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CECONOMY reports sales and earnings growth in Q3 – confirmation of full-year targets

- **Adjusted for currency effects sales increased by 0.8 per cent[1]; significant growth in Online/Mobile and Services/Solutions**
- **EBITDA increased by €21 million to €26 million**
- **Impairment of Metro AG stake of around €138 million negatively impacted the financial result and EPS in Q3**
- **Free cash flow to be further strengthened – net cost reduction of €250 million in total over five years**

Düsseldorf, 14 August 2018 - CECONOMY AG ("CECONOMY") reached further important strategic milestones during the third quarter of the financial year 2017/18 and is on course to achieve its full-year targets. As of end of June, the company had compensated the earnings shortfall incurred in the first quarter. In the third quarter, the result (EBITDA) increased to €26 million compared to the same period in the previous year (Q3 2016/17: €4 million). EBIT improved from €–49 million in the previous year to €–30 million. Sales, adjusted for currency effects and portfolio changes, increased by 0.8 per cent from April to June. The main driver here was strong growth in the Online/Mobile and Services/Solutions business segments. In addition, the World Cup also had a positive effect. At the same time, CECONOMY has consistently implemented its strategic agenda by agreeing to acquire 15% of the Russian market leader M.video and founding the European Retail Alliance. CECONOMY was also able to further strengthen its balance sheet with a capital increase announced at the end of June and the investment of freenet AG as a new major shareholder. The capital increase has been registered in July.

[1] Note: Business figures represent the continuing operations of CECONOMY, excluding the Russian MediaMarkt business, which has been classified as discontinued operations since the date of the announcement of the disposal.

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To further strengthen its free cash flow, CECONOMY will continue to improve its cost and investment structures. Especially improvements in process optimization and automation will lead to a net cost reduction of €250 million in total over five years. Furthermore, CECONOMY will review its level of investments and expand its store network even more selectively than before.

"In the third quarter, we continued the good progress made in Q2. With plus 21 per cent in Online/Mobile and plus 26 per cent in Services/Solutions, both key business areas demonstrated exceptional growth rates. On a nine-months basis the group's net working capital is much better than in the previous year. We have put all our efforts into driving forward our strategic agenda and accelerating the measures needed to support the operational result. We know that the fourth quarter is the key quarter to reach our targets, but we are confident that we can reach the goals we have set," said Pieter Haas, CEO of CECONOMY AG.

Online/Mobile and Services/Solutions as strongest sales drivers in Q3

From April to June, **sales** of CECONOMY, adjusted for currency and portfolio changes, increased by 0.8 per cent. In addition to the positive effects related to the World Cup, strong growth rates in the areas of Online/Mobile and Services/Solutions also contributed to this development, compensating the shift of the Easter business into the second quarter. On a reported basis, Group sales decreased by 0.7 per cent to €4.60 billion (previous year: €4.63 billion). In Eastern Europe, sales increased by 2.0 per cent in the third quarter. Adjusted for currency and portfolio changes, sales growth was 15.5 per cent. The Western & Southern Europe region, adjusted for currency effects and portfolio changes, was on previous year's level. Spain largely compensated for the decline in other countries in the region. Sales in DACH fell by 1.0 per cent in the quarter, adjusted for currency effects and portfolio changes. Positive effects from the campaigns associated with the World Cup were not able to fully compensate for the declining sales trend in Germany. Overall, the result in Germany was approximately on previous year's level.

Development of Group sales[1]

	Sales (€ million)		Change (%)	in per cent of total sales
	Q3 2016/17	Q3 2017/18		
Sales	**4,629**	**4,598**	**-0.7**	n.a.
Online/Mobile	483	584	20.9	12.7
Services/Solutions	304	381	25.6	8.3

[1] All figures for the previous year's quarter relate solely to continuing operations, i.e. CECONOMY.

CECONOMY is continuously expanding its activities beyond the traditional store-based business. In the third quarter, **Online/Mobile business** grew by 20.9 per cent compared to the previous year and achieved sales of €584 million. The Online/Mobile segment accounts for 12.7 per cent of total sales (Q3 2016/17: 10.4 per cent). Nearly every second online customer took advantage of the opportunity to pick up goods ordered online or mobile (Q3 2017/18: 40 per cent vs. 39 per cent in the previous year).

The demand for **Services/Solutions** has increased even more than the Online/Mobile segment. In this area, sales rose by 25.6 per cent to €381 million in a year-on-year comparison. Especially telco contracts, insurances, extended warranties and repair services drove this growth. This is also attributable to the successful implementation of the "smart bar" service across 821 stores and to the roll-out of at home consultation and installation service of Deutsche Technikberatung (DTB) to all MediaMarkt and Saturn stores in Germany.

Earnings shortfall fully compensated

Excluding the contribution from Fnac Darty S.A., an **EBITDA** of €416 million was generated during the first nine months, which is on previous year's level (9M 2016/17: €417 million). From April to June, CECONOMY achieved an EBITDA of €26 million – an improvement of €22 million compared to the same quarter of the previous year (excluding Fnac Darty). Non-recurring items, such as a legal change in the accounting valuation of gift card liabilities in Germany, contributed to this improvement. The result was also supported by the continued successful restructuring of the Italian operations. The additional cost savings of €30 million announced for the current financial year were also largely implemented. At 20.2 per cent, the gross margin was largely stable compared to the same quarter of the previous year (–0.1 percentage points).

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Nevertheless, **EBIT** also rose by €19 million in the third quarter to €–30 million. In the first nine months, change in Net Working Capital improved by €61 million compared to the prior year. During the third quarter, CECONOMY was able to fully compensate the shortfall of the first six months.

Further impairment of Metro AG stake weighs on earnings per share

The net financial result decreased by €142 million to €–154 million in the third quarter. This is almost entirely attributable to the negative development of the share price of Metro AG. This led to a further impairment of our approximately 10 per cent stake to €10.59 per ordinary share and €11.95 per preference share. The impairment impacted the net financial result by approximately €138 million. Earnings per share (EPS) decreased to €–0.32 from €–0.09 in the previous year. In total, €268 million was written down on the Metro investment during the financial year in accordance with the IFRS accounting guidelines. The impairment will not affect the targets for the financial year 2017/18.

Development of Group earnings [1, 2]

€ million	Q3 2016/17	Q3 2017/18	Change
Gross profit	**943**	**930**	**-13**
Gross margin (%)	*20.4 %*	*20.2 %*	*-0.1%p.*
EBITDA	**4**	**26**	**21**
EBITDA excl. Fnac Darty	**4**	**26**	**22**
EBITDA margin excl. Fnac Darty	*0.1 %*	*0.6 %*	*0.5%p.*
EBIT	**-49**	**-30**	**19**
EBIT excl. Fnac Darty	**-49**	**-29**	**20**
EBIT margin excl. Fnac Darty	*-1.1 %*	*-0.6 %*	*0.4%p.*
EPS (€)	**-0.09**	**-0.32**	**-0.23**

[1] All figures for the previous year's quarter relate solely to continuing operations, i.e. CECONOMY.
[2] All figures from Q3 2016/17 before special items, except sales and gross profit, all figures from Q3 2017/18 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. 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 in the low to mid-single-digit percentage range without taking into account the earnings contributions from the investment in Fnac Darty S.A. The comparative figures in the financial year 2016/17 have been adjusted for special items. Furthermore, the outlook is adjusted for currency effects and before portfolio changes.

The heterogeneous development of the segments regarding sales and earnings in the first nine months will continue through the full financial year 2017/18.

With the signing of the agreement regarding the full disposal of the Russian MediaMarkt business and the subsequent classification as discontinued operations, the basis for 2016/17 and the outlook of CECONOMY AG in the current financial year 2017/18 were adjusted. The outlook for CECONOMY AG is thus based on continuing operations. 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 the published results, we will recognise a contribution to earnings in the financial year 2017/18 of around €20 million.

About CECONOMY

CECONOMY AG empowers live in the digital world. It is the leading European platform for companies, concepts and brands in the field of consumer electronics. The companies in the current CECONOMY portfolio have billions of consumer contacts per year and provide products, services and solutions that make life in the digital world easy and enjoyable, creating value for consumers and shareholders alike.

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