

JP Morgan in Italy Retail Tour



LiberaMente

Thursday, June 21, 2007



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Fnac's fundamentals

- **A unique business model based on powerful, distinctive performance drivers**

- **Tier-one locations**
- **A product mix combining editorial products** (books, CDs), **technical products** (electronics, IT) and **convenience services** (ticketing, photo)
- **A leading player in cultural events - many in-store events** (~6,000 per year)

Increase traffic and average basket

- **Strong brand**
 - Expertise and advisory service generate confidence
 - French preferred retailer brand*
- **Membership programme encourages strong customer loyalty**
 - 1.8 million members
 - ~50% of revenue

Increase customer loyalty



* Ipsos

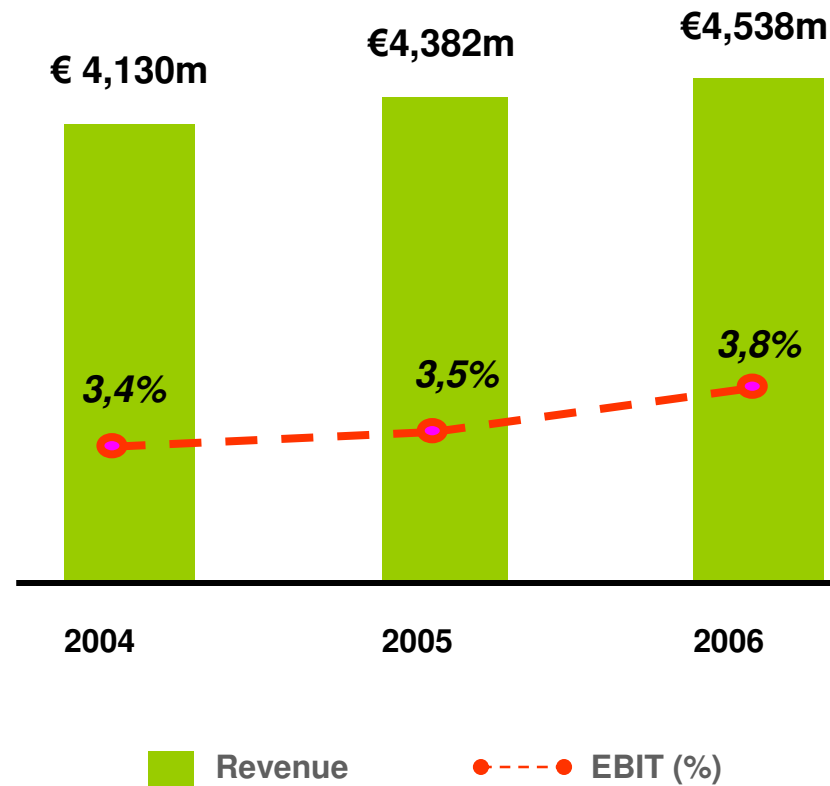
Fnac in brief

- **N°1 retailer of cultural and technical products in France, Belgium, Spain and Portugal**
- **Present in eight countries:** France, Belgium, Brazil, Spain, Italy, Portugal, Greece and Switzerland
- **Leading positions in France**
 - N°1 book seller, N°1 music retailer, N°1 video retailer, N°1 PC seller
- **116 directly operated stores at end-2006**
- **2006 revenue: € 4.5 billion**
 - 75% France, 25% international
 - 42% Editorial products, 58% Technical products
- **2006 recurring operating income: € 170 million**
- **19,400 employees at end 2006**



Fnac's growth

Fnac total revenue and EBIT margin (%) from 2004 to 2006



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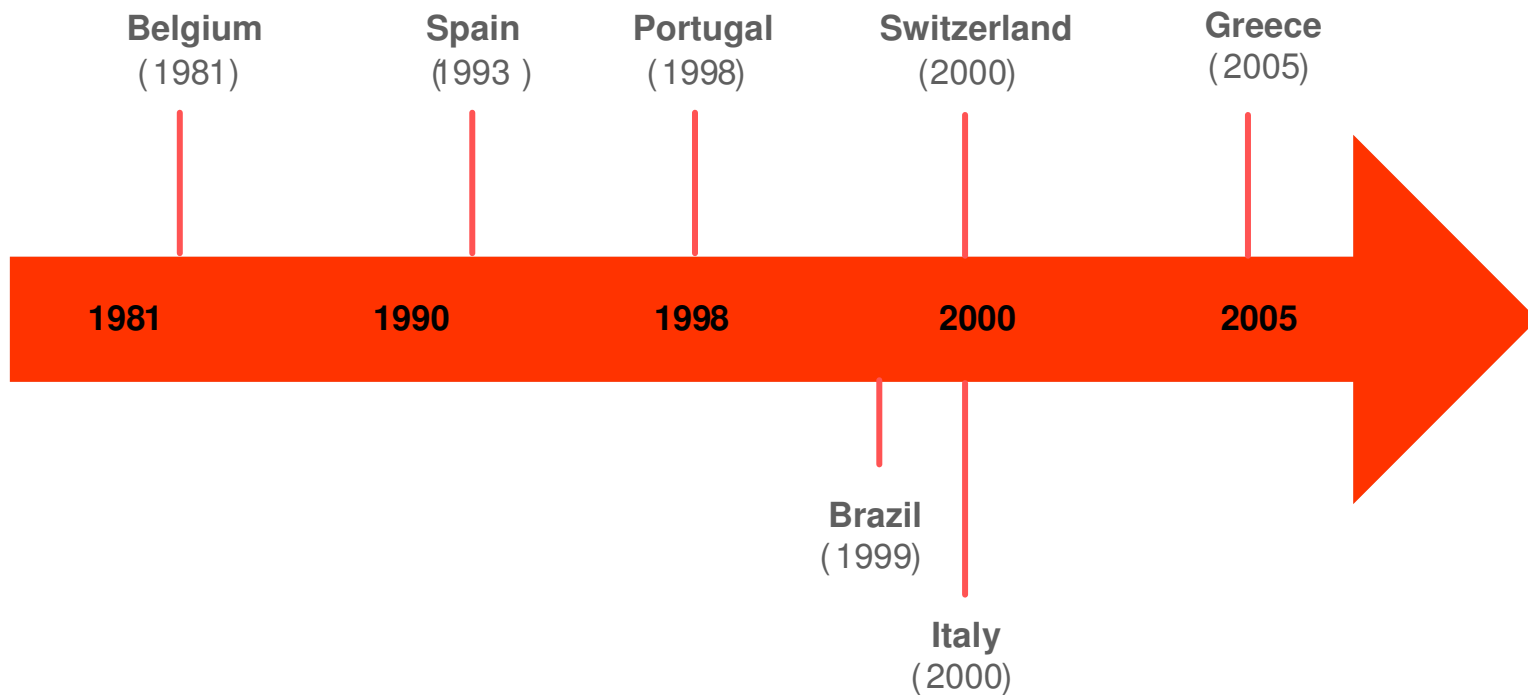
2. Fnac International

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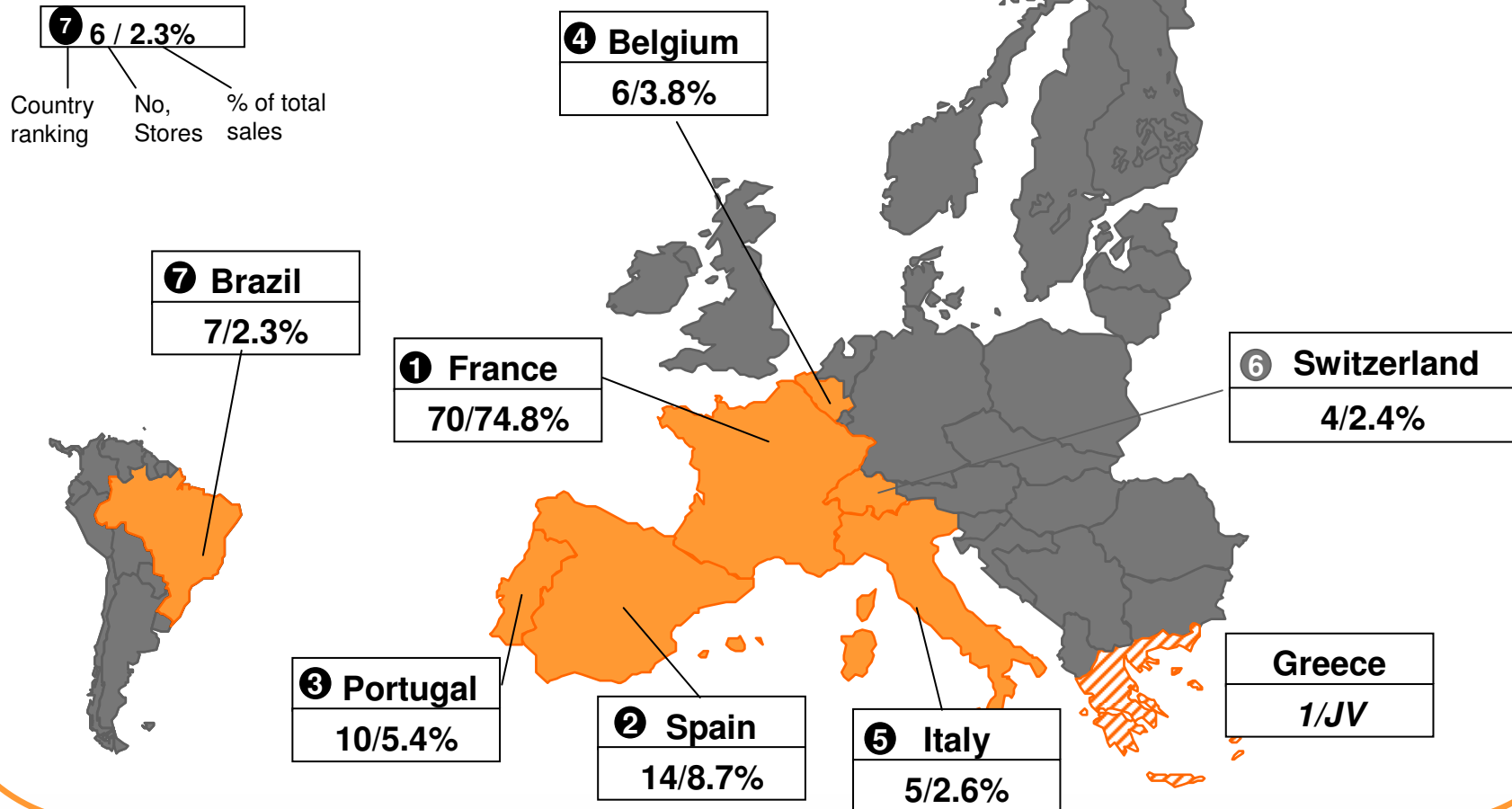


5 countries in less than 10 years



Fnac international network

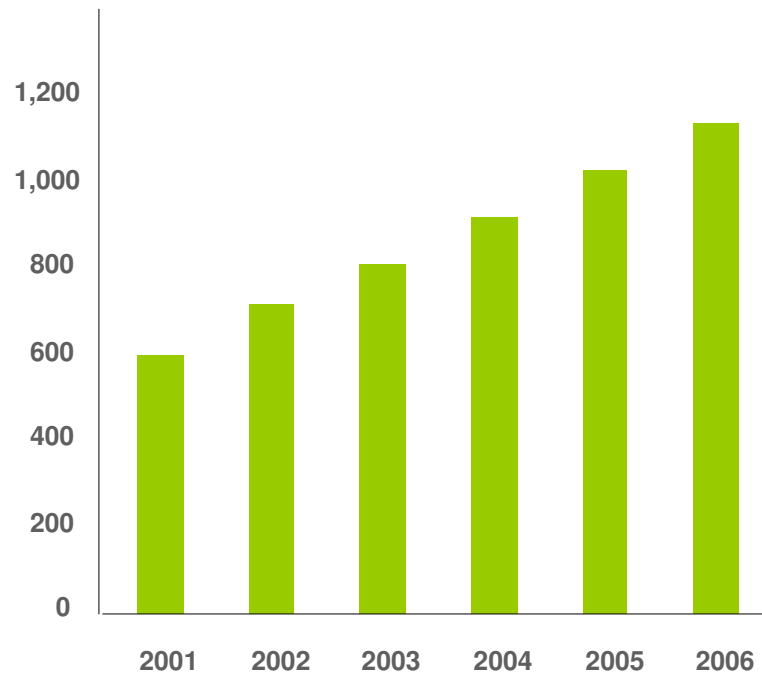
Present in seven European countries and in Brazil



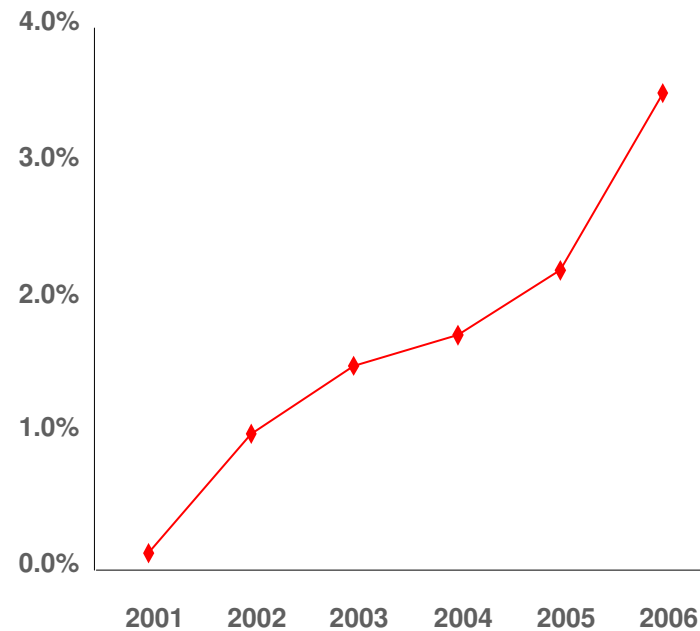
Fnac International

Engine of sales and profitability growth

Total International Sales (K€)



EBIT (% of sales)

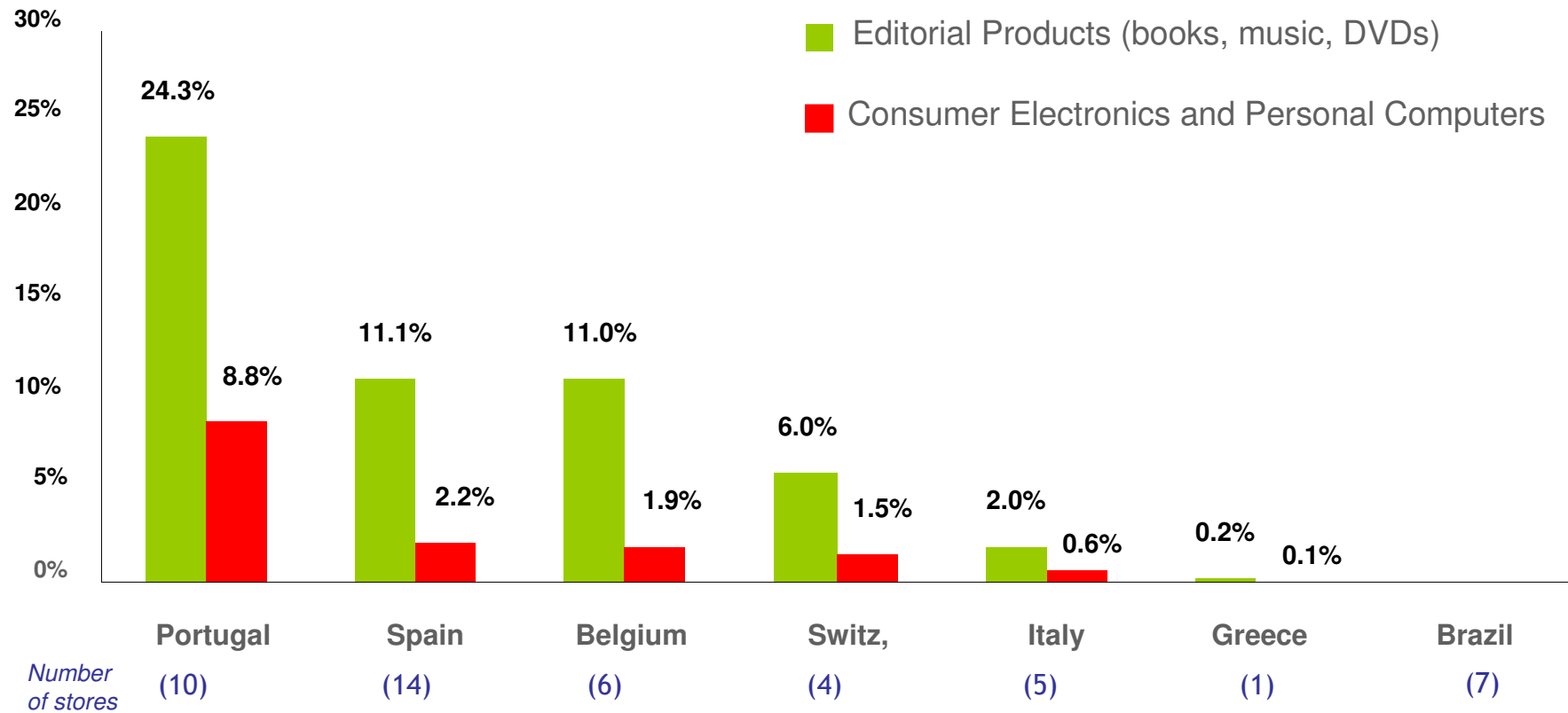


← CAGR +13.5% →



Fnac international

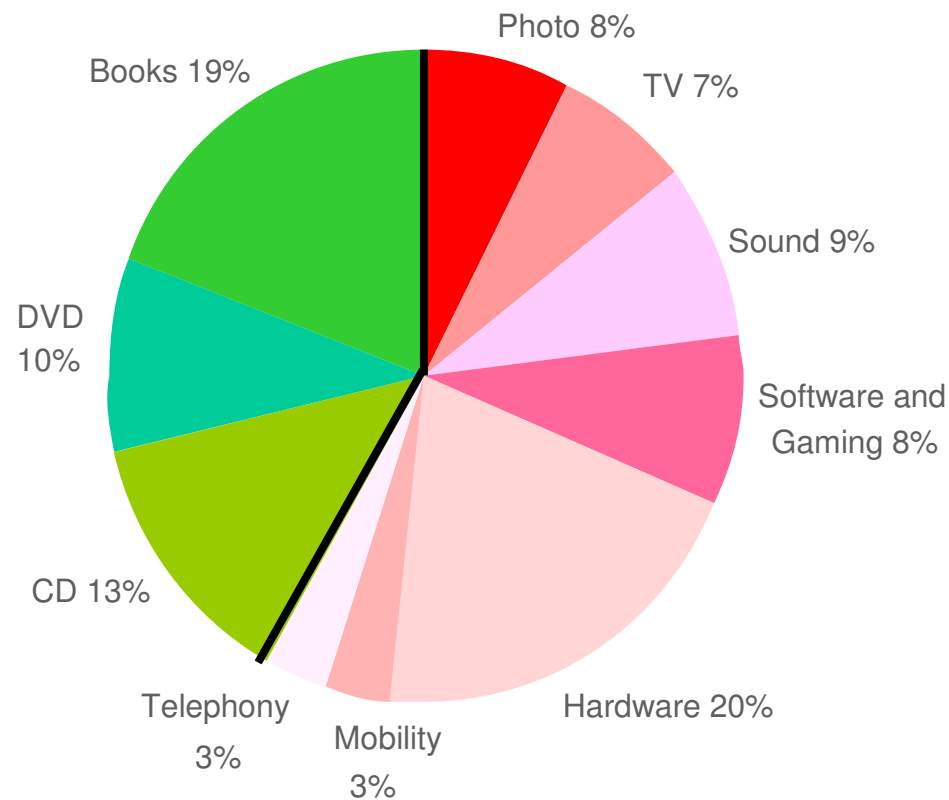
Market share by product category in 2006



Fnac international key figures

Breakdown of Fnac 2006 international sales by activity

42%
Editorial products



58%
Technical products



Fnac international e-commerce sites

Brazil



Portugal



Belgium



Italy



Switzerland



Spain



Fnac international strategic priority

- **Maintain significant like-for-like sales and profitability growth**
 - Continue to gain market shares, in particular in technical products
 - Reallocate constantly sales space and people to growth products
 - Maintain very tight cost control at store and HQ level
 - Achieve full potential of still recent store network
 - Continue to develop the membership program



Fnac international strategic priority

- **Continue aggressive expansion of new stores**
 - Priority to existing Fnac markets – projects and plans “in the pipeline” for all countries
 - Expand selectively into new countries through store networks and/or flagship stores in capital cities, possibly through tactical acquisitions



Fnac International

Engine of sales and profitability growth

	Today	Target 2010	Estimated potential
Belgium	6	11	12-15
Spain	15	25	30-35
Portugal	10	17	15-20
Brazil	7	10	15-20
Italy	5	13	30-40
Switzerland	4	8	15
Greece	1	6	8



Fnac international strategic priority

- **Improve buying conditions, in particular in technical products**
 - Through strong growth in each country
 - Through mutualised European purchases in key product categories



Fnac international strategic priority

- **Develop further Internet sales**
 - Strengthen click & mortar strategy in all countries
 - Priority on Spain, Brazil (and Portugal)
 - Share www.fnac.com front office to gain functionalities, know how and costs for international operations
 - Develop prudently downloadable business internationally through commission based partnership approach



Fnac International Conclusion

Fnac International is very well positioned to accelerate its profitable growth through a thorough execution of its strategic priorities:

1. Maintain significant like-for-like sales and profitability growth
2. Continue aggressive expansion of new stores
3. Improve buying conditions, in particular in technical products
4. Develop further Internet sales
5. Continuously develop HR potential



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Fnac Italy location



5 stores

- Milan
- Genoa
- Turin
- Verona
- Naples

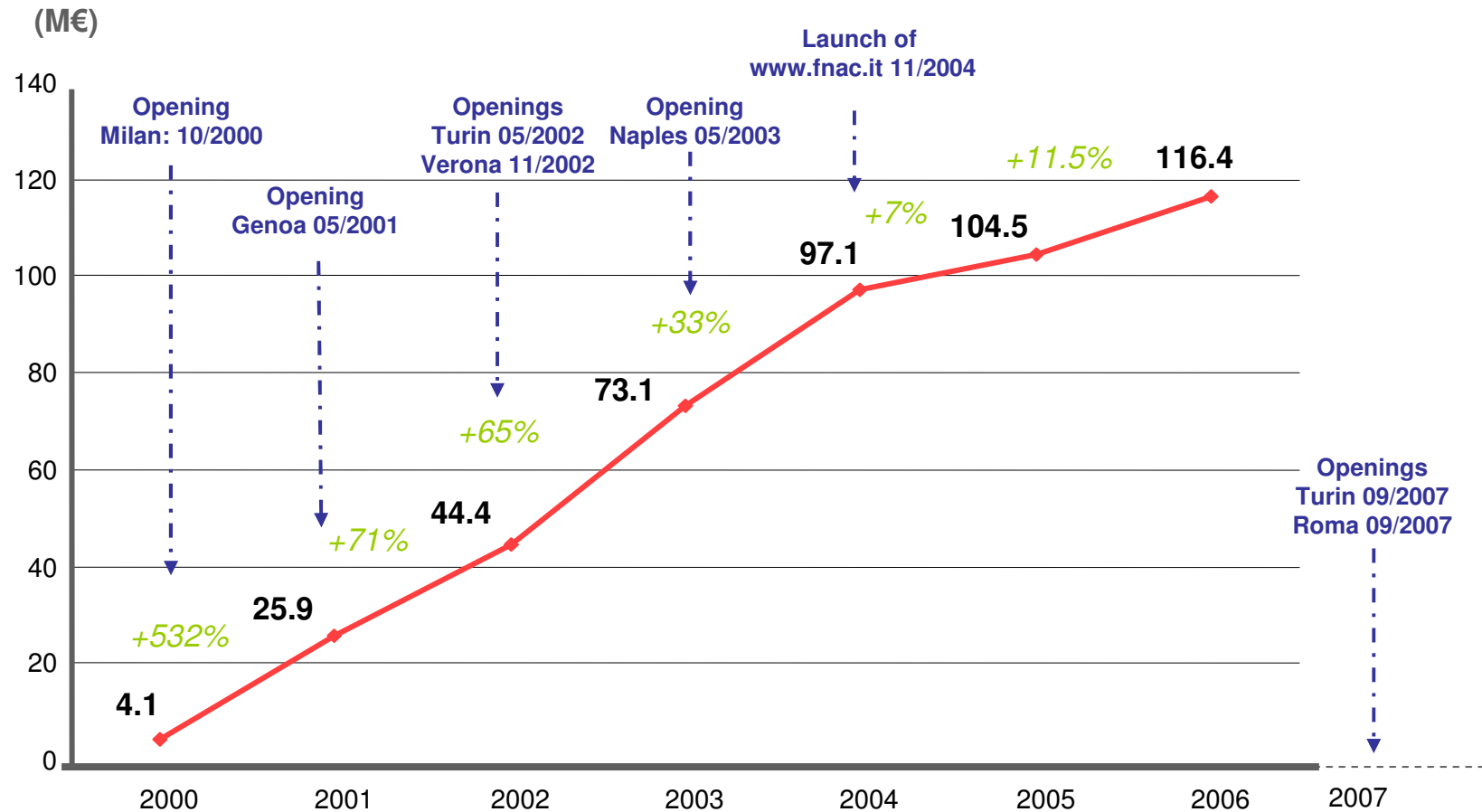


2 openings in 2007

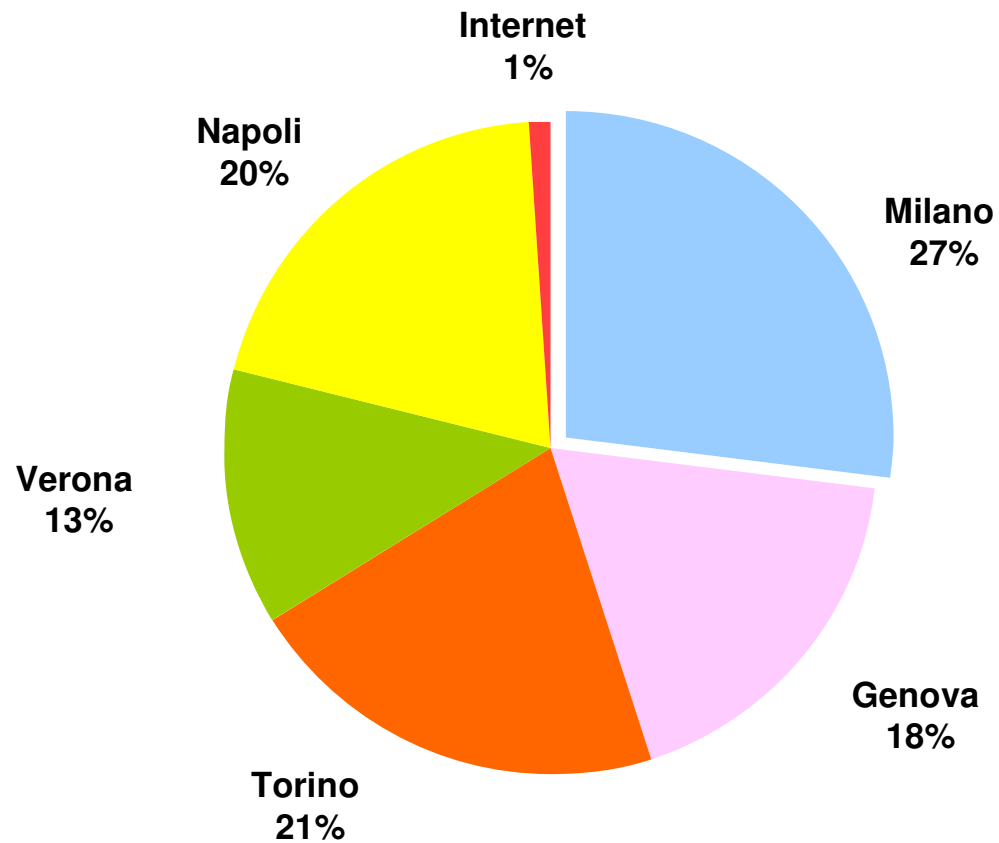
- Roma
- Turin



Fnac Italy Revenue trend

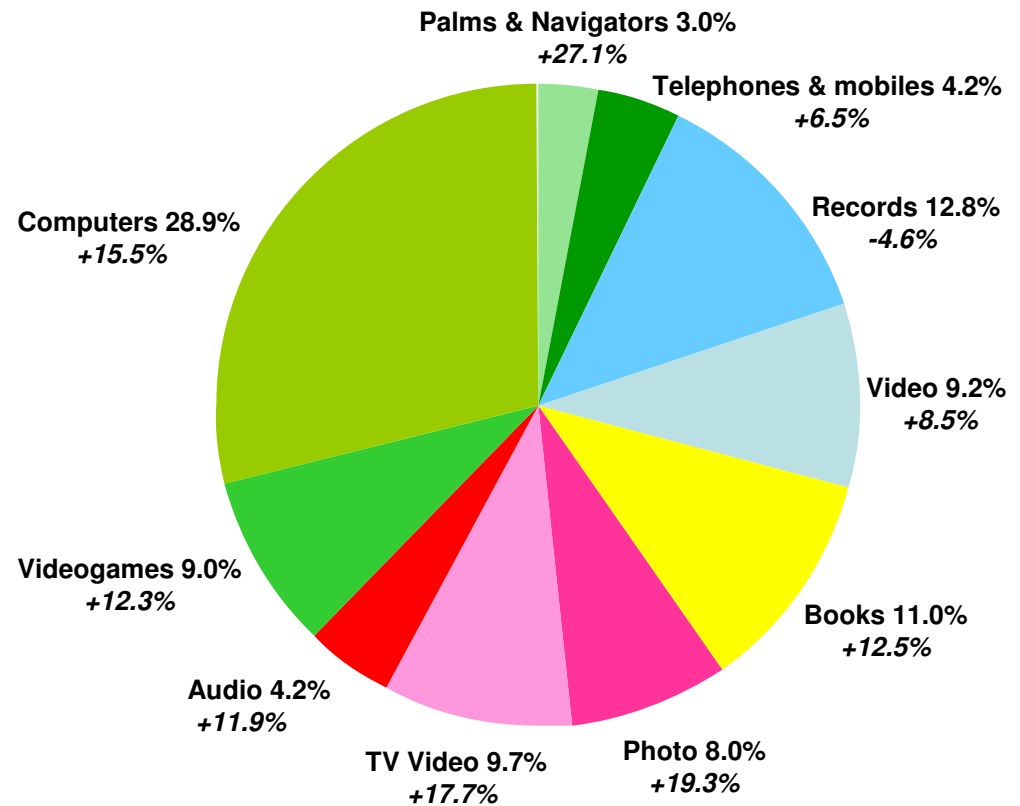
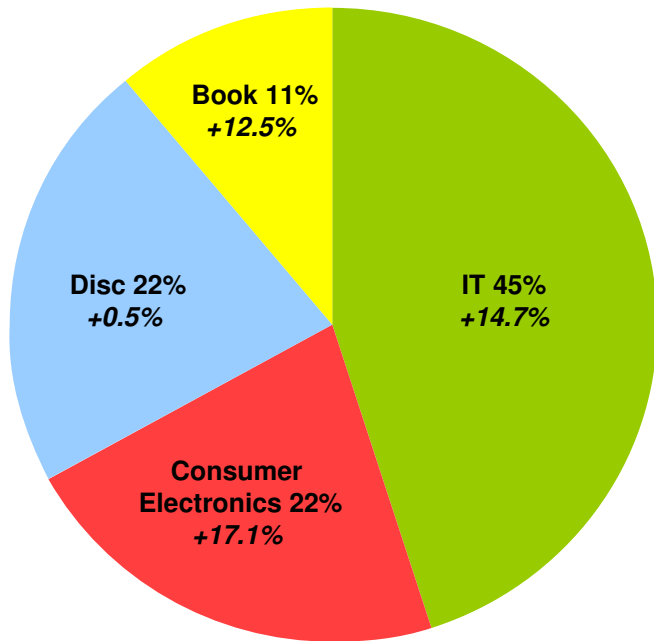


Fnac Italy Revenue 2006 = 116.4 M€ +11.5%



Fnac Italy

Breakdown of 2006 revenue by activity



Fnac Italy versus Italian market

Technical products

	Italian market	FNAC Italy
	Increase 05'-06'	Increase 05'-06'
Consumer Electronics	28%	31%
Information Technology	11%	15%
Technical products	19%	22%



Source: GFK

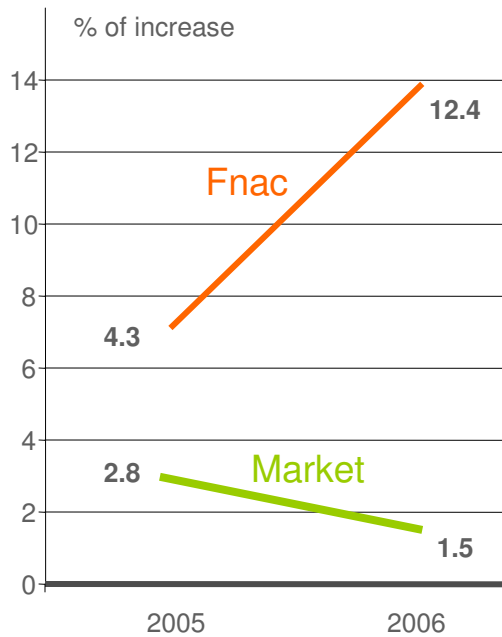
24



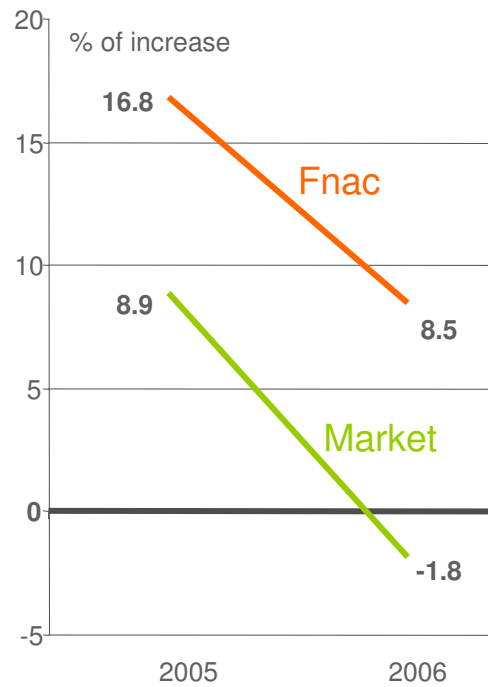
www.fnac.it

Fnac Italy versus Italian market

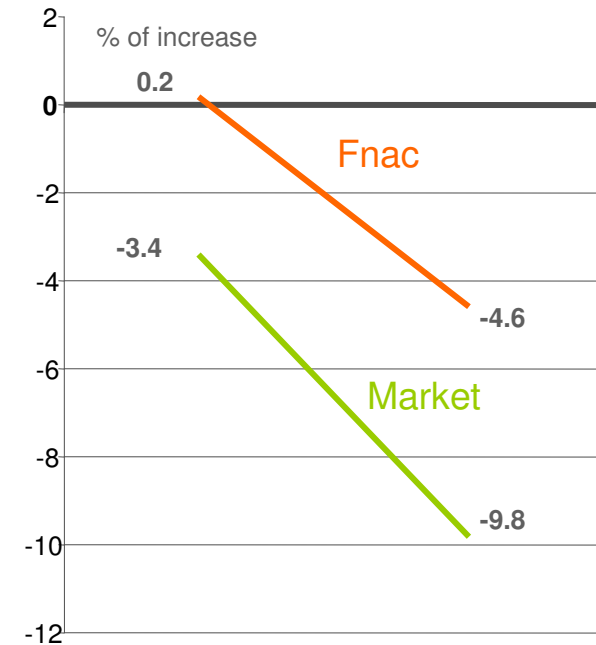
Books



DVD



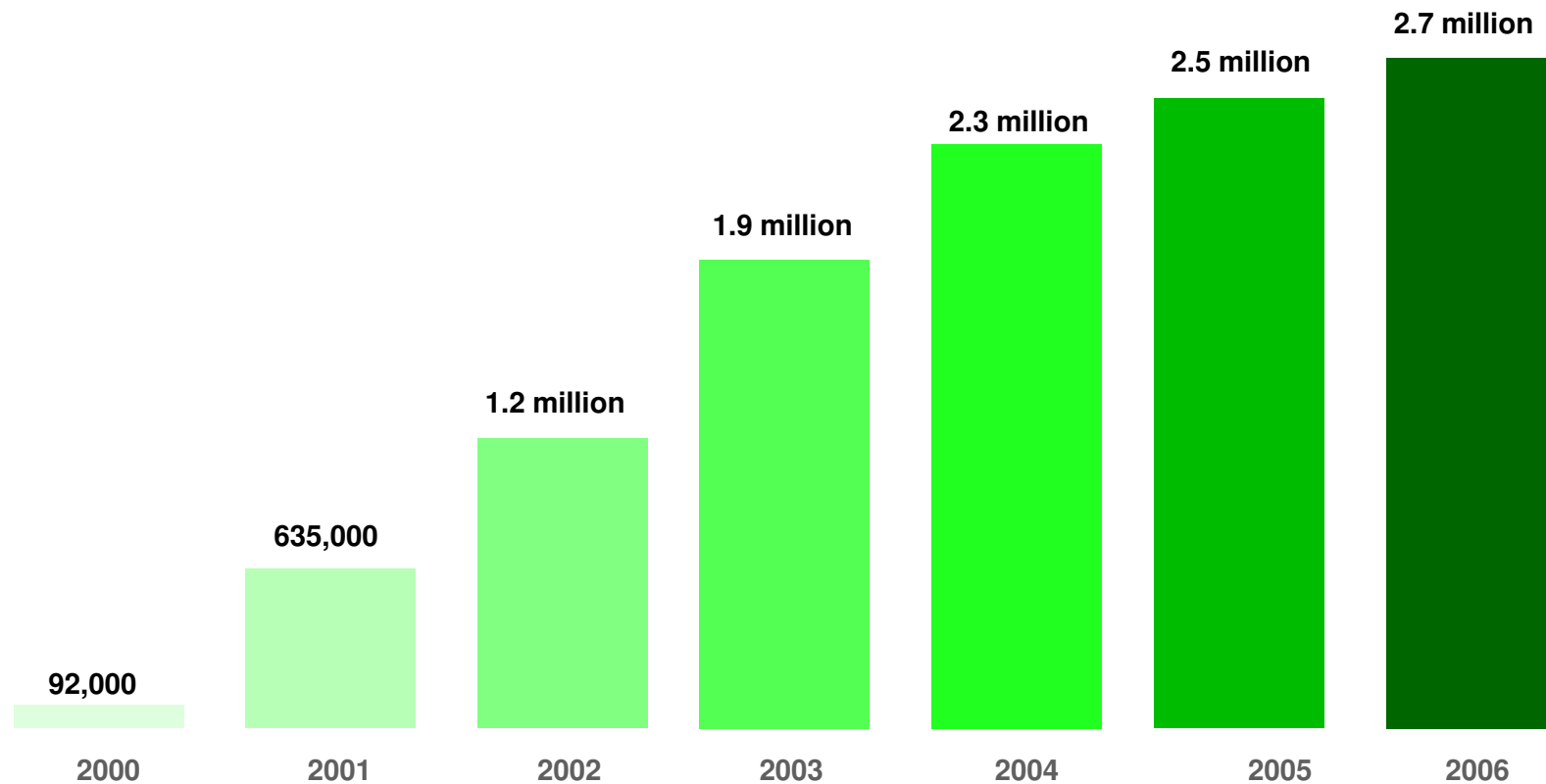
CD Audio



Source: IFPI International Federation of the Phonographic Industries

Constant increase in the number of clients

Ticket receipts



Fnac Italy: e-commerce site

- Launched in Nov 2004
- 2006 revenue: €993,000, up 64% (€605,000 in 2005)

The screenshot shows the Fnac Italy website interface. At the top, there is a navigation bar with the Fnac logo, a search bar, and various menu items like 'Libri', 'Dischi', 'DVD', 'Foto/Videocamera', 'TV/Video', 'Audio/Lettori MP3', 'Giochi/Software', 'Informatica', 'Telefonia/GPS', and 'Viaggi'. Below the navigation bar, there is a main content area with several product listings. The first listing is for the book 'La pista di sabbia' by Camilleri Andrea, priced at €9,60. The second listing is for a MacBook Pro 17" with a 2.33 GHz Intel Core 2 Duo processor, priced at €2,599,00. The third listing is for a Sony Cybershot DSC-G1 camera, priced at €399,00. The fourth listing is for a Samsung SM-226BW 22" monitor, priced at €399,00. There are also several promotional banners and sidebars, including one for 'contact' magazine and another for 'EINAUDI TASCABILI' with a -30% discount. The bottom of the page features a 'VeriSign Secured' logo and a 'www.fnac.it sicuro con:' message.



Fnac Italy

- Strengths:
 - Fastest growing Fnac operation in Europe on a like for like basis
 - Leading cultural actor in existing locations
- Opportunities:
 - Large potential for additional store openings
 - Expanding the online store



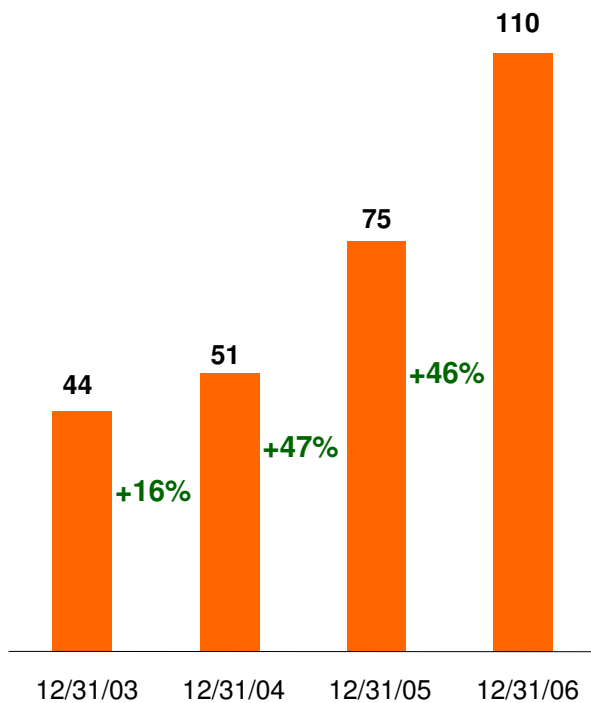
Fnac Italy: Commercial policy

- Optimization of selling space allocation / increase sales density
- Improving product availability in store thanks to better replenishment
- High quality after-sales service
- Improvement of purchasing conditions
- Adequate incentive schemes and adapt sales force to market trends



Conquest of new customers and loyalty enhancement

Number of membership card
(in thousand)



- Membership card holders represent nearly 45% of total sales
- Average basket of membership 67% above regular clients



Decidi come diventare Socio,
e scegli tra due carte
piene di vantaggi.



LiberaMente
www.fnac.it

**Fnac ti offre
un mondo di vantaggi.
Anzi due.**



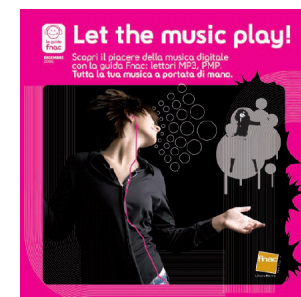
**Carta Soci
Fnac.**
Un mondo di vantaggi.

Sconti, punti e regali.
Alla Fnac la fedeltà premia.



Fnac Italy communication policy

- Strengthening Fnac notoriety
- Supporting commercial activity
- Developing Fnac identity perception



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Fnac Milan: a Tier-one location



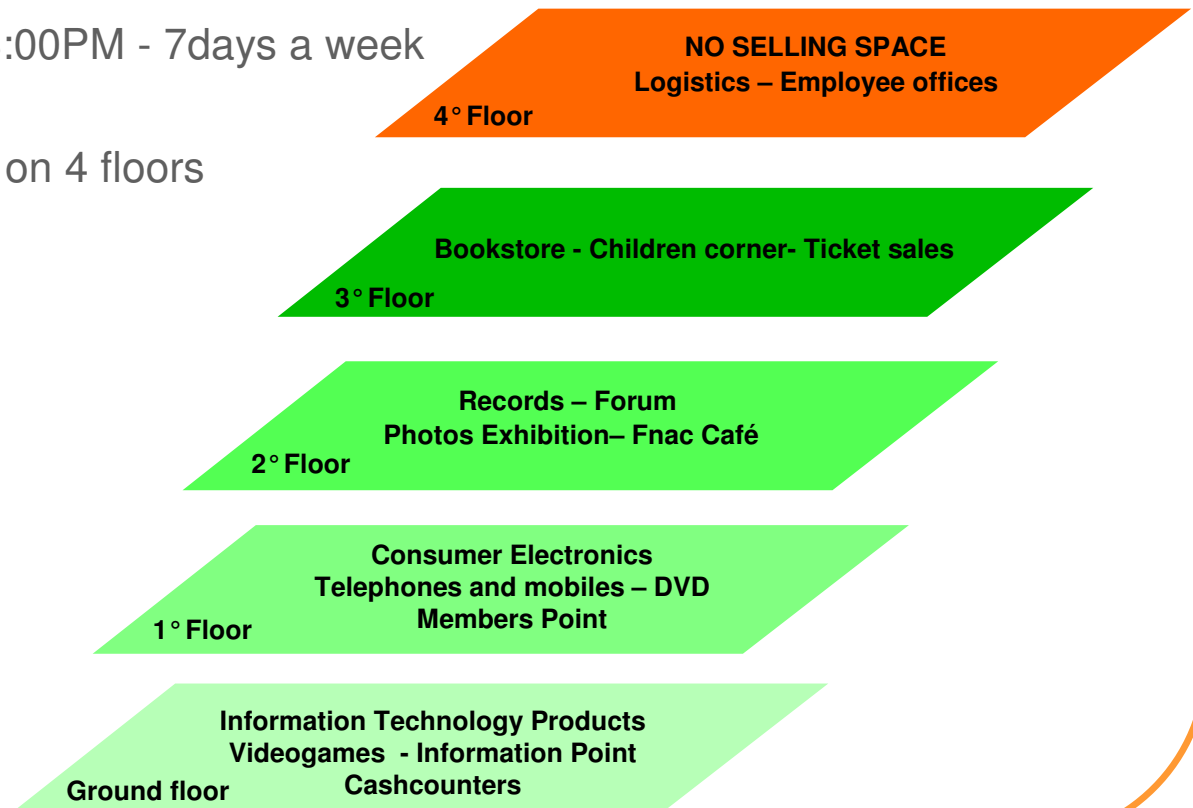
City of Milan

- Milan is the capital of Lombardy region and considered as the economical capital of Italy
- Milan: ~ 4 million inhabitants including suburbs of which 7.5 % are foreigners and close to 200,000 are students
- GDP/person : €35,776 (ave. Italy : € 24,152)
- Revenue/person : €20,119 (ave. Italy € 15,140)
- Unemployment rate : 4.6% (Italy: 7.8%)



Fnac Milan

- Opening : October 25, 2000
- Opened from 9:30AM to 8:00PM - 7days a week
- Selling space: 3,522 Sqm, on 4 floors

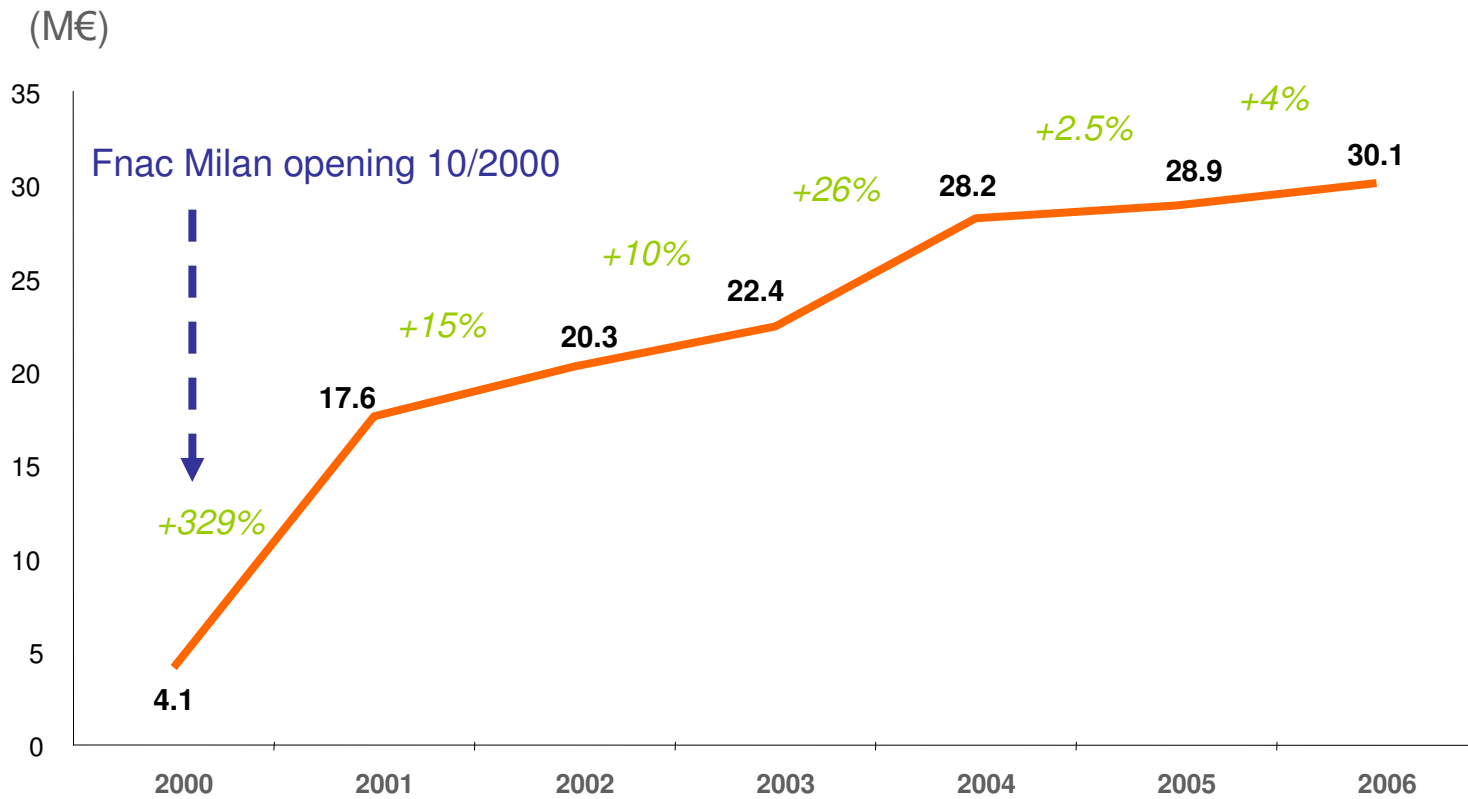


Fnac Milan: 2006 Key figures

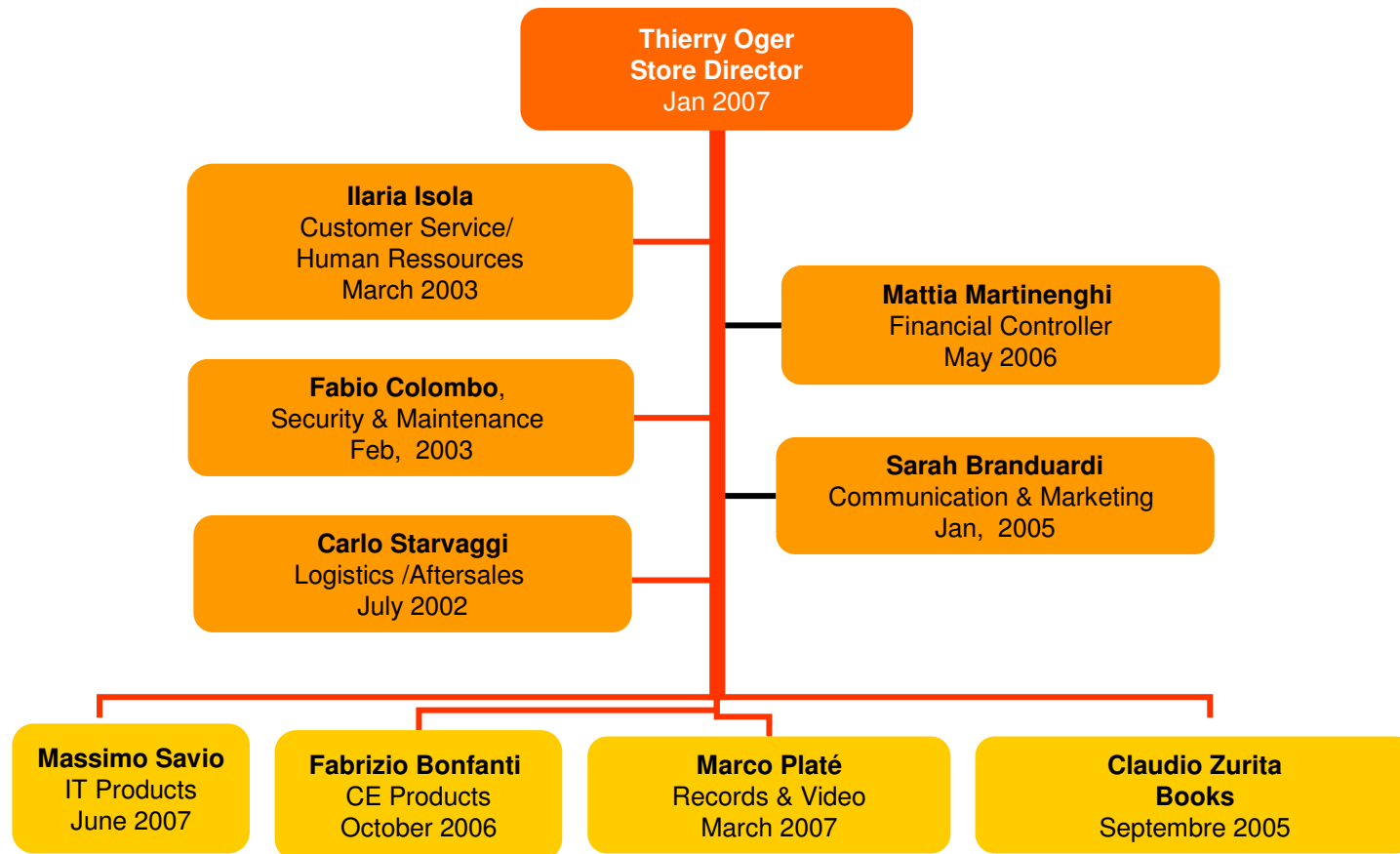
- First Fnac store in Italy
- 2 Millions visitors p.a
- 37,891 members at end 2006, up 96%
- 42% of store revenue generated by members
- 88 employees



Fnac Milan: Revenue trend



Fnac Milan: Organization



Fnac Milan

- **Actions implemented in 2006 :**

- Distribution of commercial flyers in the street
- Remodeling of the cash counter line
- Remodeling of Fnac Café
- Creation of a dedicated Apple Point
- Move of the Membership desk to the 1st floor
- Photo, Mp3 and video cameras in free touch



Fnac Milan

- **07 /08 action plan:**

- Cashcounter lines => relocated on the other 2 floors
- Entrance area => Increase surface on the Information desk

- Information desk => moved near the aftersales area
=> creating traffic until end of the ground floor
- Moving IT products on the 2nd floor + space
- Moving Records on the ground floor
- Total Remodeling of the Fnac Café + internet desk
+ forum and Photos Exhibition

**Space
reallocation**



Fnac Milan: 2006 revenues

Revenues	Total Technical Products (1)	Records (2)	DVD (3)	Total Discs = (2) + (3)	Books (4)	STORE (1)+(2)+(3)+(4)
2006	20,777	4,055	2,910	6,965	2,920	30,662
Mix %	67.8%	13.2%	9.5%	22.7%	9.5%	100%
2005	19,087	4,277	2,426	6,703	2,749	28,539
Mix %	66.9%	15.0%	8.5%	23.5%	9.6%	100%
N / N-1 %	8.9%	-5.2%	20.0%	3.9%	6.2%	7.4%



Fnac Milan: 2006 revenues

Revenues	Photo	TV Video	Audio	Total CE* (1)	Video- games	Computer	Palms & Navigators	Telephones & mobiles	Total IT (2)	Total Technical Products (1)+(2)
2006	2,711	2,617	1,163	6,492	2,246	9,758	924	1,357	14,285	20,777
Mix %	8.8%	8.5%	3.8%	21.2%	7.3%	31.8%	3.0%	4.4%	46.6%	67.8%
2005	2,280	2,443	1,187	5,910	2,039	9,096	775	1,267	13,178	19,087
Mix %	8.0%	8.6%	4.2%	20.7%	7.1%	31.9%	2.7%	4.4%	46.2%	66.9%
N / N-1 %	18.9%	7.1%	-2.0%	9.9%	10.2%	7.3%	19.2%	7.1%	8.4%	8.9%



*CE : Consumer Electronics