

CECONOMY

Results Presentation Q2/H1 2017/18

Dusseldorf, 17 Mai 2018



DISCLAIMER AND NOTES

This disclaimer shall apply in all respects to the entire presentation (including all slides of this document), the oral presentation of the slides by representatives of CECONOMY AG, any question-and-answer session that follows the oral presentation, hard copies of the slides as well as any additional materials distributed at, or in connection with this presentation. By attending the meeting (or conference call or video conference) at which the presentation is made, or by reading the written materials included in the presentation, you (i) acknowledge and agree to all of the following restrictions and undertakings, and (ii) acknowledge and confirm that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

To the extent that statements in this presentation do not relate to historical or current facts, they constitute forward-looking statements. All forward-looking statements herein are based on certain estimates, expectations and assumptions at the time of publication of this presentation and there can be no assurance that these estimates, expectations and assumptions are or will prove to be accurate. Furthermore, the forward-looking statements are subject to risks and uncertainties including (without limitation) future market and economic conditions, the behaviour of other market participants, investments in innovative sales formats, expansion in online and multichannel sales activities, integration of acquired businesses and achievement of anticipated cost savings and productivity gains, and

the actions of public authorities and other third parties, many of which are beyond our control, that could cause actual results, performance or financial position to differ materially from any future results, performance or financial position expressed or implied in this presentation.

Accordingly, no representation or warranty (express or implied) is given that such forward-looking statements, including the underlying estimates, expectations and assumptions, are correct or complete. Readers are cautioned not to place reliance on these forward-looking statements. See also "Risk and Opportunity Report" in CECONOMY's most recent Annual Report for risks as of the date of such Annual Report. We do not undertake any obligation to publicly update any forward-looking statements or to conform them to events or circumstances after the date of this presentation.

This presentation is intended for information only, does not constitute a prospectus or similar document and should not be treated as investment advice. It is not intended as an offer for sale, or as a solicitation of an offer to purchase or subscribe to, any securities in any jurisdiction. Neither this presentation nor anything contained therein shall form the basis of, or be relied upon in connection with, any commitment or contract whatsoever. CECONOMY AG assumes no liability for any claim which may arise from the reproduction, distribution or publication of the presentation (in whole or in part). The third parties whose data is cited in this presentation are neither registered broker-dealers nor financial advisors and the permitted use of any data does not constitute financial advice or recommendations.

Historical financial information contained in this presentation is mostly based on or derived from the consolidated (interim) financial statements for the respective period. Financial information with respect to the business of MediaMarktSaturn Retail Group is particularly based on or derived from the segment reporting contained in these financial statements.

Such financial information is not necessarily indicative for the operational results, the financial position and/or the cash flow of the CECONOMY business on a stand-alone basis neither in the past nor in the future and may, in particular, deviate from any historical financial information based on corresponding combined financial statements with respect to the CECONOMY business. Given the aforementioned uncertainties, (prospective) investors are cautioned not to place undue reliance on any of this information. No representation or warranty is given and no liability is assumed by CECONOMY AG, express or implied, as to the accuracy, correctness or completeness of the information contained in this presentation.

This presentation contains certain supplemental financial or operative measures that are not calculated in accordance with IFRS and are therefore considered as non-IFRS measures. We believe that such non-IFRS measures used, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS, enhance the understanding of our business, results of operations, financial position or cash flows. There are, however, material limitations associated with the use of non-IFRS measures including (without limitation) the limitations inherent in the determination of relevant adjustments. The non-IFRS measures used by us may differ from, and not be comparable to, similarly-titled measures used by other companies. Detail information on this topic can be found in CECONOMY's Annual Report 2016/17, pages 49-52.

All numbers shown are as reported, unless otherwise stated. All amounts are stated in million euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as 0. Rounding differences may occur.

Overview



01

Highlights



02

Performance



03

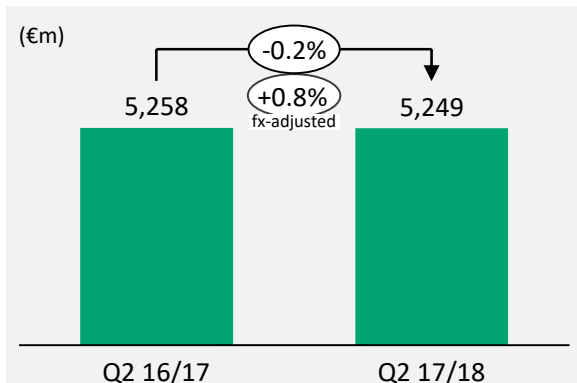
Outlook

01

Highlights

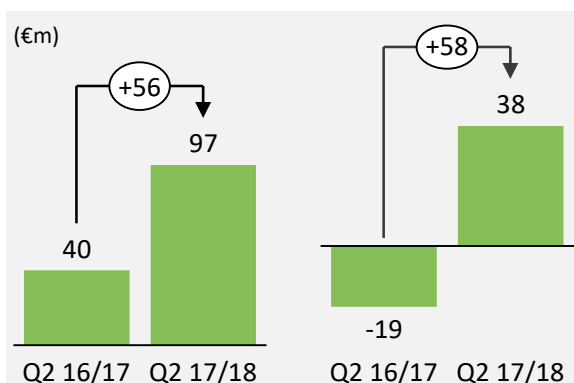
Pieter Haas, CEO

Majority of Q1 EBITDA decline has been recovered in Q2, supported by anticipated non-recurring effects



Sales

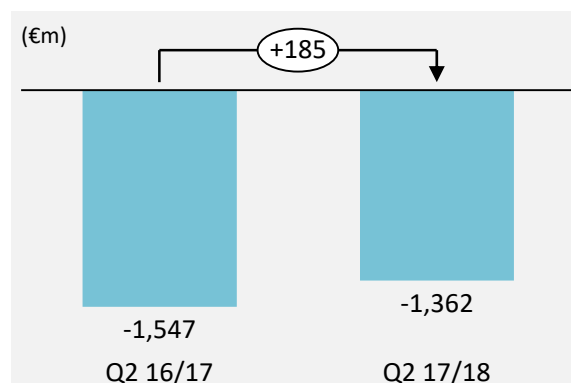
- // Fx-adjusted sales increased by +0.8% (-0.2% on a reported basis)
- // Fx-adjusted sales +1.8% excl. the Saturn VAT campaign in the prior year & positive Easter effect in current year
- // Online sales up +5% yoy
- // Services & Solutions grew by +15% yoy



EBITDA*

EBIT*

- // EBITDA increased by €+56m yoy (incl. €21m Fnac Darty contribution)
- // Broadly stable gross margin at 20.0%
- // Support from absence of anticipated non-recurring effects in the prior year
- // Positive effects from inventory valuation, higher Services & Solutions income and the wind-down of redcoon



Change in Net Working Capital (NWC)

- // Positive €185m change in NWC
- // Driven by lower rise in inventories and higher cash-in of supplier receivables
- // Trade payables temporarily supported by weekday effect
- // Over the six-months period, Free Cash Flow (FCF) €125m lower than prior year due to NWC

* EBITDA and EBIT incl. Fnac Darty; EBITDA & EBIT in Q2 2016/17 before special items. Note: NWC = Net Working Capital acc. to Cash Flow Statement.

Recap: What we plan to do in FY 2017/18



MediaMarktSaturn and Fnac Darty start “European Retail Alliance”



Partnerships



- // Establish a joint strategic supplier partnership management on an international level
- // Jointly negotiate and harmonize international “on top” conditions with suppliers¹
- // Improving service counterparts to suppliers as well as co-develop new services



Private Label Sourcing



- // Creation of a single private label sourcing entity and organization
- // Generate efficiencies in sourcing, by combining the parties’ entire private label and licensing activities
- // Co-development and sourcing of new private label products



Innovation



- // Cooperation in relation to the Retailtech Hub (i.e. Fnac Darty to participate in MediaMarktSaturn’s accelerator program)
- // Learn and get insights into new concepts and technologies²
- // Share experiences to allow all participants to learn faster and more efficient²



Insights



- // Gain insights from CRM data, market data and product related data relevant for suppliers, advertisers and other strategic partners

¹ With a dedicated and ring-fenced team. ² Subject to appropriate safe guards regarding information sharing.

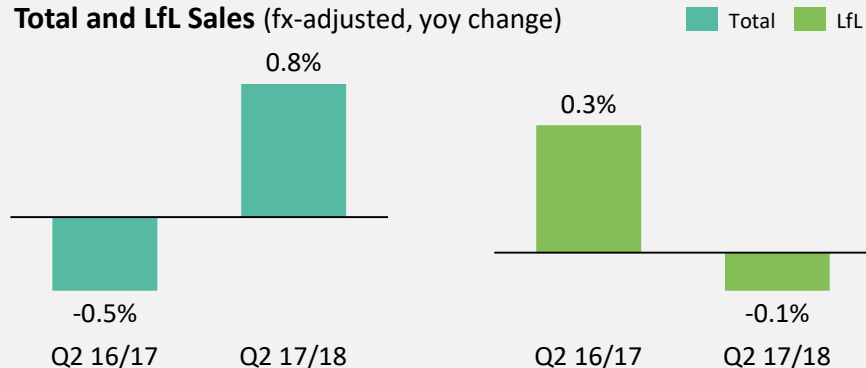
02

Performance

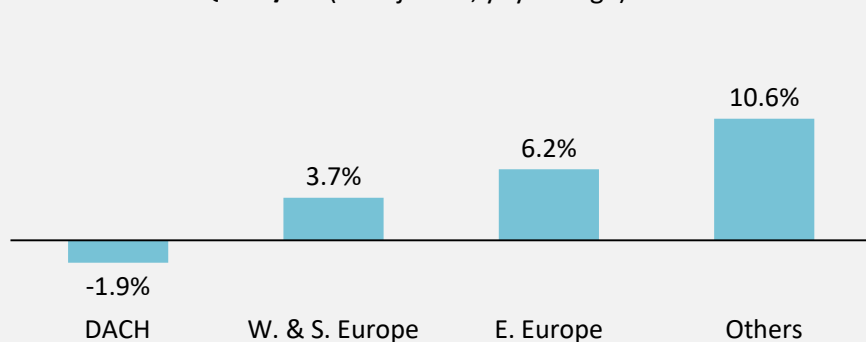
Mark Frese, CFO

Group sales growth driven by Turkey and Italy

Total and LfL Sales (fx-adjusted, yoy change)



Total Sales in Q2 17/18 (fx-adjusted, yoy change)

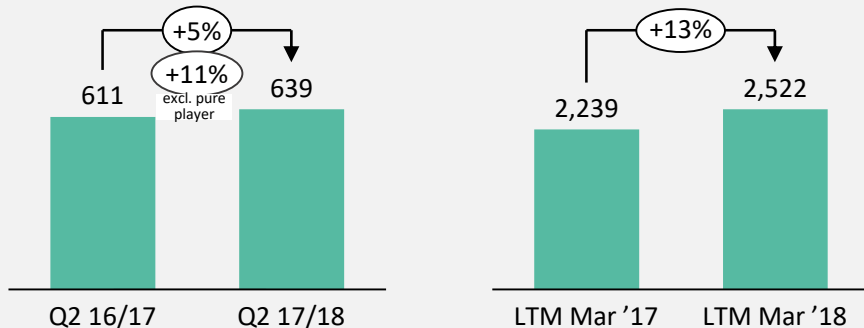


Highlights

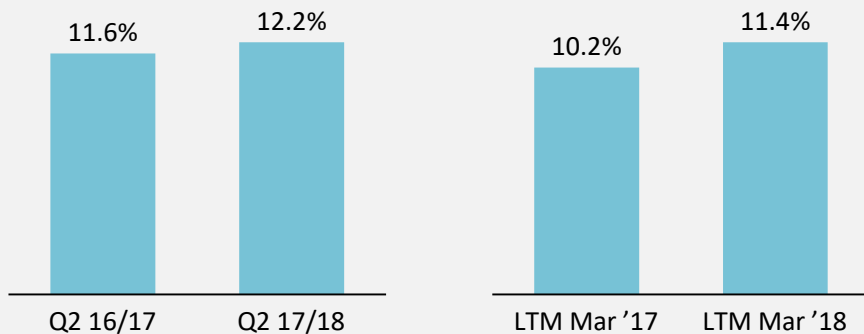
- // Negative impact from absence of the Saturn VAT campaign in the previous year partly offset by early Easter business in current year
- // Adjusted for both effects, fx-adjusted sales growth at +1.8%
- // Stable to slightly positive development in Germany excl. Saturn VAT campaign, but lower sales in Switzerland
- // Sound performance in Italy, supporting the ongoing stabilisation in the country
- // Turkey led again sales growth on fx-adjusted basis
- // Increase in 'Others' driven by Sweden

Core online sales grew +11%, in total accounting for 12% of sales

Online Sales (in €m)



Online Sales (% of total sales)

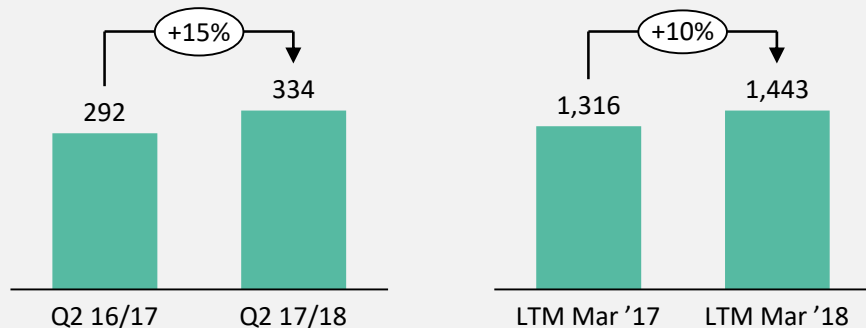


Highlights

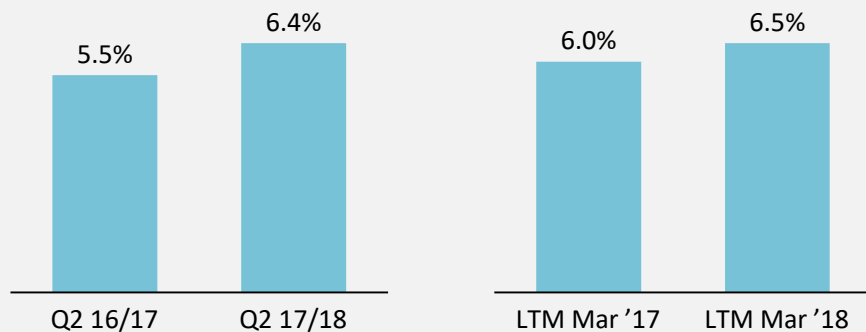
- // Online generated sales of MediaMarkt and Saturn increased by +11% yoy (or 5% incl. pure player)
- // Online now accounts for 12.2% of total sales vs. 11.6% in the prior-year period
- // Online growth rate impacted by ramp-down of remaining redcoon operations and the strong online business during prior year's Saturn VAT campaign
- // Final closure and liquidation of redcoon Germany
- // Pick-up rate remained high at around 42% vs. 41% in the prior-year period
- // Online assortment increased to c. 360k SKUs

Strong growth of Services & Solutions sales

Services & Solutions Sales (in €m)



Services & Solutions Sales (% of total sales)

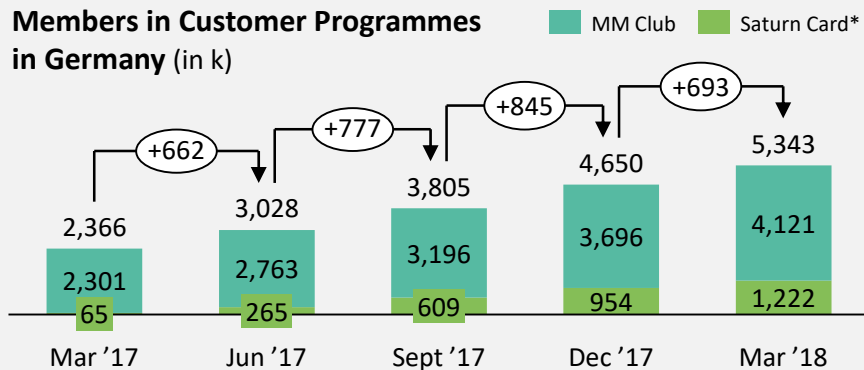


Highlights

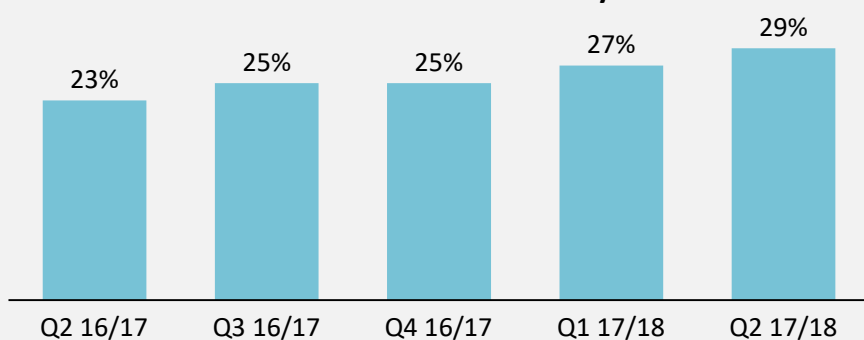
- // Services & Solutions sales up +15% yoy, driven by all categories, incl. insurances, financing, extended warranties, telco contracts and repair services
- // Services & Solutions now account for 6.4% of total sales vs. 5.5% one year ago
- // Service “smart bars” now implemented in 750 stores (+68 vs. December 2017)
- // At home consultation and installation service of Deutsche Technikberatung (DTB) now offered at 303 stores in Germany (+77 vs. December 2017); full roll-out by mid-2018 expected

Sustained growth in the number of members of our customer programmes

Members in Customer Programmes in Germany (in k)



Sales Penetration MediaMarkt Club Germany



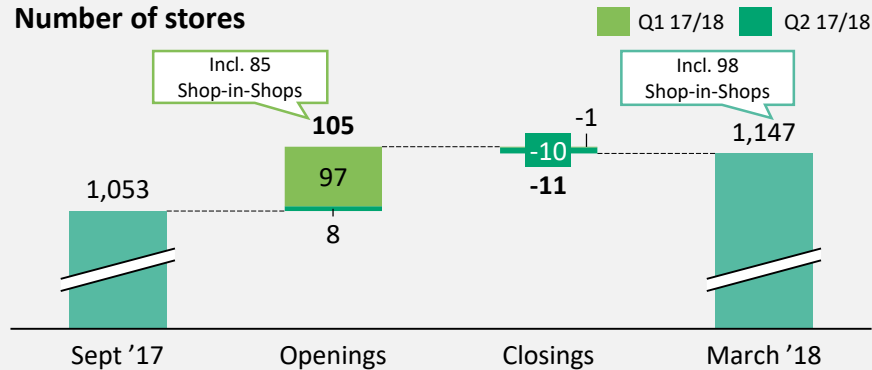
*Nov 16-Apr 17: Saturn Card pilot running with 14 pilot stores; nation-wide roll-out of Saturn Card on 29 May 2017. Note: Figures for MediaMarkt Club Spain not yet included.

Highlights

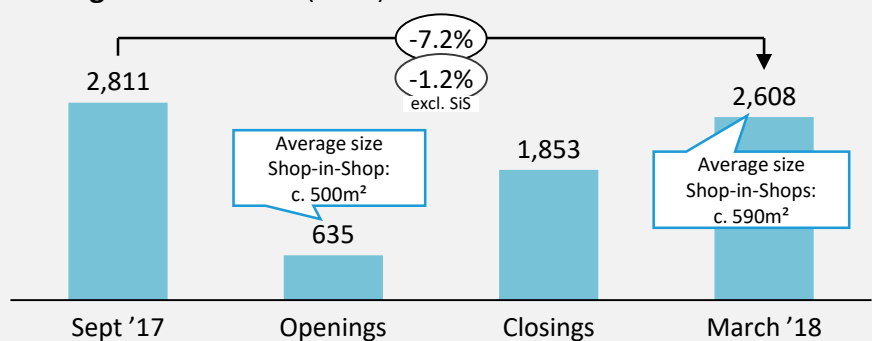
- // German MediaMarkt Club with sustained growth in the number of members, counting 4.1m in March 2018 (+425k vs. December 2017)
- // 29% of sales are generated by MediaMarkt Club members in Germany
- // Saturn Card counted more than 1.2m members in March 2018 (+270k vs. December 2017)
- // All customer programmes counted close to 17.5m members in total internationally (+3.0m vs. September 2017); hence, full-year target of 2m new members already exceeded
- // Further roll-out to additional countries planned for this year

Continued reduction in average store size

Number of stores



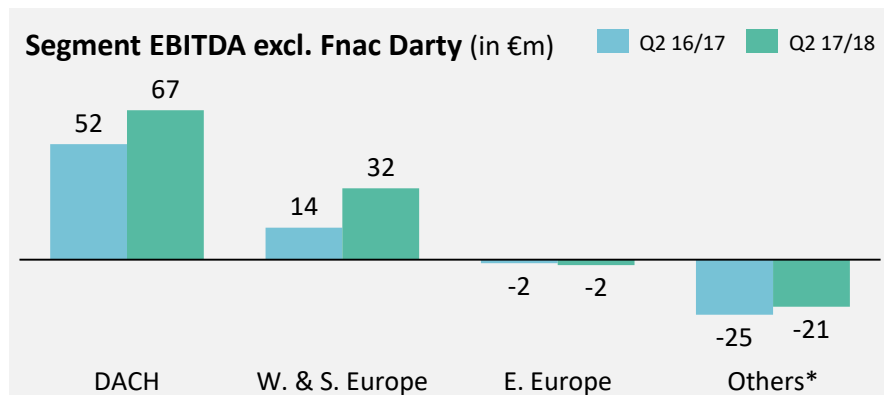
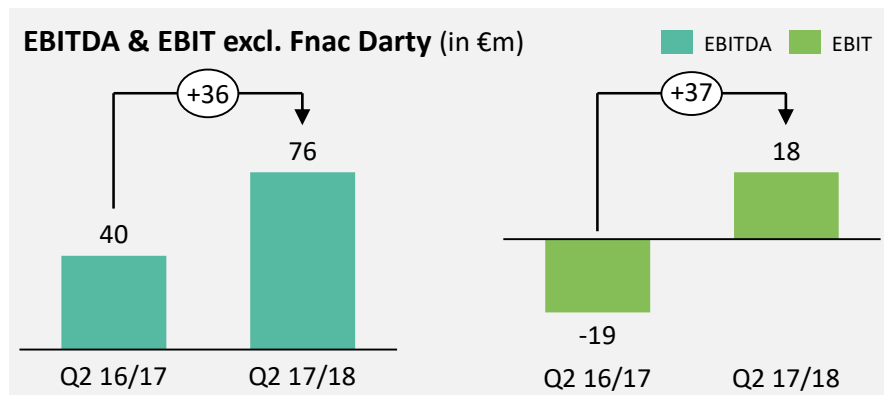
Average size of stores (in m²)



Highlights

- // Selective store expansion continued with 7 openings (excl. Shop-in-Shops)
- // Out of this, 5 stores opened in Turkey and 1 store each in Germany and Poland, respectively
- // 1 additional Shop-in-Shop opened in METRO Cash & Carry store in Russia
- // 10 store closures, thereof 6 in Russia, 3 in Poland and 1 in Germany
- // Average store size reduced by c. -7% since September 2017, mainly due to openings of Shop-in-Shops, closure of large-scale stores in Russia and rightsizings
- // Low to mid double-digit number of net openings in FY 2017/18 planned, excl. Shop-in-Shops

Majority of Q1 EBITDA decline has been recovered in Q2, including anticipated non-recurring effects



Note: EBITDA & EBIT in Q2 2016/17 before special items. *Others: Including consolidation.

Highlights

- // Broadly stable gross margin at 20.0% (+0.1%p.)
- // Support from anticipated non-recurring effects such as the absence of the Saturn VAT campaign and losses related to the insolvency of a business partner in the Netherlands in the prior year
- // Positive effects from inventory valuation, higher Services & Solutions income and the wind-down of redcoon
- // First cost savings of announced additional €30m full-year cost measures realised
- // CECONOMY HQ costs broadly on previous-year's level

EPS impacted by impairment of METRO AG stake, despite positive EBIT development

EURm	Q2 2016/17	Q2 2017/18	Change
EBITDA	40	97	56
EBITDA excl. Fnac Darty	40	76	36
<i>EBITDA excl. Fnac Darty margin</i>	<i>0.8%</i>	<i>1.4%</i>	<i>0.7%p.</i>
EBIT	-19	38	58
EBIT excl. Fnac Darty	-19	18	37
<i>EBIT excl. Fnac Darty margin</i>	<i>-0.4%</i>	<i>0.3%</i>	<i>0.7%p.</i>
Net financial result	-1	-110	-109
Earnings before taxes	-20	-71	-51
Income taxes	7	16	9
Tax rate	32.8%	22.1%	-10.7%p.
Profit or loss for the period	-14	-55	-42
attributable to non-controlling interest	-1	13	14
attributable to shareholders of CECONOMY AG	-13	-68	-56
EPS (€)	-0.04	-0.21	-0.17

Note: All figures in Q2 2016/17 before special items.

Highlights

Includes our share of Fnac Darty's H2 2017 net income in the amount of €21m

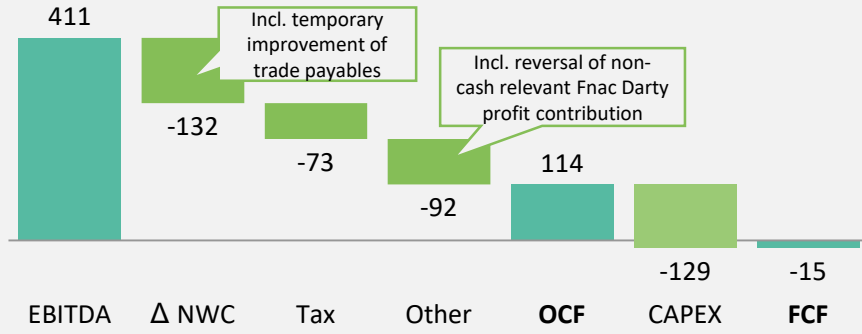
Includes €131m impairment of our METRO AG stake; partially offset by METRO AG dividend of €25m

Share of minority interest in-line with FY expectation of 25-30% of underlying profit or loss for the period

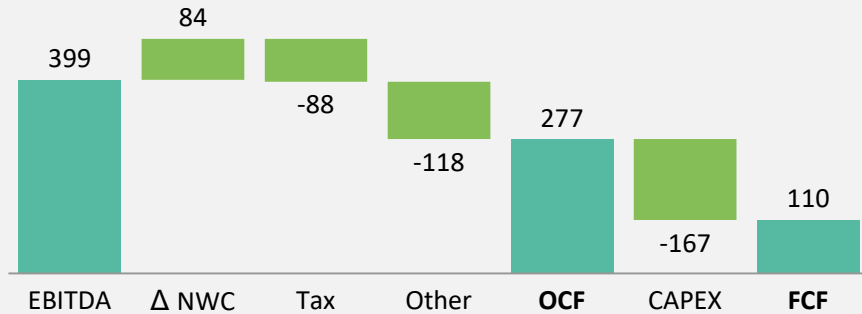
Adjusted for the impairment of our METRO AG stake, underlying EPS would be €0.13

Higher NWC outflow in H1 2017/18 weighed on Free Cash Flow

H1 2017/18: Free Cash Flow (in €m)



H1 2016/17: Free Cash Flow (in €m)

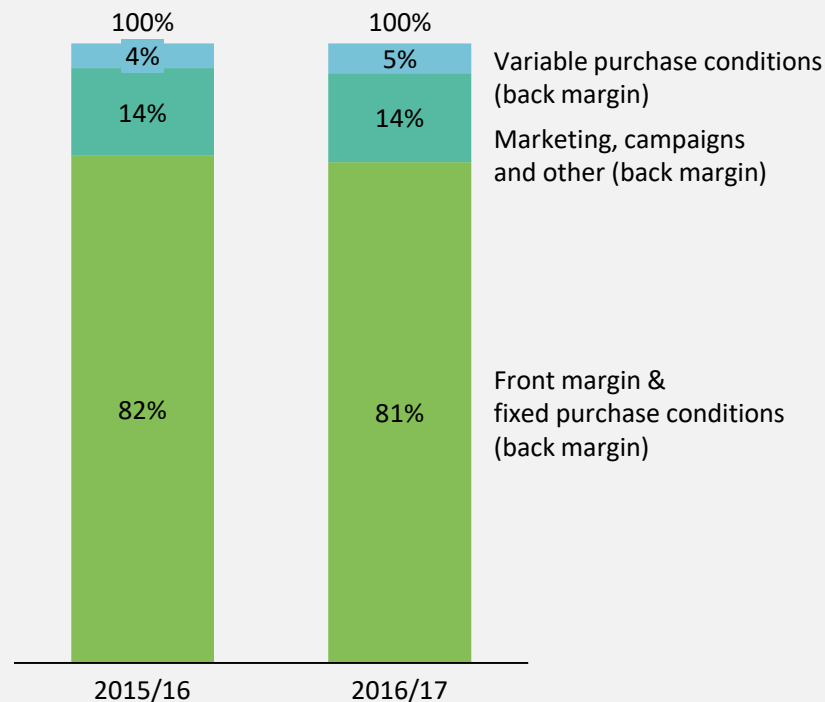


Highlights

- // NWC in Q2 supported by temporary improvement of trade payables (low triple-digit €m amount) due to weekday effects
- // Over the six-months period, change in NWC still around €216m lower vs. prior year
- // Lower cash taxes due to trade tax refunds for previous years
- // Other OCF benefiting from positive FX effects
- // CAPEX decreased by €38m driven by cash-out for Digital Shelf Labels in the prior year, lower expansion investments and absence of investments in the Dutch service company ZES
- // Free Cash Flow €125m lower than prior year due to NWC development

Sales-target dependent supplier contributions account for only about 5% of the group's combined front and back margin

Front Margin and Back Margin Split ¹



¹ Before other COGS items such as ancillary purchasing expenses or inventory revaluation.

Comments

- // The vast majority of our gross profit relates to either straight front margin gains or fixed purchase conditions in the back margin, neither of which depend on reaching specific annual targets
- // Most fixed purchase conditions are cashed in on a quarterly basis, some on an annual basis
- // About 14% relate to marketing, campaign and other supplier contributions which typically have a short duration of just a few weeks
- // Variable purchase conditions, which usually depend on meeting annual target achievements, account for only about 5% of our combined front and back margin

03

Outlook

Mark Frese, CFO

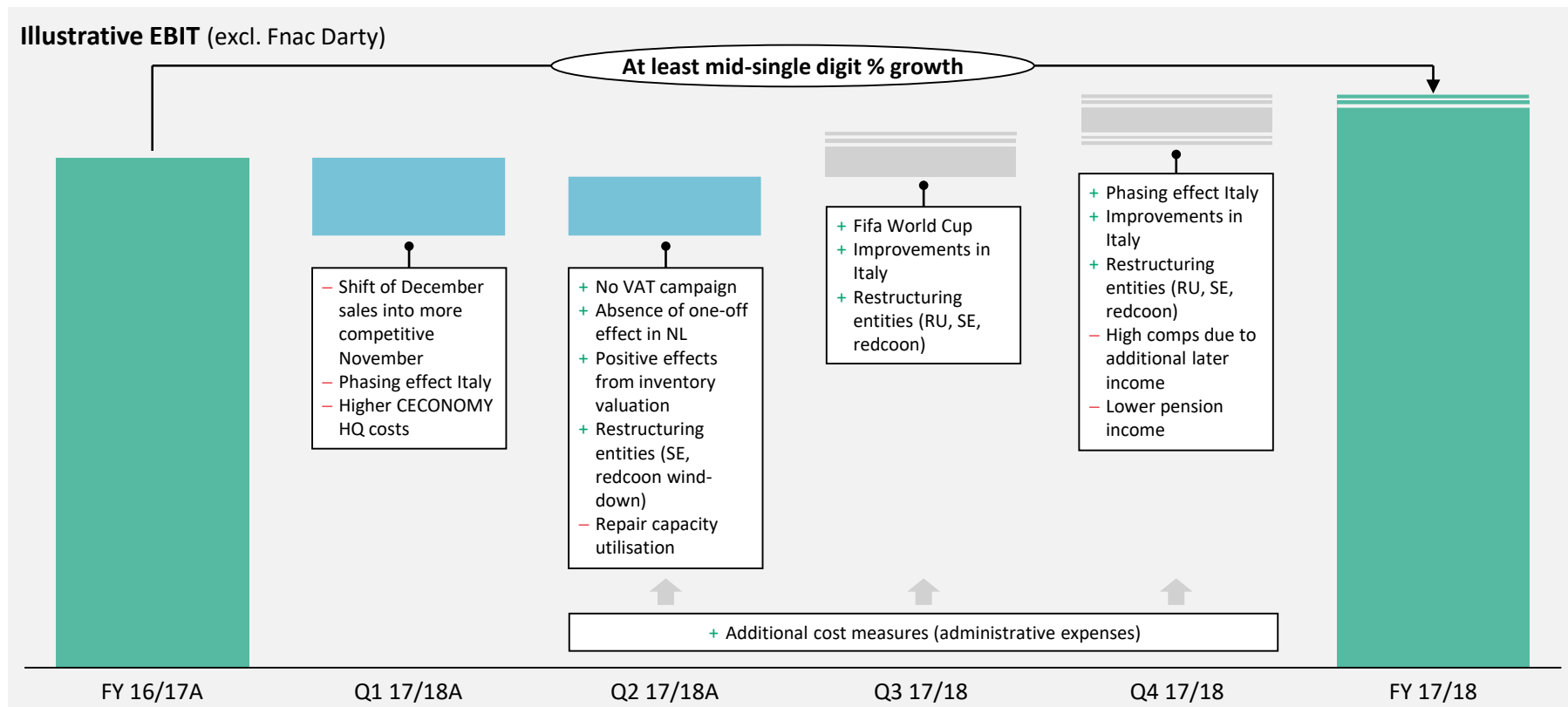
Outlook

The outlook is adjusted for currency effects and portfolio changes.

	FY 2016/17 ¹	FY 2017/18	Confirmed
€m			
Total sales	22,155	Slight increase ²	✓
EBITDA (excl. Fnac Darty)	704	At least mid single-digit % growth	✓
EBIT (excl. Fnac Darty)	471	At least mid single-digit % growth	✓
Fnac Darty profit share (consensus)	n.a.	Low to mid double-digit €m amount	✓

¹ EBITDA & EBIT in FY 2016/17 before special items. EBITDA & EBIT in FY 2017/18 as reported. ² Correspondingly, a slight improvement in NWC compared with the previous year is expected.

Building blocks for Q3 and Q4 2017/18



Q&A



Pieter Haas, CEO



Mark Frese, CFO

CONTACT

CECONOMY AG **Investor Relations**

Benrather Strasse 18-20
40213 Dusseldorf
Germany






Tel.: +49 (211) 5408-7222

Email: IR@ceconomy.de






<https://www.ceconomy.de/en/investor-relations/>

Deep-dive: Back Margin Accounting Method for Variable Purchase Conditions






Step 1: Purchase of inventory

Assets (EURm)	Liabilities (EURm)
 Cash 0	 Equity 0
 Receivables 10	 Payables 100
 Inventory 90	<div>Reduced by back margin of -10</div>
Total 100	Total 100

Step 2: Sale of goods

Assets (EURm)	Liabilities (EURm)
 Cash 110	 Equity 20
 Receivables 10	 Payables 100
 Inventory 0	
Total 120	Total 120

Step 3: Settlement of payables & receivables

Assets (EURm)	Liabilities (EURm)
 Cash 20	 Equity 20
 Receivables 0	 Payables 0
 Inventory 0	
Total 20	Total 20

- // CECONOMY agrees to purchase TVs from TV Co. for €100m (100,000 units at a unit cost of €1,000)
- // If CECONOMY purchases 100,000 or more units over the coming 12 months, the cost per device will reduce by 10% to €900
- // The agreement runs from Jan 1 to Dec 31 and CECONOMY assumes that in total 100,000 devices will be purchased (and sold)
- // The net selling price per TV is €1,100, resulting in revenues of €110m and a profit of €20m once all 100,000 units have been sold

Net Working Capital

€m	30/09/2016	31/03/2017	Change	30/09/2017	31/03/2018	Change
Inventories	2,393	2,956	563	2,553	2,972	419
Trade receivables	324	307	-17	498	517	19
Receivables due from suppliers ¹	1,212	1,184	-28	1,246	1,183	-63
Receivables from credit cards	28	24	-4	68	65	-3
Advance payments on inventories	0	1	1	0	0	0
Trade payables	-4,494	-5,056	-562	-4,929	-5,159	-230
Liabilities to customers	-135	-143	-8	-129	-124	5
Deferred revenues from vouchers and customer loyalty programmes	-56	-70	-14	-69	-81	-12
Provisions for customer loyalty programmes and rights of return	-18	-16	2	-19	-17	2
Prepayments received on orders	-33	-34	-1	-39	-38	1
Net Working Capital	-780	-847	-67	-820	-681	139

¹ Includes €29m per 30/09/2016 and €28m per 31/03/2017, which are shown in the statement of financial position under “other financial assets” (non-current).

Store network as per 31 March 2018

	31/12/2017	Openings Q2 2017/18	Closures Q2 2017/18	30/03/2018
Austria	52			52
Belgium	29			29
Germany	431	1	-1	431
Greece	12			12
Hungary	24			24
Italy	116			116
Luxembourg	2			2
Netherlands	49			49
Poland	87	1	-3	85
Portugal	10			10
Russia	141	1	-6	136
Spain	84			84
Sweden	27			27
Switzerland	28			28
Turkey	57	5		62
Total	1,149	8	-10	1,147

Shop-in-Shop

Financial calendar and events

Financial calendar

Q3/9M 2017/18 Results	Tuesday, 14 August 2018
Q4/FY 2017/18 Trading Statement	Thursday, 25 October 2018
FY 2017/18 Results	Wednesday, 19 December 2018

Upcoming events

Roadshow London	Thursday, 24 May 2018
Roadshow Madrid	Wednesday, 30 May 2018
Roadshow Amsterdam	Wednesday, 6 June 2018
dbAccess Berlin Conference	Thursday, 7 June 2018
Exane BNP Paribas CEO Conference	Wednesday/Thursday, 13-14 June 2018

CECONOMY

We empower life in the digital world