

Fnac International

- May 31, 2007 -

Jan Löning – VP International
Christophe Deshayes – Managing Director Fnac Spain

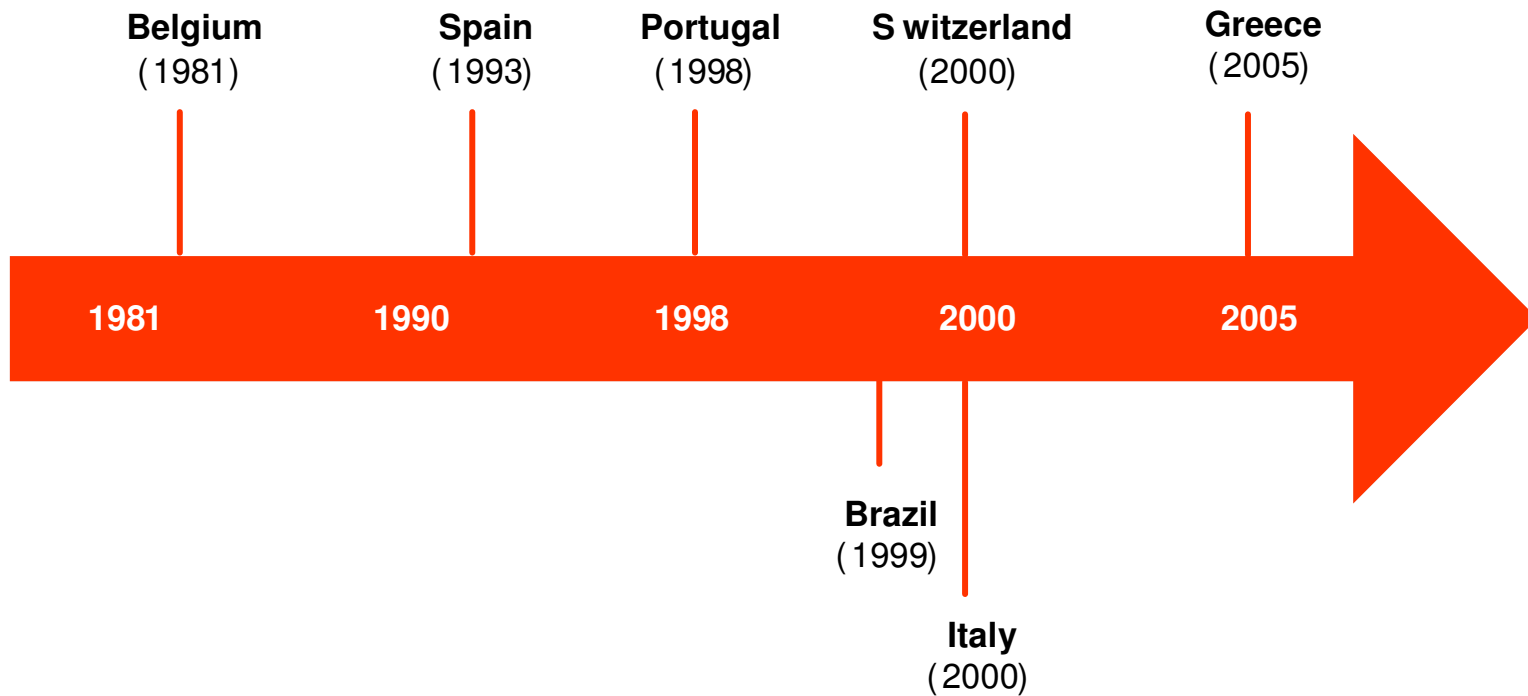
Agenda

- **An overview of Fnac International**
- History of Performance
- Specifics by Country
- Growth Opportunities and Strategic Priorities

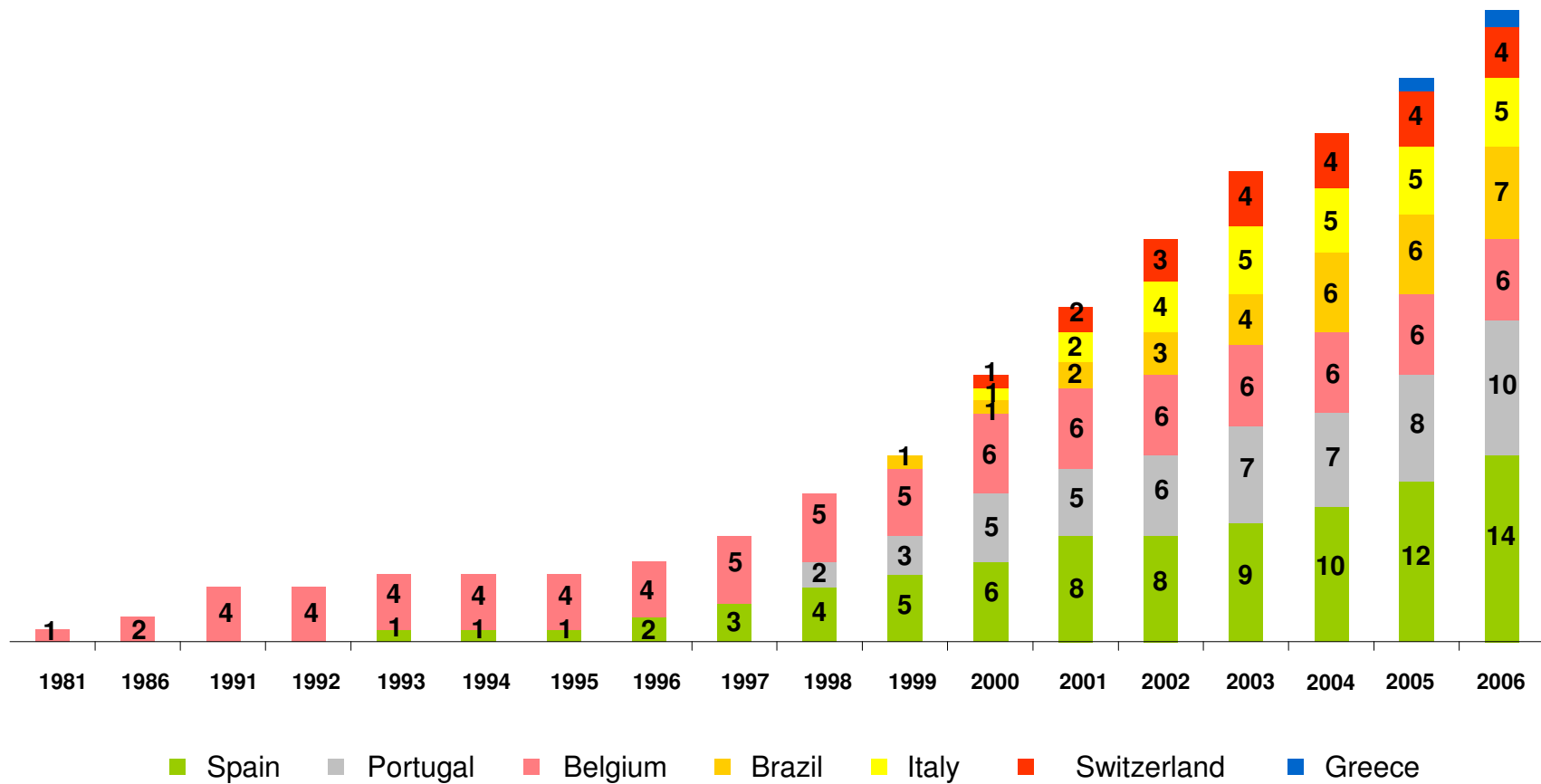
International development History

- Started in 1981 with the opening of a Fnac store in Belgium (Brussels), Fnac's international development has accelerated since the late 1990s, with the penetration of the fast growing Spanish market and stores opened in Portugal, Brazil, Switzerland and Italy (all within 2 years) between 1998 and 2000.
- Fnac quickly established leading positions in these countries which rapidly became growth and profitability drivers
- In 2005, Fnac added another country, Greece, by opening a first store in Athens

5 new countries in less than 10 years

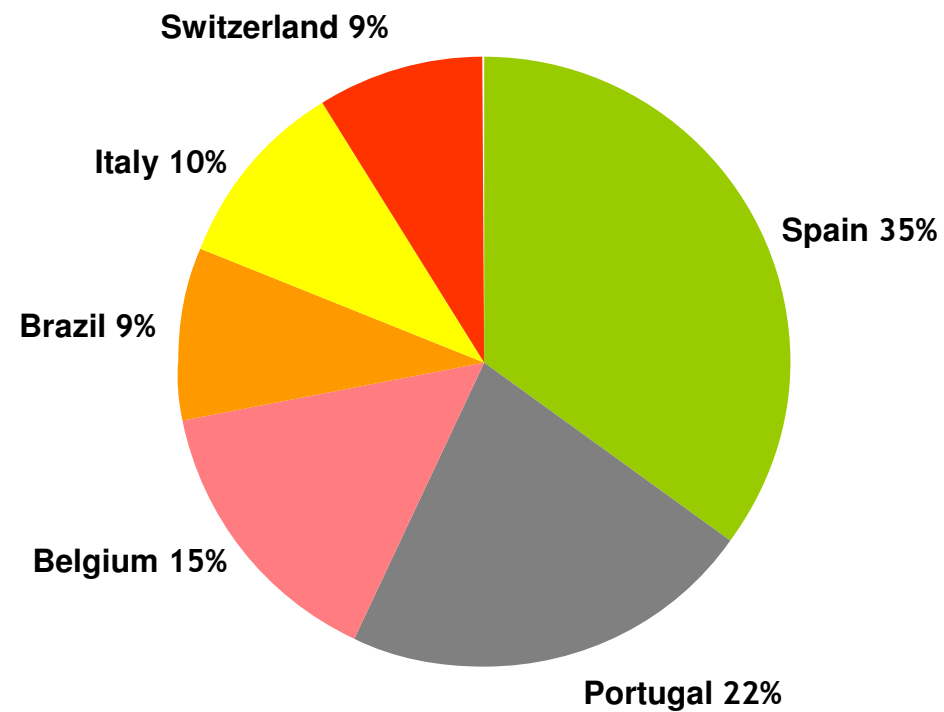


Number of international stores multiplied by 8 within 10 years

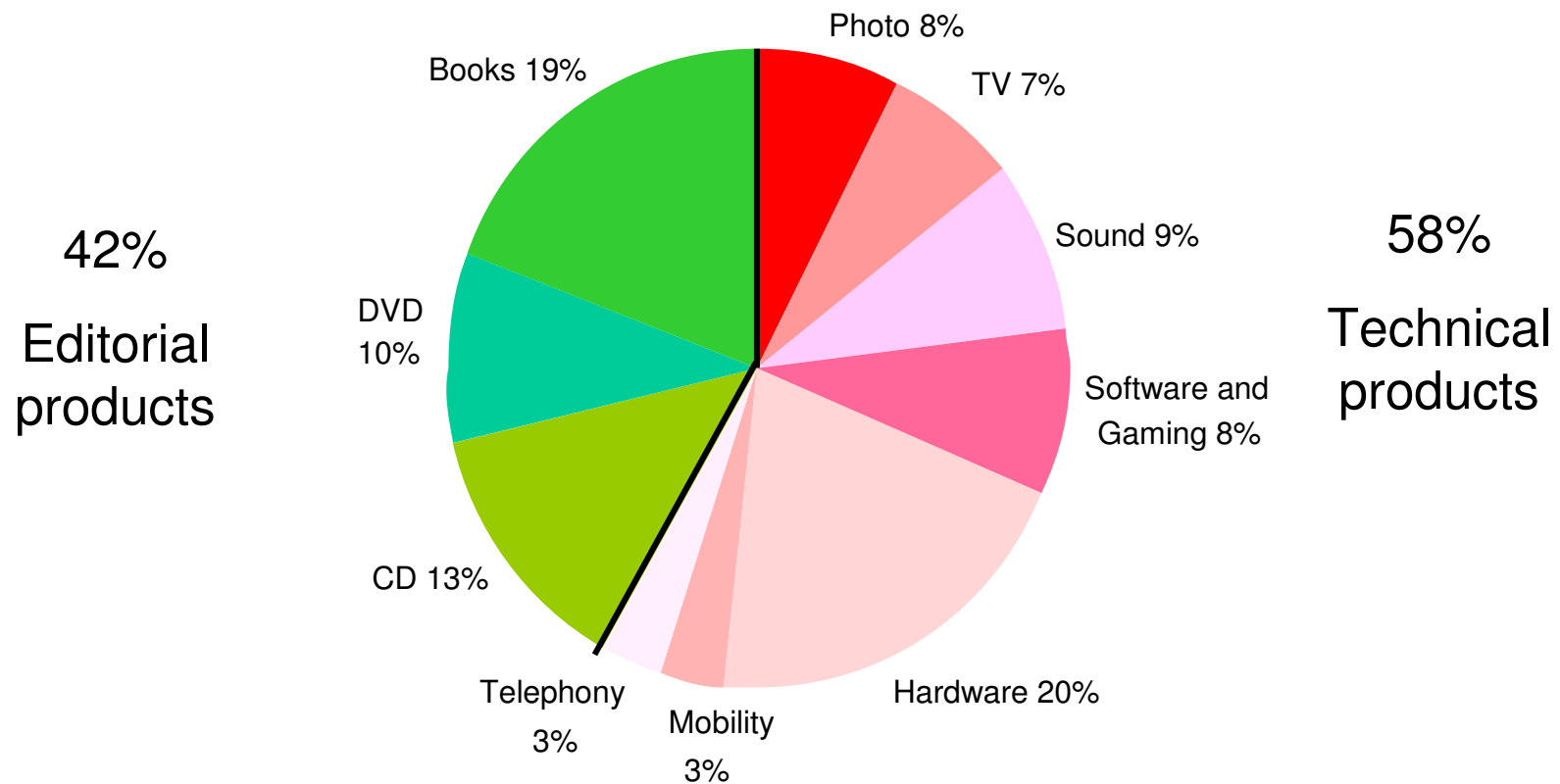


International sales 2006 (m€) by country

International sales: €1,144 million, up 11% in 2006



International sales 2006 by product category

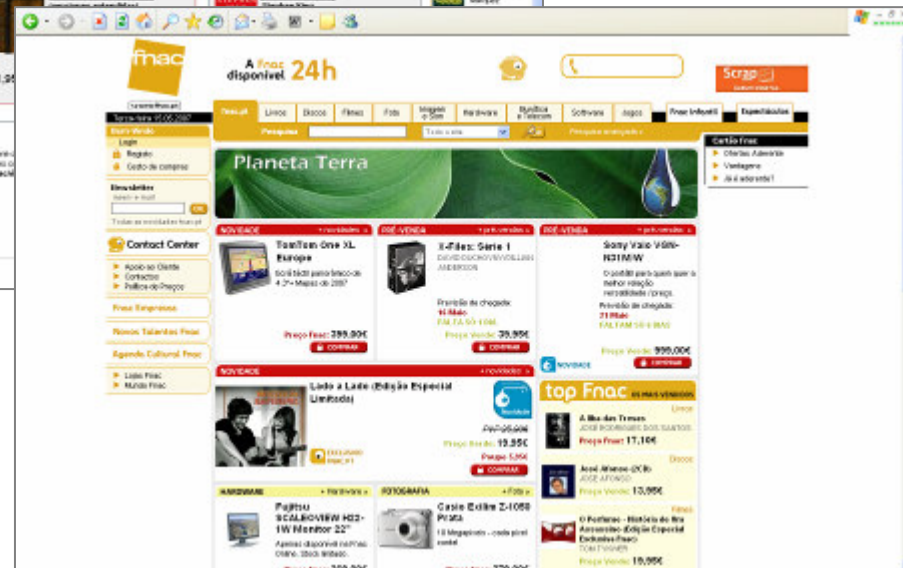
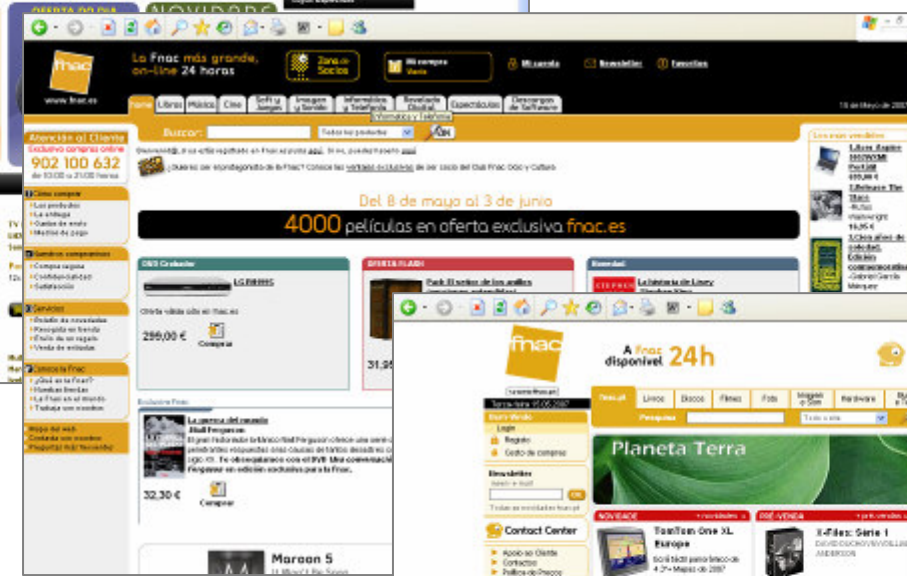


International e-commerce sites

Brazil

Spain

Portugal



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International development

Balancing efficiencies

- A key driver for profitable international growth is to find and maintain the right balance between :
 - ❑ A very **decentralised and entrepreneurial organization**, close to the customers and their needs (customer contact, store management, customer Marketing, product offering and pricing...)
 - ❑ Building on a **shared base of experience** and know how (store concept, IT, reporting systems, training, direct and indirect purchases...)
 - ❑ And **favouring the exchange** and implementation of **best practices** (logistics productivities, initiatives within stores...)

International organization

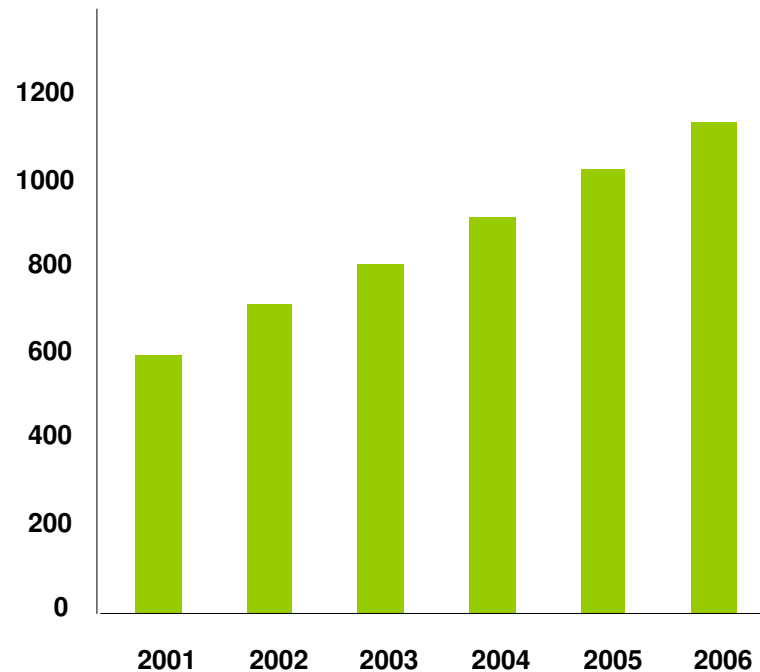
- Within the Fnac organization, a key organizational layer is at country level - where most key functions are performed

- Main
- Supporting

Key functions	Centralised	Country- level	Store-level
Store concept	●		
Site prospection	●	●	
Store design	●	○	
Product Marketing	○	●	
Product offer per store		●	○
Purchasing / Negotiation	○	●	
Product ordering		●	○
Logistics / Supply chain		●	
Merchandising	○	○	●
Pricing		●	○
Sales			●
Customer Marketing		●	○
Administration			
• Finance		●	○
• Human Resources		●	○
• IT systems	●	●	

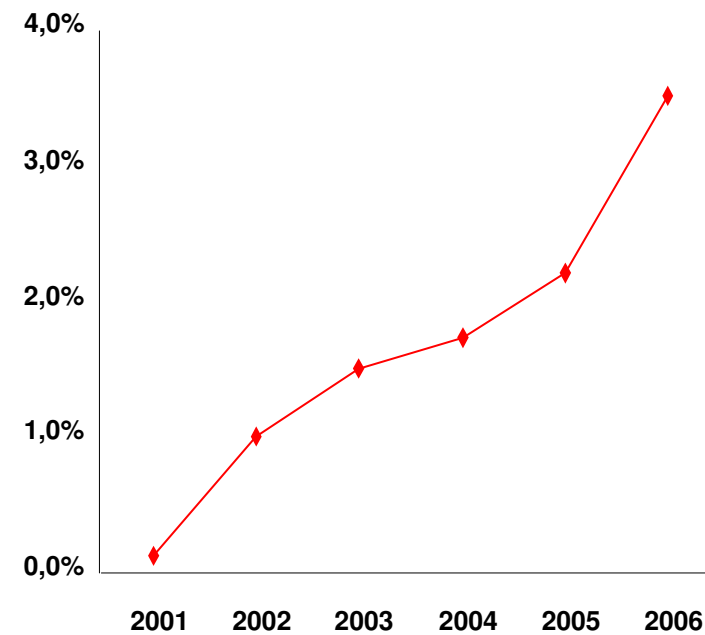
Fnac International engine of sales and profitability growth

Total International Sales (K€)



← CAGR +13.5% →

EBIT (% of sales)



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 - **Spain**
 - Other countries
- Growth Opportunities and Strategic Priorities

History



- **1993** Opening of the first Spanish store in Madrid
 - ❖ Located in the heart of the city, Plaza Callao
 - ❖ Flagship with 4,500 sqm of commercial area in a famous building
 - ❖ Immediate success

- **1996** Opening of the second Spanish store in Barcelona
 - ❖ Located in a commercial centre l'illa

- **1997/98** Implementation of the headquarters and central warehouse in Madrid

History

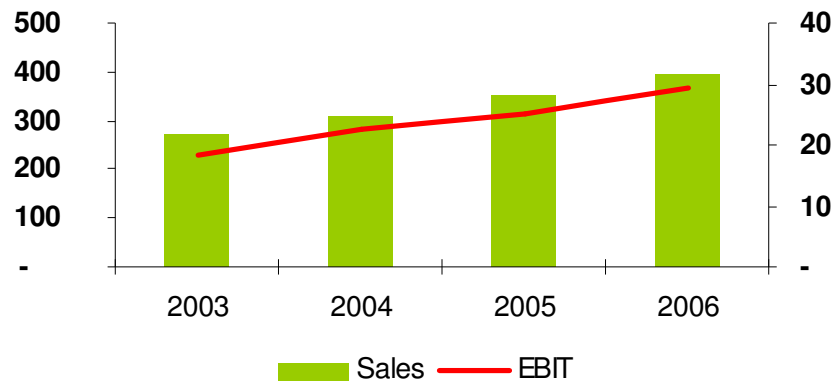
- **2001/02** Redefinition of the business model for the small stores
 - ❖ Simplification of the commercial offer
 - ❖ Reduction of operating structure and costs in the stores
 - ❖ Higher centralization of back office tasks in Spanish headquarters

- **2003** Fnac Spain opens its 9th store in Marbella

- **From October 2004 to June 2007 :** Opening of 7 new stores

- **June 20th 2007:** With the opening of A Coruña, Fnac Spain will have a network of 16 “mortar” stores and one on line store: www.fnac.es

Fnac Spain



➤ Strengths:

- Largest contributor to Fnac EBIT abroad
- Market leader in CDs and DVDs, 3rd largest retailer of Books
- High quality store locations in city centers and shopping centers
- Great reputation in cultural arena

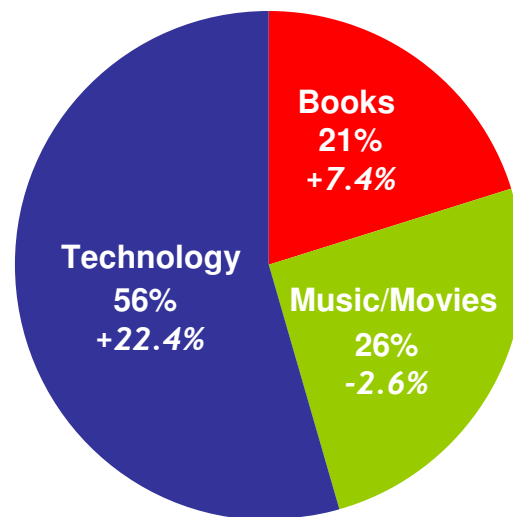
➤ Opportunities:

- Transforming fnac.es into a leading online store for editorial and technical products
- Targeting new customer segments through store openings in suburban areas
- Expanding Fnac's offer in services



Keys figures in 2006

- Visitors 27.4 Millions
- Turnover 396 M€ (+12,5% vs n-1), including services



- Loyalty cardholders 250,000
- Staff 1,800 employees

Some reasons of the Spanish success

- High quality of the locations of the stores
 - ❑ Our stores are located either in the best commercial streets of the city or in the largest regional commercial centres



27.4 M visitors
in 14 stores in 2006

Callao



6 M visitors
Plaza Callao Madrid

Triangle



4.7 M visitors
Plaza Catalunya Barcelona

ParqueSur



18 M visitors
in the commercial centre

Some reasons of the Spanish success

- Good adaptation of the Fnac concept to the Spanish culture
 - ❑ Following to the market study, a Fnac Coffee and a Press Corner were introduced in the first Spanish store (Callao)
 - ❑ Opening hours are longer than in France (10 am-10 pm every day in most case) and when the local legislation allows it, we are opening on Sundays (Madrid, Valencia, Alicante)
 - ❑ All the commercial actions are created and designed in Spain

Some reasons of the Spanish success

➤ Fnac is a very active cultural actor in Spain

- ❑ Last year, more than 5,000 events (concerts, books presentations, talk-shows,...) were organized in forums of our stores (at least one event per day every day)

PONCHO K
"Cantos valientes"

Con su cuarto álbum, titulado "Cantos valientes", el sevillano Poncho K se confirma como uno de los emblemas del rock urbano con toques sureños y uno de los letrados más completos y originales de la escena española. Es la continuación de la carrera de quien está considerado como hijo intelectual de Vicente, de Paco Negro y de Triana, y heredero de la contundencia de Extremadura y del surrealismo de Albert Pla. Una música que él define como "rock con pinceladas flamencas, poesía callejera". Un disco que arranca con su single Corrientes demenciales, llamado a ser uno de los temas más escuchados de los próximos meses, no sólo por su calidad sino por la contundencia y profundidad de la letra. Un disco, "Cantos valientes", que nos hará mantener vivo el espíritu combativo que todos llevamos dentro.

fnac Paraisos. Jueves 17 a las 19.00h

Madrid Hoja [segunda Quincena] '07

fnac

agenda

UNIVERSO BIGAS LUNA
El lector podrá asistir al presentador de este fin de semana en la Fnac. Te invitamos a explorar su particular y peculiar universo, de la mano del propio Bigas, en dos citas gratuitas en las Galaxias y Madrid Hoja.

EL PODEROSO INFLUJO DE "JAMÓN, JAMÓN"
De Javier Argandoña Barrena. Miércoles 23, 20.00h, en Pasa Galaxias.
Presentador del libro: a cargo de su autor. Con la presencia del director Jorge Lina y los escritores Juan José Millás y Horacio Llorens.
Hace quince años, "Jamón, jamón", de Bigas Luna, se convirtió en uno de los películas más populares y poderosas del cine español. Hoy volvemos a recuperar la esencia de un libro clave de la literatura narrativa reciente de la película que sirvió de inspiración a la serie para volver con desproporcionadas emociones y que también nos lleva de nuevas aventuras. Penélope Cruz, Javier Bardem y Jordi Mollà.

YO SOY LA JUANI
De Bigas Luna. Miércoles 23, 20.00h, en Pasa Galaxias.
Presentador y firma de la edición en DVD con la presencia del director y la actriz Mónica Cervera.
El año pasado Bigas Luna volvió a revolucionar el cine español con su nuevo film "Yo, Juaní". Conocido como "Candente del año 2006", resultó el primer de una par Pelis industrial, comentada en el cine y televisión, abarcando el mundo de la literatura y del reality show. La película de esta semana supone la vuelta de Bigas a su terreno favorito: ficción pura, color y vida, año y cuarto cultural.

ClubCultura.com
EL PORTAL CULTURAL DE LA FNAC

Últimos adelantos
Bloggers de autor...

Los bloggers de ClubCultura muestran momentos de la red en castellano. En esta más de mayo, os ofrecemos dos novedades que no podéis perder: las canciones inéditas de Julio de la Rosa, que podéis escuchar gratis y antes que nadie en su blog, y la incorporación a nuestra familia de Roberto Santiago, el director de "El penalti más largo del mundo", que se encuentra ultimando su nuevo película, "El club de los susoditos", y no olvidéis que todos los días encontramos nuevos textos de Daniel Sánchez Arévalo, Julio de la Rosa, Antonio Luque, David Simoni, Álvaro Gomar, Julián Rodríguez...

Y más autores en ClubCultura.com
La escritora barcelonesa Ana María Matute (www.anamariamatute.com), última incorporación en nuestro notable lista de autores barceloneses. Matute (www.matute.com) presenta su "Mujeres alboradas" en la prestigiosa Feria del Libro de Buenos Aires. Juan José Millás (www.juanjosemillas.com) estrena en televisión el programa "Exploración" en ClubCultura.com en formato a Jaime Hernández, autor de la serie "Luzes", y a los argentinos Dante y Sarmiento. Y recordad que en los próximos días de nuestra sección ClubCultura encontraréis todos los textos de cada una de las tiendas.

Some reasons of the Spanish success

- Launched in 2001, www.clubcultura.com is, with 30,000 visitors per day, one of the most visited cultural websites in Spain. Its paper version (the Club Cultura Magazine) was launched in 2004
- www.clubcultura.com hosts the web sites of leading film directors, writers, artists...

El portal cultural de la Fnac

ClubCultura.com

ClubCine | ClubLiteratura | ClubHistoria | ClubMúsica | ClubFoto | Comunidad | Cultura Fnac | Servicios

Registro
Nombre:
Contraseña:
Entrar

Buscador Buscar

ClubCine

- Pacho Areoávar
- Alejandro Amenábar
- Bigas Luna
- Isabel Coixet
- Alex de la Iglesia
- Gutiérrez Alca
- Gutiérrez Aragón
- Carlos Saura
- Gonzalo Suárez
- Fernando Trueba
- Cine en Construcción
- Documentales Fnac
- El nacimiento del fauno
- Yo soy la juera
- Pádar

ClubLiteratura

- Vicente Aleixandre
- Isabel Allende

Portada: Alex de la Iglesia: DIARIO DE UN NEURÓLOGO TÉCNICO

Destacados

Elección: Un panorama del videoclip nacional que hace honor a su nombre.

Firma: EL BLOG DE JULIO DE LA ROSA

Especiales: Vicente Molina Foix: Escritor con el tercer galardón del Premio Salazar 2006 por su novela 'El silencio'.

Destroyer: Miembro de The New Pornographers, Dan Sogor publica álbum en su propia discográfica.

Nuevo Talento Fnac de Fotografía 2007

PETER CAREY / ROBERTO CALASSO / FREDERIK PIETERS / AGNÈS JAOU / VICENTE MOLINA FOIX

ClubCultura #17

La revista cultural de la Fnac

ROCK&ROLL
The Police
Guitarras en Benicàssim

ESTRELLAS INVITADAS
Halle Berry
Tom DICKLE
Jeff Tweedy

GRATIS CON ESTA EDICIÓN
EL VIDEOJUEGO 'CSI'

DOLORES O'RIORDAN
EL MILAGRO DE SER UNA CANTANTE POP

Some reasons of the Spanish success

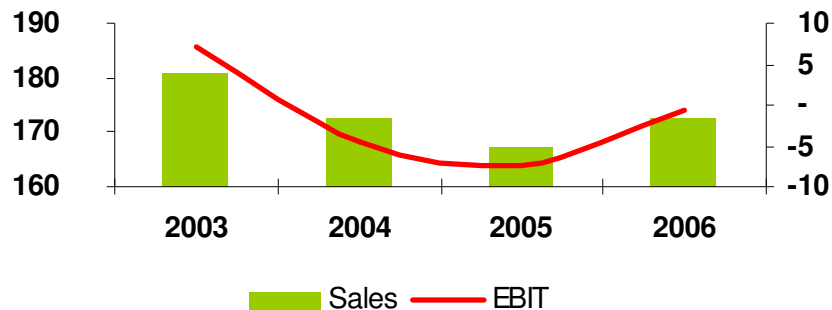
➤ Efficiency of the business model

- ❑ Since 1999, most of the administrative tasks has been centralised in the headquarters which are located in the suburbs of Madrid (Pozuelo de Alarcón): Human Resources, Finance, Marketing & Communication, Technical department, IT & Organization
- ❑ The negotiation with suppliers is centralised and done by the commercial department.
- ❑ In technical products, 100% of the assortment is selected, referenced and supplied to the stores by the Product Managers. In cultural products, each store can adapt its assortment to its customers' demands by selecting specific references in the Fnac Catalogue. These references then are ordered and supplied to the stores by the Product Managers
- ❑ All the merchandise orders are delivered in our Central Warehouse based in Rivas near Madrid (10,000 sqm), prepared and supplied to the stores every day
- ❑ Specific IT system with a great level of automation in ordering, reordering, use of EDI,..., and with a high use of data warehouse system

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Fnac Belgium



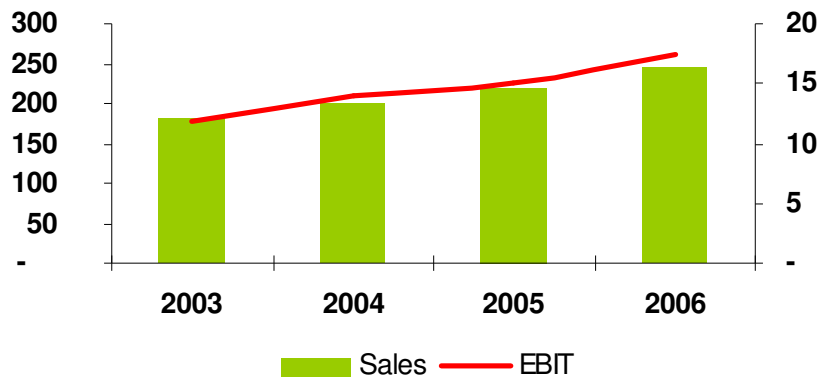
➤ Strengths:

- Fnac Belgium is nationally renowned for its wide product selection (especially in Books and CDs/DVDs), and quality advice.
- Most stores have been recently remodeled

➤ Opportunities:

- Expanding and using Members base
- Introducing new product lines (toys, etc.)

Fnac Portugal



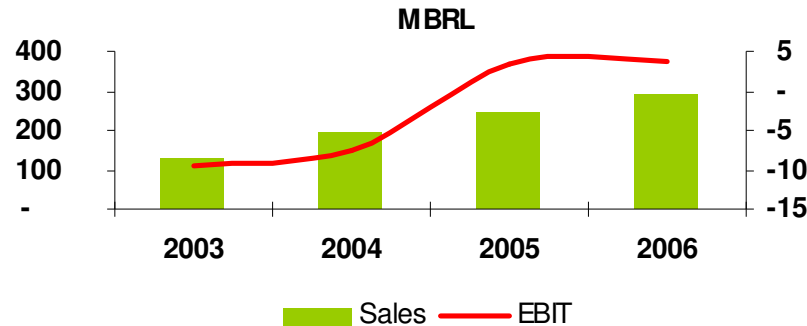
➤ Strengths:

- Most profitable (as a percentage of sales) and productive Fnac operation abroad
- Leader in CDs, Photography and Software markets, and a reference in DVDs.
- Prime locations in all leading shopping centers

➤ Opportunities:

- The Retail market in Portugal should benefit from a recent law approving expansion of retail areas nationwide
- Gaining market shares in the Books market
- Accelerating growth of the online store

Fnac Brazil



➤ Strengths:

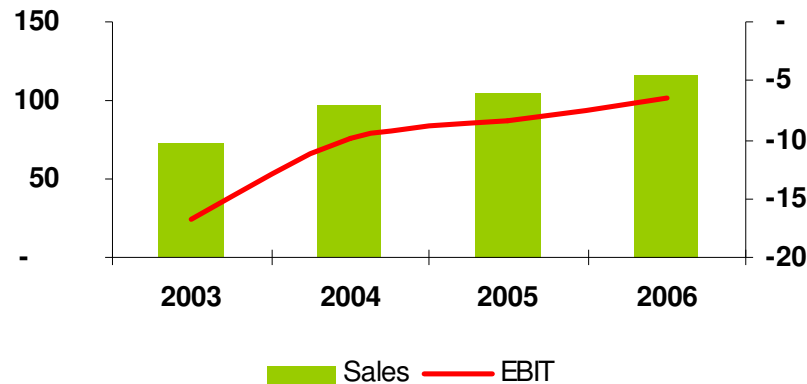
- Fastest growing Fnac operation abroad
- Largest and fastest growing Fnac online store abroad

➤ Opportunities:

- The Retail market in Brazil should benefit from improving macro-economic indicators (growth, inflation, interest rates etc.)
- Expanding the online store further
- Offering a new product line : toys and games



Fnac Italy



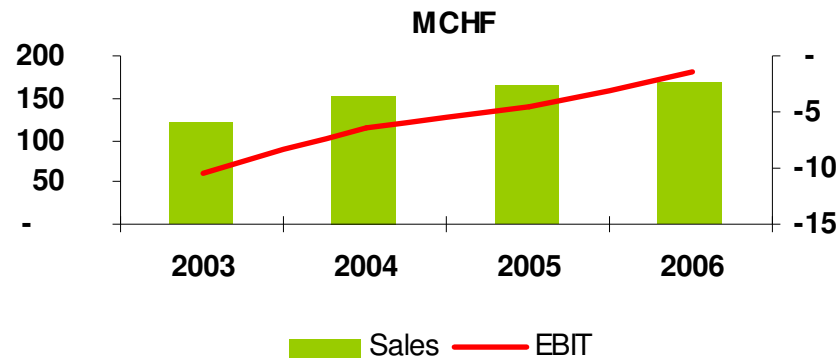
➤ Strengths:

- 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 Switzerland



➤ Strengths:

- One the most cost efficient Fnac subsidiaries abroad
- Highly performing sales team
- Very strong and active members base

➤ Opportunities:

- Potential for additional store openings in the wealthier German speaking part of the country
- Improving profitability further through strenghtened purchasing power (cf. opening of new stores)



Fnac Greece



➤ Strengths:

- Successful implementation of the Fnac concept
- Promising performance of the Maroussi store
- Leading retailer in CDs and Apple products

➤ Opportunities:

- Potential for additional store openings
- Improving profitability through diversifying purchasing channels

Agenda

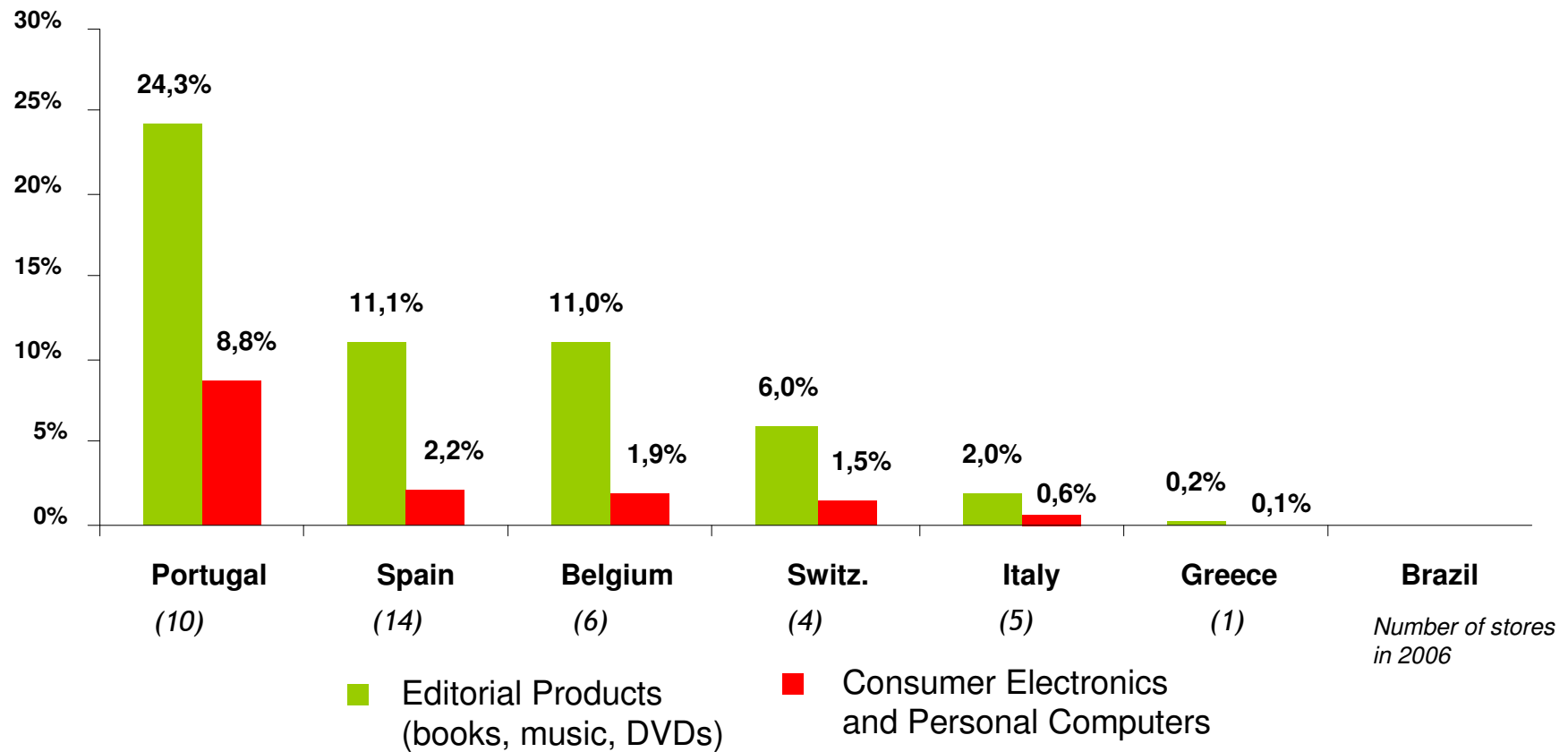
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Fnac International Strategic Priorities

1. **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

Market Share by Product Category in 2006



Fnac International Strategic Priorities

2. 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 Potential for growth (Number of stores)

	<i>Today</i>	<i>Target 2010</i>	<i>Estimated potential</i>
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 Priorities

3. 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 Priorities

4. 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:

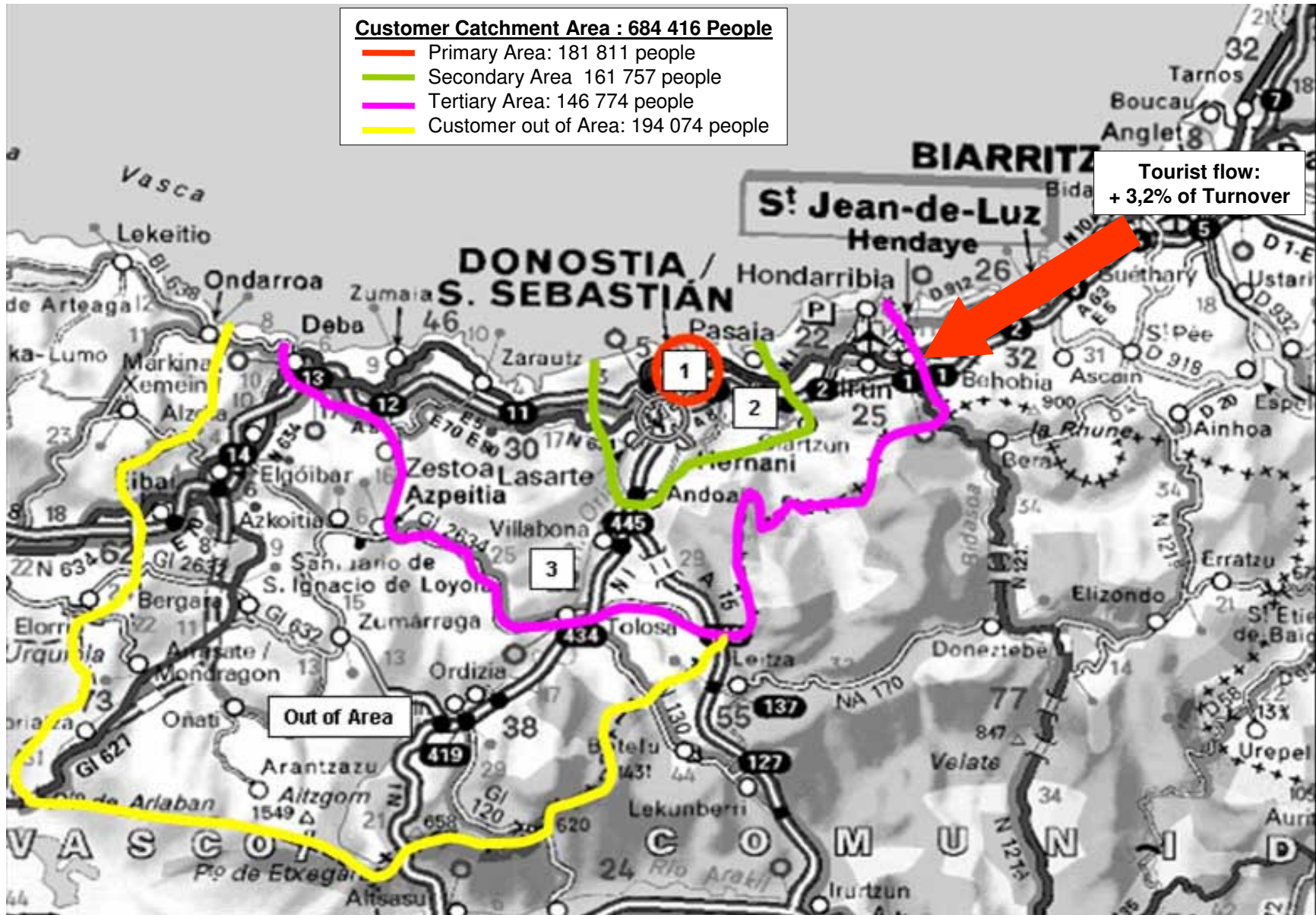
- 1. Maintain significant like-for-like sales and profitability growth**
- 2. Continue aggressive expansion of new stores**
- 3. Improve buying conditions, in particular in technical products**
- 4. Develop further Internet sales**
- 5. Continuously develop HR potential**

San Sebastian store

Customer Catchment Area : 684 416 People

- Primary Area: 181 811 people
- Secondary Area: 161 757 people
- Tertiary Area: 146 774 people
- Customer out of Area: 194 074 people

Tourist flow:
+ 3,2% of Turnover



The store

- Launched in September 2005
- Located in the new building of the food market in the heart of the city
- Commercial area of 2,075 sqm with 3 floors

2nd Floor: Books, Music, Children Area, Cafeteria/Forum

1st Floor: Technology, Movies, Cash Desks, Loyalty Card Area

Ground Floor: Information desk, Photo Laboratory, Latest Novelties

- **Key figures of 2006**
 - ❑ 473,186 visitors
 - ❑ Staff: 75 persons
 - ❑ 8,889 cardholders