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Q2 2017/18: CECONOMY is driving forward its strategic agenda and increases operating profit

- // Adjusted for currency effects sales increased by 0.8 per cent in the second quarter of 2017/18; EBITDA incl. Fnac Darty rose by €56 million to €97 million, EBIT incl. Fnac Darty at €38 million; net financial result negatively impacted by impairment of Metro AG stake
- // MediaMarktSaturn and Fnac Darty start European Retail Alliance to achieve efficiencies in the partnership with suppliers and in the offering to customers
- // In financial year 2017/18 slight growth in sales adjusted for currency effects and portfolio changes expected, together with an increase in EBITDA and EBIT at least in the mid single-digit percentage range

Dusseldorf, 17 May 2018 – CECONOMY AG (“CECONOMY”) successfully continued driving forward its strategic agenda in the second quarter of the 2017/18 financial year, significantly improving operating profit. Adjusted for currency effects, total sales increased by 0.8 per cent from January through March compared with the previous year and came in at €5.2 billion on a reported basis. EBITDA¹ increased by €56 million to €97 million (Q2 2016/17: €40 million before special items) while EBIT improved from a loss of €19 million in the previous year to an operating profit of €38 million. Even excluding the contribution from the investment in the leading French retail company Fnac Darty, which made a noticeable contribution to earnings for the first time with around €21 million, EBIT improved to around €18 million.

On May 15, MediaMarktSaturn and Fnac Darty announced that they had signed a memorandum of understanding with the intention to start the European Retail Alliance. The cooperation which is also open to other parties has got the aim to achieve efficiencies in the partnership with suppliers as well as in the offering to customers. The alliance in a first phase comprises four core areas: strategic partnership agreements with key suppliers, private label sourcing and licensing

¹ EBITDA and EBIT each including earnings contribution from the investment in Fnac Darty.

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activities as well as innovation and data collaboration activities. The parties plan to create a joint venture which functions as the holding company of the Alliance as well as separate operational entities for each of the value creation areas. No material financial impacts of the cooperation are expected for 2018.

“After the subdued start to the year, we had a good second quarter, in which we made progress operationally and strategically. We caught up with three-quarters of our earnings shortfall, also supported by the cost reduction measures initiated in January. However, six challenging months still lie ahead of us. Strategically important for us in the second quarter was the work we have done to prepare for the planned European Retail Alliance between MediaMarktSaturn and Fnac Darty. This alliance is the foundation for the cooperation between the two companies and an elementary building block of CECONOMY’s strategy to be the leading Consumer Electronics platform in Europe”, said Pieter Haas, CEO of CECONOMY AG.

Services & solutions drive sales growth

Adjusted for currency effects, CECONOMY’s **sales** grew by 0.8 per cent in the second quarter. On a reported basis at €5.249 billion (previous year: €5.258 billion), sales fell slightly (-0.2 per cent). Among other things, this development reflects the decision not to repeat the Saturn VAT campaign conducted in the previous year in light of earnings performance. The sales gap was compensated in part by the positive effects of the early Easter business in March. Adjusted for the VAT campaign in the previous year and the positive Easter effects, CECONOMY boosted its sales by 1.8 per cent after adjustment for currency effects.

Turkey mainly contributed growth stimulus at a regional level as it continued its positive trend of the previous quarters. Showing the effects of the measures introduced, Italy and Sweden continued to perform well, contributing to the further stabilisation of the business.

At the level of the individual business areas, dynamic growth was seen primarily in **Services & Solutions**. Sales in the services business increased by around 15 per cent compared with the previous year to €334 million (previous year: €292 million), or 6.4 per cent of total sales. The growth was driven by all categories, including insurances, financing, extended warranties, telco contracts and repair services. Further expansion of the "SmartBars" to more than 750 stores and

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the growing presence of Deutsche Technikberatung now in more than 300 MediaMarkt and Saturn stores in Germany contributed to this. The MediaMarkt and Saturn sales brands grew by around 11 per cent in the **online and mobile business**. Overall, CECONOMY generated 12.2 per cent of Group sales in online business following 11.6 per cent in the previous year.

Development of Group sales¹

€ million	Q2 2016/17	Q2 2017/18	Change
Total sales growth	5,258	5,249	-0.2 %
Online sales (% of total sales)	11.6 %	12.2 %	0.6%p.
Services & Solutions sales (% of total sales)	5.5 %	6.4 %	0.9%p.

¹ All figures for the previous year's quarter only from continuing operations, i.e. CECONOMY.

Earnings supported by non-recurring effects, higher services income and cost-saving initiatives

CECONOMY's **EBITDA** increased by €56 million to €97 million in the second quarter. For the first time, it includes a noticeable contribution from the investment in Fnac Darty amounting to around €21 million. Even excluding this contribution, CECONOMY increased EBITDA by €36 million to €76 million. More than half of the increase was due to the absence of known non-recurring effects in the previous year, such as the loss from the insolvency of a telecom provider in the Netherlands and the not repeated VAT campaign at Saturn Germany, as well as positive effects from the valuation of goods in our inventories. The winding-up of redcoon also had a positive impact on the result. Along with this, there was also higher demand in the Services & Solutions segment. The additional cost-saving initiatives defined after the first quarter also contributed to the increase.

EBIT increased from €-19 million to €38 million. Excluding the contribution from Fnac Darty, it amounted to €18 million. The change in **net working capital** improved by €185 million. In addition to a beneficial weekday effect, this was driven by lower inventories and higher cash-in of supplier receivables.

In the second quarter, the net financial result amounted to €-110 million, compared with €-1 million in the previous year. This reflects the impairment of the approximately 10 per cent Metro AG stake in the amount of €131 million and results from the application of IFRS international accounting regulations. The ongoing, clearly negative Metro AG share price

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development could only be partially offset by the Metro dividend of €25 million. The impairment had no impact on the forecast for the 2017/18 financial year, which relates to EBITDA and EBIT with regard to earnings. As a result of the impairment, earnings per share (EPS) fell to €-0.21 after €-0.04 in the previous year's quarter. Adjusted for the impairment, EPS rose considerably from €-0.04 to €0.13.

Development of Group earnings^{1, 2}

€ million	Q2 2016/17	Q2 2017/18	Change
Gross profit	1,046	1,051	5
<i>Gross margin (%)</i>	<i>19.9%</i>	<i>20.0%</i>	<i>0.1%p.</i>
EBITDA	40	97	56
EBITDA excl. Fnac Darty	40	76	36
<i>EBITDA margin excl. Fnac Darty</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 margin excl. Fnac Darty</i>	<i>-0.4%</i>	<i>0.3%</i>	<i>0.7%p.</i>
EPS (€)	-0.04	-0.21	-0.17

¹ All figures for the previous year's quarter only from continuing operations, i.e. CECONOMY.

² All Q2 2016/17 figures before special items with the exception of sales and gross profit; all Q2 2017/18 figures as reported.

Targets for financial year 2017/18 confirmed

For financial year 2017/18 CECONOMY expects a slight increase in total sales compared to the previous year. All segments will contribute to this. Correspondingly, the company expects a slight improvement in net working capital compared with the previous year. Both in terms of EBITDA and EBIT, CECONOMY expects an increase at least in the mid single-digit percentage range, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The Western/Southern Europe region in particular will contribute to this. The comparative previous-year figures for financial year 2016/17 have been adjusted for special items. The outlook is also adjusted for currency effects and is shown before portfolio changes. In addition, EBITDA and EBIT for 2017/18 include our share of the profit or loss for the period for Fnac Darty S.A. Based on current analysts' estimates, CECONOMY expects this investment to make a contribution to earnings in the low to mid double-digit millions in financial year 2017/18.

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About CECONOMY

CECONOMY AG is the leading European platform for companies, concepts and brands in the field of consumer electronics. The market position of CECONOMY is based above all on the strong brands MediaMarkt and Saturn. With more than two billion customer contacts per year, the CECONOMY companies aim to provide customers with orientation and solutions, thus allowing consumers to make optimum use of the possibilities of innovative technologies. To this end, CECONOMY intends to develop new concepts and business models to provide consumers with vital added value and to tap the potential for the economic success of the Company and its shareholders.

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