REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

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Between the closing date (30 September 2017) and the date of preparation of the consolidated financial statements (29 November 2017) there was no event of material importance for the assessment of CECONOMY AG's and CECONOMY's net assets, financial position and results of operations.

Outlook

The outlook of CECONOMY AG considers relevant facts and events that were known at the time the consolidated financial statements were prepared, and that impact future business developments. Alongside numerous sources from national and international economic research institutes and organisations, the outlook is mainly based on analysis provided by Feri Trust. The following conclusions reflect a mid-range scenario of expectations.

Economic parameters for 2017/18

With global political uncertainty persisting, the outlook for economic development remains equally unpredictable.

As things stand at present, global economic growth is expected to recover in calendar year 2017, boosted by stronger US growth of 2.2 per cent and economic revival in the emerging markets, and especially Brazil and Russia. This revival in the emerging markets is expected to produce growth of 4.0 per cent, helped by higher oil prices.

In contrast, the future of the Eurozone remains uncertain in light of a host of unresolved issues. Nevertheless, the area continues to indicate moderate economic growth of 2.1 per cent. Economic uncertainty is increasing at present in the USA, fuelled by the continued vagueness of the US president's economic policy. Furthermore, the Chinese economy is expected to slow down marginally as it transitions to a greater service orientation. Last but not least, the complex scenario is rounded off by the current political turbulence in Latin America.

Against this backdrop, the world economy is expected to grow by 2.8 per cent in real terms in 2017, which is a significant improvement on the previous year's figure of 2.2 per cent. This trend is, moreover, expected to continue in 2018.

Over the medium term, factors that will strongly influence global economic performance include the further course of monetary policy and the currently high levels of sovereign, corporate and private debt. Overall, the global economy has still not returned to a path of sustainable economic growth in 2017 following the financial and sovereign debt crisis.

DACH
Boosted by favourable financing terms and conditions and a robust labour market which is ensuring solid domestic demand, the German economy gained further strength over the course of 2016. At present, inflation is rising significantly, from 0.4 per cent in 2016 to 1.7 per cent in 2017. Recovering energy prices and weaker public spending will probably dampen the increase in consumer spending in the foreseeable future. Nevertheless, economic growth in Germany is expected to increase slightly in real terms, from 1.9 per cent last year to 2.0 per cent in 2017. It can be assumed that the sustained growth trend, with an ex-

pected real growth rate of 1.8 per cent in 2018, will continue to have an effect on the real development of the retail business in the future.

In Austria, growth in 2017 is expected to be significantly stronger at 2.4 per cent, compared with an increase of 1.5 per cent in the previous year, due to strong domestic demand. It can be assumed that a solid growth trend of 1.8 per cent will continue in 2018.

In Switzerland, on the other hand, growth in the overall economy is not expected to accelerate in 2017. With an increase of 0.9 per cent in real terms, the trend is below the levels of 2016. Real growth of 1.7 per cent is expected for 2018. Overall, the economic environment in Switzerland will remain challenging in 2018, but at a high level.

After a relatively weak real economic trend in 2016, with 2 per cent growth due to a lack of investment, Hungary is again expected to record a 3.7 per cent increase in economic output in 2017, supported by robust private consumption. It can be assumed that a solid growth trend of 3.3 per cent in real terms will continue in 2018.

Western/Southern Europe

Following years of (overall) solid growth rates, the economy in Western Europe is expected to continue expanding in 2017 at a stable rate of 1.9 per cent. The uncertainties provoked by the Brexit referendum and the current lack of clarity in US economic policy pose a risk of declining GDP growth given the close economic and financial ties between Western Europe and both countries. At the same time, the low interest environment continues to boost growth, although it remains to be seen which course European Central Bank monetary policy will take beyond 2017. Furthermore, the solid labour market with declining unemployment rates in all key Western European countries is cushioning the impact of declining rates of private consumption growth.

We expect real economic growth of about 1.7 per cent for calendar year 2018. The Netherlands (2.1 per cent) and Spain (2.6 per cent) continue to outperform this trend, although growth momentum is expected to slow in Spain. Italy – Western Europe's fourth-largest economy – continues to labour under structural economic problems and a persistently very high level of sovereign debt. Over the medium term, only slight growth of just over 1.1 per cent is expected here, as well. In both Spain and Italy, private consumption is a key driver of economic development. It remains to be seen how rising inflation impacts the further development of consumer behaviour in real terms.

In light of the national impacts of the Brexit referendum, the UK is facing real GDP growth rates of less than 1.1 per cent.

Eastern Europe

Following (overall) moderate expansion in 2016, economic growth in Eastern Europe is picking up again in 2017. The growth rate of 3.0 per cent is significantly higher than that for Western Europe over the same period. For 2018, this growth trend is expected to continue and 2.9 per cent real economic growth is expected.

This trend is being primarily supported by the anticipated development in Russia, which is coupled with real GDP growth of around 1.4 per cent in 2017. After two years of economic contraction, we expect to see a moderately positive growth rate of more than 2.0 per cent over the coming years, helped not least by higher oil and gas prices.

With domestic demand recovering, we expect economic growth in Poland to gain more momentum in 2017 and 2018, with growth of 4.2 per cent and 3.3 per cent, respectively. Irrespective of these positive macroeconomic growth expectations, it remains to be seen what impact the currently planned (partial) Sunday opening bans will have on sales trends in the retail industry.

Following a major decline in GDP expansion in 2016, growth in Turkey started increasing significantly towards the end of the calendar year, with the latest forecasts expecting growth of 5.7 per cent for 2017, boosted by a sharp decrease in value added tax on certain product groups, low hurdles to loan approvals, and increased public spending. These political measures are not, however, resolving the deficits inherent in the Turkish economy that are manifested in the continued weakness of the Turkish lira vis-à-vis the euro. Private consumption is expected to decline once state intervention ends on 30 April 2017. The tourist industry is a key economic factor that is expected to witness moderate improvement over the course of the current year. In the medium term, from 2018 the Turkish economy is expected to grow by just under 2 per cent in real terms – significantly less than past years (2014 to 2017).

Consumer electronics retailing

Consumer electronics retailing in Europe is likely to continue its stable development in financial year 2017/18.

In view of the high base level and the relatively low speed of innovation expected in Germany, the electronics retail sector will probably see slight growth in financial year 2017/18.

Technological advances in the TV segment are expected to continue and generate growth momentum in the brown goods sector. Major sporting events are also expected to boost growth moderately in 2018. Trending product categories such as health, sports and beauty, virtual reality and leisure electronics (hoverboards, drones, etc.) will probably stimulate growth and generate initial volume effects. The networking of home automation, household appliances and consumer electronics – subsumed under the term “smart home” – will also continue to grow in relevance.

The saturated Western European electronics markets will continue to record moderate growth in 2018 at the previous year’s level.

Growth in consumer electronics will continue, albeit at different rates across Eastern Europe. Although market growth in Russia is currently only moderate in local currency terms, the positive development of the rouble makes the growth rates look strong in euro terms. Since this one-off currency effect will not recur in 2018, we expect slight to moderate growth in euro terms for the coming year. Poland will continue to grow as in recent years, albeit at a slightly lesser pace from 2018 onwards. However, it remains to be seen what impact the currently planned (partial) Sunday opening bans in Poland will have on sales trends in the retail industry. In light of the political and economic uncertainties, we expect growth in the Turkish market to be slightly weaker in 2018 than has been the case in the past.

Outlook of CECONOMY

The forecast is adjusted for exchange rate effects and before portfolio changes.

SALES

For financial year 2017/18 CECONOMY expects a slight increase in total sales compared to the previous year. The Western/Southern Europe region in particular will contribute to this. Correspondingly, we expect a slight improvement in net working capital compared with the previous year.

EARNINGS

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 2016/17 have been adjusted for special items (EBITDA: €704 million, EBIT: €471 million).

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, we expect this investment to make a contribution to earnings in the low to mid double-digit millions in financial year 2017/18.