



CECONOMY

Investor Presentation

February 2019

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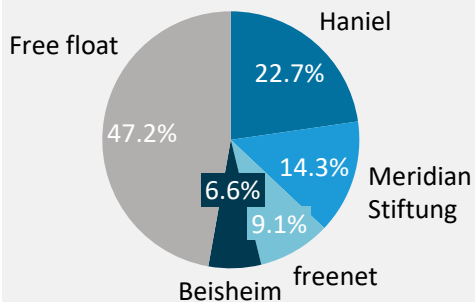
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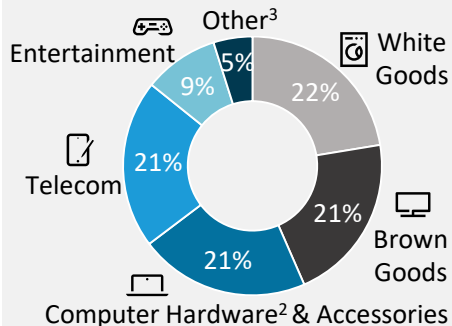
CECONOMY at a glance

CECONOMY at a glance

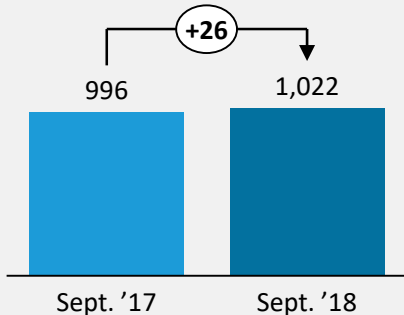
Shareholder structure¹



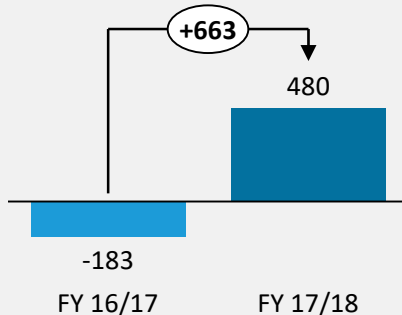
Product category breakdown



Number of stores



Free Cash Flow (in €m)

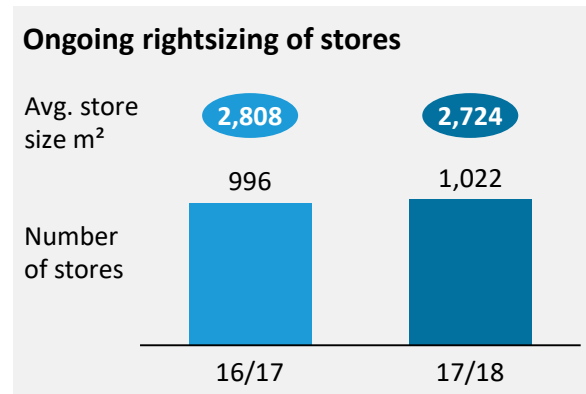
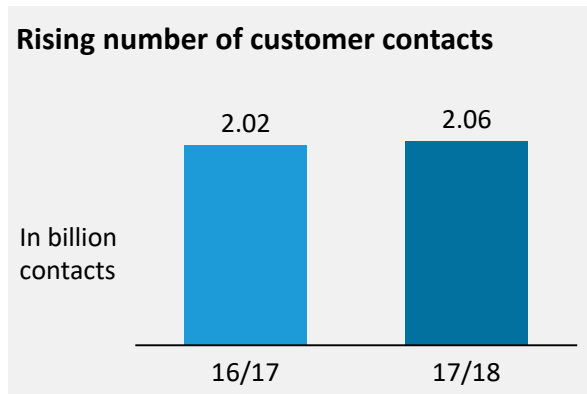
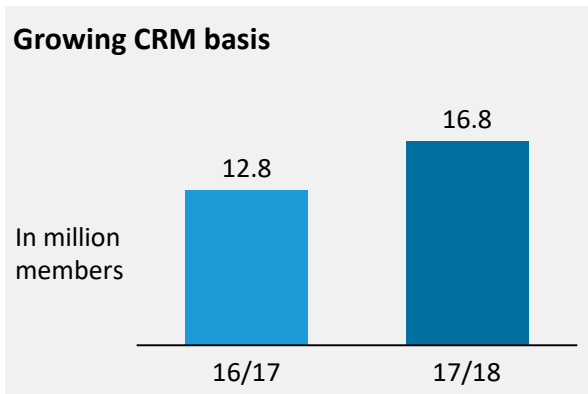
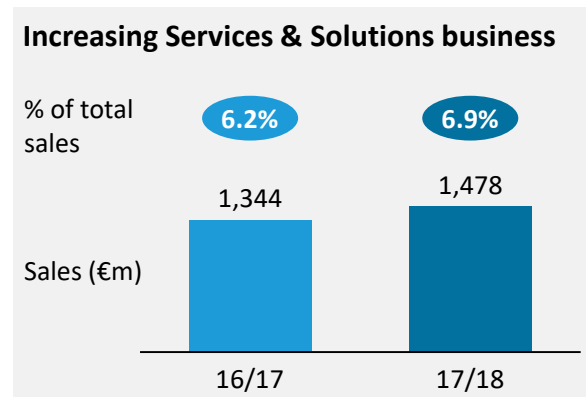
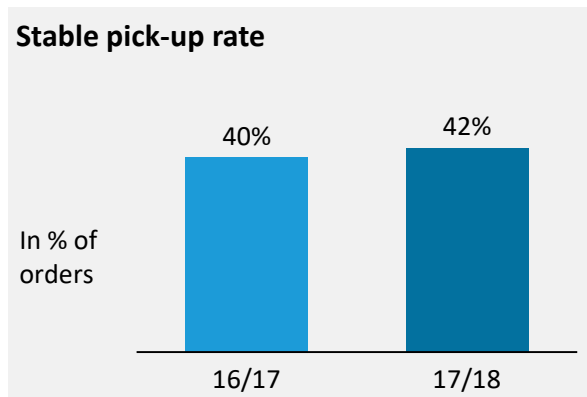
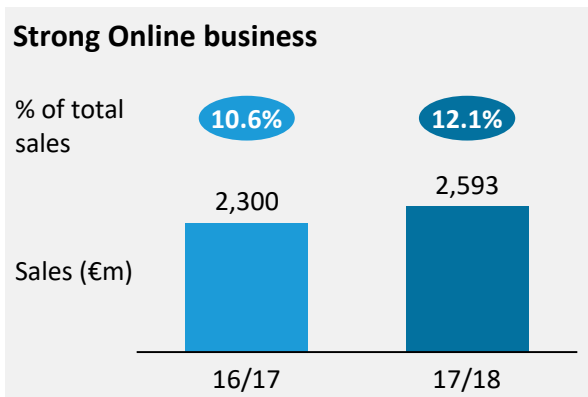


Highlights

- Europe's largest Consumer Electronics platform
- €21.4bn of sales and €650m EBITDA in FY 17/18
- More than €2.5bn online sales and €1.4bn sales in Services & Solutions in FY 17/18
- Leading position in 8 out of 14 countries
- 2 strong brands: MediaMarkt and Saturn
- Fully multi-channel and digitally-enabled 1,000+ store network
- Solid financial framework
- Minority investments in Fnac Darty (c.24%) and M.video (c.15%)

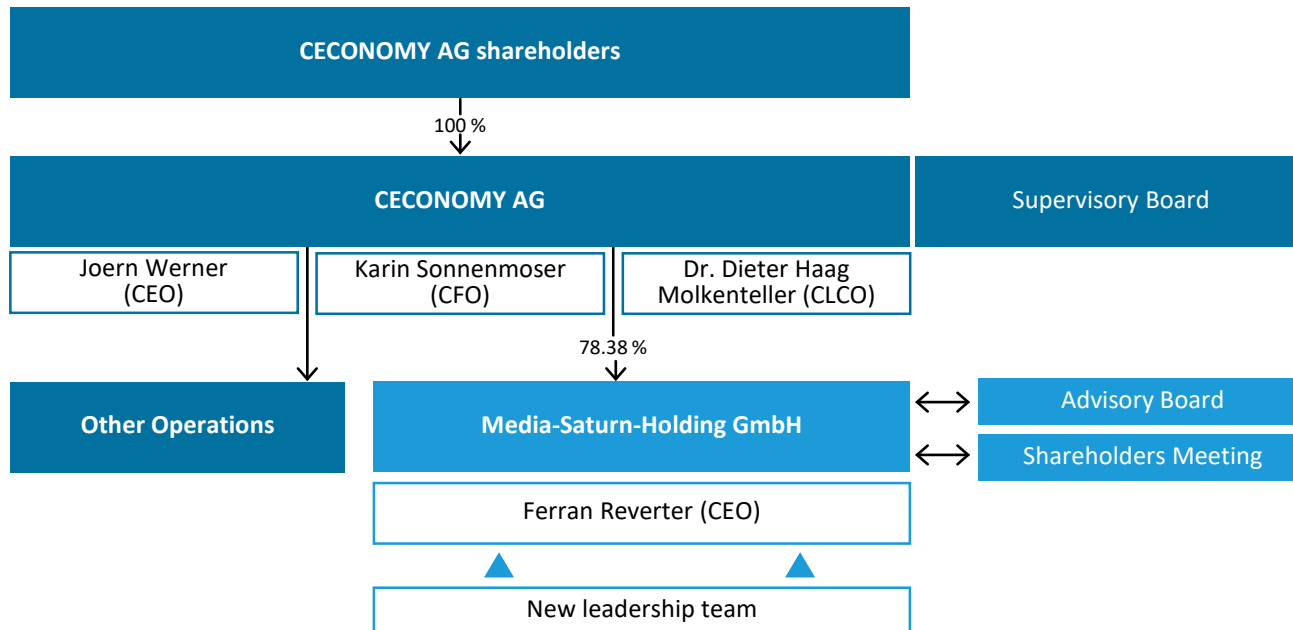
¹Calculated on the basis of the number of voting rights in disclosures pursuant to section 40 para. 1 sentence 1 WpHG; ²Telecommunication devices such as iPads without SIM card included; ³Includes in essence Photo&Office equipment.

Solid progress in the Online and Services & Solutions business



Note: Business figures represent the continuing operations of CECONOMY, i.e. excl. the Russian MediaMarkt business. CRM data for Poland not included due to change to new CRM IT platform.

Personnel changes at CECONOMY successfully concluded – new CEO and CFO start on 1 March 2019



Why invest in CECONOMY?

#1

CECONOMY IS THE LEADER IN MULTI-CHANNEL AND SCALE

#2

CECONOMY HAS A STRONG FINANCIAL PROFILE

#3

CECONOMY HAS THE POTENTIAL TO INCREASE MARGINS AND FREE CASH FLOW GENERATION

#4

CECONOMY HAS THE POTENTIAL TO LEAD THE RETAIL CONSOLIDATION AND TRANSFORMATION IN THE FUTURE

Mid-term targets

Sales¹



>3% CAGR

EBITDA margin



direction 5%

Tax rate



direction 40%

Investments²



1.5% of sales

FCF conversion³



60-70%

Dividend pay-out ratio⁴



45-55%

¹ At constant currency before portfolio effects. CAGR = Compound Annual Growth Rate. ² Cash investments. ³ Free Cash Flow conversion defined as EBITDA less cash investments plus/minus changes in net working capital divided by EBITDA; EBITDA adjusted for investment in Fnac Darty stake. ⁴ % of EPS.

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Q1 2018/19 Results

Stabilization of earnings supported by better managed Black Friday, but transformation ongoing



Sound sales momentum with market share gains



Improved steering of Black Friday period resulting in higher November and December earnings which fully compensated weaker October earnings



Improved Net Working Capital position



Weaker earnings in October were still impacting Q1 results



Expenses related to top management changes weighed on reported earnings

Solid performance in Q1 across all major financial indicators

+2.8%

fx-adjusted

**Positive sales
development
over all segments**

+1,097 €m

vs. September

**Change in NWC
–120 €m lower
than PY, but
better than
expected**

326 €m

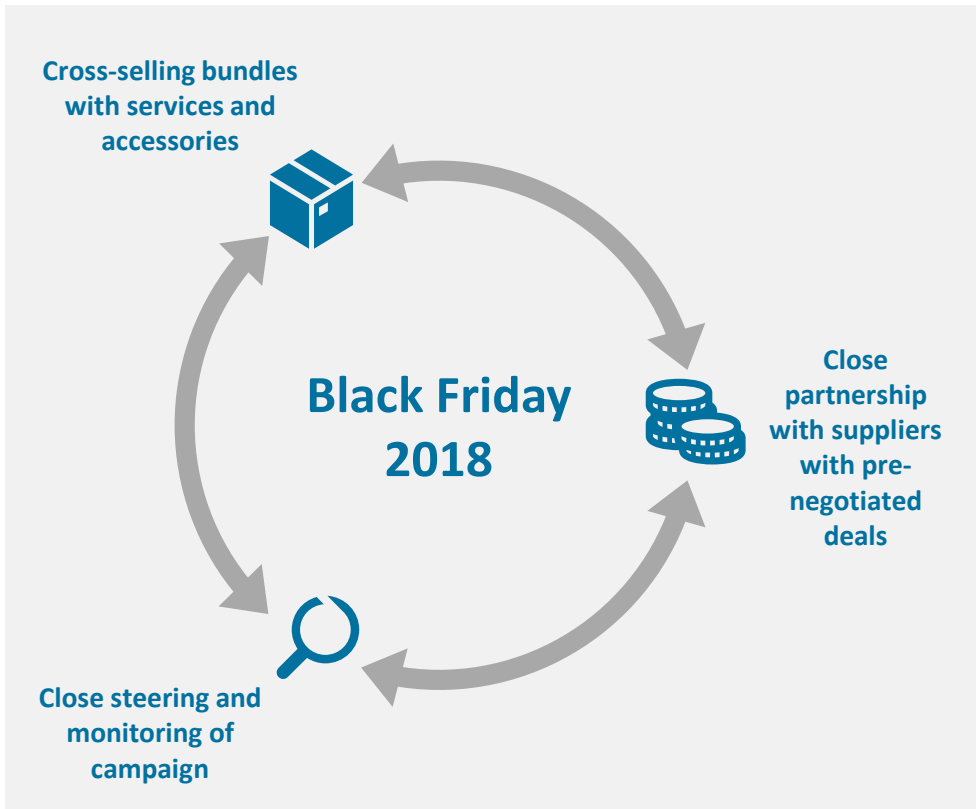
**EBITDA*
+18 €m above PY**

269 €m

**EBIT*
+15 €m above PY**

*EBIT/DA excl. Fnac Darty and excl. expenses for restructuring and management changes.
Note: Change in Net Working Capital (NWC) acc. to Cash Flow Statement. PY = prior year.

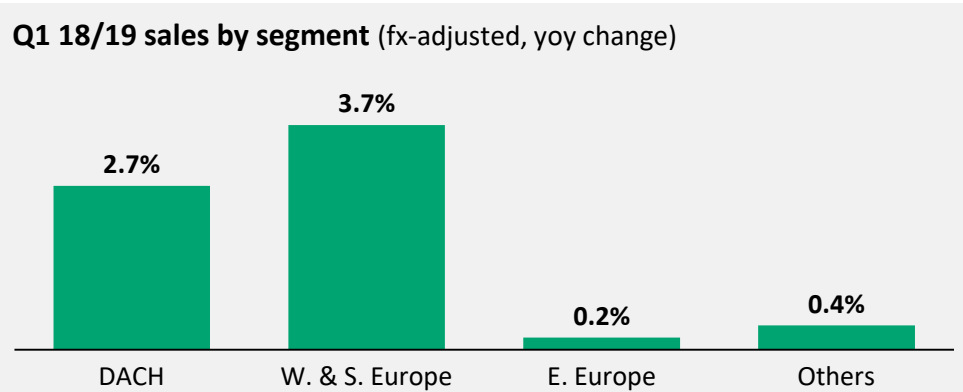
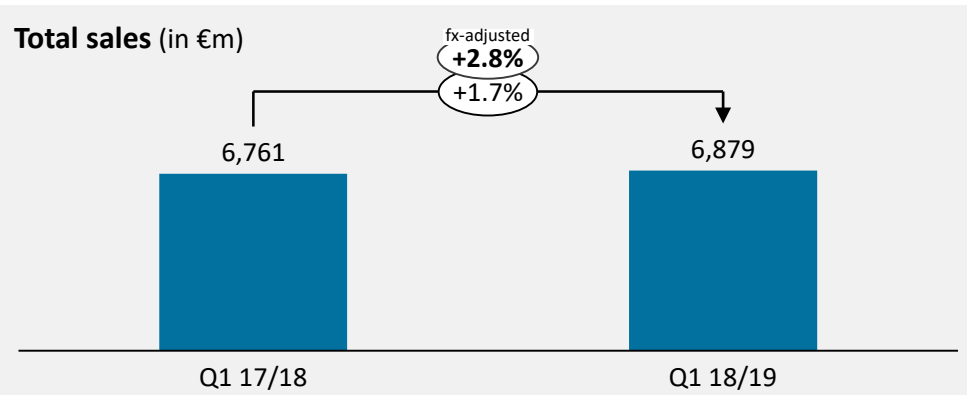
Black Friday with better results due to better planning and steering



Highlights

- Record sales day on Black Friday, particularly in Germany
- Double-digit brick & mortar sales growth and substantial increase in online order volume
- Centrally initiated activity planning and active best practice sharing by country organization
- Early negotiations with strategic suppliers contributed most to margin improvement
- Improved steering of pre- and post-campaign period

Successful Black Friday campaigns fully compensated expected lower sales in December



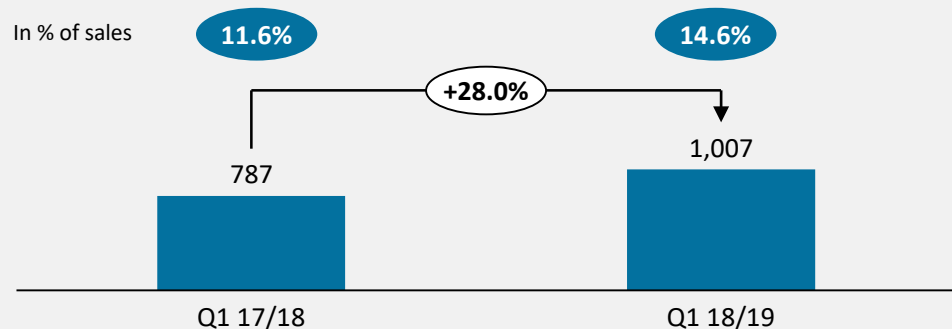
Highlights

- Overall market share gains
- **DACH:** Positive development in Germany driven mainly by Black Friday; stabilization of sales in Switzerland
- **Western & Southern Europe:** Strong growth in Spain and Italy supported by Black Friday and pre-campaigns in October
- **Eastern Europe:** Sales uplift in Turkey mainly driven by expansion; Poland mainly impacted by competitive market environment
- **Others:** Stable development in Sweden

Online and Services & Solutions business with strong growth rates

Online Sales (in €m)

In % of sales



Services & Solutions sales excl. IFRS 15 (in €m)

In % of sales

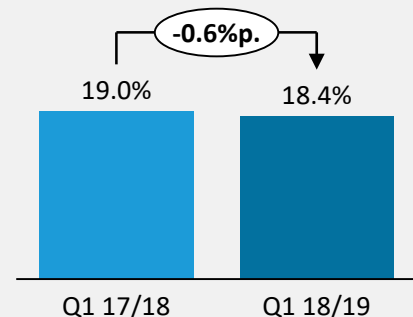


Highlights

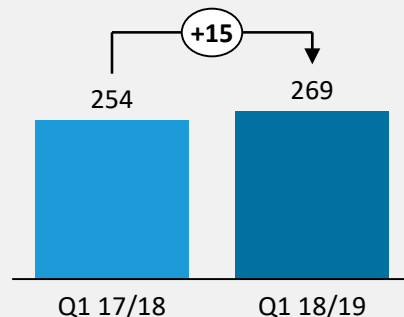
- Online sales increased with **accelerated growth rate** supported by Black Friday sales
- Online LTM accounted for **13.1% of total sales** vs. 11.1% in the prior-year period
- **Slightly higher pick-up rate** at around 43% vs. 42% in the prior-year period
- **Solid demand** for insurances and repair services
- Services & Solutions LTM accounted for **7.0% of total sales** vs. 6.3% in the prior-year period
- Services & Solutions sales **impacted by first-time application of IFRS 15** (c. –80 €m)

Earnings excl. expenses for management changes supported by operational improvements and positive one-off items

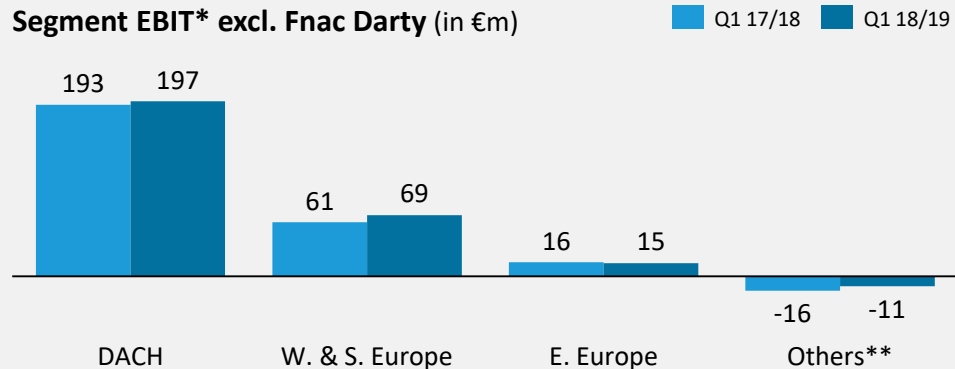
Gross margin



EBIT* excl. Fnac Darty (in €m)



Segment EBIT* excl. Fnac Darty (in €m)



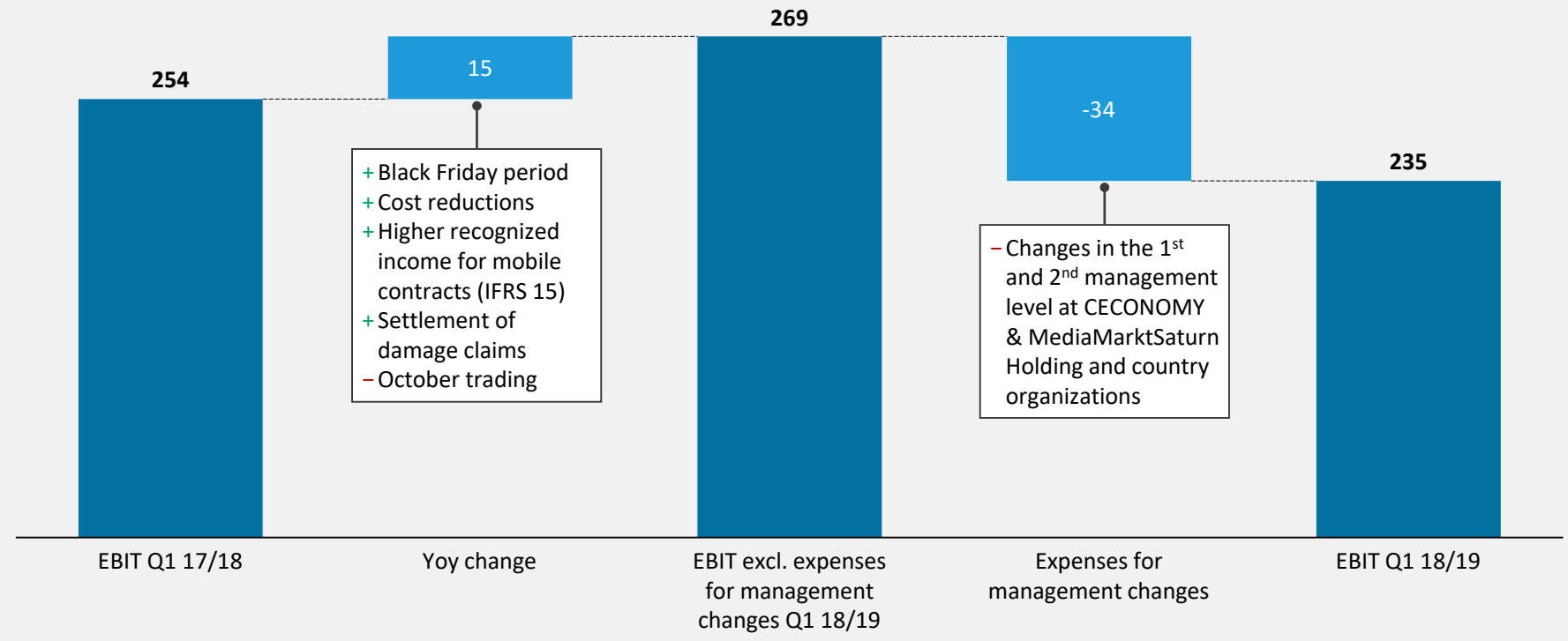
*EBIT excl. expenses for restructuring and management changes. **Others: Including consolidation.

Highlights

- **DACH:** Better managed Black Friday and cost reductions overcompensated weaker earnings in October
- **Western & Southern Europe:** Higher earnings in Italy mainly driven by sales growth and lower location and personnel costs
- **Eastern Europe:** Poland benefited from positive non-recurring items that largely compensated decline in Turkey
- **Others:** Stabilization of earnings in Sweden
- Positive effects from higher recognized income for mobile contracts (IFRS 15) and settlement of damage claims

Operational gains, but higher expenses for top management changes

EBIT excl. Fnac Darty (in €m)



EPS almost on par with prior year despite lower EBIT/DA and higher share count

€m	Q1 2017/18	Q1 2018/19	Change
EBITDA	308	291	-17
EBIT	253	234	-19
Net financial result	2	1	-1
Earnings before taxes	255	235	-20
Income taxes	-116	-88	28
Tax rate	45.3%	37.4%	-7.9%p.
Profit or loss for the period	140	147	7
Non-controlling interest	35	40	4
Net result	104	107	3
EPS (in €)	0.32	0.30	-0.02

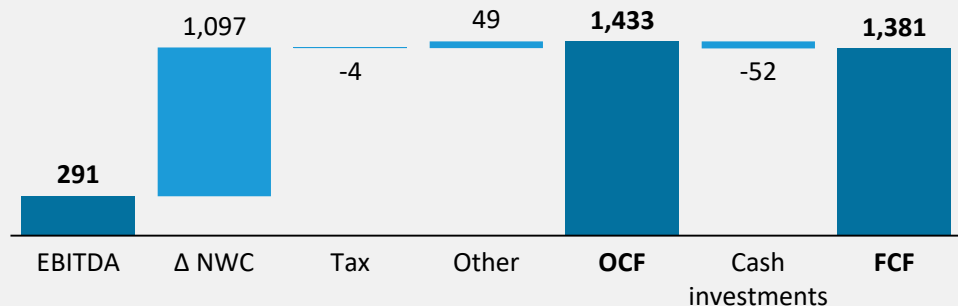
Note: Reported EBIT/DA incl. Fnac Darty and expenses for restructuring and management changes.

Highlights

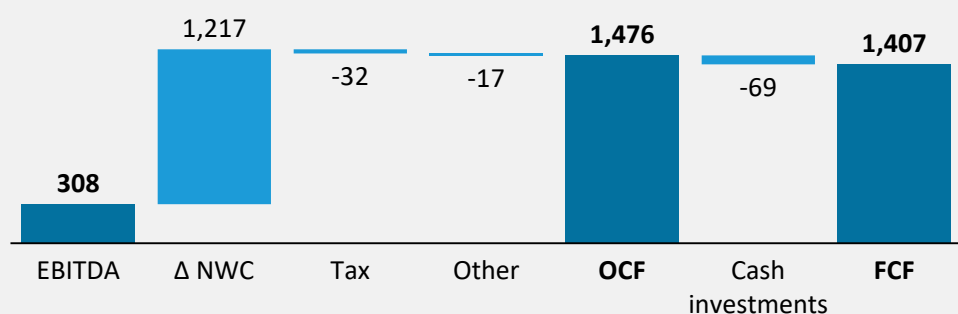
- **Reported earnings** impacted by expenses for restructuring and management changes
- High tax rate in prior year mainly due to tax risk provisions at the level of Media-Saturn-Holding; **decline in tax rate** also influenced by tax optimization implemented in prior year
- **Reported EPS** almost on par with prior year despite lower EBIT/DA and higher share count
- **EPS** excluding expenses for management changes at 0.37 €

Free Cash Flow broadly in line with prior year's level

Q1 2018/19: Free Cash Flow (in €m)



Q1 2017/18: Free Cash Flow (in €m)



Highlights

- **Lower change in NWC** mainly driven by lower rise in trade payables due to active cash management, but high positive impact from stock reduction
- **Lower cash taxes** driven by tax optimization in FY 17/18
- **Other OCF** mainly benefited from lower trade tax receivables
- **Cash investments** declined by -17 €m yoy also due to more selective expansion and modernization activities

CECONOMY manoeuvres through a transition year in FY 18/19

Underlying assumptions for 18/19 still valid



- Solid Q1 **supports achievement of full-year targets**
- **Headwinds** from positive non-recurring effects in previous full year
- **Positive impacts from strategic initiatives** to become visible only gradually

Year of transition



- **Reorganization and optimization program** initiated
- Transformation will require **initial investments**
- Full level of **restructuring-related expenses** still to be determined

Outlook for FY 18/19 confirmed

- Adjusted for exchange rate effects and before portfolio changes
- Excludes expenses in connection with the restructuring and optimization of structures and business processes
- Excludes expenses for already announced management changes in top management

€m	FY 17/18	FY 18/19
Total sales	21,418	Slight increase
EBITDA (excl. Fnac Darty)	630	Slight decline
EBIT (excl. Fnac Darty)	399	Slight decline
Fnac Darty profit share	21	Mid double-digit €m amount (based on consensus estimate)
Net Working Capital		Moderate decline

Included non-recurring effects such as:

- Re-assessment of inventory costs
- Valuation of gift card liabilities
- Pension income

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Strategy and Operations

Full focus on the implementation and acceleration of our strategic initiatives



DIGITAL GROWTH

- Improve conversion through optimized user experience and customer journey (e.g. by improving average load times, recommendation share)
- Improve online margins by pushing relevant online services
- Refocus marketing investments and leverage data analytics to drive customer acquisition and retention

ONGOING



SERVICES & SOLUTIONS

- Use country best practices to improve attach rates in existing services portfolio
- Implement new proposition for insurances and extended warranties
- Further ramp-up of Smartbars
- Ramp-up at-home tech support
- Drive recurring revenue models through own billing platform for e.g. security software

ONGOING



CATEGORY & SUPPLY CHAIN MANAGEMENT

- Deploy new, group-wide category management approach
- Roll-out central planning and replenishment
- Centralize supply chain and implement central warehouses with shared stock
- Improve last mile offerings and management of providers

GRADUAL PROGRESS



ORGANIZATION & COST STRUCTURE

- Build new management structures and processes
- Redesign store and HQ organizations as part of centralization initiatives
- Optimize and challenge store portfolio to reduce location costs
- Drive general cost reductions (e.g. indirect spend)

SHORT TERM

This transformation will require initial investments involving restructuring expenses



Requires investments in terms of both money and time



Continue to invest in the future which is about customer experience



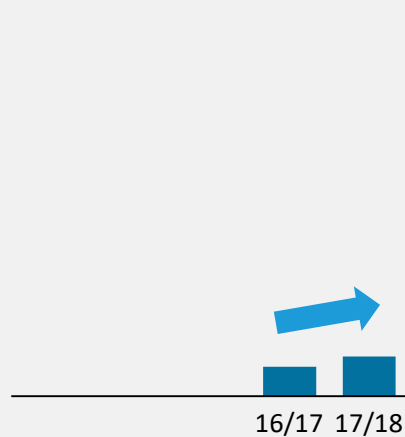
Improve IT and logistics systems



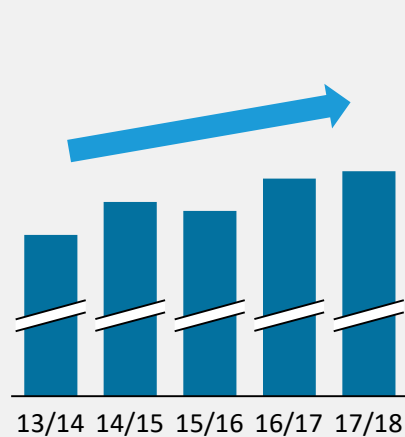
Align all other costs to the strategy: location, marketing and organizational costs

Cost analysis of selected CECONOMY entities

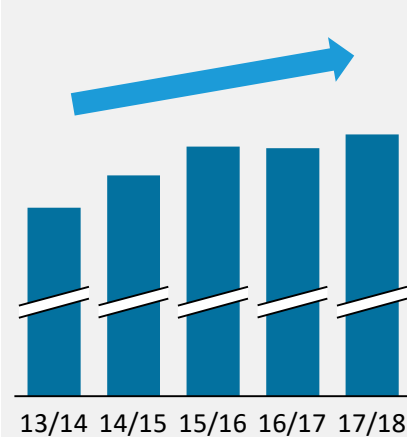
CECONOMY HQ Costs (in €m)



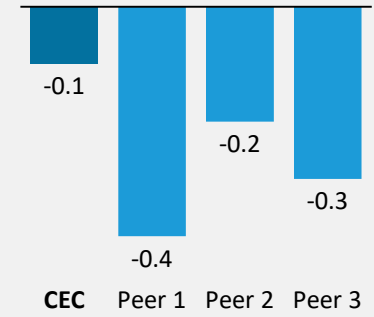
MMSRG HQ Costs (in €m)



MMS Germany Costs (in €m)

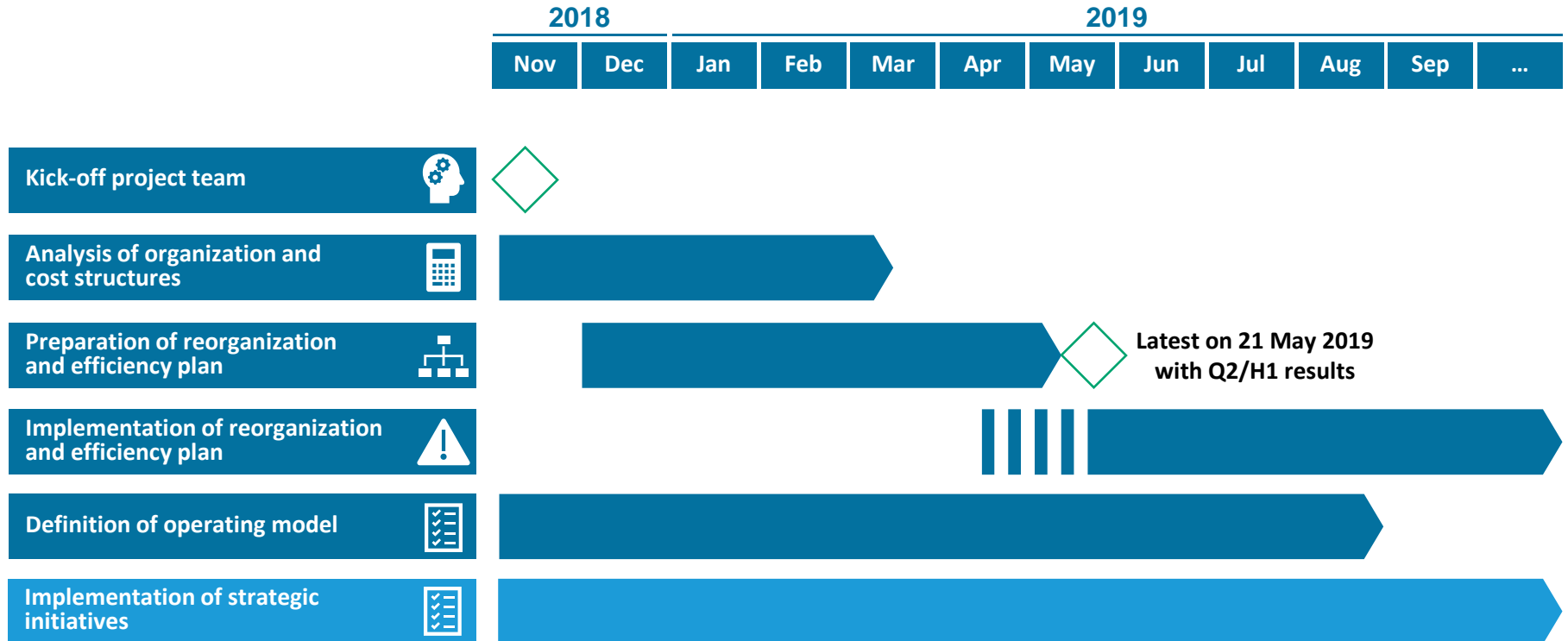


SG&A to Sales Ratio
(Δ Last fiscal year vs. prior year in %p.)



Our cost structures need to be improved

We have initiated a reorganization and optimization program to establish lean and faster structures



FY 18/19 will be a year of transition – the transformation already started



By doing so, we will be able to lift the huge potentials and improve our operational and consequently also our financial performance sustainably.

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Back Up

Net Working Capital

€m	30/09/2017	31/12/2017	Change	30/09/2018	31/12/2018	Change
Inventories	2,449	3,380	932	2,480	3,229	749
Trade receivables	497	560	63	613	572	-42
Receivables due from suppliers	1,197	1,765	568	1,239	1,789	550
Receivables from credit cards	66	106	40	71	71	0
Advance payments on inventories	0	0	0	0	0	0
Trade payables	-4,817	-7,601	-2,784	-5,277	-7,624	-2,347
Liabilities to customers	-129	-137	-8	-45	-10	35
Deferred revenues from vouchers and customer loyalty programmes	-63	-74	-11	-137	-177	-40
Provisions for customer loyalty programmes and rights of return	-19	-29	-10	-23	-25	-1
Prepayments received on orders	-39	-43	-4	-46	-49	-3
Net Working Capital	-858	-2,072	-1,214	-1,125	-2,223	-1,098

Note: Balance sheet figures were adjusted for discontinued operations to enable comparison.

IFRS 9 and 15 accounting changes



IFRS 9

Financial Instruments

Effective: 1 Oct. 2018

- The IFRS 9 accounting change will reduce the impairment requirement for the receivables portfolio
- According to an impact analysis no material impact expected



IFRS 15

Revenue from Contracts with Customers

Effective: 1 Oct. 2018

- IFRS 15 related changes in the sales allocation on the basis of standalone selling prices are mainly applicable to Telco related package deals
- As a result a low triple-digit €m shift from Services & Solutions to product sales is expected
- Comparable figures according to IAS18 will be provided on a quarterly basis

Financial Impact¹

Not material

Financial Impact²

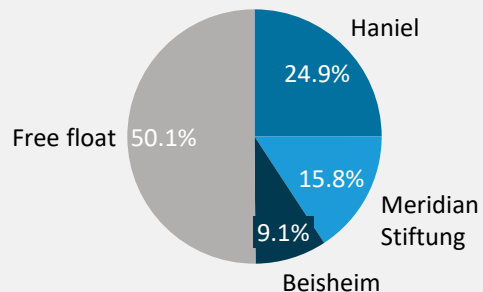
Product sales:
Low triple-digit €m

Service sales:
Low triple-digit €m

¹Preliminary and unaudited impact analysis as of 31 Dec. 2017; ²Preliminary and unaudited impact analysis as of 30 Sep. 2017.

CECONOMY's new shareholder structure

Pre-transaction structure based on voting rights*

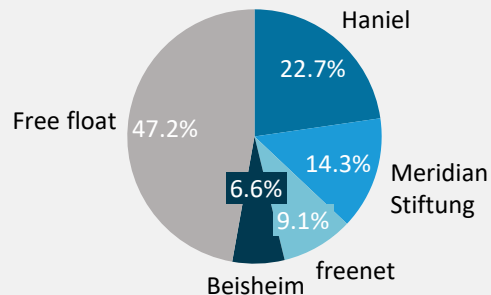


Beisheim reported 23,615,334 voting rights to METRO Wholesale & Food Specialist AG (now METRO AG) on 12 July 2017

Shareholder	Number of voting rights	% of voting rights	Date of publication
Haniel	81,015,280	24.99%	13 May 2015
Meridian Stiftung	51,117,363	15.77%	02 June 2017
Beisheim	29,493,970	9.10%	12 August 2013
Total	324,109,563		

In addition: 2,677,966 non-voting preference shares outstanding

Post-transaction structure based on voting rights*

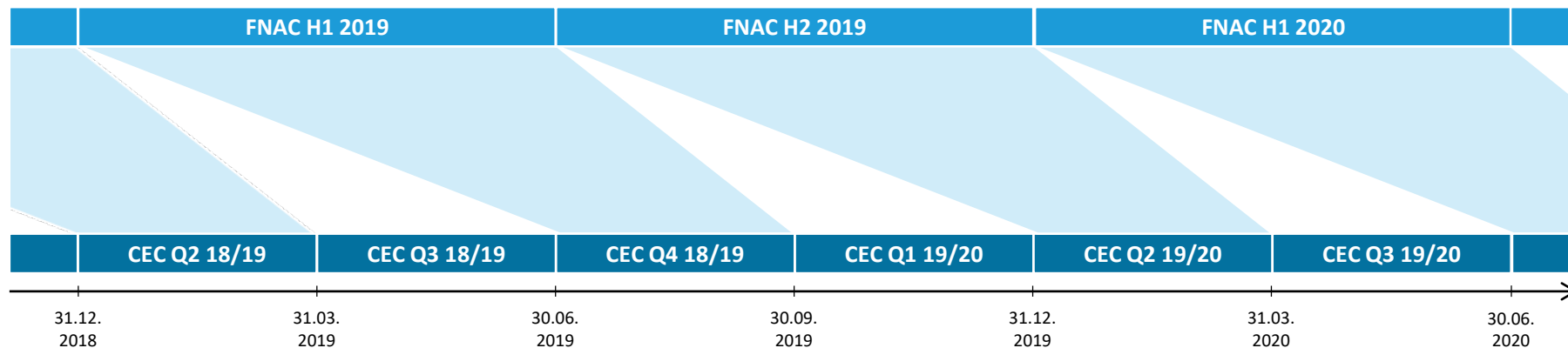


Shareholder	Number of voting rights	% of voting rights*	Date of publication
Haniel	81,015,280	22.71%	13 May 2015
Meridian Stiftung	51,117,363	14.33%	16 July 2018
freenet	32,633,555	9.15%	12 July 2018
Beisheim	23,615,334	6.62%	18 July 2018
Total	356,743,118		

In addition: 2,677,966 non-voting preference shares outstanding

* Calculated on the basis of the number of voting rights in disclosures pursuant to section 40 para. 1 sentence 1 WpHG

Fnac Darty consolidation



- Our c.24% stake in Fnac Darty is accounted for as **“Investment accounted for using the equity method”** on the balance sheet
- The share of Fnac Darty’s **net income** will be reported **in our EBITDA and EBIT**
- Due to Fnac Darty’s **semi-annual reporting of net income**, we will report our earnings share semi-annually **in Q2 and Q4**
- Our share of **dividends**, should there be any dividends, will be recognised **earnings-neutral** in our cash flow statement

Store network

	30/09/2018	Openings	Closures	31/12/2018
Germany	432	1	0	433
Austria	52	0	0	52
Switzerland	27	0	0	27
Hungary	24	0	0	24
DACH	535	1	0	536
Belgium	29	0	-1	28
Greece	12	0	0	12
Italy	115	1	0	116
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	85	2	0	87
Western/S. Europe	302	3	-1	304
Poland	86	3	0	89
Turkey	71	1	-1	71
Eastern Europe	157	4	-1	160
Sweden	28	0	0	28
Others	28	0	0	28
CECONOMY	1,022	8	-2	1,028

Highlights

- **Selective expansion** with 8 openings: 2 in Spain and 1 each in Germany, Italy, Poland and Turkey + 2 shop-in-shops pilots with Carrefour in Poland
- **1 store closure** in Turkey and Belgium
- **Average store size** reduced by c. -1% since September 2018 to 2,703 sqm, mainly due to openings of small-area store formats
- **Low double-digit number of net openings** excl. Shop-in-Shops for FY 18/19 expected

Sales & number of stores by country

	Sales (€m)		Number of Stores			
	FY 16/17	FY 17/18	FY 16/17	Openings	Closures	FY 17/18
Germany	10,556	10,340	429	5	-2	432
Austria	1,169	1,161	50	2	0	52
Switzerland	635	569	27	1	-1	27
Hungary	302	340	24	0	0	24
DACH	12,662	12,410	530	8	-3	535
Belgium	686	701	28	1	0	29
Greece	187	186	12	0	0	12
Italy ¹	2,064	2,096	116	1	-2	115
Luxembourg	63	65	2	0	0	2
Netherlands	1,590	1,581	49	0	0	49
Portugal	133	146	10	0	0	10
Spain	1,967	2,002	83	2	0	85
Western/S. Europe¹	6,691	6,777	300	4	-2	302
Poland	1,033	1,037	86	3	-3	86
Turkey	666	651	53	18	0	71
Eastern Europe	1,699	1,689	139	21	-3	157
Sweden	474	462	27	1	0	28
Others	553	542	27	1	0	28
CECONOMY¹	21,605	21,418	996	34	8	1,022

Note: All figures shown from continued operations. ¹ Sales figures for Italy for 2016/17 and 2017/18 were restated to present revenues related to extended warranties on a net basis.

Financial calendar

Annual General Meeting

13 February 2019

Q2 2018/19 results

21 May 2019

Q3 2018/19 results

13 August 2019

Q4/FY 2018/19 trading statement

24 October 2019

FY 2018/19 results

17 December 2019

CECONOMY

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