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CECONOMY to implement strategy more focused and faster – 2019 will be a year of transition

- // Currency and portfolio adjusted sales in 2017/18 rose slightly by 0.2 per cent to €21.4 billion (as reported: -0.9 per cent)
- // EBIT excluding Fnac Darty at €399 million (previous year: €494 million before special items); EBITDA excluding Fnac Darty at €630 million (previous year: €714 million before special items)
- // Impairments of the METRO AG stake burden Group earnings; no meaningful basis for a dividend payment for the past financial year
- // Targets for 2018/19: Sales adjusted for currency and portfolio change effects expected to rise slightly and EBITDA and EBIT to decline slightly in financial year 2018/19 – esp. due to a higher comparative basis following one-off effects and the imminent transformation¹
- // Supervisory Board member Dr. Bernhard Düttmann takes over CFO duties from Mark Frese on an interim basis

Dusseldorf, 19 December 2018 – In a challenging environment, the past financial year fell short of expectations, as is well known. Following the decline in earnings in 2017/18, CECONOMY has defined measures on a faster and more consistent implementation of its strategy. The Company considers the financial year 2018/19 to be a year of transition, in which it will gradually reposition itself to increase customer focus and productivity of its business. Further investments in IT and logistics are to be made in the coming months. There will be additional expenses in connection with the announced management changes at CECONOMY and, in particular, MediaMarktSaturn as well as the reorganisation of business processes in administrative and central units at MediaMarktSaturn. Details are yet to be determined. The financial year 2017/18

¹ The outlook is adjusted for exchange rate effects and before portfolio changes. Still to be specified expenses in connection with the reorganisation and optimisation of structures and business processes at administrative and central units are not included. Expenses for already announced management changes in top management are also not included.

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does not constitute a meaningful basis for a dividend payment. Therefore, the Management Board and the Supervisory Board have decided to use the available equity capital to drive forward the Company's transformation as quickly as possible. "In the past financial year, our results fell short of our expectations and those of our shareholders. However, the positive development in the Online and Service business is proof that the cornerstones of our strategy remain intact. CECONOMY is and will continue to be an exciting and, above all, profitable company with a strategy geared towards sustainable success," says Dr Dieter Haag Molkenteller, member of the Management Board of CECONOMY AG.

Mark Frese, member of the Management Board of CECONOMY AG, adds: "Following an in-depth evaluation, we have a clear understanding of what went wrong. Besides moderate Christmas trading, weak customer frequency – exacerbated by the unusually hot weather in July and August – weighed on sales and earnings. Additionally, operating earnings contributions at the end of the financial year were significantly lower than expected. At the same time, we did not implement our strategic initiatives fast and consistently enough, especially in Germany. We expect the retail and consumer electronics environment to remain challenging in the year to come. However, CECONOMY has the potential to master these challenges thanks to its stable financial structure and a consistent implementation of its strategy."

At his own request, Mark Frese has asked the Supervisory Board of CECONOMY AG to leave the company effective 31 December 2018. The Supervisory Board of CECONOMY is fulfilling this request and is sending Dr. Bernhard Düttmann as the new CFO to the Management Board of CECONOMY on an interim basis. Through his previous positions as a member of the Executive Board at Lanxess, Beiersdorf, Tesa and most recently as interim CFO at Stada, Dr. Düttmann distinguishes himself as a proven financial expert, who also has profound knowledge of the company through his position on the Supervisory Board of CECONOMY.

Decline in Germany – also due to the unusually hot weather

CECONOMY had already published a new outlook for the financial year 2017/18 based on preliminary results and detailed sales figures back in October. Adjusted for currency and portfolio change effects, **sales** for the financial year 2017/18 rose slightly by 0.2 per cent

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compared to the previous year. On a reported basis, however, Group sales declined by 0.9 per cent to €21.4 billion (previous year: €21.6 billion). This was driven primarily by the decline in brick and mortar sales. Notably, in Germany this was also due to the unusually hot weather in July and August. On the contrary, positive contributions came from the strong growth of the Online and Service business as well as the Football World Cup. However, this could not compensate for the decline in the stationary product sales. While sales adjusted for currency and portfolio change effects in the DACH region declined (-1.6 per cent), the other segments developed positively (Western & Southern Europe: +1.3 per cent; Eastern Europe: +9.7 per cent; Other: +2.4 per cent).

CECONOMY's Online sales increased by 13.0 per cent year-on-year. The **Online business** thus accounted for 12.1 per cent of total sales (previous year: 10.6 per cent) which equals a total of €2.6 billion in the past financial year. Furthermore, sales in the **Services & Solutions** business developed repeatedly positive. They came in at around €1.5 billion at the end of the reporting period and were hence 10.0 per cent higher than in the previous year, accounting for 6.9 per cent of total sales (previous year: 6.2 per cent). In particular strong growth was recorded in the brokerage of mobile communications contracts, insurance and financing, as well as services relating to repairs and warranty extensions. This was also supported by the further expansion of the SmartBar concept to currently 922 stores.

Development of Group sales¹

€ million	Q4 2016/17	Q4 2017/18	FY 2016/17	FY 2017/18
Total sales²	5,150	4,953	21,605	21,418
<i>Change in % year-on-year</i>		-3.8 %		-0.9 %
Online sales (as % of total sales)	10.6 %	12.2 %	10.6 %	12.1 %
Services & Solutions sales (as % of total sales)	7.5 %	8.0 %	6.2 %	6.9 %

¹ All figures exclusively from continuing operations.

² The sales figures for Italy for 2016/2017 and 2017/2018 have been adjusted to present sales in connection with warranty extensions on a net basis.

Impairments of the METRO AG stake burden Group earnings

Excluding the earnings contribution from Fnac Darty S.A. of €21 million, **EBITDA** for the past financial year was at €630 million below the previous year's level (previous year: €714 million before special items). Excluding the earnings contribution from Fnac Darty, **EBIT** amounted to

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€399 million (previous year: €494 million before special items). The decline in earnings is attributable in particular to the decline in sales in Germany and Switzerland. In addition, the gross margin decreased by 0.5 percentage points to 20.1 per cent in the past financial year. The result was positively impacted by one-time effects such as changes in the valuation of goods and a change in the valuation of liabilities from gift cards due to a change in regulation. Other contributing factors were the positive earnings development in Italy following the restructuring of the local MediaMarkt activities.

As previously announced, CECONOMY impaired its stake in METRO AG by a total of €268 million in the reporting period. Counteracting this effect in the fourth quarter were the capital gain from the sale of shares in METRO AG as well as positive contributions in form of a dividend payment from the company. The value recovery from the remaining shares was recognised directly in the equity position. The underlying tax rate was successfully improved to 34.1 per cent (2017/18: 42.1 per cent before special items). Due to the impairments and a weaker operational development, **earnings per share** for continuing operations declined to €0.07 (previous year: €0.63 before special items). The change in **net working capital** improved to €302 million before currency effects.

Development of Group earnings^{1, 2}

€ million	Q4 2016/17	Q4 2017/18	Change	FY 2016/17	FY 2017/18	Change
Gross profit	1,163	1,072	–91	4,470	4,314	–156
<i>Gross margin in %</i>	22.6%	21.6%	–0.9%p.	20.7%	20.1%	–0.6%p.
EBITDA	297	215	–82	714	650	–63
EBITDA excl. Fnac Darty	297	214	–83	714	630	–84
<i>EBITDA margin excl. Fnac Darty</i>	5.8%	4.3%	–1.5%p.	3.3%	2.9%	–0.4%p.
EBIT	241	149	–92	494	419	–75
EBIT excl. Fnac Darty	241	148	–93	494	399	–95
<i>EBIT margin excl. Fnac Darty</i>	4.7%	3.0%	–1.7%p.	2.3%	1.9%	–0.4%p.
Net profit³	117	84	–33	206	23	–183
EPS (in €)	0.36	0.24	–0.12	0.63	0.07	–0.56

¹ All figures from the same quarter of the previous year exclusively from continuing operations.

² All figures from Q4 and FY 2016/17 before special items except for sales and gross earnings; all figures from Q4 and FY 2017/18 as reported.

³ Attributable to the shareholders of CECONOMY AG.

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More consistent implementation of the strategic agenda with new personnel structure

In order to meet the upcoming challenges, the Supervisory Board of CECONOMY AG decided on a fundamental realignment of the Management Board of CECONOMY AG in October 2018. Changes were also made to the management of Media-Saturn-Holding GmbH, as already announced. The central levers of the Company's strategic agenda will remain in place; however, they will be implemented with an even greater focus and more quickly in the future. They include accelerating the expansion of multi-channel and service offerings as well as reducing the cost base in order to free up funds for investments in IT and logistics. Furthermore, the organisation will be streamlined and centralised – especially in the areas of Supply Chain Management and Purchasing. Moreover, there will be a clear focus on operating projects and initiatives which are success critical; this includes a more comprehensive bundling of products and services as well as the introduction of a central system for planning and managing inventories.

Spain, Italy and the Netherlands prove success of CECONOMY's strategy

Ferran Reverter, the new CEO of MediaMarktSaturn, is in charge of implementing these measures. In order to implement the initiatives and lay the foundations for the successful realignment of the Company, Reverter has already set up a strong new management team over the past two months. "The consumer electronics market is changing faster and faster. We have a clear strategy to meet the upcoming challenges. This strategy has already proven successful in countries such as Spain, Italy and the Netherlands," says Ferran Reverter. "In Germany and at Group level, however, we were too slow and not consistent enough in implementing it. We will change that. However, it will take some time before successes become visible. The current financial year will be a year of transition. This applies in particular to the transformation of the Company's culture and organisation."

Against this background and in view of the positive one-time effects that supported the results in the past financial year, CECONOMY expects a moderate development for financial year 2018/19.

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Targets for financial year 2018/19

For the financial year 2018/19 CECONOMY expects a slight increase in total sales compared to the previous year. The Company expects net working capital to decline moderately.

Both in terms of EBITDA and EBIT, CECONOMY expects a slight decline, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The segments DACH and particularly Eastern Europe will contribute to this decline, while the segment Western & Southern Europe will develop slightly positive. The comparative previous-year figures for 2017/18 are €630 million EBITDA and €399 million EBIT. In addition, EBITDA and EBIT will also include the share of the profit or loss for the period for Fnac Darty S.A. Based on current analyst estimates, CECONOMY expects this investment to make a contribution to earnings in the mid double-digit million € range in financial year 2018/19.

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About CECONOMY

CECONOMY AG empowers life 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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