Press release

Ivry-sur-Seine, 25 October 2015

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THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE, NOR AS TO THE TERMS ON WHICH ANY OFFER WILL BE MADE

Based on the Quantified Financial Benefits Statement, the acquisition of Darty by Fnac could generate €85 million of annual synergies

The Proposed Transaction has received support from key shareholders of Darty

Further to its announcement on 30 September 2015 regarding a possible offer (the "Proposed Transaction") for Darty plc ("Darty"), Groupe Fnac SA ("Fnac") has continued to analyse the key benefits of the Proposed Transaction. In this context, and in accordance with Rule 28 of the Code, Fnac has engaged Ernst & Young LLP ("EY") to report on its Quantified Financial Benefits Statement ("QFBS"). Fnac has received this report today.

The QFBS, as prepared by Fnac, as well as the related reports by EY and N M Rothschild & Sons Limited ("Rothschild") are included in Appendices I, II and III of this announcement.

As set out in the QFBS, the Proposed Transaction will result in compelling financial benefits for the combined group, including synergies, on a pre-tax basis, of at least €85 million per annum. This amount is premised upon Fnac's intention to maintain the existing Fnac and Darty store networks following the completion of any Proposed Transaction. It does not include any revenue synergies that may arise from any potential combination and does not take account of the impact of any remedies that may be imposed by the competition authorities in France or Belgium.

The actual completion date of the Proposed Transaction will be dependent in part on the extent of the review procedures by the Competition Authorities. Assuming a transaction completion no later than September 2016, approximately 10% of these synergies would be realised in 2016, rising to 60% in 2017, 95% in 2018 and 100% thereafter.

The one-off costs to deliver these savings – including additional capital expenditures – are expected to total approximately €65 million.

As set out in the QFBS, the aggregate annual amount of synergies of €85 million is expected to be split as follows:

- Approximately half of the identified savings are expected to arise from purchasing synergies, in the retail categories of brown goods, grey goods and small domestic appliances in which both Fnac and Darty operate;
- The other half of the identified savings are expected to arise notably from optimisation of warehousing and transport activities, from the integration of certain headquarter and support functions within the UK, France and Belgium, and from savings in procured services.

This quantum of synergies, compiled in accordance with the Code, reinforces Fnac's belief that the Proposed Transaction represents a unique value creation opportunity for both groups and their respective shareholders.

In addition, Fnac announces that it has received shareholder support from holders of 23.63% of the issued share capital of Darty.

Knight Vinke Asset Management LLC, the holder of 75,974,709 Darty shares (equating to 14.34% of the share capital of Darty) has provided Fnac with an irrevocable undertaking to support the Proposed Transaction. Fnac has also received a letter of intent from DNCA Finance S.A. the holder of 35,283,000 Darty shares (equating to 6.66% of the share capital of Darty) and 13,950,000 cash-settled derivative instruments (being 2.63% of the capital of Darty) to support the Proposed Transaction. Therefore, in aggregate, Fnac has received support from holders of 23.63% of the share capital of Darty.

Further details regarding the shareholder support referred to above can be found in Appendix IV of this announcement.

*

*   *

Fnac believes that the combination of Fnac and Darty constitutes a compelling strategic and financial opportunity for both groups by creating a leader in the French electronics, editorial and home appliances retail market, and encourages both the Board of Directors of Darty and Darty shareholders to support its efforts to work towards a recommended transaction.

Fnac notes that it is required, by not later than 5.00 p.m. (London time) on 28 October 2015 to announce either a firm intention to make an offer for Darty in accordance with Rule 2.7 of the Code or that it does not intend to make such an offer.

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Majid Ishaq
Cyril de Mont-Marin

N M Rothschild & Sons Limited ("Rothschild"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Fnac and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Fnac for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Ondra Partners (Fnac financial adviser) Tel: 020 7082 8750
Benoit d'Angelin
Robert Hingley

Ondra LLP ("Ondra"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting for Fnac and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Fnac for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Important Notice

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available for inspection on Fnac's website at www.groupe-fnac.com no later than 12 noon on the business day following the date of this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

The distribution of this announcement in jurisdictions outside France and the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Disclosure requirements of the Code

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

As required by Rule 28.1(a) of the Code, Ernst & Young, as reporting accountants to Fnac, have provided a report (the summary findings of which are set out in Appendix II) stating that, in their opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition, Rothschild as financial advisers to Fnac have provided a report (set out in Appendix III) stating that, in their opinion, and subject to the terms of the report, the Quantified Financial Benefits Statement, for which the Directors of Fnac are responsible, has been prepared with due care and consideration.

Copies of these reports are included in the Appendices below. Each of Ernst & Young, Rothschild have given and not withdrawn consent to the publication of its report in the form and context in which it is included.

Notes

The statements regarding Synergy Potential relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the synergies referred to may not be achieved, or may be achieved sooner or later than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this announcement generally, should be construed as a profit forecast or interpreted to mean that Fnac's earning in year to 31 December 2015, or in any subsequent period, would necessarily match or be greater than or be less than those of Fnac for the relevant preceding financial period or any other period.

About Groupe Fnac – www.groupe-fnac.com

Groupe FNAC is a leading French retail distributor of entertainment and leisure products (including consumer electronics) and a notable player in several other countries in which it operates (e.g., Spain and Portugal), and also has a number of stores in Brazil, Belgium, Switzerland and Morocco.

At year-end 2014, Groupe FNAC's multi-format network included a total of 186 stores (114 of which were located in France). The Group's network also includes e-commerce websites, including Fnac.com, the third largest French e-commerce website based on average unique visitors (c. 11 million unique visitors per month). An established multi-channel player, Groupe FNAC's consolidated revenues totaled €3.9 billion in 2014 and it had more than 14,500 employees.

In accordance with Rule 2.10 of the Code, Fnac announces that as at the close of business on 23 October 2015 its issued share capital consisted of 16,687,774 ordinary shares of €1 each.

The International Securities Identification Number for Fnac's ordinary shares is: FR0011476928.

APPENDIX I

QUANTIFIED FINANCIAL BENEFITS STATEMENT

This announcement contains statements of estimated cost savings arising from the synergies of the Proposed Acquisition (together, the "**Quantified Financial Benefits Statement**").

A copy of the Quantified Financial Benefits Statement is set out below:

> *"The Board of Groupe FNAC SA believes that the Combination will result in compelling financial benefits to the Combined Group, including total annual pre-tax cost savings of at least €85 million per annum. This excludes any revenue synergies that may arise from the merger.*
>
> *Approximately 10% of the savings are expected to be realised in fiscal year 2016 assuming a transaction completion in September 2016 at the latest, rising to 60% in 2017, 95% in 2018 and 100% thereafter.*
>
> *The one-off costs, including capex, to deliver these savings are expected to total approximately €65m.*
>
> *The Board recognises that review of the Combination by the French and Belgian Competition Authorities may give rise to dis-synergies. The Board will not be in a position to quantify the financial impact of any such dis-synergies until the French and Belgian Competition Authorities have completed their work."*

Sources and phasing of synergies

The principal sources of quantified synergies are expected to be as follows:

- Approximately half of the identified savings are expected to arise from synergies in the cost of sales of goods for retail sale, in the retail categories of brown goods, grey goods and small domestic appliances in which both FNAC and Darty are represented.
- Approximately half of the identified savings are expected to arise from synergies, including rent and other infrastructure costs, from optimization of warehousing and distribution activities, from the integration of certain headquarters and back-office support functions within the UK, France and Belgium, from savings in procured services supporting the two store networks and from savings in advertising expenses.

FNAC has identified these synergies in the context of their intent to maintain independent market presence and store networks for the brands of FNAC and Darty.

The phasing of the cost savings described above assumes, for these purposes, that completion of the Combination occurs in September of 2016 at the latest. The actual completion date will be dependent in part on the extent of the procedures to be implemented by the French and Belgian Competition Authorities.

It is expected that the realisation of the identified synergies will require estimated one-off cash costs of approximately €65m, including capex, largely occurring in fiscal years 2017 and 2018.

Sources of information

In preparing the Quantified Financial Benefits Statement, FNAC has used an experienced team of senior management from across its business.

FNAC has based its assessment of the expected savings on its own organizational and cost structures, industry knowledge, on its previous restructuring programmes and on publically available information including the Darty website, press releases, annual report and accounts, public reporting and analysts' research.

Bases of belief

In identifying the costs savings, FNAC has formulated the following principal bases of belief supporting the statement:

- FNAC and Darty have overlap in their retail offerings and supplier bases in the brown and grey goods segments and in small domestic appliances. Synergies can therefore be realised through the consolidation of procurement activities in these segments.

- FNAC and Darty are both listed companies and have similar leadership and governance structures. Synergies can therefore be realised through consolidation of corporate leadership, corporate governance and the activities associated with public listing.

- FNAC and Darty both operate within the specialist retail sector and have similar organisational requirements for support to their operations. Synergies can therefore be realised through the integration of certain back-office support functions.

- Synergies can be realised through the combination of the warehousing and distribution networks of FNAC and Darty in France and Belgium.

- Synergies can be realised through the consolidation of procurement and management of third party support services to the FNAC and Darty store operations.

Procedures performed

FNAC carried out the following procedures to identify the potential quantum and phasing of the merger benefits within the areas above:

- Considered the organisation structures and future operating model of the combined business.

- Developed hypotheses in each merger benefit area, identified the addressable costs and the potential quantum of each synergy.

- Validated these hypotheses through internal discussion, through review of publically available information and through consideration of FNAC's own track record of identifying and delivering costs savings within each merger benefit area.

For the purpose of FNAC's synergy assessment, the pro forma baseline cost of the Combination was considered to be €7,140m, being the sum of the last full fiscal year operating costs, exclusive of depreciation and amortisation, of Groupe FNAC SA (for fiscal year to 31 December 2014) and of Darty plc (for fiscal year to 30 April 2015).

Dis-synergies

FNAC believes that dis-synergies may arise as result of review of the Combination by the French and Belgian Competition Authorities. The actual scope and financial impact of any such dis-synergies will be dependent on the outcome of their review.

Additional information

In arriving at the estimate of synergies, FNAC has made the following additional assumptions:

- There will be no significant impact on the underlying operations of either business or their ability to win business from customers; and

- There will be no material changes to macroeconomic, political or legal conditions in the markets or regions in which FNAC and Darty operate that materially impact on the implementation or costs to achieve of the proposed cost savings.

FNAC considers that the expected synergies will only accrue as a direct result of FNAC being combined with Darty and would not be achieved on a standalone basis.

Reports

As required by Rule 28.1(a) of the Takeover Code, Ernst & Young LLP ("EY") and N M Rothschild & Sons Limited have each provided a report in respect of the Quantified Financial Benefits Statement.

Copies of these reports can be found in Appendices II and III.

Each of Ernst & Young LLP and N M Rothschild & Sons Limited has given and has not withdrawn its consent to the publication of its report in this announcement in the form and context in which it is included.

Important Notes

1. *The statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated or those achieved could be materially different from those estimated.*

2. *Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.*

3. *No statement in the Quantified Financial Benefits Statement, or in this announcement generally, should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following a merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Groupe FNAC SA and/or Darty for the relevant preceding financial period or any other period.*

APPENDIX II

Report from Ernst & Young LLP

Ernst & Young LLP
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ey.com

25 October 2015
Your ref:
Our ref:

The Board of Directors
Groupe FNAC S.A.
9 rue des Bateaux-Lavoirs
94200 Ivry-sur-Seine
France
Attention: Matthieu Malige, Secrétaire Général

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London
United Kingdom
EC4N 8AL
Attention: Majid Ishaq, Partner

Dear Sirs

We refer to the statement regarding the estimate of cost savings ("the Statement") made by Groupe FNAC S.A. ("the Company"). The Statement, including the relevant bases of belief (including sources of information) is set out in Appendix I of the Announcement issued by the Company dated 25 October 2015. This report is required by Rule 28.1(a)(i) of The City Code on Takeovers and Mergers (the "City Code") and is given for the purpose of complying with that rule and for no other purpose.

Responsibility

It is the responsibility of the directors of the Company ("the Directors") to prepare the Statement in accordance with the requirements of the City Code.

It is our responsibility to form an opinion as required by the Code as to the proper compilation of the Statement on the basis stated and to report that opinion to you.

It is the responsibility of N M Rothschild & Sons Limited to form an opinion as required by the City Code as to whether the Statement has been prepared with due care and consideration.

Save for any responsibility that we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume and responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with, this report.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting 1000 (Investment Reporting Standards applicable to all engagements in connection with an investment circular) issued by the Auditing Practices Board in the United Kingdom. We have discussed the Statement together with the relevant bases of belief (including sources of information) with the Directors and with N M Rothschild & Sons Limited. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

We do not express any opinion as to the achievability of the cost savings identified by the Directors.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Statement has been properly compiled on the basis stated.

Yours faithfully

Ernst & Young LLP

APPENDIX III

Report from N. M. Rothschild & Sons Limited

The Directors
on behalf of Groupe Fnac S.A.
9, rue des Bateaux-Lavoirs
94868 Ivry-sur-Seine

25 October 2015

Dear Sirs,

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "**Statement**"), for which the Board of Directors of Fnac (the "**Directors**") are solely responsible under Rule 28 of the City Code on Takeovers and Mergers (the "**Code**").

We have discussed the Statement (including the assumptions and sources of information referred to therein), with the Directors and those officers and employees of Fnac who developed the underlying plans. The Statement is subject to uncertainty as described in this Announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by, or on behalf of, Fnac, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by the Directors.

We have also reviewed the work carried out by Ernst & Young LLP and have discussed with them the opinion set out in the Statement addressed to the Directors and ourselves.

This letter is provided to the Directors solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Fnac or its shareholders or any person other than the Directors in respect of the contents of this letter; no person other than the Directors can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person in respect of this letter, its results, or the work undertaken in connection with this letter, or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which the Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

N. M. Rothschild & Sons Limited

APPENDIX IV

DETAILS OF IRREVOCABLE UNDERTAKINGS

Name of Darty Shareholder	Number of Darty Shares	Percentage of Darty issued share capital
Knight Vinke Asset Management	75,974,709	14.34%

DETAILS OF LETTERS OF INTENT

Name of Darty Shareholder	Number of Darty Shares	Percentage of Darty issued share capital
DNCA Finance S.A	35,283,000 ordinary shares 13,950,000 cash-settled derivatives	6.66% of the capital 2.63% of the capital

(1) Fnac has received an Irrevocable Undertaking from Knight Vinke Asset Management LLC ("Knight Vinke"), in the event that the Proposed Transaction is implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme"), to vote in favour of the Scheme, or, in the event that the Proposed Transaction is to be implemented by way of a contractual offer as defined in Chapter 3 of Part 28 of the Companies Act 2006 (the "Offer"), to deliver fully executed forms of acceptance in respect of the Offer (the "Irrevocable Undertaking"). The Irrevocable Undertaking will automatically terminate if (i) an announcement in accordance with Rule 2.7 of the Code is not released by 5:00 p.m. on 28 October 2015 (or such later time as may otherwise be agreed or permitted under Rule 2.6 of the Code); (ii) the Scheme does not become effective, or lapses in accordance with its terms (or, if applicable, the Offer does not become or is not declared wholly unconditional, or lapses in accordance with its terms); (iii) Fnac announces, with consent of the Takeover Panel, that it does not intend to proceed with the Proposed Transaction; or (iv) a third party announcement is made, in accordance with Rule 2.7 of the Takeover Code, of a competing transaction (or thereafter a revision to a competing transaction is announced) on terms which represent an improvement of greater than 30 per cent. of the value of the Proposed Transaction, determined as at the date on which the competing transaction is announced, provided that Fnac has not announced an improvement to the terms of the Proposed Transaction, within 10 business days, such that the terms of the improved offer are at least as favourable with regard to the value of the consideration offered pursuant to the terms of the competing transaction. In addition, the Irrevocable Undertaking will cease to be effective if, the investors, whose funds Knight Vinke Asset Management LLC manage, withdraw their mandates or adjust their investment instructions. In such circumstances, the number of shares which are subject to the Irrevocable Undertaking shall be reduced accordingly.

(2) Fnac has received a letter of intent from DNCA Finance S.A. confirming its intention, in the event that the Proposed Transaction is implemented by way of a Scheme, to vote in favour of the Scheme, or, in the event that the Proposed Transaction is to be implemented by way of an Offer, to deliver fully executed forms of acceptance in respect of the Offer.