Q1 2019/20

QUARTERLY STATEMENT

SELECTED KEY FIGURES

Q1 2019/20

–0.5%

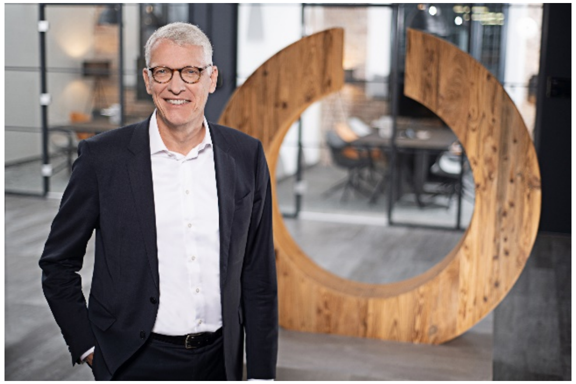
Slight sales decline[1]

289 €m

Adjusted EBIT[2,3] +20 €m above prior year

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before earnings effects in connection with the reorganization and efficiency program, associates and portfolio changes
[3] Including IFRS 16

THE FIRST QUARTER IN REVIEW



»
We completed Black Friday both successfully and profitably. In addition, Services & Solutions posted higher income and personnel expenditures and indirect spend in Germany declined. We were thus able to noticeably improve our earnings in the first quarter, despite intense competition and the weak market environment, especially in Southern Europe. We are well on our way to delivering on our promise and transforming the company. This means that we are focusing on our core business and aligning our business model to the needs of our customers.
«

Dr Bernhard Düttmann,
Chief Executive Officer

»
In the first quarter of 2019/20, we had another successful and profitable Black Friday period. At the same time, the growing relevance of the campaign days also resulted in pull forward effects, which affected the Christmas business. Thanks to the good performance of Services & Solutions, we saw a slight improvement in the gross margin trend compared to previous quarters. Strict cost control, especially in Germany, also contributed to the earnings improvement in the first quarter. Overall, we built a solid foundation for a successful full year in a weaker market environment.
«

Karin Sonnenmoser,
Chief Financial Officer

Contents

This document is a quarterly statement according to Section 53 Frankfurt Stock Exchange Regulations.

CECONOMY is generally steered on the basis of performance indicators derived from IFRS (International Financial Reporting Standards). In addition, the following key performance indicators apply: total sales growth adjusted for currency effects and portfolio changes and EBIT adjusted for portfolio changes. The transaction relating to the MediaMarkt Greece business, which was closed on 29 November 2019, constitutes a portfolio change, as it involves the disposal of a country organisation. The forecast key figures sales and EBIT are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current year or in the previous year. In financial year 2019/20, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019. This adjustment also relates to the previous year's figures, in which expenses were incurred in connection with the reorganization and efficiency program as well as top management changes. The reorganization and efficiency program aims at streamlining the group's processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The optimisation and restructuring particularly focuses on central functions and administrative units in Germany. The program also includes reviewing the business activities of smaller portfolio companies. This also includes the transaction with respect to the MediaMarkt Greece business.

For more details on the management-relevant key performance indicators, please refer to pages 52 to 55 of CECONOMY's Annual Report 2018/19.

Recognised tax expenses were calculated in accordance with the regulations governing interim financial reporting using the so-called integral approach.

Commercial rounding is used for the figures shown in this quarterly statement. This may result in some individual figures not adding up to the totals shown.

As of 1 October 2019, CECONOMY applies the new accounting standard IFRS 16 (Leases).

↗ For additional information on the new accounting standard IFRS 16 (Leases), please refer pages 145 to 147 of the Annual Report 2018/19.

FINANCIAL FIGURES AT A GLANCE[1,2]

Sales and earnings

€ million	Q1 2018/19	Q1 2019/20	Change
Sales	6,879	6,821	−0.8%
Sales development adjusted for currency effects and portfolio changes	2.8%	−0.5%	–
Like-for-like sales development	2.4%	−0.3%	–
Gross margin	18.4%	18.3%	−0.1%p.
EBIT	234	319	36.0%
Adjusted EBIT	269	289	7.6%
Net financial result	1	9	>100%
Tax rate	37.4%	32.0%	−5.3%p.
Profit or loss for the period attributable to non-controlling interests	40	53	32.4%
Net result	107	170	58.0%
Earnings per share (€)	0.30	0.47	0.17

Other operating key figures

€ million	Q1 2018/19	Q1 2019/20	Change
Online sales	1,007	1,048	4.0%
Services & Solutions sales	342	375	9.8%
Investments	36	80	>100%

Cash flow

€ million	Q1 2018/19	Q1 2019/20	Change
Cash flow from operating activities	1,446	1,495	48
Cash flow from investing activities	−196	−223	−27
Cash flow from financing activities	−144	79	222
Change in net working capital[3]	1,099	1,119	19
Free cash flow	1,394	1,421	27

Statement of financial position

€ million	31/12/2018[4]	31/12/2019	Change
Net working capital	−2,539	−2,115	424
Net liquidity (+)/Net debt (−)	2,156	−69	−2,224

Other operating key figures (as of 31/12)

	31/12/2018	31/12/2019	Change
Number of locations	1,028	1,029	1
Selling space (thousand m²)	2,778	2,698	−80
Workforce by full-time equivalents	52,746[5]	50,094	−2,652

[1] Business figures represent the continuing operations of CECONOMY.
[2] Due to the first-time application of new accounting standards (especially IFRS 16), the previous year's figures are partly not comparable.
[3] Change in net working capital shown from the related statement of financial position items, adjusted for non-cash items.
[4] Adjustment of previous year due to changes in presentation and definitions (see explanations under "Financial and asset position").
[5] Adjustment due to a change in the calculation basis.

OUTLOOK

The outlook is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019 are not included.

SALES

For financial year 2019/20 CECONOMY expects a slight increase in total sales adjusted for exchange rate effects compared to the previous year.

EARNINGS

For financial year 2019/20, CECONOMY expects an EBIT between €445 million and €475 million, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect between €5 million to €15 million due to the introduction of IFRS 16. The segment DACH will contribute to the resulting growth, while the segments Western/Southern Europe and Eastern Europe will remain at the previous year's level.

EVENTS IN THE FIRST QUARTER

On 15 October 2019, CECONOMY AG confirmed via ad hoc communication that the Supervisory Board of CECONOMY AG would discuss Management Board matters, including a possible early termination of the appointment of the CEO, Mr Jörn Werner, on Thursday, 17 October 2019. The plan was to make a decision on this matter on the same day. At this point in time, the Presidential Committee had not yet made submitted a recommended resolution to the Supervisory Board.

On 17 October 2019, CECONOMY AG announced that the Supervisory Board of CECONOMY AG and Jörn Werner, Chief Executive Officer, had in a non-scheduled meeting mutually decided to part ways with immediate effect. At the same time, the Supervisory Board appointed Dr Bernhard Düttmann, member of the Supervisory Board, as Chief Executive Officer for a period of twelve months. Dr Düttmann is also the Labour Director and, in addition to human resources, responsible for the Group's strategy. Since 17 October 2019, the Management Board of CECONOMY AG has consisted of Dr Bernhard Düttmann and Karin Sonnenmoser.

On 23 October 2019, CECONOMY AG announced the provisional figures for the past financial year 2018/19 by ad hoc communication.

On 29 November 2019 a transaction between Media-Saturn-Holding GmbH (MSH) and Olympia Group GmbH (Olympia) was closed. The transaction concerns the formation of a new company to cover the market in Greece and Cyprus, in which Olympia holds 75 per cent and MSH 25 per cent of the shares. Both organisations contributed their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the new company. The stores of the two companies will continue to operate under their respective brand names. In the first quarter of 2019/20, the deconsolidation of the MediaMarkt Greece business and the recognition of the 25 per cent investment accounted for using the equity method resulted in a non-recurring earnings effect of around €33 million, which was recognised in the segment Western/Southern Europe.

RESULTS IN DETAIL

Earnings position

	Sales (€ million)		Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	Q1 2018/19	Q1 2019/20	Q1 2019/20	Q1 2019/20	Q1 2019/20	Q1 2019/20
Total	**6,879**	**6,821**	**−0.8%**	**0.0%**	**−0.5%**	**−0.3%**
DACH	4,067	4,061	−0.1%	0.1%	−0.2%	0.2%
Western/Southern Europe	2,156	2,072	−3.9%	0.0%	−2.9%	−3.7%
Eastern Europe	482	535	10.8%	−0.5%	11.3%	8.4%
Others	173	154	−11.3%	−2.4%	−8.9%	3.1%

The transaction closed on 29 November 2019 relating to the MediaMarkt Greece business constitutes a portfolio change, as it involves the disposal of a country organisation. The forecast key figures sales and EBIT are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current financial year or in the previous year.

GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES SLIGHTLY BELOW PRIOR YEAR

In the **first quarter of 2019/20**, CECONOMY generated Group sales of €6.8 billion, a decrease of 0.8 per cent. Adjusted for currency effects and portfolio changes, Group sales were down 0.5 per cent year-on-year. On a like-for-like basis, Group sales recorded a decrease of 0.3 per cent compared to the prior-year period.

The successful campaign days around Black Friday at the end of November and beginning of December had a positive impact on Group sales. Thereby, we continued the proven concept from Black Friday 2018 and put a focus mainly on the bundling of products as well as the sale of services. However, this was followed by weaker Christmas business than in the previous year as a result of buying restraint, exacerbated by the proximity to the Black Friday promotions. The time shift of further campaigns in Germany and Spain compared to the same quarter of the previous year also had a negative effect. The tense competitive environment in Southern Europe also influenced the sales development. Online business continued to develop positively throughout the Group, but did not entirely make up for the slight decline in brick-and-mortar sales.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first quarter of 2019/20**, the DACH segment generated sales of €4.1 billion, a slight decrease of 0.1 per cent. Adjusted for currency effects and portfolio changes, sales declined slightly by 0.2 per cent. Austria performed positively due in particular to strong growth in the online business. Germany recorded a significant double-digit increase in sales over the Black Friday period. However, this also involved pull forward effects and therefore Christmas business in the first weeks of December was weaker than in the previous year. In addition, the announcement of upcoming innovations in the game consoles market contributed to buying restraint in the entertainment category in Germany.

EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In the **first quarter of 2019/20**, the Western and Southern Europe segment generated sales of €2.1 billion, a decrease of 3.9 per cent. Adjusted for currency effects and portfolio changes, sales declined by 2.9 per cent. In Spain, the absence of a strong-selling VAT campaign in the prior year's quarter had a negative influence on the sales development. In the Netherlands, the negative sales trend continued due to a challenging competitive environment, especially in the Online segment, while a minor trend improvement emerged towards the end of the quarter. There was also a slight sales decline in Italy, which is attributable to weak consumer climate and a tense competitive environment.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2019/20**, sales in the Eastern Europe segment rose by 10.8 per cent to €0.5 billion. Adjusted for currency effects and portfolio changes, sales were actually up 11.3 per cent above the comparable figure of the previous year. Turkey saw a sales increase of a mid-double-digit percentage, due in particular to significantly positive development of the market environment. The sales decline in Poland is again due to intense competition, although the sales trend improved slightly in comparison with the previous quarters.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first quarter of 2019/20**, sales in the Others segment declined by 11.3 per cent to €0.2 billion. Adjusted for currency effects and portfolio changes, sales were likewise down 8.9 per cent below the previous year's level. This is mainly attributable to the disposal of iBood in August 2019 as well as to a slight sales decline in other, smaller operating units. Sales in Sweden were impacted by negative currency effects and came in on the prior year's level. In local currency, however, sales in Sweden saw a positive development.

	Sales (€ million)		Change (%)	In % of total sales
	Q1 2018/19	Q1 2019/20		
Online	1,007	1,048	4.0	15.4
Services & Solutions	342	375	9.8	5.5

SOLID GROWTH IN ONLINE BUSINESS

The successful growth in the online business continued in the **first quarter of 2019/20**. Online sales increased by 4.0 per cent (Q1 2018/19: 28.0 per cent) to approximately €1.0 billion. The online share of total sales amounted to 15.4 per cent (Q1 2018/19: 14.6 per cent). Adjusted for the MediaMarkt Greece business, online sales rose by 4.3 per cent. The Black Friday campaigns had a particularly positive impact on the online business.

The positive online sales growth was also due to the pick-up option (in-store collection of goods ordered online) which continued to be very popular among our customers. In the first three months of the reporting period, the pick-up rate was approximately 47 per cent (Q1 2018/19: approximately 44 per cent).

HIGH DEMAND FOR SERVICES & SOLUTIONS

In the **first quarter of 2019/20**, sales in Services & Solutions grew by 9.8 per cent to €375 million. This equates to a Services & Solutions share of total sales of 5.5 per cent (Q1 2018/19: 5.0 per cent). Adjusted for the MediaMarkt Greece business, Services & Solutions sales rose by as much as 10.0 per cent. There was particularly positive development in the brokerage of extended warranties thanks to an improved offer and in the services offered at our in-store “SmartBars”. Business from brokering mobile phone contracts likewise saw a slight increase in sales, while the financing business declined slightly in the first quarter.

€ million	EBIT as reported Q1 2018/19	EBIT as reported Q1 2019/20	Change compared to prior year Q1 2019/20	Adjusted EBIT[1] Q1 2018/19	Adjusted EBIT[2] Q1 2019/20	Change compared to prior year Q1 2019/20
Total[3]	**234**	**319**	**84**	**269**	**289**	**20**
DACH	184	244	60	197	247	50
Western/Southern Europe	66	83	16	69	50	−19
Eastern Europe	15	7	−8	15	7	−8
Others	−31	−15	16	−11	−15	−3

[1] Before earnings effects from restructuring and management changes, companies accounted for using the equity method and portfolio changes
[2] Before earnings effects from the reorganization and efficiency program, companies accounted for using the equity method and portfolio changes
[3] Including consolidation.

ADJUSTED GROUP EARNINGS ABOVE PRIOR YEAR

In the **first quarter of 2019/20**, reported Group EBIT increased by €84 million to €319 million (Q1 2018/19: €234 million). This includes earnings effects in connection with the reorganization and efficiency program amounting to approximately €30 million (Q1 2018/19: €−34 million). Adjusted for these earnings effects and portfolio changes, Group EBIT increased by €20 million to €289 million (adjusted Group EBIT Q1 2018/19: €269 million). The Group EBIT in the first quarter of 2019/20 includes a positive effect from the introduction of IFRS 16 of approximately €2 million.

The increase in adjusted EBIT is primarily attributable to declining personnel expenses and indirect spend in the DACH segment. Higher income from Services & Solutions also contributed to this development. Moreover, the successful steering of the campaign days around Black Friday had a positive impact on earnings. Inversely the quarter was influenced by a slight decline in the gross margin of 0.1 percentage point to 18.3 per cent, while the gross margin trend improved compared to the previous year. In addition, a tense competitive environment in particular as well as a weak consumer climate had a negative effect in some countries, especially with respect to sales.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first quarter of 2019/20**, the DACH segment generated an EBIT of €244 million, €60 million above the previous year's level. This includes earnings effects in connection with the reorganization and efficiency program amounting to €−3 million (Q1 2018/19: €−13 million). Adjusted for these effects, EBIT in the DACH segment increased by €50 million to €247 million (adjusted EBIT Q1 2018/19: €197 million).

Germany recorded a significant increase in earnings. This is primarily due to higher cost efficiency as a result of personnel savings as well as lower indirect spend. Higher income from Services & Solutions also had a positive effect on earnings. Earnings in the other units of the DACH segment were stable.

EXPLANATION OF THE RESULT IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In Western and Southern Europe, EBIT rose in the **first quarter of 2019/20** by €16 million to €83 million. This includes earnings effects in connection with the reorganization and efficiency program amounting to €33 million (Q1 2018/19: €−2 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €19 million to €50 million (adjusted EBIT Q1 2018/19: €69 million). The earnings decline was due to weak consumer climate and tense competitive environment in Italy. The lower sales in Spain due to the absence of a VAT campaign in the prior year's quarter likewise had a negative effect on the segment's earnings. In the Netherlands, earnings continued to decline due to the tense competitive environment, while a minor trend improvement emerged towards the end of the quarter.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2019/20**, the Eastern Europe segment generated an EBIT of €7 million and therefore €8 million below the previous year's level. There were no earnings effects in connection with the reorganization and efficiency program in either the reporting period or the same quarter of the previous year. The earnings decline was exclusively caused by persistently weak earnings in Poland. In Turkey, earnings performed positively in a supportive market environment, driven by sales.

EXPLANATION OF THE RESULT IN THE OTHERS SEGMENT

The Others segment covers, in particular, the activities of CECONOMY AG, the earnings contributions of Fnac Darty S.A. as well as Sweden and the activities of smaller companies. In the **first quarter of 2019/20**, EBIT in the Others segment increased by €16 million to €–15 million (Q1 2018/19: €–31 million). In the reporting period, there were no earnings effects in connection with the reorganization and efficiency program. In the same quarter of the previous year, there were still expenses for management changes at CECONOMY AG of €19 million. The adjusted EBIT declined by €3 million to €–15 million (adjusted EBIT Q1 2018/19: €–11 million).

Earnings in the quarter were influenced in particular by a one-time payment in connection with a personnel change on the Management Board of CECONOMY AG in October 2019. The earnings decline is further also attributable to slight decline in earnings in Sweden. The non-reportable operating unit Sweden within the Others segment generated adjusted EBIT of €–4 million (Q1 2018/19: €–2 million).

				Q1 2018/19				Q1 2019/20
€ million	Reported EBIT	Earnings effects from restructuring and management changes	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT	Reported EBIT	Earnings effects from the reorganization and efficiency program	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**234**	**–34**	**–1**	**269**	**319**	**30**	**–1**	**289**
DACH	184	–13	0	197	244	–3	0	247
Western/Southern Europe	66	–2	0	69	83	33	0	50
Eastern Europe	15	0	0	15	7	0	0	7
Others	–31	–19	–1	–11	–15	0	–1	–15

[1] Including consolidation

Financial and asset position

CHANGES IN PRESENTATION AND DEFINITIONS

For transparent presentation in the statement of financial position, the "Trade receivables" item, previously presented separately, was combined with "Contract assets" into the "Trade receivables and similar claims" item as of 30 September 2019. Under equity and liabilities, the "Trade liabilities" item, previously presented separately, was accordingly combined with "Contract liabilities" and "Liabilities from continuing involvement", previously part of the "Other financial liabilities" item, into the "Trade liabilities and similar liabilities" item. The reason for this change in presentation is the economic connectedness of the respective items.

For better comparison, the balance sheet items as of 31 December 2018 have been adjusted accordingly. The key reclassifications amounted to €174 million from non-current contract liabilities and €323 million from current contract liabilities to "Trade liabilities and similar liabilities".

In addition, since financial year 2019/20 credit card receivables have been recognised in the "Cash and cash equivalents" item of the statement of financial position instead of "Other financial assets (current)", as previously. For better comparison, these balance sheet items were also adjusted as of 31 December 2018 and as of 30 September 2019. €71 million as of 31 December 2018 and €51 million as of 30 September 2019 were reclassified to "Cash and cash equivalents". For the purpose of the cash flow statement, the reporting date of 1 October 2018 was additionally adjusted by €71 million. The credit card receivables are therefore no longer reported in the net working capital, but instead in the item net liquidity/net debt.

Since financial year 2019/20, the composition of net working capital has been simplified as follows:

- Inventories
- Trade receivables and similar claims
- Receivables due from suppliers
- Trade liabilities and similar liabilities

This enables the components of the key figure to be read easily from the statement of financial position.

The amended definition retroactively increases net working capital as of 31 December 2018 by a total of €–316 million. This primarily includes the reclassification of credit card receivables to cash and cash equivalents and the inclusion of liabilities from deferred sales from extended warranties.

FIRST-TIME APPLICATION OF IFRS 16 (LEASES)

Due to the first-time application of IFRS 16 as of 1 October 2019, right-of-use assets are recognised in a separate balance sheet item, and lease liabilities are recognised within borrowings. As of 31 December 2019, the right-of-use assets amounted to €2.2 billion and lease liabilities in non-current and current borrowings €2.3 billion.

CASH FLOW

€ million	Q1 2018/19	Q1 2019/20	Change
Cash flow from operating activities	1,446	1,495	48
Cash flow from investing activities	−196	−223	−27
Cash flow from financing activities	−144	79	222
Change in net working capital[1]	1,099	1,119	19
Free cash flow	1,394	1,421	27

[1] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items.

In the first three months of financial year 2019/20, **cash flow from operating activities** from continuing operations resulted in a cash inflow of €1,495 million, compared to a cash inflow of €1,446 million in the previous year. The €48 million higher cash flow from operating activities is primarily due to the introduction of IFRS 16 and the associated change in the recognition of lease expenses. The underlying earnings improvement also had a positive effect. The **change in net working capital** improved slightly as a result of a higher increase in trade liabilities. In the quarterly comparison, this is primarily attributable to the higher basis as of 30 September 2018. Hereby, the higher increase in receivables compared to the same quarter of the previous year was more than compensated. In the previous year's quarter, the disposal of customer receivables from a customer financing program in Switzerland had a positive effect on receivables.

There was a contrary effect on cash flow from operating activities because income tax expenses were higher than in the previous year period. In the previous year, lower income tax expenses, which resulted from the tax optimisation measures that were implemented in the financial year 2017/18 and became cash-effective mostly in the first quarter of 2018/19, still had a positive effect on cash flow.

In the first three months, **cash flow from investing activities** amounted to €–223 million after €–196 million in the prior-year period. The higher cash outflow is due in particular to a cash investment in the joint venture in Greece in the same amount as the cash and cash equivalents disposed of, which in turn were part of the deconsolidated net assets of the Greek MediaMarkt business (€29 million). The decline also resulted from slightly higher investment in money market funds. Slightly lower expenses for expansion and modernisation had a contrary effect.

In the first three months, **cash flow from financing activities** resulted in cash inflow of €79 million, compared with cash outflow of €–144 million in the previous year. The year-on-year change resulted primarily from higher proceeds from borrowings. The redemption of borrowings of €–149 million was mainly due to the redemption of lease liabilities in accordance with IFRS 16. This compares with a cash outflow of €–146 million in the previous year resulting from the repayment of commercial paper. A cash inflow of around €13 million from the dividend payment of M.video had a positive impact.

In the first three months, **free cash flow** amounted to €1,421 million and thus €27 million above the previous year's figure of €1,394 million. This increase is due exclusively to the introduction of IFRS 16.

NET DEBT DUE TO THE APPLICATION OF IFRS 16

As of 31 December 2019, net debt amounted to €69 million. In the previous year a net liquidity of €2,156 million was reported. This development is due to the first-time application of IFRS 16 and the resulting inclusion of lease liabilities in the statement of financial position.

INVESTMENTS ABOVE THE PREVIOUS YEAR DUE TO THE APPLICATION OF IFRS 16

Investments as per the segment report totalled €80 million in the first quarter of 2019/20, €44 million above the prior-year figure (Q1 2018/19: €36 million). The sharp rise is primarily due to the first-time application of IFRS 16, according to which lease obligations now entered into must be capitalized as right-of-use assets in the statement of financial position. The addition or the investments from this item amounted to €49 million in the first quarter. The comparable investments in non-current assets amounted to €32 million in the first quarter and were thus €4 million below the previous year's level (Q1 2018/19: €35 million) due to slightly lower investments in expansion and modernisation. In the reporting period, the store network was expanded on a selected basis by one store in the Netherlands. However, in the same period, two stores were closed in Germany. Due to the disposal of the MediaMarkt Greece business, the number of stores declined by another 12. Due particularly to further space optimization and the closures, the average **selling space per store** declined by –0.5 per cent compared to 30 September 2019 from 2,636 square metres to 2,622 square metres.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. Currently CECONOMY AG has several outstanding promissory notes together totalling €250 million with a remaining term of two to seven years. For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. As of 31 December 2019, commercial paper worth €213 million were outstanding (31 December 2018: €0 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €550 million and several multi-year bilateral credit facilities together totalling €430 million. As of 31 December 2019, neither the syndicated credit facility nor the multi-year bilateral facilities were utilised.

CECONOMY AG retains its investment grade rating from the international rating agencies Moody's and Scope (Moody's: Baa3, Scope: BBB-). The outlooks for CECONOMY AG's ratings as assessed by Scope (stable) and Moody's (negative) are unchanged. A downgrade to non-investment grade below Baa3/BBB- would have negative implications on our financing costs, especially for the commercial paper programme. Furthermore, negative implications for the net working capital cannot be ruled out. Retaining these investment grade ratings is one of the main pillars of our balanced financing strategy.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement

€ million	Q1 2018/19	Q1 2019/20
Sales	**6,879**	**6,821**
Cost of sales	−5,613	−5,574
Gross profit on sales	**1,265**	**1,248**
Other operating income	57	87
Selling expenses	−917	−881
General administrative expenses	−168	−137
Other operating expenses	−4	−2
Earnings share of operating companies recognised at equity	−1	−1
Net impairments on operating financial assets and contract assets	1	4
Earnings before interest and taxes (EBIT)	**234**	**319**
Other investment result	−2	13
Interest income	5	3
Interest expenses	−8	−13
Other financial result	6	6
Net impairments on non-operating financial assets and contract assets	0	0
Net financial result	**1**	**9**

€ million	Q1 2018/19	Q1 2019/20
Earnings before taxes (EBT)	**235**	**327**
Income taxes	−88	−105
Profit or loss for the period from continuing operations	**147**	**222**
Profit or loss for the period from discontinued operations	0	0
Profit or loss for the period	**147**	**222**
Profit or loss for the period attributable to non-controlling interests	40	53
from continuing operations	**40**	**53**
from discontinued operations	0	0
Profit or loss for the period attributable to shareholders of CECONOMY AG	107	170
from continuing operations	**107**	**170**
from discontinued operations	0	0
Earnings per share in € (basic = diluted)	**0.30**	**0.47**
from continuing operations	**0.30**	**0.47**
from discontinued operations	0.00	0.00

Statement of financial position

Assets

€ million	30/09/2019	31/12/2018	31/12/2019
Non-current assets	**2,233**	**2,243**	**4,411**
Goodwill	524	525	524
Other intangible assets	115	121	115
Property, plant and equipment	736	788	664
Right-of-use assets	–	–	2,205
Financial assets	278	253	317
Investments accounted for using the equity method	497	487	527
Other financial assets	3	4	3
Other assets	7	11	3
Deferred tax assets	73	55	53
Current assets	**5,870**	**8,730**	**8,861**
Inventories	2,548	3,229	3,348
Trade receivables and similar claims	455	579[1]	543
Receivables due from suppliers	1,295	1,789	1,851
Other financial assets	65[1]	564[1]	248
Other assets	120	183	188
Entitlements to income tax refunds	142	80	136
Cash and cash equivalents	1,184[1]	2,306[1]	2,548
Assets held for sale	61	0	0
	8,103	**10,974**	**13,272**

Equity and liabilities

€ million	30/09/2019	31/12/2018	31/12/2019
Equity	**784**	**801**	**1,045**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−478	−456	−278
Non-controlling interests	22	18	82
Non-current liabilities	**1,042**	**1,021**	**2,640**
Provisions for post-employment benefit plans and similar obligations	574	545	543
Other provisions	33	41	16
Borrowings	292	286	1,986
Other financial liabilities	53	54	51
Other liabilities	56	63	7
Deferred tax liabilities	35	33	38
Current liabilities	**6,277**	**9,152**	**9,588**
Trade liabilities and similar liabilities	5,321	8,136[1]	7,857
Provisions	165	163	146
Borrowings	10	16	791
Other financial liabilities	445	355[1]	426
Other liabilities	215	335	267
Income tax liabilities	51	146	100
Liabilities related to assets held for sale	70	0	0
	8,103	**10,974**	**13,272**

[1] Adjustments of previous year due to changes in presentation and definitions (see explanations under “Financial and asset position”).

Cash flow statement

€ million	Q1 2018/19	Q1 2019/20
EBIT	234	319
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	57	191
Change in provisions for pensions and similar obligations	–9	–21
Change in net working capital	1,099[1]	1,119
Income taxes paid	–4	–29
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	0	1
Other	69[1]	–85
Cash flow from operating activities of continuing operations	**1,446**	**1,495**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**1,446**	**1,495**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	–46	–34
Other investments	–6	–40
Financial investments and securities	–150	–160
Disposals of financial investments and securities	0	0
Disposal of long-term assets and other disposals	7	12
Cash flow from investing activities of continuing operations	**–196**	**–223**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**–196**	**–223**
Dividends paid	0	–3
thereof dividends paid to the shareholders of CECONOMY AG	0	0
Redemption of liabilities from put options of non-controlling interests	–1	–1
Proceeds from long-term borrowings	7	230
Redemption of borrowings	–146	–149
Interest paid	–5	–12
Interest received	4	3
Profit and loss transfers and other financing activities	–3[1]	10
Cash flow from financing activities of continuing operations	**–144**	**79**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**–144**	**79**
Total cash flows	**1,106**	**1,350**
Currency effects on cash and cash equivalents	14[1]	–1
Total change in cash and cash equivalents	**1,120**	**1,349**
Total cash and cash equivalents as of 1 October	1,186[1]	1,199
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	15
Cash and cash equivalents as of 1 October	**1,186[1]**	**1,184**
Total cash and cash equivalents as of 31 December	2,306[1]	2,548
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 31 December	**2,306[1]**	**2,548**

[1] Adjustments of previous year due to changes in presentation and definitions (see explanations under “Financial and asset position”).

FINANCIAL CALENDAR

General Meeting	Wednesday	12 February 2020	10:00 a.m.
Half-year financial report Q2/H1 2019/20	Thursday	14 May 2020	7:00 a.m.
Quarterly statement Q3/9M 2019/20	Thursday	13 August 2020	7:00 a.m.
Annual report FY 2019/20	Tuesday	15 December 2020	7:00 a.m.

All time specifications are CET/CEST.

Investor Relations

Phone +49 211 5408–7222
E-mail IR@ceconomy.de

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GENERAL INFORMATION

CECONOMY AG

Kaistrasse 3
40221 Düsseldorf

www.ceconomy.de/en

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