Communiqué de presse

Ivry, February 27, 2014

Fnac makes good progress in 2013: Current operating income up 13% Positive net income

- Increase in current operating income to €72m (+13.3%)
- Positive net income of €15m (compared with - €142m in 2012)
- Stronger financial profile. 2013 free cash flow of €48m (compared with - €57m in 2012)
- Good performance in the 4th quarter: 0.6% increase in revenues (at constant exchange rates)
- Continuing gain in market share, resulting in a limited decrease in revenues of 3.1% in 2013 (at constant exchange rates) in deteriorated markets

Alexandre Bompard, Chairman and Chief Executive of the Fnac Group, made the following comments:
"2013 was a positive year for Fnac. Further to our successful stock exchange listing, the results achieved show general progress for the company in terms of its operational performance, its commercial dynamics, illustrated by market share growth, and its sound financial structure. This performance, result of a strong commitment from all the teams, confirms the relevance of the choices made and the objectives we have set ourselves for 2016, encouraging us to continue moving forward with our transformation."

KEY FIGURES

(€ millions)	2012	2013	Change
Revenues	**4,061**	**3,905**	**-3.8%**
Chg. at constant exchange rates			*-3.1%*
Current operating income	**63**	**72**	**+13.3%**
Consolidated net income	-142	15	N/A
Net current income (1)	**13**	**43**	**+244%**
Free cash flow from operations	**-57**	**48**	**N/A**
Net cash(2)	**292**	**461**	**N/A**

(1) Net current income from continuing operations, Group share, excluding non-current items
(2) Pro forma net cash 2012: 422M€ (after accounting for transactions to strengthen shareholders' equity carried out in early 2013)

HIGHLIGHTS OF THE FINANCIAL YEAR

Fnac reported an increase in current operating income (€9 million, i.e. +13%) which reflects the improvement in the company's performance.
The financial profile changed with a return to cash generation (free cash flow of €48 million). The already sound financial structure became even stronger.
The Group consolidated its leading position in its various markets and continued to achieve gains in market share. They are the result of good execution of the "Fnac 2015" plan and an offensive commercial strategy. The 4th quarter of 2013 marked an acceleration in revenues and market share gains.

The success of the omnichannel proposal

In 2013, the Group continued to strengthen its omnichannel strategy. Thanks to these efforts, omnichannel sales (internet sales with a link to the store) rose considerably in 2013 and accounted for almost 30% of the total sales of Fnac.com (8-point increase compared with 2012).
The growth in omnichannel sales was the result of more effective coordination between the store network and the internet and mobile sites.
Thanks to investment in m-commerce solutions, mobile sales doubled. The increase in sales on the website was also due to a major increase of the marketplace in France, and the successful launch of the Spanish marketplace.

Offensive commercial policy

Major marketing investments gave rise to increased competitiveness as regards both traditional and pure-play competitors. These price investments were supported by powerful, visible commercial operations.
At the same time, customer services were strengthened through concrete measures, including the development of sales force cashing and a significant reduction in the preparation time of Fnac.com orders. The NPS customer satisfaction score has risen by 10 points since fall 2012.
The Fnac membership program now has over 5 million members (+7% compared with 2012).

Growth levers: success of new product categories and new store formats

The deployment of new product categories (Games & Toys, Home & Design, Stationery, No-contract Phones and Connected Objects) accelerated in 2013 in all countries where the Group has a presence. At the end of December 2013, the Games & Toys and Home & Design departments were deployed throughout the entire store network. Deployment was begun on the Stationery, Telephony and Connected Objects departments. These new categories extended the brand territory to leisure products, thereby targeting more families. The sales performance of these products was highly satisfactory. These new product categories accounted for almost 6% of revenues in 2013.

The Group continued to densify its store network in France, mainly through new formats for development in high-traffic areas (travel retail format) or small catchment areas (proximity format). These stores, operated in franchise, benefit from omnichannel functionalities and thereby contribute to the development of Fnac.com. At the end of December, the store network in France comprised 20 stores with these new formats (5 of which were opened in 2013). These new store formats have been deployed abroad, with the opening of a travel retail and a proximity store in Lisbon. The Group also announced that it had signed a franchise agreement with Darwish Holding, a pioneer in the specialist retailing segment in the Middle East, to establish a presence in Qatar. The first store operating under the Fnac banner will open in fall 2014.

Continuation of cost-saving policy

To complement these sales initiatives, the Group continued with its cost-saving and organizational efficiency policy. This policy resulted in €55 million of new cost savings actions [3] in 2013, as part of the 2013-2014 objective of €80 million. Over the 2012-2013 period, the cost base was reduced by almost 12%.

A successful stock exchange listing

Simultaneously, the Group successfully began trading on the stock market on June 20, 2013. In the second half of the year, new shareholders entered the capital, thereby demonstrating their confidence in the Group's strategy and outlook.

OPERATIONAL PERFORMANCE

Sales performance improved significantly **in the 4th quarter**, in particular over the Christmas period, which is a time of increased activity in the Group's markets. This marked a rise in revenues of 0.6% (compared to a decrease of 5.1% in the first nine months of the year at constant exchange rates).

The Iberian Peninsula and Brazil recovered to enjoy a growth in sales of 4.0% and 11.1% respectively (at constant exchange rates). The stability of sales in France (-0.1%) resulted in an accelerated gain of market share.

The good level of activity in the 4th quarter was the result of effective communication campaigns and the implementation of successful commercial operations, in particular in partnership with certain strategic suppliers. It was also due to the accelerated deployment of new product ranges (Toys & Games, Home & Design, Stationery, Telephony, Connected Objects) and an increasingly efficient omnichannel proposal.

The growth of internet sales was maintained at a sustained rate, and store sales were stable during the period.

Throughout 2013, **the Group's consolidated revenues** amounted to €3,905 million, a 3.8% decrease compared with 2012.

There was a negative exchange rate impact of 0.7%, primarily due to the fall in the Brazilian real against the euro. At constant exchange rates, the decline in the Group's consolidated revenues was 3.1% for the year.

The **gross margin** rate in 2013 was 29.8%, compared with 30.0% in 2012, displaying strong resilience despite major investments in pricing and promotion. The pooling of goods purchases between France, Switzerland and Belgium, combined with good management of commercial operations and closer collaboration with certain key suppliers, largely offset the investments made in pricing and promotion.

In 2013, the Group continued its efforts to improve operational efficiency and reduce costs. The cost reduction measures implemented in 2013 generated €55 million of savings[3] over the period. They are part of an overall ambition to achieve €80 million of savings between 2013 and 2014 (full-year effect). Costs fell by 5.5% in 2013, and represent 28.0% of revenues, compared with 28.5% in 2012.

After decreasing for two years, the **current operating income** of the Group rose by 13.3% compared with 2012 to reach €72 million.

(3) Including the positive impact of CICE

By reporting segment

Revenues decreased by 2.7% **in France** against the backdrop of a deteriorating consumer environment and declining markets in most categories. The Group continued to outperform the market, in both cultural and technical products, with market share gains of 0.5 pts and 0.6 pts respectively (Source: GFK). The growth of internet sales accelerated in the second half of the year. The Group continued its expansion with the opening of five franchised stores (3 travel retail stores and 2 proximity stores) and a directly operated store (Beaugrenelle). The operational margin was 1.5%, compared with 1.6% in 2012.

In 2013, macroeconomic conditions remained unfavorable in the **Iberian Peninsula**, resulting in a 4.2% drop in revenues in the region. Portugal showed resilience, with stable sales throughout the year, gaining substantial market share and thereby reinforcing its leading position in the market. In September, Fnac Spain sales trend reversed, thanks to the company's reinforced sales dynamics and a gradual improvement in customer confidence. Internet sales in the Iberian Peninsula enjoyed sustained growth, with a clear acceleration in the second half of the year. Current operating income increased by 20%. The operational margin was 3.3% (compared with 2.6% in 2012).

Revenues in **Brazil** fell by 1.0% at constant exchange rates (-13.3% at current exchange rates). After a disappointing start to the year, sales performance gradually improved, supported by the sales recovery plan launched in the first half. Revenues rose by 6% in the second half of the year, compared with a decrease of 8.9% in the first half. Internet sales underpinned the improvement in activity. Current operating income was positive for the period (€0.7 million, compared with an operational loss of €5.7 million in 2012) thanks to good operational management.

Sales in the "**other countries**" region, which includes Switzerland and Belgium, dropped by 5.6% at constant exchange rates (-6.3% at current exchange rates) in deteriorated markets. Despite difficult sales performance, current operating income rose by 24.6% thanks to the benefits of the pooling of purchases with France and cost reduction efforts.

FINANCIAL PERFORMANCE

Other non-current operating income and expenses constituted a net expense of €29 million in 2013, a reduction since 2012 (-€130 million). In particular, they included the cost of organizational changes and provisions for contingencies and expenses.

The improvement in **net financial income** reflects the strengthening in the Group's financial position.
The decrease in **tax** expenses was mainly linked to the establishment of a tax consolidation group in France in January 2013.

Net income from continuing operations, Group share, amounted to a positive €16 million in 2013, a significant improvement compared with 2012 (loss of €116 million).
Excluding non-current items, **current net income from continuing activities** was €43 million in 2013, compared to €13 million in 2012, an increase of +224%.

FINANCIAL STRUCTURE

Free cash flow from operations amounted to €48 million in 2013. This figure was a negative €57 million in 2012. This significant improvement in cash generation was the result of good management of operating investments and effective actions implemented to optimize working capital requirements, in particular the ongoing inventory reduction policy.

The Group strengthened its **financial position** during the period.
Equity capital amounted to €540 million as of December 31, 2013 (compared to €527 million as of December 31, 2012 on a pro forma basis (4)).
Available cash amounted to €461 million as of 31 December 2013 (compared to €422 million on a pro forma basis (4)) as of 31 December 2012).

CONCLUSION AND OUTLOOK

The 2013 results demonstrate the rapid execution of strategic initiatives to adapt the Group's business and financial model according to market developments. They also reflect the banner's solidity, based on the strength of the Fnac brand, a large customer base, a loyalty program unique to the sector, and a powerful and effective omnichannel proposal.

In markets that are expected to remain difficult in 2014, the Group intends to continue to gain market share by stepping up the redesign of its business model, which is mainly based on the continuing deployment of new product categories, ongoing establishment of the omnichannel strategy and accelerated expansion of new formats in France and abroad.
It will also continue its cost-saving and organizational efficiency policy.

(4) After taking in consideration the capital strengthening operations carried out at the start of 2013

PRESENTATION OF 2013 RESULTS

A live transmission of the presentation of the annual results for 2013, accompanied by a visual presentation, will be available on the internet at 10h00 (Paris time) on 27 February 2014 on the home page of the www.groupe-fnac.com site.

A delayed broadcast will also be available on our site at the end of the afternoon.

If you have a problem with your internet connection, you can follow the conference by telephone

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The Board of Directors met on 26 February 2014 to approve the financial statements for 2013. The audit procedures for the consolidated financial statements of the Fnac Group at 31 December 2013 were completed. The statutory auditors' certification statements will be issued following finalization of the required procedures concerning recording of the reference document.

Summary income statement

(€ millions)	2012	2013	Change
Revenues	**4,061**	**3,905**	**-3.8%**
Gross margin	**1,219**	**1,164**	**-4.5%**
As a % of revenues	*30.0%*	*29.8%*	*N/A*
Total costs	**-1,156**	**-1,092**	**-5.5%**
As a % of revenues	*28,5%*	*28,0%*	*N/A*
Current operating income	**63**	**72**	**13%**
As a % of revenues	*1.6%*	*1.8%*	*N/A*
Other non-current operating income and expenses	-130	-29	-78%
Operating income	**-67**	**43**	***N/A***
Net financial expenses	-15	-12	22%
Income tax	-34	-16	54%
Net income from continuing operations	**-116**	**16**	***N/A***
Net income from discontinued operations	-26	-1	96%
Consolidated net income, Group share	**-142**	**15**	***N/A***
Net current income from continuing operations	**13**	**43**	**244%**
EBITDA	**134**	**140**	**4.5%**
As a % of revenues	*3.3%*	*3.6%*	-

APPENDICES

Current operating Income by operating segment

(in € millions)	2012	As a % of revenues	2013	As a % of revenues	Change in value
France	45.6	1.6%	42.6	1.5%	-3.0
Iberian Peninsula	17.7	2.6%	21.3	3.3%	3.6
Brazil	-5.7	-2.5%	0.7	0.4%	6.4
Other countries	5.7	1.8%	7.1	2.4%	1.4
Group	**63.3**	**1.6%**	**71.7**	**1.8%**	**8.4**

4th quarter revenues

(in € millions)	Q4 2013	Change compared with Q4 2012		
		Reported change	Change at constant exchange rates	Chg. at constant exchange rates and on a same-store basis
France	1011.5	-0.1%	-0.1%	-0.9%
Iberian Peninsula	221.9	4.0%	4.0%	3.1%
Brazil	60.4	-3.0%	11.1%	11.7%
Other countries	98.0	-5.4%	-4.7%	-4.7%
Group	**1,391.8**	**0.0%**	**0.6%**	**-0.1%**

2013 revenues

(in € millions)	2013	Change compared with 2012		
		Reported change	Change at constant exchange rates	Chg. at constant exchange rates and on a same-store basis
France	2,761,9	-2.7%	-2.7%	-3.6%
Iberian Peninsula	654.3	-4.2%	-4.2%	-5.1%
Brazil	197.2	-13.3%	-1.0%	-2.1%
Other countries	291.9	-6.3%	-5.6%	-5.6%
Group	**3,905.3**	**-3.8%**	**-3.1%**	**-3.9%**

Store network

	At December 31, 2012			At December 31, 2013		
	Wholly owned	Franchised	Total	Wholly owned	Franchised	Total
France	88	16*	104	87	21*	108
Iberian Peninsula	42	0	42	44	0	44
Brazil	11	0	11	11	0	11
Other countries	13	0	13	13	0	13
Group	**154**	**16**	**170**	**155**	**21**	**176**

**including the store in Morocco*