

February 27th, 2015

fnac

2014 FULL YEAR RESULTS





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2014: accelerating our transformation

- 2014: An improved performance on all indicators reflecting the rapid execution of Fnac 2015 strategic plan and a culture of constant adaptation and innovation
- Acceleration of sales momentum
 - ▣ Sales up 0.9% in 2nd half
 - ▣ Revenues stable for the full year (vs a -3.1% decline in 2013)
- Continued market share gains
- Current operating income up 7.4% vs 2013
- Net income of €41m (vs €15m in 2013)
- Significant improvement in free cash flow : €72m (vs €48m in 2013)



Strategic review





Innovations and « Fnac 2015 » are the pillars of solid performance in 2014

Fnac 2015

- Expand omnichannel proposal
- Reinforce commercial attractiveness and customer service
- Accelerate growth levers
 - ▣ New products
 - ▣ New store formats

Innovation and Agility

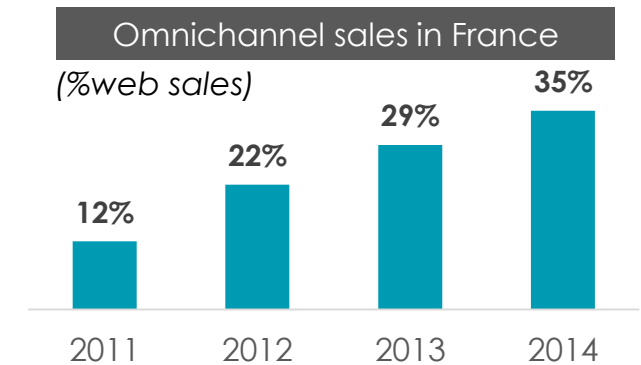
- A culture of constant innovation
 - ▣ Product offering
 - ▣ Services
 - ▣ Online
 - ▣ New store formats

2014

- Accelerating transformation
- Solid operational and financial performance

Expanding our omnichannel model

- Success of innovative omnichannel features “click & collect 1h”⁽¹⁾ and “click & mag”⁽²⁾
- Marketplace gross merchandise volume up 25%
 - Rapid ramp-up in Spain and Portugal and robust growth in France
- M-commerce gaining momentum
 - Modernized and efficient apps: Ticketing app (2013), new Fnac.com app (2014), Fnac.pt app (June '14)
 - Acceleration of mobile traffic on both Fnac.com and Fnac Spectacles
 - M-commerce successful in driving instore traffic (mobile-to-store)



(1) Pick up web order in store in 1h
 (2) Order online from a store

Introduction of innovative services

- New online delivery services
 - ▣ Fnac Express+(1)
 - ▣ Fnac 3h Chrono(2): the fastest offer on the market
- New instore initiatives to improve customer service
 - ▣ Deployment of Fnac Shop(3),
 - ▣ Accelerated check-out process (sales force cashing, mobile and self check out, ...)
 - ▣ Completion of sales force training program
 - ➔ Customer satisfaction index sharply increasing
- Launch of Pass Location(4)
 - ▣ Immediate success
 - ▣ Value proposition attuned to new consumption usage



(1) Unlimited express delivery of any product available on Fnac.com for an annual fee
 (2) Home delivery within 3 hours of placing the order
 (3) A digital tool for store sales force offering full access to online offer and customer base
 (4) Exclusive rental service available on all IT products and game consoles

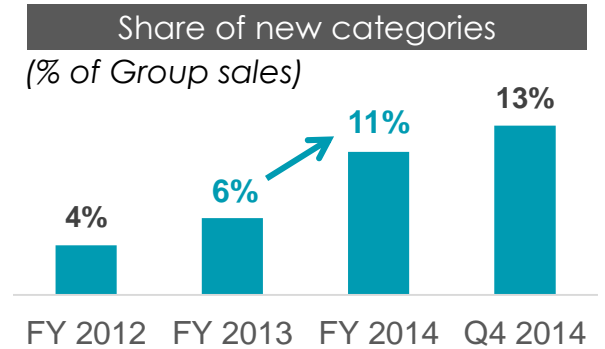
A unique ability to move early on fast-growing categories

- Successful deployment of **mobile phone sections** in France since Feb '14
 - ▣ Double-digit market share reached in a few weeks
 - ▣ High attachment rate to services and accessories
- A cutting-edge strategy in **connected objects**
 - ▣ First retail banner to implement dedicated corners in all its stores (Sep '13)
 - ▣ Leadership position in wearable devices
- New **“Fnac connect”** stores to seize market potential
 - ▣ Opening of a flagship store dedicated to connected objects and mobile phones in Paris on the Champs-Élysées (June '14)
 - ▣ Upcoming launch of a new store concept dedicated to Connectivity: “Fnac Connect”
 - To be rolled-out as corners in existing Fnac stores or as stand-alone shops (80 to 100 sqm)
 - 1st opening in March '15 in Angoulême



Rapid ramp-up of new product categories

- Contribution of new product categories to sales almost doubled in 2014
- Stationary sections deployed in France in 2014
 - ▣ Differentiating product mix and merchandising
 - ▣ Results above expectations confirming the potential of the category
- Good performance of Kids and Home & Design, deployed in all countries



Offensive commercial strategy

- Further online / offline price alignment
- Tight monitoring of online price vs pure players
- Targeted promotions
- Development of bundle offers
- Exclusive promotions with suppliers
- Exclusive offers for members
- Visible communication campaigns

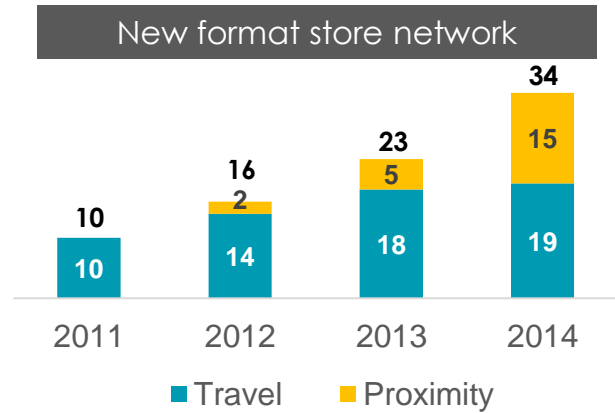


Proximity format expanding rapidly

- 11 new formats openings in 2014
 - ▣ Of which 10 proximity stores
 - ▣ Including the conversion of 2 Intermarché « culture & loisirs » into Fnac Proximity

- Successful internationalisation of the model
 - ▣ 1st opening in 2014 in Spain (proximity store) and Brazil (travel retail)
 - ▣ Proximity format: 3 openings in Portugal in 2014

- Constructive discussions with Intermarché in France
 - ▣ One Fnac proximity opening in Q3 '15 **as a creation**
 - ▣ Further conversions scheduled in the course of 2015



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Financial review

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Key financial highlights

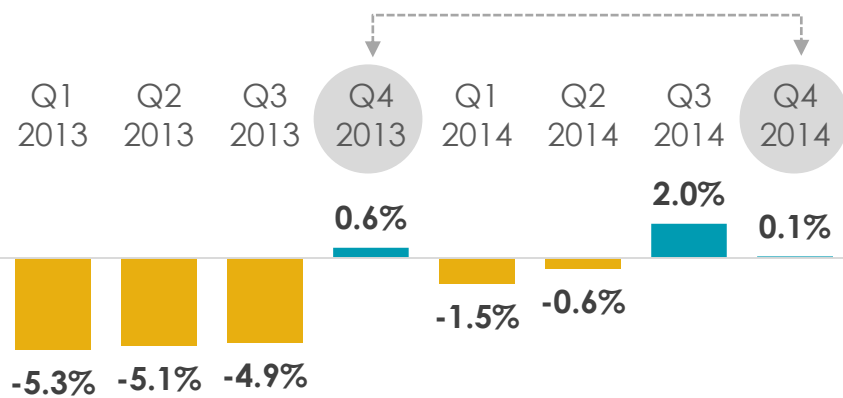
- Group sales stable for the full year
 - ▣ Acceleration of sales momentum throughout the year
 - ▣ Sales up +0,9%* in the 2nd half vs a -1.1%* decrease in the first half
- Sales up in France and the Iberian Peninsula
- Current operating income up 7.4% to €77m
- Strong increase in net income to €41m (vs €15m in 2013)
 - ▣ Net current income up 14.3% to €50 m
- Improved free cash flow generation: €72m (vs €48m in 2013)
- Strengthened financial position
 - ▣ Net cash position of €535m at end 2014 (vs €461m at end 2013)

* at comparable scope of consolidation and constant exchange rates

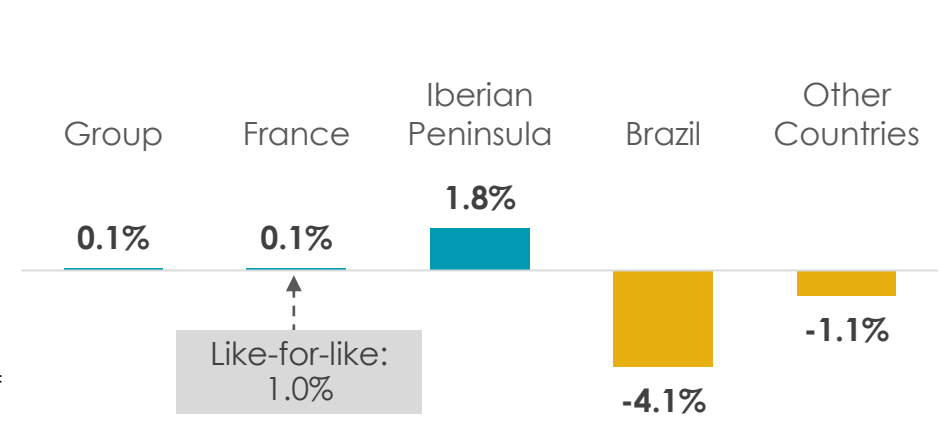


Positive sales momentum continued in the 4th quarter

Group sales evolution



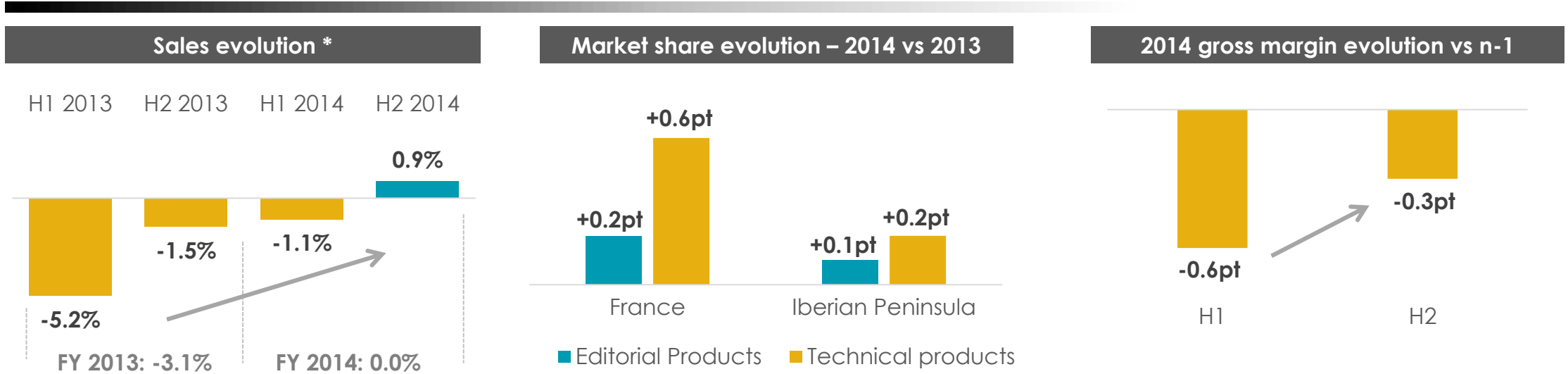
Q4 sales evolution



X%: vs n-1
at comparable scope of
consolidation and cst FX

- Higher comparison basis and weaker markets vs 3rd quarter
- Like-for-like sales up 1.0% in France
- Strong expansion with 4 proximity stores opened in Iberia
- Efficient omnichannel process and perfect logistics execution during holiday campaign
 - ➔ Increased customer satisfaction
 - ➔ Web-generated sales strong until later in the season
- Strong Black Friday and Christmas commercial campaigns
- Gross margin under control

Group returning to sales growth in 2014



- Acceleration of sales momentum throughout the year
- Sales up 0.9% in the 2nd half, stable on a full-year basis
- Market share gains in France and the Iberian Peninsula
- Better resistance of gross margin in the 2nd half (-30bp)
- Sluggish consumption environment in all countries – Markets more promotional

* Vs n-1 at comp. scope of consolidation and constant FX

Current operating income up 7.4% to €77m

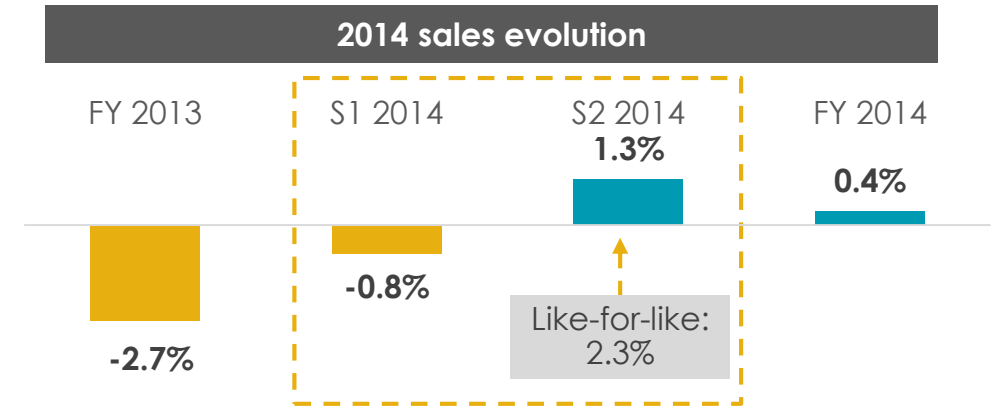
€m	2013	2014	% CHANGE
REVENUES	3,905	3,895	-0.3%
Gross Margin	1,164	1,144	-1.8%
% Revenues	29.8%	29.4%	
Personnel costs	-559	-555	0.6%
% Revenues	-14.3%	-14.3%	
Other expenses	-466	-441	5.3%
% Revenues	-11.9%	-11.3%	
EBITDA	140	147	5.4%
% Revenues	3.6%	3.8%	
Depreciation ⁽¹⁾	-68	-70	-3.2%
Current operating income	72	77	7.4%
% Revenues	1.8%	2.0%	

(1) Depreciation, amortization & provisions

- Full-year sales stable at comparable scope of consolidation and constant FX
- Decrease of 40 bp in gross margin rate mostly due to
 - ▣ Reinforced commercial attractiveness
 - ▣ Specific commercial investments related to mobile phone launch in France
 - ▣ Unfavorable category mix
- Costs down -3%
 - ▣ Good execution of cost-saving initiatives in all countries
- Current operating income up 7.4%

France returning to sales growth and improving profits

€m	2013	2014	% Change
Revenues	2,762	2,777	0.5%
<i>Change at comp. scope of consolidation</i>			0.4%
Current operating income	42.7	47.3	10.8%
Operating margin	1.5%	1.7%	

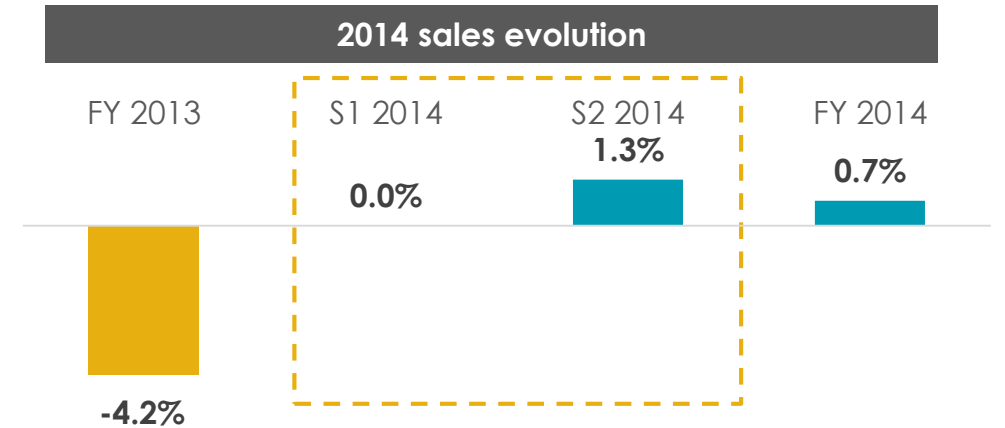


X%: vs n-1 at comparable scope of consolidation

- France returned to growth in 2014, with like-for-like sales up 1.3%
- Sales momentum accelerated in the 2nd half with like-for-like sales up 2.3%
- Successful innovations
- Market share gains
- Gross margin under control
- Good execution of cost-saving program
- Current operating income up 10.8%

Iberian Peninsula improving strongly in 2014

€m	2013	2014	% Change
Revenues	654	659	0.7%
Current operating income	21.3	23.6	10.8%
Operating margin	3.3%	3.6%	



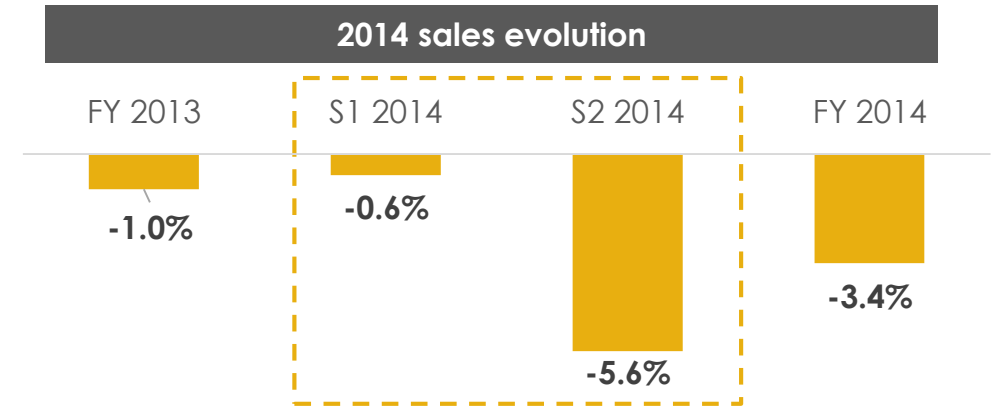
X%: vs n-1 at comparable scope of consolidation

- Sales up 0.7%
- Double-digit growth in internet sales . Successful development of marketplaces
- Stable store sales*
- Renewed market share gains despite promotional markets
- Strong expansion of new formats: 3 proximity stores opened in Portugal and the 1st proximity store in Spain
- Increase of 10.8% in current operating income

* Restated from the impact of Xanadu closure

Brazil facing a complex environment

€m	2013	2014	% Change
Revenues	197	175	-11.3%
<i>Change at constant rate</i>			-3.4%
Current operating income	0.7	-0.9	N/A
Operating margin	0.4%	-0.5%	

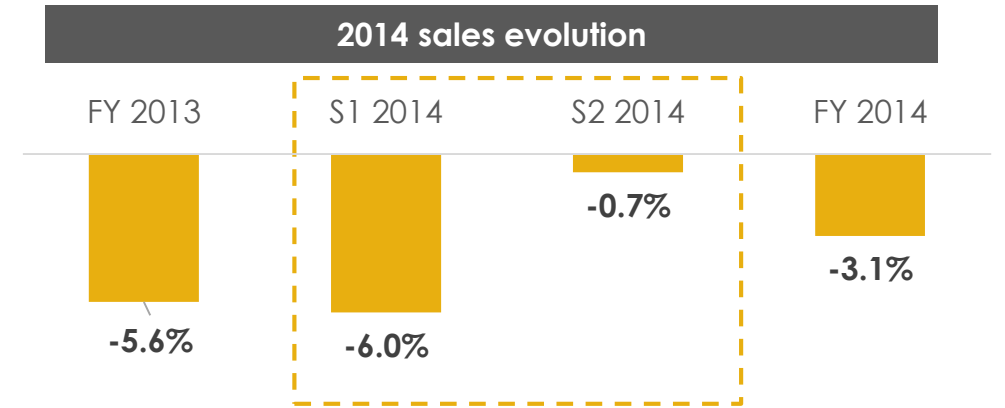


X%: vs n-1 at at comparable scope of consolidation and constant exchange rates

- Poor sales performance caused by
 - ▣ The economic downturn
 - ▣ World Cup impacting footfall
- Decrease in sales driven mainly by editorial products (weaker line-up) – Sales growth in technical products
- Continued growth in internet sales
- New store at Sao Paulo Airport (travel retail format)
- Costs under control

Belgium and Switzerland: solid resistance in H2

€m	2013	2014	% Change
Revenues	292	284	-2.6%
<i>Change at constant rate</i>			-3.1%
Current operating income	7.1	7.1	0,0%
Operating margin	2.4%	2.5%	



X%: vs n-1 at at comparable scope of consolidation and constant exchange rates

- Sales performance improving significantly in the 2nd half
 - ▣ Successful marketing campaigns
 - ▣ Increased contribution of new product categories
- Success of the Belgium web platform reshaping
- Profitability stabilized



Ticketing: successful development in 2014

- Satisfactory performance of the ticketing business (BtoC), with sales volume up
 - ▣ Internet driving the growth, benefiting primarily from increased IT investments
 - ▣ Distribution reach increased
 - ▣ Double-digit growth in Tourism & Entertainment and Art & Museums segments
 - ▣ Good resilience of the Music segment despite a weaker line up context

- Strong growth of sales for the software ticketing services business (BtoB)
 - ▣ Integration of Datasport within Kyro completed in 2014
 - ▣ Strong increase in number of customers, including prominent events
 - ▣ BtoB segment confirming potential

- Operating income up

Sharp increase in net income

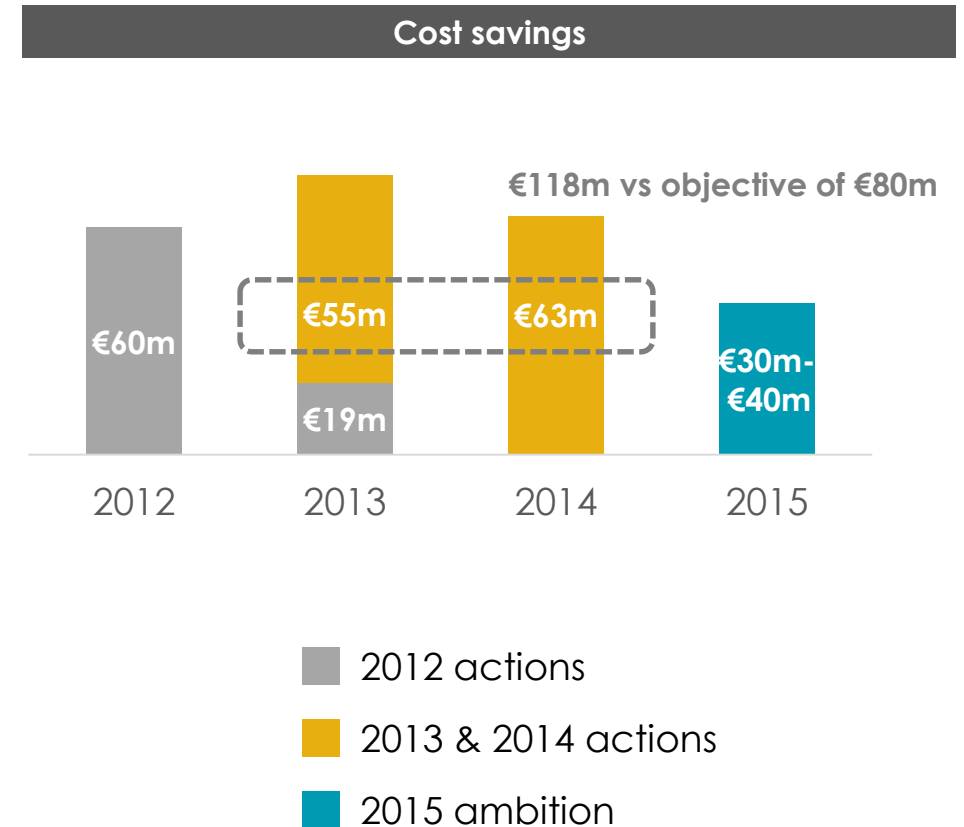
€m	2013	2014	% Change
Current operating income	72	77	7.4 %
Non-current operating income and expenses	-29	-9	68%
Operating income	43	68	57%
Financial charges	-12	-12	-3%
Tax	-16	-15	7%
Net income from continuing operations	16	41	160%
Net income from discontinued operations	-1	0	na
Consolidated net income	15	41	180%
Net current income from continuing operations	44	50	14.3%
EPS*	2.62	2.97	13.4%

* Fully diluted – continuing operations, excluding non-current items

- Lower non-current operating items
 - ▣ Resulting mainly from lower restructuring costs
- Stable financial and tax charges
- Consolidated net income up: x2.8
- Net current income from continuing operations up 14.3%

Cost savings well above target

- Good momentum in cost reductions continued in 2014
 - ▣ €63m cost savings delivered in 2014
- €118m cost savings generated in the 2013-2014 period vs an ambition of €80m
- Objective of €30m - €40m cost reduction in 2015





Sharp improvement in free cash flow generation: +51% vs 2013

€m	2013	2014	Var.
Cash flow from operations before tax, dividends and interest	91	122	+31
Change in inventories	17	4	-13
Change in other working capital *	3	14	+11
Net CAPEX	-53	-54	-1
Tax	-10	-14	-4
Free cash flow	48	72	24

- Strong increase in cash flow from operations thanks to
 - ▣ Improved operational performance
 - ▣ Lower non-current cash items, primarily restructuring costs
- Good management of working capital
 - ▣ Further reduction in inventories
 - ▣ Good management of suppliers' terms and rebate receivables
- CAPEX still under control (€54m)
- Free cash flow up +51% to €72m

* Including change in liabilities relative to capex for an amount of -€4m in 2013 and -€5.4m in 2014

A stronger balance sheet

€m	31/12/2013	31/12/2014
Shareholders' funds	550	595
Net cash	461	535

- Net cash position increased to €535m at end 2014 compared to €461m at end 2013
- Higher level of shareholders' equity (close to €600m)
- Financial covenants met on the €250m revolving credit facility
 - ▣ Facility not utilized in 2014
 - ▣ Facility maturity extended to July 2017 (from April 2016) as per amendment signed with the syndicate of lenders on July 24th

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Conclusion



Conclusion and outlook

- 2014 results reflect the acceleration of the Group's transformation and its ability to innovate to adjust its model to changing consumer uses
- Consumption environment expected to remain sluggish in 2015
- The Group is well positioned to strengthen its leadership through
 - ▣ Building on its omnichannel expertise
 - ▣ Further roll-out of new product categories and services
 - ▣ Accelerated expansion of proximity formats
- The Group will pursue its initiatives to improve operational efficiency and has set a cost savings objective of €30m to €40m for 2015
- It will also continue its efforts to maximize cash generation
- In the longer term, the Group confirms its objective to achieve a current operating income margin of more than 3%, after finalization of the transformation of its model and under stabilized market and economic conditions



Appendices



Q4 and full year revenue

€m	Q4 2014	Change vs Q4 2013			FY 2014	Change vs FY 2013		
		Reported	at constant exchange rates and comparable scope of consolidation	same-store basis*		Reported	at constant exchange rates and comparable scope of consolidation	same-store basis*
France	1,014	0.2%	0.1%	1.0%	2,777	0.5%	0.4%	1.3%
Iberian Peninsula	226	1.8%	1.8%	-0.6%	659	0.7%	0.7%	-0.7%
Brazil	56	-7.7%	-4.1%	-4.7%	175	-11.3%	-3.4%	-3.9%
Other countries	98	-0.5%	-1.1%	-1.1%	284	-2.6%	-3.1%	-3.1%
Group	1,393	0.1%	0.1%	0.3%	3,895	-0.3%	-0.0%	0.4%

* At constant exchange rates and comparable scope of consolidation



2014 sales by category

€m	2014	% Change
Technical products	2,185	1.6%
Editorial products	1,512	-3.2%
Services	198	3.1%
Total sales	3,895	-0.3%

Non current operating income and expenses

€m	2013	2014
Non current operating expenses	-36	-13
Restructuring costs	-29	-13
Litigation and disputes	-5	0
Other risks	-2	0
Non current operating income	7	4
Gains on asset disposals	7	0
Other risks	0	4
Total	-29	-9



Financial charges

€m	2013	2014	% Change
Cost of net debt	-0	-0	0%
Other financial charges (net) ⁽¹⁾	-11	-12	-4%
Financial charges (net)	-12	-12	-3%

(1) Includes expense on the cost of free consumer credit, the impact of discounting assets and liabilities and fees related to the revolving credit facility

Net current income

€m	2013	2014
Income before tax	31	56
Non-current operating expenses and revenues	-29	-9
Current income before tax	60	65
Current tax (expense) / Income	-17	-17
Tax on non-current items	1	2
Total tax charge	-16	-15
Net current income	44	50

Balance sheet

ASSETS in €m	2013	2014
Goodwill	332	332
Intangible assets	70	68
Tangible assets	181	163
Non-current financials assets	8	7
Deferred tax assets	28	33
Other non-current assets	0	0
Non-current assets	619	604
Inventories	473	469
Accounts receivable	122	130
Current tax receivables	13	6
Other current financial assets	6	5
Other current assets	119	143
Cash & cash equivalents	462	536
Current assets	1,194	1,289
Assets held for sale	0	0
Total assets	1,813	1,893

EQUITY AND LIABILITIES in €m	2013	2014
Share capital	17	17
Reserves related to equity	495	495
Conversion reserves	-3	-2
Other reserves	41	80
Equity Group Share	550	589
Equity attributable to minority interests		7
Equity	550	595
Long-term liabilities	1	0
Provisions for retirement and similar benefits	59	69
Deferred tax liabilities	0	0
Non-current liabilities	59	69
Short-term liabilities	0	0
Other current financial liabilities	5	3
Accounts payable	693	768
Provisions	42	35
Tax liabilities	17	13
Other current liabilities	448	409
Current liabilities	1,204	1,228
Liabilities associated with assets classified as held for sale	0	0
Total liabilities and equity	1,813	1,893

Cash flow statement

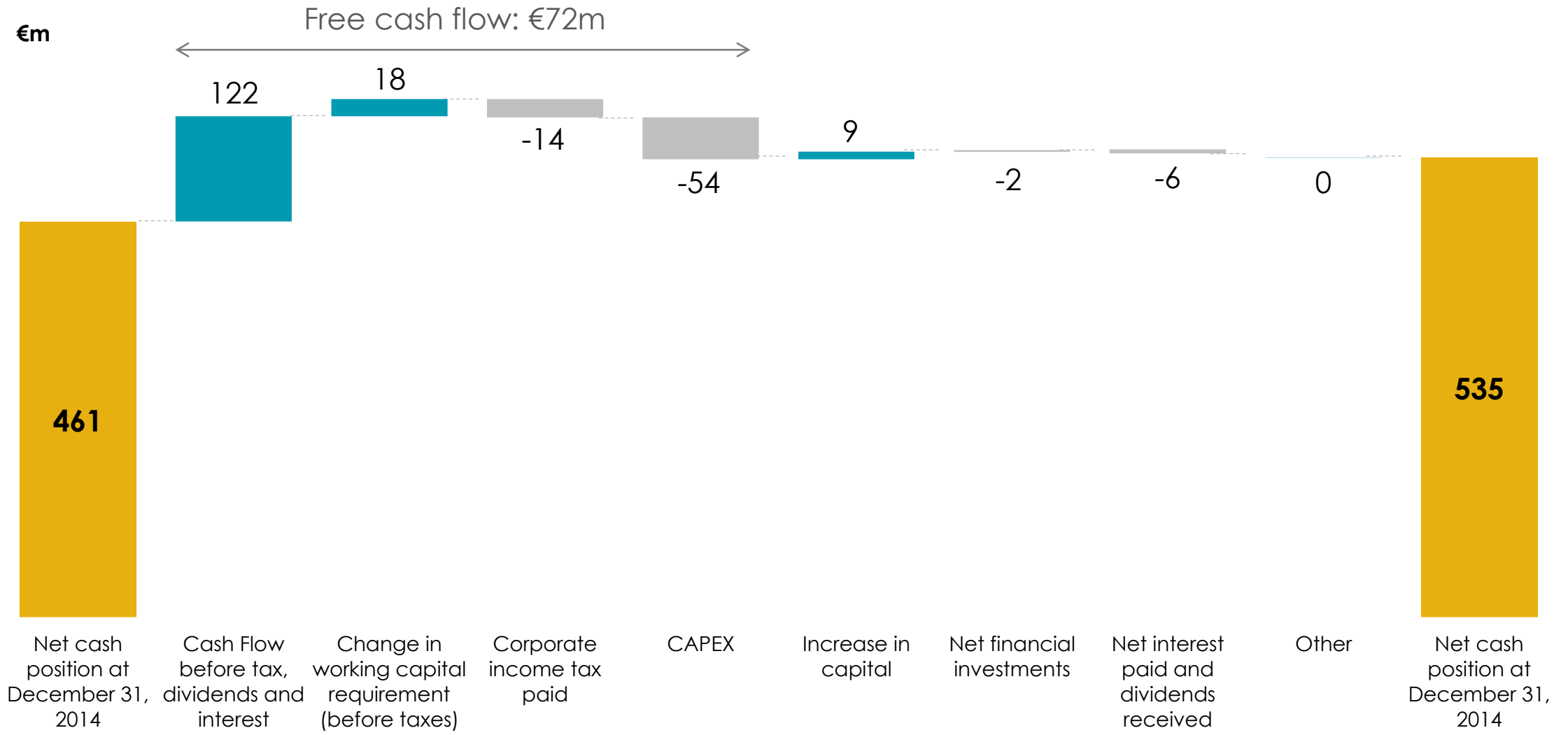
€m	2013	2014
Net income from continuing operations	16	41
Net additions to depreciation, amortization and provisions	59	57
Financial interest income and expense	4	6
Net tax charge payable	12	18
Cash flow from operations before tax, dividends and interest	91	122
Change in working capital requirement	15	13
Income tax paid	-10	-14
Net cash flows from operating activities	97	121
Net CAPEX	-49	-49
Disposal subsidiaries net of cash transferred	-3	-3
Net other financial assets	6	1
Interests and dividends received	1	1
Net cash flows from investing activities	-45	-50
Increase / decrease in equity and other transactions with shareholders	130	9
Treasury share transactions	0	0
Increase / decrease in other financial debt	-1	-0
Other interest and equivalent paid	-10	-6
Net cash flows from financing activities	120	3
Cash flow from discontinued operations	-1	0
Impact of fluctuations in exchange rates	-2	0
Net change in cash	168	74

Working capital

€m	As of December 31, 2013	As of December 31, 2014
Inventories	473	469
Accounts receivable	109	115
Accounts payable	-646	-713
Other operational working capital including Accounts receivable and payable related to CAPEX	-363	-306
Operational Working capital	-427	-435
Financial account receivable	1	2
Accounts receivable and payable relative to tax	-4	-7
Working capital	-430	-440



Net cash position





Shareholders' funds

€m





Exchange rates

	2013	2014
BRL (Brazil)	2.8685	3.1221
CHF (Switzerland)	1.2310	1.2146

NB : average rates



Store network

	December, 31 th 2013			December, 31 th 2014		
	Owned	Franchised	Total	Owned	Franchised	Total
France	87	21*	108	85	27*	112
Iberian Peninsula	44	0	44	47	0	47
Brazil	11	0	11	12	0	12
Other countries	13	0	13	13	0	13
Group	155	21	176	157	27	184

* Included 1 store in Morocco