



TO OUR SHAREHOLDERS

05 [Letter to shareholders](#)

- 07 The Management Board
- 08 The year in review
- 12 CECONOMY share performance
- 15 Goals and strategy

LETTER TO SHAREHOLDERS

Ladies and gentlemen,

CECONOMY has been standing on its own two feet since 13 July 2017. Gaining our independence is part of a long-term transformation process with a clear goal: we are aligning our business model closely to the changing living environments of our customers.

Digitalisation has changed the structure of retail in general and above all the consumer electronics business forever. The spotlight is trained more closely on customers than ever before. They are extremely well informed, have a clear picture of their needs and demand their fastest possible, spot-on satisfaction.

CECONOMY is superbly positioned for this new world. We have invested extensively in our multi-channel activities. And we can link all channels seamlessly: in-store, online, mobile or home shopping. Our customers can reach us any time, anywhere. This is also our response to pure players who, unlike us, are not able to offer their customers the same extensive coverage with all of these channels. We are investing in enhancing the efficiency of our supply chain and in expanding our services portfolio. Over the past three years we have completely redefined the strategy in our core business, the MediaMarktSaturn Retail Group. We are in the process of examining our country, brand and store portfolios, and streamlining them wherever necessary. Our locations have been digitalised. This has included equipping them throughout with digital price tags, which puts us in a position to offer our customers attractive prices all the time, and to respond quickly and efficiently to our competitors.

But digital alone is not enough. Our customers do not want to dispense with the human element in this new world, as demonstrated by their decision not only to shop online. Online can never replace the experience of actually going shopping. Social and emotional components are essential parts of the ideal shopping experience, along with digital components. All the more so because customers want people who can give them advice on what are in some cases extremely complex products, and who actually help them make a decision.

Every single one of our employees plays a starring role in this new world. The basis of trust existing between our sales teams in the stores and our customers is one of our key competitive advantages over purely online vendors. Our employees do not only offer competent advice; they also create "memorable experiences" for our customers day in, day out.

We have thus evolved into a reliable partner and daily supporter of our customers in a digital world that is both fascinating and increasingly complex. Digital life is part of the everyday lives of our customers. We help them to live this life without worries or problems. Exactly in keeping with our brand promise: we empower life in the digital world.

// THANKS TO OUR STAFF

I have already spoken about the key role that motivated and competent employees play in this scenario. Precisely for this reason, I wish to take this opportunity also to thank our colleagues on behalf of my Board colleagues: you are what makes the success of the Company possible at all. They take a passionate and committed interest in our issues in tune with the saying: "What you wish to ignite in others must first burn within yourself."



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// GOAL ACHIEVED! INCREASED TOTAL SALES AND EBIT

We are in the midst of massive changes and are operating in an economic environment that remains challenging. And yet we still managed to achieve our goals in our first year of independence. We were able to increase total sales to €22.2 billion, equivalent to an increase of 1.3 per cent on the previous year. Our sales growth picked up even more pace in the fourth quarter, gaining 4.6 per cent.

We also met our target for earnings (EBIT) before special items. Earnings of €471 million were slightly ahead of the previous year's figures of €466 million. On an FX-adjusted basis, our EBIT increased by €10 million or 2.2 per cent.

// SHARE PERFORMANCE AND DIVIDENDS

Our satisfactory business development is also reflected in the performance of the CECONOMY shares. Before the new METRO AG was spun off, shares of the former METRO GROUP earned a total return including dividends of around 14 per cent in the period from 30 September 2016 to 12 July 2017. The price of CECONOMY ordinary shares has also performed well. The share price increased by 4 per cent between 13 July 2017 – the day on which CECONOMY shares traded independently for the first time – and the end of the financial year. This marks an outperformance versus the Stoxx 600 Retail index of around 5 per cent. Benchmarked against the Euro Stoxx Retail Index, the outperformance was even more than 8 per cent. The trend in the first weeks of the new financial year was significantly optimistic.

We want to keep distributing attractive dividends in future. Based on earnings per share of € 0.58 before special items, the Management Board and Supervisory Board are proposing a dividend payment of € 0.26 per ordinary share to the next Annual General Meeting. This proposal equates to a payout ratio of 45 per cent and is thus in line with our published dividend policy.

// CLEAR AND AMBITIOUS GROWTH TARGETS

We have defined clear targets for the future – in terms of both sales and earnings. Over the medium term, we plan to increase sales by more than 3 per cent on average each year and to earn an EBITDA margin of around 5 per cent. We have defined the strategy and measures to achieve these targets. Also in the medium term, we want online business to account for as much as 15 per cent and services & solutions for around 10 per cent of sales.

We are also striving to play a leading role in the consolidation of the market. Our acquisition of a stake in Fnac Darty S.A. has demonstrated our ability to act in the important French consumer electronics market as well, so shortly after gaining independence.

CECONOMY has both the ambition and the opportunities to remain the leading platform for companies, concepts and brands in the field of consumer electronics and thus to grow further.

Please accept our warm invitation to join us at our Annual General Meeting on 14 February 2018, where we will demonstrate that we are optimally placed to operate successfully on the market as an independent company.

I look forward to seeing you there.

I sincerely thank you for your loyalty and for the trust you have placed in us.

Your

PIETER HAAS

Chief Executive Officer, CECONOMY AG