



COMBINED MANAGEMENT REPORT

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Key figure	Explanation	Reference
Investments according to the segment report	The key figure investments in the segment report includes all additions to non-current intangible assets, property, plant and equipment (e.g. land, buildings, expenditure on modernisation) and investment property. In contrast to cash investments, this item also includes the present value of finance leases entered into. However, this figure does not include payments for financial assets, advance payments on account or prepayments of rent.	Investments/divestments
Total number of stores	The number of stores refers to the number of brick-and-mortar stores with a selling space that can be quantified in square metres.	Group business model/earnings position
Total new openings	Number of new openings in a period.	Group business model/earnings position
Total closings	Number of closings in a period.	Group business model/earnings position
Selling space	The selling space is the total area of all stores in square metres.	Earnings position
Average selling space per store	The average selling space per store is calculated as the ratio of the total area of all stores in square metres and the number of stores as of the closing date. Average selling space per store = $\frac{\text{Total area of all stores in square metres}}{\text{Number of stores}}$	Earnings position
Number of employees	This key figure specifies the number of full-time employees as of the closing date.	Employees

Based on similar economic conditions and the economic characteristics of business activities, individual countries are aggregated into the following **operating segments**, which are subject to reporting requirements:

- DACH (Germany, Austria, Switzerland, Hungary)
- Western/Southern Europe
- Eastern Europe

All non-reportable operating segments and activities that do not meet the definition criteria of an operating segment are summarised under “Other”.

As part of CECONOMY’s **value-based management**, key figures and targets are regularly checked for their orientation towards a sustainable increase in corporate value. The perspective of the shareholders and other stakeholders is taken into account. In addition to the strong focus on sales and margin ratios, which is typical for the retail sector, cash flow also plays an important role in CECONOMY’s key figure system. Based on the 2015/16 financial year, CECONOMY’s management formulated a medium-term ambition before portfolio changes and assigned it the following key figures and corresponding target values:

- Sales growth (>3% average growth rate)
- EBITDA margin (close to 5%)
- Investments (around 1.5% of sales) and cash flow conversion (60% to 70%)
- Tax rate (close to 40%)
- Dividends (generally 45% to 55% of EPS, depending on future economic development and the profitability of investment projects)

The former METRO GROUP had defined the key performance indicators for value-based management Cost of Capital (EBITaC) and Return on Capital Employed (RoCE), which are not used by CECONOMY.

Sustainability management

CECONOMY makes life easier in the digital world. The products and technologies that make this world possible are not necessarily sustainable at first glance because of their power consumption. However, they open up completely new opportunities for a sustainable lifestyle, for example



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through the needs-oriented control of heating, cooling and lighting. At the same time, the worldwide web creates transparency about product characteristics and the sustainability governance of companies. Because CECONOMY makes the advantages of digitalisation available to customers, it is a logical step to apply these advantages itself. We therefore assume the responsibility of leading the companies we invest in and setting individual economic goals for them with social requirements that go beyond the legal requirements. We must respect the limits imposed by the environment. By taking this approach, we act today for the good of tomorrow. Accordingly, our business activities are designed to create added value while reducing negative effects. This makes all aspects of our business sustainable.

Until the demerger of METRO GROUP, key stakeholders were regularly asked to evaluate the sustainability efforts of the Group in its former structure within the scope of specific ratings. These evaluations provided important motivation to us and served as a management tool for the former METRO GROUP because they demonstrated the progress of our activities and potential to improve them.

Prior to the demerger, the sustainability performance of the former METRO GROUP received positive evaluations: In July 2017, for example, the former METRO GROUP was once again included in the FTSE4Good Global/Europe Index. Oekom Corporate Rating reassessed CECONOMY in the summer of 2017, and once again awarded the restructured CECONOMY Prime Status C+ (scale D- to A+). In financial year 2016/17, the former METRO GROUP was also ranked best in the industry for the third consecutive year in the internationally important sustainability indices Dow Jones Sustainability World and Europe.

Until the demerger, the former METRO GROUP focused on the value chain and those areas of our interaction with society where it could exercise the most influence. Based on our former structure, we had identified the following areas of responsibility: Focus on commitment to our employees, sustainable operations, sustainable procurement and assortment, sustainable consumption, and social engagement.

Sustainability approach

Since the splitting up of METRO GROUP, CECONOMY AG has been working on designing and developing its own approach to ensure sustainability is afforded the necessary importance and presence within the Company's overall strategy. This approach is based on a roadmap for the next twelve months, starting with a comprehensive material analysis that we performed in 2017.

Anchoring sustainability at CECONOMY

Embedding sustainability in the core business operations of our key investments is essential to realise our future vision.

CECONOMY AG plans to set up a "Sustainability Committee" to make sure this happens. It will be based on the Sustainability Committee of the MediaMarktSaturn Retail Group (MMSRG), which was founded in November 2015 and meets quarterly. CECONOMY's Sustainability Committee will be responsible for defining the Group strategy for sustainability to provide a basis and guidance for the individual strategies of our investment companies. Both the issues relating to sustainability at CECONOMY AG itself, as well as the status of programmes and activities in place at our investment companies will be discussed, and appropriate decisions made, by CECONOMY's Sustainability Committee.

Members of CECONOMY's Sustainability Committee will consist of the Chairs and Vice-Chairs of the investment companies, although initially most of the members will come from MMSRG and CECONOMY AG.

In addition, executives in each country and service organisation of MMSRG have been appointed as "Sustainability Managers" to carry the idea and strategy into their respective organisation. Our goal is to ensure that all executives as well as every single member of staff acknowledge the significance of sustainability with respect to both themselves and their professional environment, and that they conduct themselves accordingly.



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Sustainability approach of MMSRG

The sustainability approach adopted by MMSRG, our largest investment, is closely linked to the vision and strategy of CECONOMY. Accordingly, MMSRG regards itself as a responsible and sustainable partner, daily companion and navigator for consumers in an increasingly digitised world. As a supplier of products and services that considerably influence society and the environment, MMSRG has also derived sustainability goals from this mission, and has structured them in three dimensions of action.

Activity dimensions of sustainability targets



MMSRG is committed to embedding sustainability firmly in its future business practices. Through digitalisation and new service concepts coupled with a broad spectrum of sustainable products, the scope is widening, especially for supporting the sustainability effects of our customers and for satisfying the demands we make of ourselves as a responsible enterprise.

Responsible portfolio

The key factor driving the economic success of our retail brands MediaMarkt and Saturn has always been the huge choice: an average market offers around 45,000 products to its customers locally. Around 300,000 items are available in the German online shops of the two retail brands MediaMarkt and Saturn, for example. Key aspects of our commitment to sustainability include assuring that our suppliers' production facilities adhere to social standards, as well as providing comprehensive advice and information on sustainability aspects of all our products. By adopting this approach, MMSRG helps its customers opt for entertainment electronics and services that support a more sustainable lifestyle.

STRICT SUPPLIER MANAGEMENT STANDARDS (OWN BRANDS)

When it comes to its own brands – ok., Peaq, Isy and Koenic – MMSRG focuses on adherence to strict social standards in the facilities that manufacture the appliances. The core labour standards dictated by the International Labour Organisation (ILO) form an integral part of our contract terms and conditions. Moreover, the Company responsible for own brands – Imtron GmbH – has since 2014 been a member of the Business Social Compliance Initiative (BSCI), which was set up to protect workers' rights in factories. The core elements reviewed under this membership include the Company's management practice, environmental protection and health & safety aspects at work, as well as any violations of the ban on child and forced labour. The BSCI's Code of Conduct is derived from the SA8000 Standard issued by Social Accountability International (SAI). It obliges its members to ensure performance of regular external audits of its suppliers and to comply with other requirements defined by the Initiative.



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INFORMING CUSTOMERS ABOUT SUSTAINABLE PRODUCTS

Since 2012, Saturn has been collaborating in Germany with Utopia, an Internet platform for sustainable consumption. Particularly sustainable items available in numerous Saturn stores and through the online shop are marked with a green label "Recommended by Utopia". In order to provide its customers with even better information about sustainability aspects of electrical products, Saturn has developed a new communication concept, which is being tested at its store in Freiburg. The slogan "Go green now" aims to provide customers with better information about products that are particularly resource efficient. These products are also labelled accordingly. The criteria for the classification of the devices are regularly checked by a neutral party and meet the requirements of the EcoTopTen criteria (environmental friendliness and total costs).

In addition, the Saturn store in Freiburg – like all other MediaMarkt and Saturn stores in Germany – converted its electricity supply to 100 per cent green power from German hydropower plants at the start of 2017. This Saturn store is leading the way as the first-ever store to be certified as a climate-neutral business. Its estimated total emissions of 455 tonnes of CO₂ in 2017 will be fully compensated.

Responsibility for the environment, climate and resources

When designing new and refurbishing existing stores and other properties, MMSRG places great importance on energy efficiency and is constantly striving to find new ways of minimising its resource consumption. Most of the environmental pollution for which electronic products are accountable is caused during production and operation. There are, however, numerous ways to reduce this pollution, even in retail. MMSRG has set itself the goal of leading the way in environmental and climate protection and resource efficiency.

REDUCING ELECTRONIC SCRAP

MMSRG also assumes responsibility for electronic products at the end of the product life cycle. Each year, around ten million tonnes of electronic scrap occur worldwide. Although this scrap can be recycled with no loss of quality and virtually infinitely, it is often dumped in the household waste.

Customers in Germany have been able to return old electrical appliances to any MediaMarkt or Saturn store since 2005, which means that we have fulfilled our legal obligations in full by voluntarily taking it back. Returned appliances are taken to a certified initial treatment plant for proper recycling. Added to this, we don't impose any restrictions on the appliances we take back. MMSRG Germany alone received 35,000 tonnes of electrical appliances back in financial year 2016/17. This figure represents 50 per cent of the total volume of old electrical appliances returned in Germany (about 70,000 tonnes).

EFFICIENT ENERGY UTILISATION

MMSRG operates more than 1,000 stores around the globe, featuring thousands of electronic products for customers to try. The group of companies is committed to efficient energy management and to constantly modernising its stores and administrative buildings in order to reduce the energy used at these locations. For example, we use energy monitoring in the markets. In addition, MMSRG is making targeted investments in more energy-efficient lighting at its stores. LED light strips have since been installed in more than 200 stores. Compared with conventional T8 and T5 tubes, LED light strip lamps require up to 50 per cent less power. The group of companies aims to install LED lighting systems in all of its stores internationally between now and 2025 at the latest. By 2030, MMSRG expects this and other measures to produce like-for-like savings of 30 per cent electricity compared to 2011. As an intermediate target, MMSRG wanted to save 15 per cent electricity through its programme "Saving Energy 2.0" by the end of 2020. It had already exceeded this goal by the end of 2016, with savings of nearly 20 per cent.

In addition, the group of companies is striving to establish a high standard of quality with regard to the sustainable fittings and technical equipment in its stores. To achieve this, MMSRG has compiled an internationally standardised Sustainable Property Guideline based on the Gold Standard of the LEED classification system for energy-efficient and environmentally compatible building design.



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Responsibility to employees and society

Since MMSRG wants its employees to be both a success factor and ambassadors when it comes to sustainability, it encourages individual sustainable engagement and offers a varied spectrum of benefits to boost their personal well-being. MMSRG supports society and the environment by inspiring its customers to make the right purchasing decisions.

SUSTAINABILITY IN INITIAL AND FURTHER TRAINING PROGRAMMES

Store employees regularly attend product training sessions organised by the manufacturers to enable them to provide advice and answer questions about product sustainability, above and beyond the conventional product information. These training programmes also address issues such as energy efficiency and water consumption. At Saturn in Germany, for example, course attendants also take part in online training sessions focusing on special sustainability aspects of smartphones, tablets and notebooks, such as rare minerals, factory labour conditions and conflict commodities.

At its head office in Ingolstadt, MMSRG has incorporated sustainability as a key element into its trainee plans and talent programmes. Sustainability even plays a role during the recruitment process and is one of the modules in the Assessment and Development Centre. During their induction in Ingolstadt, international managers are introduced to the sustainability initiatives of MMSRG.

INFORMING EMPLOYEES ABOUT SUSTAINABILITY

Our employee magazine "GoGreen" was launched in March 2016 for everyone working at Saturn stores. It discusses ongoing sustainability initiatives at Saturn in Germany, lists interesting facts and figures about sustainability, such as changes to laws or regulations, and showcases specific examples from various stores around Germany. The magazine is published four times a year. In addition, the extensive information offered on the intranet, in the internal social network Yammer, and on the social media channels Facebook, Twitter and Xing, which are often used by employees, enable intensive engagement with the topic of sustainability and provide concrete action tips.

Employees

CECONOMY is continuing the activities of the former METRO GROUP in the Consumer Electronics division, particularly with the MediaMarkt and Saturn sales brands.

The following information therefore relates exclusively to the operations continued under CECONOMY.

Sustainable human resource policies

We have set ourselves the goal of increasing the relevance of our concepts, formats and brands, supporting our customers in an increasingly digital world and making their lives easier with our tailor-made solutions. To achieve this goal, we need dedicated employees who bring our strategy to life in their everyday work and create added value for our customers. One thing is certain: CECONOMY can only grow if we support our employees. Our human resource strategy focuses on two key aspects: human resource management, which includes employee recruitment, retention and development; and occupational safety and health management. Our objective is to attract the very best employees, to support them in accordance with their drive and abilities, and to strengthen their long-term connection to our company. By taking this approach, we strive to be the employer of choice among current and future employees.

Recruiting employees

In the competition for the most highly skilled employees and executives, we at CECONOMY are taking steps to polish our image among potential applicants. For us, this also includes the initial training of young employees for retail, through which we can recruit employees from our own ranks.