

Ivry, 13th January 2012

## **FNAC ANNOUNCES AN 80 MILLION EURO COST-SAVINGS PLAN AND CONTINUES THE IMPLEMENTATION OF THE 'FNAC 2015' STRATEGY PLAN**

The worsening of the economic crisis over the last six months has led to a significant decrease in household spending in Europe, which is affecting Fnac's markets in all of the countries in which it is present. In France for example, as with the 'publications' (books, music, films and games) market, technology goods have experienced a severe decrease in popularity over the last 9 months, leading to a 15% reduction in sales of electronic goods since April\*. This economic downturn has caused a significant drop in the Group's 2011 turnover, of-3.2%, as well as a decrease of 5.4% in the performance of Fnac store sales.

Given the increased pressure on its margins and the limited room for manoeuvre in its pricing structure, Fnac expects its annual current operating income to decrease by half. With this in mind, and with the economic situation not set to improve in the coming months, **Fnac is announcing that a project aimed at generating savings of 80 million euros over the full year** has today been put forward to the Group's representative bodies.

This cost-saving project consists of **a major programme to reduce overhead**, including:

- A drastic reduction in routine expenditure
- Renegotiation of leasing costs for our entire network of stores (156)
- A general review of technical services contracts concerning headquarters, stores and logistics, in order to optimise terms and conditions.

The project also involves the suspension of recruitment in all countries, a wage restraint policy and **the cutting of 310 jobs in France.**

**These job cuts will only concern support functions** at headquarters and in stores, which will largely be reorganised. Sales staff in stores and the Fnac.com teams, which are at the heart of Fnac's development strategy, will not be affected by this project. Fnac would like this to be an exemplary plan in terms of social support.

**A plan involving voluntary redundancies will be put in place and it is management's priority to encourage staff reassignment within the Group.** This reorganisation is already leading to the creation of new jobs in the relocation of certain support functions, which will be offered as a priority to the employees concerned. At the same time, Fnac will provide support for all employees who are being made redundant in their search for employment or further training. **A comprehensive redundancy package will be put forward and discussed with staff representative bodies.**

**Outside France, the total number of positions will be reduced by 200 throughout the countries in which Fnac is present, by not replacing those staff who leave.** In addition, **foreign branches will be streamlined.** For example, the 4 stores in Switzerland will be run directly from France as of end of 2012. In Italy, where the environment is no longer conducive to Fnac-owned stores, the company is evaluating all possible options, and will make a decision at some point during the financial year.

These measures, essential for dealing with the exacerbating economic situation, will be carried out in parallel with the **implementation of the 'Fnac 2015' strategic plan**, which will keep to its original schedule.

In an effort to inject fresh momentum, the company created the **'Fnac 2015' plan** in July 2011. It aims to identify growth opportunities and to make the brand more attractive to customers. This strategy is a response to the underlying market difficulties faced by Fnac.

Thanks to several strategic partnerships being signed in 2011, important projects have been initiated and they will be implemented in 2012. To meet customers' needs in terms of convenience and availability, the expansion of the store network will be intensified with the **opening of more than ten new stores** (Fnac at Bercy in Paris, points of sale in train stations and airports, opening of new convenience formats, amongst others).

The Group will also develop its new in-store products, particularly those aimed at children and families. This development will take place within the framework of its new commercial concept, aimed at making the stores more attractive to customers by simplifying and improving the buying experience. Thus this year, **Fnac is set to open 20 'Kids' and 24 'Services' spaces, and will be introducing sections dedicated to SFR phone services in the majority of its stores.**

In an effort to win over new clients at a time when e-commerce is thriving, and to make the most of the brand's attributes, Fnac will launch its **first fnac.com terminals in stores** this year. Fnac will continue to **progressively extend multi-channel flow (click and mag, click and collect, click and relais colis (delivery points at convenience stores)). In 2012, the new fnac.com website for mobile devices will be launched.** Fnac will also continue to form a closer relationship between customer and brand with, notably, new offers for personalised services.

**Alexandre Bompard, Chairman and CEO of Fnac, said:**

"It is only by implementing its cost-savings plan and its ambitious development programme that Fnac will be able to regain its competitiveness and its ability to generate sustainable growth. In this way, it will reaffirm its position as a reference in its markets".

*\*(source: Banque de France)*

#### **About Fnac**

Fnac, a subsidiary of PPR, is the leading retailer of cultural and technology products in France. It employs more than 17,000 people and operates 158 stores (at December 2011): 85 in France and 73 elsewhere in the world (Belgium, Brazil, Spain, Italy, Portugal, Switzerland and Morocco). Its [www.fnac.com](http://www.fnac.com) website is one of the foremost BtoC e-commerce sites in France in terms of the public it reaches, with an average of 750,000 unique visitors daily. Fnac reported €4,473 million in sales in 2010.

#### **About PPR**

PPR nurtures a group of high-growth global brands distributed in more than 120 countries. PPR generated revenue of €14.6 billion in 2010 and had approximately 60,000 employees as of December 31, 2010. The PPR share is listed on Euronext Paris (FR 0000121485, PRTP.PA, PPF). Explore the PPR brand universe at [www.ppr.com](http://www.ppr.com): Luxury Goods (Gucci, Bottega Veneta, Yves Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Boucheron, Girard-Perregaux, JeanRichard, Sergio Rossi and Stella McCartney), Sport & Lifestyle (Puma, Volcom, Cobra, Electric and Tretorn), Fnac and Redcats.

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