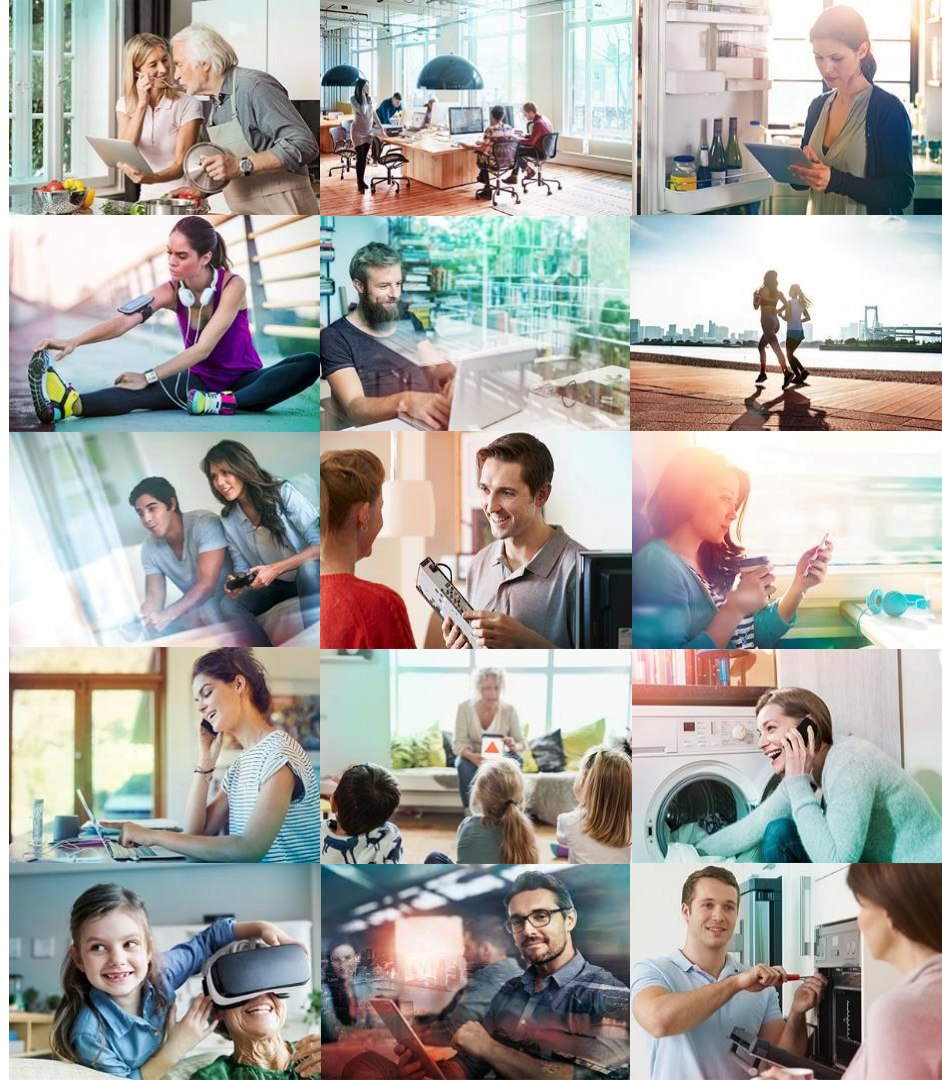


CECONOMY

CECONOMY signs Russian deal
with M.video/Safmar and
pushes portfolio optimization
and consolidation

Dusseldorf, 20 June 2018



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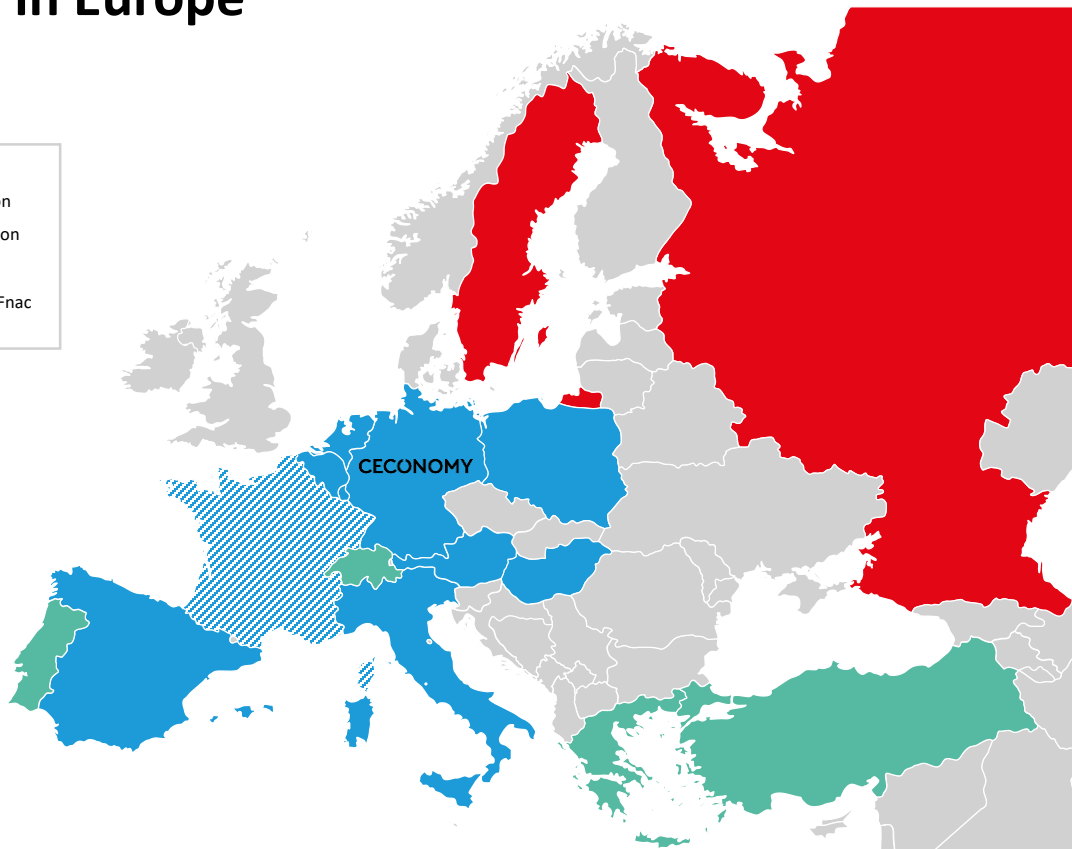
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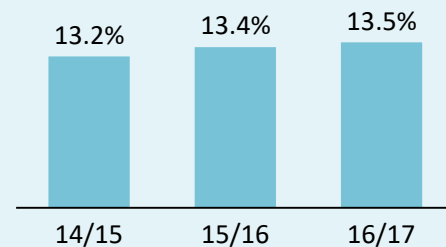
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CECONOMY is the largest Consumer Electronics platform in Europe



FACT BOX

CECONOMY's European market share



// All-time high market share at 13.5%

// Leading in 9 out of 15 countries

// Portfolio optimization on track

// Portfolio optimization driven by the "lead or leave" principle as being national leader in both scale and store density is an indisputable prerequisite to operate the business sustainably profitable

**Critical position in two markets:
Russia (3.0%) and Sweden (7.8%)**

Source: Own CECONOMY analysis based on market research data by GfK. Panel data for Consumer Electronics based on retail panel as of September 2017.

CECONOMY has resolved 2 portfolio issues during the last 18 months with 2 critical market positions remaining

redcoon 	Turkey 	Sweden 	Russia 
<ul style="list-style-type: none">// Restructuring of redcoon completed// Closures of redcoon operations in 6 countries// Closure and liquidation of redcoon Germany// Polish operations integrated in local country organisation	<ul style="list-style-type: none">// Succeeded in turning around Turkey: profitable in 2016/17// Significant growth through operational excellence// Sales & Service push// 100% centralized procurement	<ul style="list-style-type: none">// Initiated cost savings program// Ongoing rightsizing of existing stores// Improving logistics, supply chain and stock management// Service & Solutions push	<ul style="list-style-type: none">// Market position further affected by the merger of Eldorado and M.video// Initiated cost savings and margin management programs// Ongoing rightsizing and closures of stores
Solved 	Solved 	Solution planned in 2018	Current update 

Decision on a new set-up in Russia

1

MediaMarktSaturn transfers its Russian retail business to Safmar, controlling shareholder of M.video

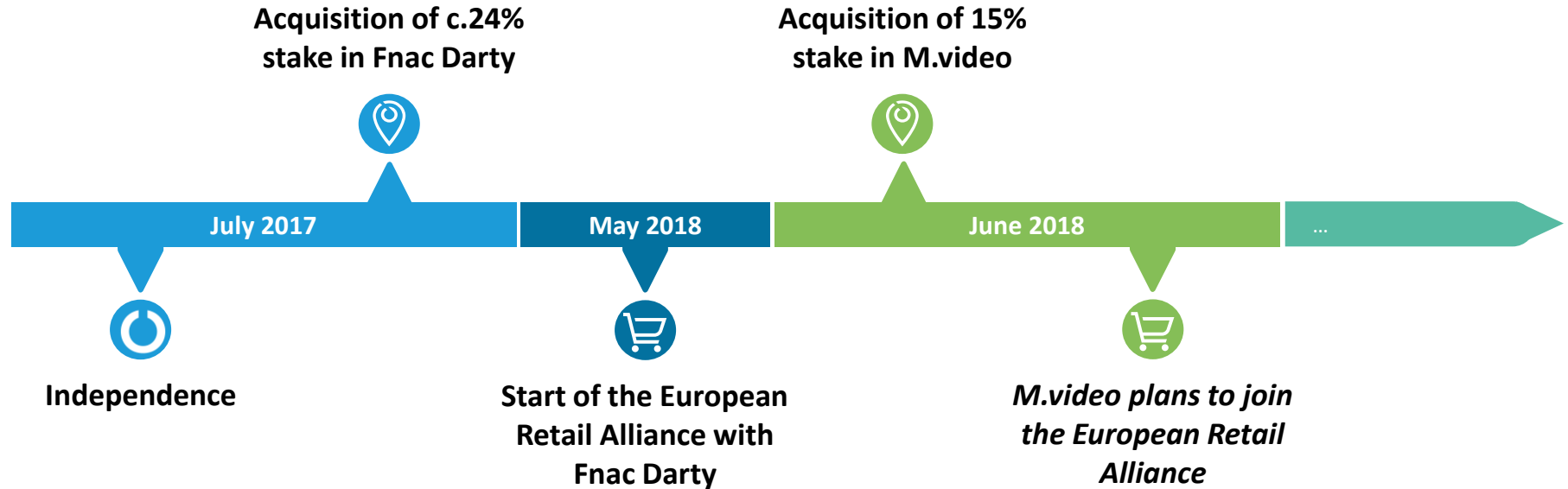
2

MediaMarktSaturn acquires a strategic stake of 15% in M.video from Safmar

3

M.video is committed to join the European Retail Alliance and to become the third member after MediaMarktSaturn and Fnac Darty

This deal cleans up the CECONOMY portfolio and actively drives consolidation in the Consumer Electronics industry



MediaMarkt Russia has no leading position and is likely to remain sub-scale given current competitive landscape

€526m

total sales



€-14m EBITDA¹

€-26m EBIT¹



46 MediaMarkt stores²

90 Shop-in-Shops²



2.0%

CAPEX
(% of sales)



3.0%

market share³



2,471

employees
(FTEs)



Facts

- // Store network grew from 3 stores in 2006 to a peak of 67 stores, excl. Shop-in-Shops, in 2015
- // Faced strong top-line and margin pressure over the past years due to its sub-scale positioning and strong national competition
- // Total revenue declined due to store closings, rightsizings and lower average sales
- // Comprehensive restructuring program initiated
- // EBIT increased in H1 2017/18, particularly due to stricter margin focus and further store rightsizings; nevertheless, EBIT is still negative

Source: CECONOMY company information based on FY 2016/17 figures unless otherwise stated; ¹ Before special items, excluding general HQ costs; ² Per 31 March 2018. ³Source: GfK.

The M.video/Safmar transaction is the best option, after assessing all alternative “Lead or Leave” scenarios



Lead



Gain leading market position in the Russian market through:

- // **Organic growth (store expansion):** Substantial investment needed and direct competition with market leader M.video
- // **M&A/Partnering:** The ideal and only target/partner to become market leader is M.video



Leave

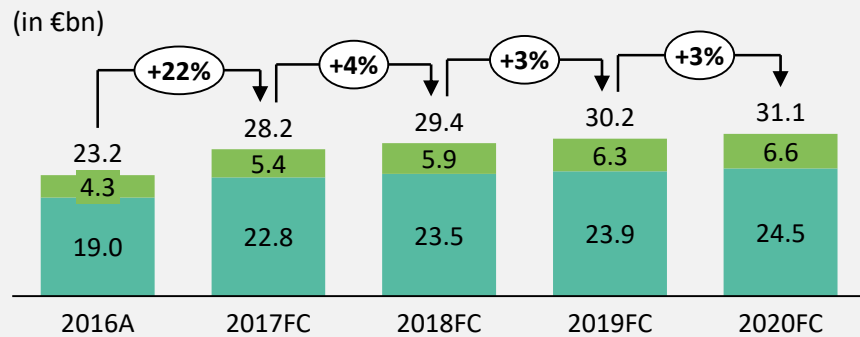


Pull back from Russian market through:

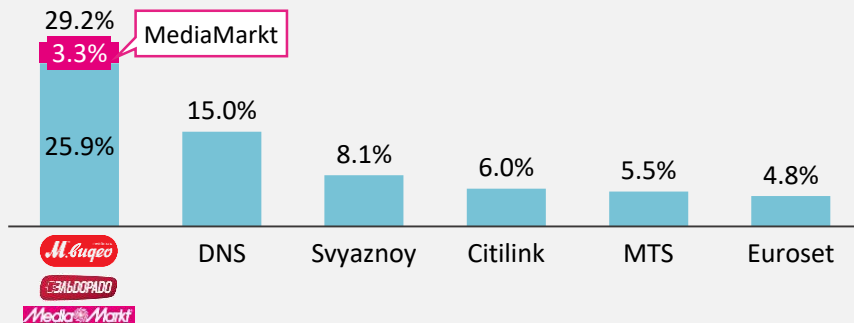
- // **Wind-down of existing operations:** significant wind-down costs including termination of rent agreements, complete staff dismissal as well as operational losses
- // **M&A:** no concrete possibilities identified at attractive conditions

Russia has a growing CE market with M.video as a clear leader

Growth in the Russian CE market¹



Market shares of Russian CE players² (2017)





Facts

- // Sizeable Consumer Electronics market, which stands for around 10% of the total European Consumer Electronics market
- // Overall growing market, both bricks & mortar and online
- // Main driver for underlying growth is the online business
- // Clear market leader M.video (including Eldorado) with a combined market share of 25.9%
- // Joint company expands its number 1 position in the Russian Consumer Electronics market
- // Market landscape offers room for further growth for the joint company

¹ Source: Own CECONOMY analysis based on market research data by GfK. Panel data for Consumer Electronics based on retail panel as of September 2017. ² Source: M.video Investor Day Presentation Mar 2018.

M.video is Russia's largest electronics and consumer appliances retailer

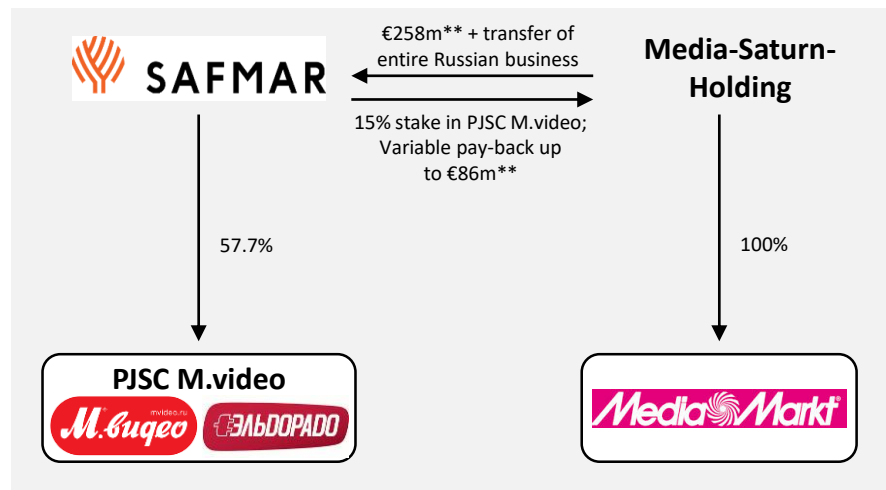
- // M.video started its operations in 1993 and is publicly listed since 2007; in 2017, M.video became part of Safmar Group, one of the largest industrial and financial groups in Russia
- // M.video completed acquisition of Eldorado, a leading Russian retailer of home appliances, electronics and household goods, in April 2018; two separate brands and competing store networks will be retained
- // Clear market leader with a combined market share of 25.9%
- // One operating business model: best assortment with endless shelf online, price match online & best service across all channels
- // Management team led by M.video founder and President Alexander Tynkovan and M.video CEO Enrique Fernandez
- // Merger of M.video and Eldorado expected to unlock synergies of up to c. €246m of additional EBITDA in 2018-2020
- // Sustainable combined EBITDA margin of +6% expected from 2019+

Group pro-forma 2017				
Top-Line	Net sales		c. €4.2bn	
	Online share*		16%	
	Pick-up rate*		72.1%	
Bottom-line	Gross margin*		23.5%	
	EBITDA		c. €205m	
	EBITDA margin		5.0%	
Other KPIs	CAPEX* (% of sales)		2.4%	
	No. of stores		839	
	Total space ('000 sqm)		1,699	
	Market share		25.9%	
	Employees*		c. 13,200	

Source: M.video company information, M.video Investor Day Presentation Mar 2018. *FY 2017 M.video stand-alone excl. Eldorado.
Note: FX Rate: EUR 1 = RUB 73.09942

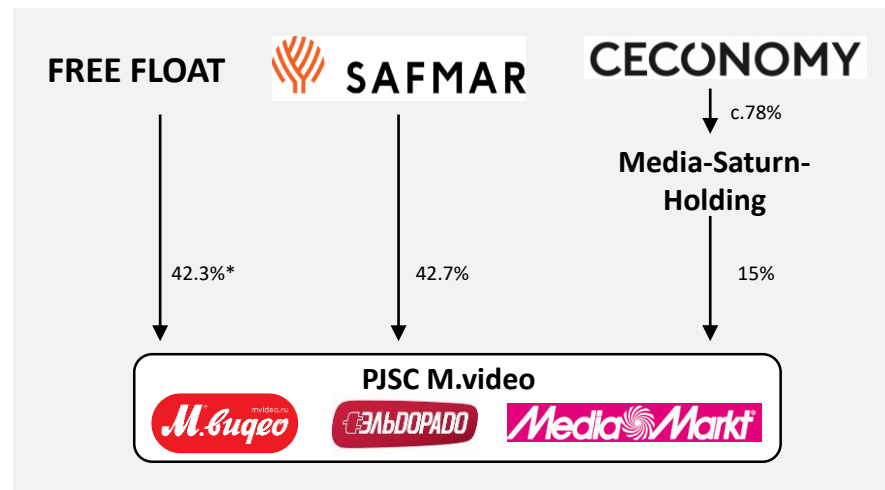
Media-Saturn-Holding, CECONOMY's majority shareholding, acquires a 15% stake in PJSC M.video and transfers its entire business to Safmar

High-level transaction structure



// Consumation of transaction subject to different regulatory conditions

Target structure



// MediaMarkt stores will be rebranded to M.video/Eldorado

// Closing expected in September 2018

Note: PJSC M.video also known as PAO M.video. * Including pension funds and other large shareholders which M.video considers as free float ** based on current exchange rates FX Rate: EUR 1 = USD 1.16055

Transaction with significant long-term value for CECONOMY, and some negative one-time effects in this financial year

Main positive effects

- ⊕ 15% participation in the profitable Russian market leader (recognized and disclosed as financial investment)
- ⊕ Potential future dividends (disclosed as financial income)
- ⊕ Deconsolidation and hence elimination of operational losses and cash flow drain
- ⊕ Elimination of ongoing CAPEX requirements
- ⊕ Pay-back up to €86m in case of underperformance of M.video

Main negative effects

- ⊖ One-time non-cash deconsolidation impact and book value adjustment of c. €250m on net income in FY 2017/18
- ⊖ Coverage of some risks still pending (e.g. unclear implications from Shop-in-Shop solutions)

Financing considerations

▶ **MediaMarktSaturn finances transaction fully with existing cash**

▶ **Maintain our strategic options**

1

Maintain financial flexibility



3

Facilitate implementation of strategic agenda



2

Drive further market consolidation



4

Support for investment grade rating



▶ **We consider raising our share capital by up to 10%**

Adjustment of outlook driven by increasing EBITDA/EBIT base and elimination of Russian turn-around effects

FY 2016/17 ¹	€m	<u>Baseline pre-transaction²</u>	<u>Transaction impact³</u>	<u>Adjusted baseline³</u>
Total sales		22,155	(526)	21,628
EBITDA (excl. Fnac Darty)		704	+14 ⁴	717
EBIT (excl. Fnac Darty)		471	+26 ⁴	498
Fnac Darty profit share (consensus)		n.a.	n.a.	n.a.

Effect **1**: Higher 2016/2017 EBITDA/EBIT base due to elimination of Russian losses

FY 2017/18	<u>Outlook pre-transaction²</u>	<u>Adjusted outlook</u>
Total sales	Slight increase ⁵	Slight increase ⁵
EBITDA (excl. Fnac Darty)	At least mid single-digit % growth	Low to mid single-digit % growth
EBIT (excl. Fnac Darty)	At least mid single-digit % growth	Low to mid single-digit % growth
Fnac Darty profit share (consensus)	Low to mid double-digit €m amount	Low to mid double-digit €m amount

Effect **1**: Higher 2016/2017 base, but...

Effect **2**: EBITDA / EBIT outlook excluding the expected operational profit improvement of Russia in the low double-digit €m range

Note: The outlook is adjusted for currency effects and portfolio changes. ¹ EBITDA & EBIT in FY 2016/17 before special items. EBITDA & EBIT in FY 2017/18 as reported. ² Published on 19 December 2017. ³ Subject to FX-effects as of 30 Sept. 2018. ⁴ Excluding general HQ costs. ⁵ Correspondingly, a slight improvement in NWC compared with the previous year is expected.

Key messages

1

Continuation
of portfolio
optimisation:
Russia,
Turkey,
redcoon

2

Continued
presence in
the fast
growing
Russian CE
market

3

Large
shareholder
in the clear
market leader

4

M.video
committed to
join the
European
Retail
Alliance (ERA)

5

ERA now
represents
worldwide
largest CE
volume with
c.€34bn of
total sales

6

CECONOMY
leads
consolidation
in the sector

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