0.9% due to the depreciation of the Brazilian real against the euro, which was partially offset by the appreciation of the Swiss franc. As reported, net Group revenues totaled €860 million in the third quarter, down -0.3% compared to the third quarter of 2014.

On a same-store basis, sales were almost stable (-0.2%) in the third quarter.

### Continued sales growth in France

France posted sales growth of +0.6% on a same-store basis in the third quarter despite a particularly challenging comparison base (+4.7% sales increase on a same-store basis in the third quarter of 2014). This positive sales momentum reflects the success of commercial operations conducted during the "Back-to-School" season and the positive contribution of all strategic levers deployed (strengthening of the omni-channel model, extension of the product range, and expansion into new formats). Market share continued to increase.

### Increased international revenues

The sequential improvement in sales in the Iberian Peninsula continued in the third quarter. Sales were up +2.3% for the period compared to a decline of -0.7% throughout the first half of the year.

With sales down -2.9% in the third quarter (at constant exchange rates), Fnac Brazil again showed its resilience in the face of deteriorating market conditions thanks to its premium positioning and good Internet channel performance.

Sales in the Other Countries region were down -1.1% in the third quarter (at constant exchange rates), compared to a decline of -2.8% in the first half of 2015. Fnac Switzerland benefited from the favorable contribution of the Conthey store, which opened in mid-August, in a currency environment still unfavorable to footfall in stores close to the border. Fnac Belgium continues to benefit from the deployment of its omni-channel strategy.

### Omni-channel expansion

The favorable momentum from internet channel sales continues and is driven in particular by the sustained development of marketplaces and strong growth in omni-channel sales.

As a result, omni-channel sales accounted for 47.4% of Fnac.com orders, compared to 44.5% in the first half of the year and 34.1% in the third quarter of 2014. They were fueled in particular by the strong growth of "click & mag", which allows customers in stores to access the entire range of products available online.

Their share of sales also increased significantly on an international level and were supported by the deployment of new features since the beginning of the year ("click & mag" in the Iberian Peninsula and store pick-up in Belgium).

### Strong sales growth for new product families

Sales momentum was very favorable for new product families and their share of revenues continued to increase in the third quarter. As a result, they represented 15.7% of revenues, compared to 13.8% in the first half of the year and 10.9% for the whole of 2014.

Their share increased significantly in all Group countries.

## Increasing contribution from new store formats

The contribution to revenues from new store formats increased significantly over the period, reflecting good sales performance of stores and accelerated expansion of the Proximity format in France and abroad.

In the fourth quarter, the Group will open two travel retail stores in France (franchises) and 3 proximity stores (including a converted Intermarché and a directly operated store).

Spain will open its first franchise proximity store in Pamplona in late November.

Fnac will also open its first two stores in Sub-Saharan Africa, in Abidjan, Ivory Coast, in December 2015 and February 2016 respectively.

These new openings, which will be franchises in partnership with the Prosuma Group, will reinforce Groupe Fnac's expansion strategy internationally and will open up new opportunities for the brand in a region with high growth potential.

## Resilience of gross margin

The Group's markets continued to be highly competitive both in France and internationally. In this context, the gross margin was well under control, with a slight erosion, thanks to well designed and managed commercial operations and the strengthening of collaboration with key suppliers.

## Continued momentum from cost savings

The Group continued its policy of improving operational efficiency and cost reduction, in line with its objective, which aims to generate €30 million to €40 million in cost savings in fiscal year 2015.

## **ANALYSIS BY REPORTING SEGMENT**

### **France**

With sales growth of 0.6%, France's performance is more than satisfactory given the very challenging comparison base (growth on a same-store basis of +4.7% in the third quarter of 2014) and a consumer environment that remains lackluster.

This good sales momentum reflects in particular the success of commercial operations carried out during the "Back-to-school" period and the positive contribution from the innovation cycle in telephony and connected objects.

Market share continued to increase over the period.

Store sales were stable.

The Internet channel continued to benefit from strong growth in omni-channel sales and marketplace development.

Omni-channel sales thus accounted for 47.4% of Fnac.com orders in the third quarter, exceeding the 50% threshold in September, compared to 34.1% for the same period in 2014.

With growth of over 15%, marketplace has represented more than 18% of Fnac.com business merchandise volume.

New product family sales were once again very dynamic.

In particular, growth in the Telephony category continued at a very high rate, driven by new product launches and market share gains, which were reinforced by the deployment of Fnac Connect, a new concept of dedicated spaces for connected objects and telephony. A second Fnac Connect franchised store opened on August 13 in Beaucaire, and around thirty Fnac Connect corners have been deployed in stores as of the end of September.

This new concept is fully consistent with the Group's strategy of being the benchmark in growing high-potential categories. Fnac was the first European banner to sell the iWatch, starting August 21. At the end of September, the iWatch was available in nearly thirty Fnac stores in France and on Fnac.com.

The contribution from the Stationery category was also very positive thanks to the continued deployment of spaces in stores and the introduction of a small range of products on Fnac.com.

## **Iberian Peninsula**

Sales for the region were up +2.3% in the third quarter, compared to a respective decline of -0.1% in the second quarter and -1.2% in the first quarter.

Signs of improved consumer trends on the Group's markets were confirmed in Spain but our markets were still negative in Portugal. Competitive intensity remains high in both countries.

On a same-store basis, sales were down -1.2%.

The Internet channel continues to grow, benefiting in particular from the development of marketplaces and deployment of new omni-channel features.

The contribution from proximity stores to revenues increased significantly, reflecting strong commercial performance and the accelerated expansion. Fnac Spain will open its first franchise store in late November.

## **Brazil**

Activity in Brazil again demonstrated good resilience in the 3rd quarter, with a decline in sales of -2.9% at constant exchange rates, in a macroeconomic environment that continued to deteriorate.

As reported, revenues fell -27.6%, under the impact of the sharp depreciation of the Brazilian real against the euro.

The growth of the Internet channel continued during the period. Store activity continued to suffer from the decline in footfall.

## **Other Countries**

Revenues for the region (Switzerland and Belgium) increased by + 2.9% as reported. At constant exchange rates, sales were down -1.1% and -2.9% on a same-store basis.

In Switzerland, the sales trend on a same-store basis was in line with the first half of the year as the appreciation of the Swiss franc against the euro continued to have an adverse effect on footfall at stores close to the border. This effect was offset over the period by the positive contribution from the opening of the store in Conthey (Valais) on August 17.

The improvement of the Belgian website continues and is driven in particular by the deployment of omni-channel features.

## OUTLOOK

Despite a high historical base and a consumer environment that remains sluggish, the Group experienced sales growth in the third quarter thanks to the steadily growing contribution of strategic levers and good operational execution.

The Group is cautious about the consumer environment in the fourth quarter given the macroeconomic conditions. It is confident in its ability to continue to gain market share thanks to all of the levers deployed in the Fnac 2015 plan: strengthening of the omni-channel model, a continued policy of enhancement of the product and service offering, and accelerated expansion of the proximity formats in France and internationally.

The Group will continue its policy to improve operational efficiency 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.

## THIRD QUARTER 2015 REVENUES

**Matthieu Malige, Chief Financial Officer**, will host a conference call for investors and analysts on Thursday, October 22, 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 38

UK: +44 203 367 9457

US: +1 855 40 277 63

### Replay dial-in (available until Friday, December 11, 2015)

France: +33 1 72 00 15 00

UK: +44 203 367 9460

US: +1 877 64 230 18

Replay access code:296869#

## NEXT PUBLICATION

Groupe Fnac will announce its 2015 Annual Results on February 18, 2016 before market close.

## CONTACTS

ANALYSTS / INVESTORS

Nadine Coulm

[nadine.coulm@fnac.com](mailto:nadine.coulm@fnac.com)

+33 (0)1 55 21 18 63

PRESS

Laurent Glepin

[laurent.glepin@fnac.com](mailto:laurent.glepin@fnac.com)

+33 (0)1 55 21 53 07

## APPENDICES

### End-of-September 2015 revenues

	9 months 2015 in €m	Change vs. 9M 2014		
		at current exchange rates	at constant exchange rates	on a same-store basis *
France	1,760	0.0%	0.0%	0.4%
Iberian Peninsula	435	0.3%	0.3%	-2.5%
Brazil	98	-17.6%	-6.1%	-6.7%
Other Countries	195	2.7%	-2.2%	-2.8%
<b>Group</b>	<b>2,488</b>	<b>-0.6%</b>	<b>-0.4%</b>	<b>-0.6%</b>

\* at constant exchange rates

## Network of stores by format

	Dec. 31, 2014	Sept. 30, 2015
<b>France</b>	<b>112</b>	<b>118</b>
Traditional *	72	73
Suburban	14	14
Travel	16	16
Proximity	10	13
Connect	0	2
<i>Including franchised stores</i>	<i>27</i>	<i>33</i>
<b>Iberian Peninsula</b>	<b>47</b>	<b>47</b>
Traditional	40	40
Travel	2	2
Proximity	5	5
<b>Brazil</b>	<b>12</b>	<b>12</b>
Traditional	11	11
Travel	1	1
<b>Other Countries</b>	<b>13</b>	<b>14</b>
Traditional	13	14
<b>Group</b>	<b>184</b>	<b>191</b>
Traditional	136	138
Suburban	14	14
Travel	19	19
Proximity	15	18
Connect	0	2
<i>Including franchised stores</i>	<i>27</i>	<i>33</i>

\* including one store in Morocco and one store in Qatar