CECONOMY

Q1 2020/21 QUARTERLY STATEMENT

9 February 2021

SELECTED KEY FIGURES

Q1 2020/21

+11.4%

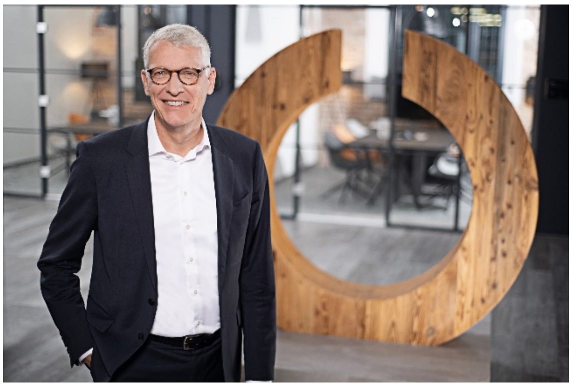
Strong sales increase[1] despite renewed temporary store closures in response to COVID-19

346 €m

Adjusted EBIT[2] significantly above the previous year's level despite effects of the COVID-19 pandemic

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before non-recurring effects, associates and portfolio changes

THE FIRST QUARTER IN REVIEW



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We made a very good start to the new financial year in the first quarter. Even in this challenging period, which was again shaped by restrictions in the brick-and-mortar business and temporary store closures in response to COVID-19, it was particularly important to us not only to ensure the safety of our employees and customers but also to continue offering contactless service through consultation, payment, and provision of the product. Our omni-channel approach thus proved itself during the second COVID-19 wave. Despite the good start, the unpredictable duration of the pandemic means that there is significantly increased uncertainty over the future business development and the outlook for the new financial year. Nevertheless, we will not lose sight of the implementation of our new strategy and the continuation of the transformation.
«

Dr Bernhard Düttmann,
Chief Executive Officer

»
Despite the COVID-19-related closures of around 60 per cent of our stores from the second half of December, adjusted Group EBIT in the first quarter was significantly above the previous year's level. This is primarily due to the strong sales growth as a result of successfully organized campaign days. The online business performed particularly dynamically, with the result that the online share of total sales nearly doubled year-on-year to around 30 per cent. We thus steered our business safely through the continuing pandemic, although the effects of COVID-19 again put us to the test. Despite this good first quarter, the extension of the lockdowns in many countries means significantly increased uncertainty for the business performance. We will therefore continuously reassess our company's targets for this financial year and adjust them if necessary.
«

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 and earnings effects from companies accounted for using the equity method. 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. For the forecast key figures, the previous year's figures are adjusted accordingly. In financial year 2020/21, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with (1) COVID-19-related store closures, (2) the introduction of a harmonised group-wide organisational structure ("Operating Model") and (3) the transaction announced in 14 December 2020 regarding the acquisition of the MediaMarktSaturn minority stake and reorganisation of the shareholder structure. Details of the programs are explained below:

(1) The COVID-19 related store closures relate to the permanent closures of MediaMarkt and Saturn stores in several European countries which have lower customer frequency as a result of the COVID-19 pandemic and cannot be brought back into the profit zone from the company's point of view.

(2) The Operating Model focuses in particular on the harmonisation of structures and standardised, efficient processes and procedures for the administrative functions in the country organisations of MediaMarktSaturn. In addition, the management structures in the stores will be unified throughout Europe and the relief from administrative tasks will enable employees to focus on the customer experience to the greatest extent possible.

(3) The transaction relates to CECONOMY AG's acquisition of the 21.62 per cent minority stake in Media-Saturn-Holding GmbH ("MediaMarktSaturn") held by Convergenta Invest GmbH. The parties thereby intend to reorganize their shareholdings in MediaMarktSaturn and to achieve, among other things, a stronger focus on the operating business and the realization of considerable synergies based on a simplified company structure and governance.

The adjustment also affects the previous year's figures, which in addition to (1) and (2) also include non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019.

For more details on the management-relevant key performance indicators, please refer to pages 28 to 30 of CECONOMY's Annual Report 2019/20.

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.

FINANCIAL FIGURES AT A GLANCE[1]

Sales and earnings

€ million	Q1 2019/20	Q1 2020/21	Change
Sales	6,821	7,464	9.4%
Sales development adjusted for currency effects and portfolio changes	–0.5%	11.4%	–
Like-for-like sales development	–0.3%	11.7%	–
Online sales	1,048	2,259	115.7%
Services & Solutions sales	375	343	–8.6%
Gross margin	18.3%	17.0%	–1.3%p.
EBIT	319	340	6.7%
Adjusted EBIT	289	346	19.4%
Adjusted EBIT margin	4.2%	4.6%	0.4%p.
Net financial result	9	–10	–
Tax rate	32.0%	38.1%	6.0%p.
Profit or loss for the period attributable to non-controlling interests	53	51	–2.9%
Net result	170	153	–9.8%
Earnings per share (€)	0.47	0.43	–0.05

Cash flow

€ million	Q1 2019/20	Q1 2020/21	Change
Cash flow from operating activities	1,495	1,364	–131
Cash flow from investing activities	–223	–95	128
Cash flow from financing activities	79	–142	–221
Change in net working capital[2]	1,119	856	–262
Free cash flow	1,421	1,329	–92

Statement of financial position

€ million	31/12/2019	31/12/2020	Change
Net working capital	–2,115	–2,114	1
Net liquidity (+)/Net debt (–)	–69	428	496

Other operating key figures (as of 31/12)

	31/12/2019	31/12/2020	Change
Number of stores	1,029	1,021	–8
Total selling space (thousand m²)	2,698	2,638	–60
Workforce by full-time equivalents	50,094	47,470	–2,624

[1] Business figures represent the continuing operations of CECONOMY
[2] Change in net working capital shown from the related statement of financial position items, adjusted for non-cash items

OUTLOOK

The company's future business performance and the outlook for the financial year 2020/21 is subject to significantly increased uncertainties in view of the duration of the COVID-19 pandemic, which remains difficult to estimate, as well as the new and extended lockdowns in numerous countries in which MediaMarktSaturn operates.

The outlook for financial year 2020/21 published on 15 December 2020 was based on the assumption that the continued influence of the COVID-19 pandemic both on the macroeconomic situation and on the Group's situation would not materially deviate from the level at that time. In particular, the achievement of the outlook required that during the course of the COVID-19 pandemic there would be no further prolonged widespread closures of a significant portion of the brick-and-mortar business or a serious deterioration in consumer confidence, and that supply chains would remain largely intact. Prolonged widespread closures of a significant portion of the brick-and-mortar business, as have now materialised in Germany, Austria, the Netherlands and Switzerland, were not considered at that time. CECONOMY will continuously reassess the impact of the COVID-19 pandemic on business and the continuity of the company's targets for financial year 2020/21 and adjust the outlook if required.

The outlook is adjusted for portfolio changes and does not take into account the earnings effects from companies accounted for using the equity method. Non-recurring earnings effects in connection with COVID-19-related store closures as well as the introduction of a harmonised group-wide organisational structure ("Operating Model") announced on 12 August 2020 are not included. Expenses in connection with the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn and the reorganisation of the shareholder structure are also not taken into account. When the outlook was issued on 15 December 2020, these transaction costs were not yet included in the adjustment.

SALES

For financial year 2020/21, CECONOMY expects a slight increase in total sales adjusted for exchange rate effects compared to the previous year (2019/20: €20,790 million).

EARNINGS

For financial year 2020/21, CECONOMY expects an adjusted EBIT between €320 million and €370 million (2019/20: €236 million).

EVENTS IN THE FIRST QUARTER

On 12 October 2020, CECONOMY AG announced in an ad hoc release that the company expected, based on preliminary figures, adjusted Group EBIT for the financial year 2019/20 to be well above the guidance range as well as market expectations. On the basis of the business development in the first nine months, CECONOMY had anticipated an adjusted Group EBIT of between €165 million and €185 million for financial year 2019/20 in the outlook updated on 16 July 2020. The median of the analysts' consensus, which was compiled for the company by an external service provider on 11 September 2020, is €176 million for adjusted EBIT for financial year 2019/20.

On 26 November 2020, CECONOMY AG announced that the Supervisory Board of CECONOMY AG will propose Thomas Dannenfeldt to the shareholders as a new member of the Supervisory Board at the Annual General Meeting on 17 February 2021. In the event of his election, he should be subsequently elected as Chairman of the Supervisory Board. In addition, it was announced that Ms Sabine Eckhardt was court-appointed as a Supervisory Board member in October 2020. Ms Sabine Eckhardt succeeds Dr Bernhard Düttmann, who resigned from the Supervisory Board on 17 October 2020 following his appointment for another twelve months as Chairman of the Management Board of CECONOMY AG.

On 14 December 2020, CECONOMY AG issued an ad hoc release announcing that the Management Board of CECONOMY AG, with the approval of the Supervisory Board, had concluded an agreement with Convergenta Invest GmbH ("Convergenta"), the investment company of the Kellerhals family's, regarding the acquisition of the minority stake of 21.62 per cent in Media-Saturn-Holding GmbH ("MediaMarktSaturn") held by Convergenta. The parties thereby intend to reorganize their shareholdings in MediaMarktSaturn and to achieve, among other things, a stronger focus on the operating business and the realization of considerable synergies based on a simplified company structure and governance. In the course of this transaction, Convergenta will transfer its MediaMarktSaturn stake to CECONOMY, so that CECONOMY will increase its shareholding in MediaMarktSaturn to 100 per cent in total. As consideration, CECONOMY will (i) issue 125.8 million new ordinary bearer shares of CECONOMY (with full dividend entitlement from 1 October 2020) to Convergenta, under exclusion of the statutory subscription rights of the shareholders, which shall be created by increase of the registered share capital by €321,602,593.27 through contribution in kind, (ii) issue convertible bonds in the total nominal amount of €151 million (issue price: €160 million) to Convergenta with a term of five years and a 30 per cent conversion premium, at an interest rate of 0.05 per cent per annum and an initial conversion price of €5.42, initially convertible into up to around 27.9 million ordinary bearer shares of CECONOMY, under exclusion of the statutory subscription rights of the shareholders, which are secured by a new conditional capital to be created, and (iii) pay a cash component in the aggregate amount of €130 million to Convergenta, payable in two tranches. On the basis of the three-month volume-weighted average price (3M VWAP) of the CECONOMY shares of €4.17, this results in a consideration of around €815 million. As a consequence of the transaction, Convergenta will, prior to exercising the conversion right, become a shareholder with a stake of approx. 25.9 per cent of the share capital of CECONOMY. Convergenta aims at a stake of up to 29.9 per cent of the ordinary shares. Convergenta has undertaken not to acquire any further shares in CECONOMY or to take any other measures which would lead to a change of control and a mandatory offer until expiry of six months after consummation of the capital increase through contribution in kind, but until 31 December 2021 at the latest. Further, Convergenta has committed until expiry of six months after consummation of the capital increase through contribution in kind, but until 31 December 2021 at the latest, to divest at most up to four percent of the ordinary shares issued by CECONOMY. In addition to a simplification of the company structure and related operative advantages as well as savings in administrative costs (expected to be around €4 million annually), the transaction will make CECONOMY's tax-loss carry-forwards, which amount to around €1.2 billion each for corporate and trade tax, structurally usable. Based on current budget and medium-term planning, the transaction is expected to increase earnings per share already in the financial year in which the transaction is completed. The closing of the transaction is inter alia subject to the approval of CECONOMY's shareholders' meeting. In the first quarter of 2020/21, expenses of around €6 million were incurred in connection with the transaction, which are reflected in the reported Group EBIT.

When the figures for financial year 2019/20 were released on 15 December 2020, CECONOMY communicated a strategy update including medium-term targets. By financial year 2022/23, CECONOMY plans to increase Group sales adjusted for portfolio changes to over €22 billion. In addition, the medium-term targets focus on an adjusted EBIT margin between 2.5 per cent and 2.7 per cent.

As a result of national governments' measures to fight the spread of coronavirus in response to the second wave, the first quarter of 2020/21 was again characterized by local lockdowns, further temporary store closures and severe restrictions in the brick-and-mortar business. The situation developed differently in the various countries in which MediaMarktSaturn operates, depending on local conditions and requirements. From October 2020, more and more stores in Italy, depending on the region, were gradually closed at weekends and over the Christmas period, although there was no complete closure of all stores in the reporting period. All stores in Belgium were closed from 2 November 2020 to 30 November 2020. In Switzerland, two stores were affected by a temporary closure from 2 November 2020 to 27 November 2020 and then again from 21 December 2020. After temporary store closures in shopping centres were decreed in Poland from 7 November 2020 to 28 November 2020, stores in shopping centres were temporarily closed again from 28 December 2020. The stores in Austria were closed completely from 17 November 2020 to 6 December 2020 and after briefly reopening were again closed temporarily as part of a third lockdown from 26 December 2020. All stores in Turkey were closed at weekends from 1 December 2020. In connection with the national lockdowns, all stores in the Netherlands were also temporarily closed from 15 December 2020. In Germany, the restriction that a maximum of one person could enter the store per 10 square metres of selling space, regardless of the total selling space, applied from 2 November 2020 to 30 November 2020. From 1 December 2020 to 15 December 2020, this restriction was tightened with the rule that one person per 10 square metres would be allowed in a store with total selling space of less than 800 square metres and one person per 20 square metres in a store with total selling space of more than 800 square metres. On 16 December 2020, all stores in Germany were temporarily closed as part of a second lockdown, although the pick-up option was still allowed in all but four federal states. Luxembourg also had to close its two stores temporarily from 26 December 2020. With the exception of Sweden, there were restrictions on customer capacity in stores and on opening hours in all other countries, plus product range restrictions in some countries such as Spain. In total, around 57 per cent of stores were affected by temporary closures in response to the COVID-19 pandemic as of 31 December 2020.

	Number of stores as of 31/12/2020	**Open stores as of 31/12/2020**	**Closed stores as of 31/12/2020**
Germany	420	–	420
Austria	53	–	53
Switzerland	25	23	2
Hungary	32	32	–
Belgium	27	27	–
Italy	117	117	–
Luxembourg	2	–	2
Netherlands	50	–	50
Portugal	10	10	–
Spain	89	89	–
Poland	88	36	52
Turkey	80	80	–
Sweden	28	28	–
Total	**1,021**	**442 (43%)**	**579 (57%)**

EVENTS AFTER THE REPORTING DATE

On 13 January 2021, the Spanish MediaMarkt country organisation announced that the company would acquire 17 Spanish stores from Worten Equipamentos do Lar S.A. The acquisition will strengthen MediaMarkt Spain's presence in regions such as Catalonia and Andalusia and enable market entry in cities such as Melilla, Zamora and Marbella. In addition, the expanded local presence is expected to increase online sales, including with the option of in-store collection of goods ordered online ("pick-up option"). Once the transaction is completed, MediaMarkt will have around 7,000 employees and 106 stores in Spain, which will increase the selling space in Spain by around 9 per cent. The completion of the transaction is subject to the approval of the Spanish competition authority and is expected in the first quarter of 2021. This acquisition does not constitute a portfolio change, as it will have no significant impact on the sales of the relevant segment (Western/Southern Europe).

On 19 January 2021, CECONOMY AG announced the preliminary figures for the first quarter of 2020/21 by ad hoc communication. It was also communicated that despite the strong start in the first quarter of 2020/21, the further course of business as well as the outlook for the full year 2020/21 is subject to significantly increased uncertainties in view of the difficult-to-estimate duration of the COVID-19 pandemic and the new and extended lockdowns in a large number of countries. The outlook for the financial year 2020/21 published on 15 December 2020 was based on the assumption that the further impact of the COVID-19 pandemic on both the overall economic situation and the Group's situation would not deviate significantly from the extent known at that time. Longer-lasting, widespread closures of a significant part of the stationary business, as has now occurred in Germany, Austria, the Netherlands and Switzerland, were not taken into account at that time. CECONOMY will continuously reassess the impact of the COVID-19 pandemic on the business and the continuity of the company's targets for financial year 2020/21.

After the reporting date, the brick-and-mortar business was still influenced by local lockdowns with temporary store closures and severe restrictions. The situation in the various MediaMarktSaturn countries continued to differ depending on local conditions and requirements. After many weeks of lockdown in Germany, which commenced on 16 December 2020, the German federal government and state governments agreed in several stages to extend the lockdown initially until 14 February 2021. All MediaMarkt and Saturn stores therefore remain temporarily closed by order of the authorities, although goods ordered online can now be collected in all federal states. In Austria and the Netherlands, the national lockdowns introduced in December 2020 were likewise extended again in January 2021. In Luxembourg, stores have been open again since 11 January 2021. All stores in Switzerland had to close when the lockdown measures were tightened on 18 January 2021, after initially only two stores had been affected by a temporary closure in the first quarter of 2020/21. The stores in shopping centres in Poland that had been temporarily closed since 28 December 2020 reopened on 1 February 2021. In Austria, too, all stores have been open again since 8 February 2021. In total, around 48 per cent of stores were still temporarily closed as of 8 February 2021.

	Number of stores as of 31/12/2020	Open stores as of 08/02/2021	Closed stores as of 08/02/2021
Germany	420	–	420
Austria	53	53	–
Switzerland	25	–	25
Hungary	32	32	–
Belgium	27	27	–
Italy	117	117	–
Luxembourg	2	2	–
Netherlands	50	–	50
Portugal	10	10	–
Spain	89	89	–
Poland	88	88	–
Turkey	80	80	–
Sweden	28	28	–
Total	**1,021**	**526 (52%)**	**495 (48%)**

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 2019/20	Q1 2020/21	Q1 2020/21	Q1 2020/21	Q1 2020/21	Q1 2020/21
Total	**6,821**	**7,464**	**9.4%**	**−1.3%**	**11.4%**	**11.7%**
DACH	4,061	4,424	8.9%	−0.2%	9.1%	9.4%
Western/Southern Europe	2,072	2,295	10.8%	0.0%	13.0%	13.1%
Eastern Europe	535	569	6.4%	−19.1%	25.5%	25.8%
Others	154	176	14.7%	4.0%	10.7%	11.3%

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. For the forecast key figures, the previous year’s figures are adjusted accordingly.

STRONG DEVELOPMENT OF GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES DESPITE INCREASING COVID-19-RELATED RESTRICTIONS AND TEMPORARY STORE CLOSURES

In the first quarter of 2020/21, CECONOMY generated Group sales of €7.5 billion, an increase of 9.4 per cent compared with the prior-year period. Adjusted for currency effects and portfolio changes, sales were up 11.4 per cent year-on-year. On a like-for-like basis, Group sales recorded an increase of 11.7 per cent compared to the prior-year period.

This positive sales trend is mainly attributable to the strong start during the first two months, which were characterised by sustained positive customer demand and successful campaigns such as “Black November”. This year, in order to mitigate risks of tighter COVID-19-related restrictions in the brick-and-mortar business and potential logistics bottlenecks during the important Christmas business, a deliberate decision was made to spread out the Christmas business by extending the campaign period into October and November. The strong sales trend continued thanks to successful “Cyber Week” campaigns and Christmas promotions until the countrywide lockdowns in Germany and the Netherlands took effect from mid-December. In the first quarter, the Group’s online business exhibited extraordinarily dynamic growth and thus significantly overcompensated the decline in the brick-and-mortar business due to the tighter restrictions with regard to opening hours, the number of customers on the selling area and the product range as well as the new COVID-19-related temporary store closures from early November on. Overall, all countries reported positive sales growth in local currency compared to the prior-year period despite the increasing COVID-19-related challenges.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first quarter of 2020/21**, the DACH segment generated sales of €4.4 billion, an increase of 8.9 per cent. Adjusted for currency effects and portfolio changes, sales increased by 9.1 per cent compared to the same quarter of the previous year. This development was mainly due to the sales increase in Germany, which is attributable to sustained positive customer demand supported by successful marketing campaigns such as the VAT campaign at MediaMarkt in October and the campaign days around Black Friday and successful Christmas promotions. The general VAT reduction until 31 December 2020 also had a positive influence on sales in Germany. Overall, the sales losses as a result of the hard lockdown from mid-December in Germany were therefore more than compensated. Thanks to sustained positive customer demand supported by successful marketing campaigns and good Christmas business, Switzerland and Hungary also reported a significant sales increase. Although brick-and-mortar business in Austria was negatively influenced by renewed COVID-19-related, temporary store closures of around five weeks during two hard lockdowns, Austria reported a slight sales increase driven by successful marketing campaigns and a strong shift to the online channel.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the **first quarter of 2020/21**, sales in the Western/Southern Europe segment increased by 10.8 per cent compared with the prior-year period to €2.3 billion. Adjusted for currency effects and portfolio changes, sales increased by 13.0 per cent. The positive sales trend was mainly driven by growth in Italy and Spain. This is attributable to sustained strong customer demand and various marketing activities. This more than made up for the sales losses due to the large-scale temporary store closures on weekends in response to COVID-19, which were in effect in Italy from the end of October. In the Netherlands, quarterly sales were slightly higher than in the previous year despite increasing restrictions in the brick-and-mortar business and temporary store closures from mid-December thanks to a strong shift to the online channel.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2020/21**, sales in the Eastern Europe segment increased by 6.4 per cent compared with the prior-year period to approximately €0.6 billion. The strong depreciation of the Turkish lira and the Polish złoty negatively affected sales in the first quarter. Adjusted for currency effects and portfolio changes, sales were significantly above the comparable figure of the previous year at 25.5 per cent. In local currency, despite the COVID 19-related closure of all stores on weekends since the beginning of December, the business in Turkey recorded high double-digit growth rates and contributed significantly to the positive sales development in the segment. This development is primarily attributable to various successful marketing campaigns in Turkey. In local currency, Poland reported a slightly positive sales trend compared to the prior-year period, although the business was impacted in November and again from the end of December by the temporary COVID 19-related store closures of individual stores in shopping centres.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first quarter of 2020/21**, sales in the Others segment grew by 14.7 per cent to €0.2 billion. Adjusted for currency effects and portfolio changes, sales were up 10.7 per cent year-on-year. This is exclusively attributable to the good sales increase in Sweden, which was not affected by temporary store closures.

	Sales (€ million)		Change (%)	In % of total sales
	Q1 2019/20	Q1 2020/21		
Online	1,048	2,259	115.7	30.3
Services & Solutions	375	343	–8.6	4.6

CONTINUING MOMENTUM IN THE ONLINE BUSINESS

In the **first quarter of 2020/21**, online sales increased by 115.7 per cent to approximately €2.3 billion. The online share of total sales amounted to 30.3 per cent and thus nearly doubled compared to the prior-year period (Q1 2019/20: 15.4 per cent). The strong growth in the online business thus continued in the first quarter of the new financial year and even intensified in light of the increasing temporary store closures and retail restrictions due to COVID-19.

In the first quarter, the pick-up rate was around 32 per cent (Q1 2019/20: 47 per cent). The sharp decline in the pick-up rate in the first quarter is due to the fact that, on the one hand, the pick-up of goods ordered online in the store ("pick-up option") was not possible during the lockdowns in the Netherlands and some regions of Germany and, on the other hand, the total number of online orders increased significantly due to pure online orders. In addition, customers made less use of the pick-up option in some countries due to lockdowns.

SERVICES & SOLUTIONS BUSINESS IMPACTED BY COVID-19

In the **first quarter of 2020/21**, sales in the Services & Solutions business declined by 8.6 per cent to around €343 million. This equates to a Services & Solutions share of total sales of 4.6 per cent (Q1 2019/20: 5.5 per cent). As Services & Solutions are largely taken up in connection with in-store purchases and many services are provided at "Smartbars" in the stores, this first quarter performance the development in the first quarter is attributable to declining footfall in stores and restrictions in the selling space as well as temporary store closures in some countries in the context of the COVID-19 pandemic. The sale of extended warranties developed very positively, while the business from brokering mobile phone contracts and financing declined in the first quarter.

€ million	Reported EBIT Q1 2019/20	Reported EBIT Q1 2020/21	Change compared to prior year Q1 2020/21	Adjusted EBIT[1] Q1 2019/20	Adjusted EBIT[1] Q1 2020/21	Change compared to prior year Q1 2020/21
Total[2]	**319**	**340**	**21**	**289**	**346**	**56**
DACH	244	260	16	247	259	12
Western/Southern Europe	83	74	–9	50	74	24
Eastern Europe	7	16	8	7	16	8
Others	–15	–9	6	–15	–3	12

[1] Before non-recurring effects, associates and portfolio changes
[2] Including consolidation.

ADJUSTED GROUP EBIT SIGNIFICANTLY ABOVE PREVIOUS YEAR THANKS TO STRONG SALES TREND DESPITE THE CONTINUED IMPACT OF THE COVID-19 PANDEMIC

In the **first quarter of 2020/21**, reported Group EBIT increased by €21 million to €340 million (Q1 2019/20: €319 million). This includes transaction costs in connection with the acquisition of the MediaMarktSaturn minority stake and reorganisation of the shareholder structure announced on 14 December 2020 amounting to around €6 million. Other non-recurring effects are included to a very small extent of around €0 million. In the same quarter of the previous year, reported Group EBIT still included positive earnings effects in connection with the reorganization and efficiency program of around €30 million. Adjusted for these effects, earnings effects from companies accounted for using the equity method, and portfolio changes, Group EBIT rose by €56 million to €346 million (Q1 2019/20: €289 million).

The increase in adjusted Group EBIT is primarily attributable to the strong sales trend in all segments. Declining personnel expenses due to a general increase in cost efficiency, lower location costs and government support in the context of the COVID-19 pandemic also contributed to this development. In addition, savings associated with the introduction of a harmonised group-wide organisational structure ("Operating Model") took effect, supporting earnings for the quarter. In contrast, the quarterly earnings were influenced by a decline in the gross margin of 1.3 percentage points to 17.0 per cent. The decline is mainly attributable to the shift to the online channel as a result of the renewed lockdowns, coupled with product mix effects and higher delivery costs. Lower income from the Services & Solutions business due to the temporary COVID-19-related store closures and declining footfall also contributed to the negative gross margin trend.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first quarter of 2020/21**, the DACH segment generated EBIT of €260 million, €16 million above the previous year's level (Q1 2019/20: €244 million). This includes non-recurring effects amounting to approximately €1 million (Q1 2019/20: €–3 million). Adjusted for these effects, EBIT in the DACH segment increased by €12 million to €259 million (Q1 2019/20: €247 million). Austria recorded a significant earnings increase, due in particular to the margin as well as government support in connection with the COVID-19 pandemic. In contrast, Germany reported a significant decrease in earnings. This is attributable to a negative sales and margin development in December due to renewed COVID-19-related temporary store closures, coupled with the strong shift to the online channel. Earnings in both Switzerland and Hungary slightly exceeded the previous year's level.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In Western/Southern Europe, EBIT fell in the **first quarter of 2020/21** by €9 million to €74 million (Q1 2019/20: €83 million). This includes non-recurring effects amounting to approximately €–1 million (Q1 2019/20: €33 million). Adjusted for these earnings effects and portfolio changes, EBIT rose by €24 million to €74 million (Q1 2019/20: €50 million). Italy and Spain showed a significant increase in earnings as a result of strong sales growth despite the impact of the COVID-19 pandemic. In the Netherlands, earnings declined. The negative margin trend, driven by the COVID-19-related shift to the online channel, was partly offset by declining personnel expenses and additional cost-reduction measures in the context of the COVID-19 pandemic.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2020/21**, EBIT in the Eastern Europe segment increased by €8 million to €16 million (Q1 2019/20: €7 million). There were no non-recurring earnings effects either in the reporting period or in the same quarter of the previous year. The earnings development is exclusively attributable to the earnings increase in Turkey, which is mainly attributable to the strong sales growth and cost savings. In Poland, earnings declined slightly. However, the negative margin trend in Poland was almost completely offset by increased cost efficiency.

EXPLANATION OF THE RESULT IN THE OTHERS SEGMENT

The Others segment covers, in particular, the activities of CECONOMY AG, the earnings effects from companies accounted for using the equity method, Sweden and the activities of smaller companies. In the **first quarter of 2020/21**, EBIT increased by €6 million year-on-year to €–9 million (Q1 2019/20: €–15 million). This includes expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the MediaMarktSaturn minority stake and reorganisation of the shareholder structure amounting to around €6 million. Adjusted for these expenses and earnings effects from companies accounted for using the equity method, EBIT increased by €12 million to €–3 million (Q1 2019/20: €–15 million). This is due firstly to an earnings improvement in Sweden, supported by the positive sales trend and cost savings, and secondly to lower headquarter costs at CECONOMY AG. In the same quarter of the previous year, the headquarter costs were negatively affected by a one-time payment in connection with a personnel change on the Management Board of CECONOMY AG in October 2019. Earnings in Sweden, at €1 million, were €5 million higher than in the previous year (Q1 2019/20: €–4 million). Other, smaller operating companies in the Others segment generated an EBIT of €1 million (Q1 2019/20: €0 million).

	Q1 2019/20				Q1 2020/21					
		Non-recurring				Non-recurring				
€ million	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	Reported EBIT	Effects of store closures	Effects of the introduction of the Operating Model	Transaction costs from minority interest acquisition	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**319**	**30**	**–1**	**289**	**340**	**0**	**0**	**–6**	**–1**	**346**
DACH	244	–3	0	247	260	0	1	0	0	259
Western/Southern Europe	83	33	0	50	74	0	–1	0	0	74
Eastern Europe	7	0	0	7	16	0	0	0	0	16
Others	–15	0	–1	–15	–9	0	0	–6	–1	–3

[1] Including consolidation

Financial and asset position

CASH FLOW

€ million	Q1 2019/20	Q1 2020/21	Change
Cash flow from operating activities	1,495	1,364	−131
Cash flow from investing activities	−223	−95	128
Cash flow from financing activities	79	−142	−221
Change in net working capital[1]	1,119	856	−262
Free cash flow	1,421	1,329	−92

[1] Change in net working capital shown from the related statement of financial position items, adjusted for non-cash items

In the first three months of financial year 2020/21, **cash flow from operating activities** of continuing operations resulted in a cash inflow of €1,364 million. This compares with a cash inflow of €1,495 million in the previous year. The €131 million lower cash flow from operating activities is primarily due to the €262 million lower **change in net working capital**, which is almost exclusively the result of the change in trade liabilities. This reflects both the temporary store closures as of the second half of December and the comparatively high starting point as of 30 September 2020 due to the positive sales trend in the fourth quarter of 2019/20. Cash flow from operating activities was positively affected by other operating cash flow, which in the prior-year period was adversely affected by the correction of non-cash income in connection with the deconsolidation of the MediaMarkt Greece business and the recognition of the 25 per cent investment in the joint venture PMG Retail Market Ltd. Capital gains tax refunds also had a positive effect on cash flow from operating activities in the reporting period.

In the first three months of financial year 2020/21, **cash flow from investing activities** resulted in a cash outflow of €95 million. This compares with a cash outflow of €223 million in the prior-year period. The change is primarily attributable to lower net investment in financial investments and securities. The previous year's cash outflow also included a cash investment of €29 million in the joint venture PMG Retail Market Ltd. in Greece. The expenses for expansion and modernisation likewise decreased slightly compared to the prior-year period.

In the first three months of financial year 2020/21, **cash flow from financing activities** resulted in a cash outflow of €142 million. This compares with a cash inflow of €79 million in the prior-year period. The cash inflow of the previous year is particularly attributable to proceeds from current borrowings (issue of commercial paper) of €230 million, which significantly exceeded the cash outflows for the redemption of lease liabilities of €149 million. In the first three months of financial year 2020/21, however borrowings of only €1 million were raised, so cash outflows for the redemption of lease liabilities of €133 million were not compensated for.

In the first three months of financial year 2020/21, **free cash flow** amounted to €1,329 million and was thus €92 million below the previous year's figure of €1,421 million. This decline is mainly due to the lower change in net working capital, while other operating cash flow and refunds of capital gains tax had a particularly positive effect.

NET WORKING CAPITAL STABLE YEAR ON YEAR

As of 31 December 2020, **net working capital** amounted to €−2,114 million, and was therefore on the same level as the figure as of 31 December 2019 (€−2,115 million). The year-on-year increase in inventories was mainly compensated for by the increase in trade liabilities and similar liabilities and the decline in trade receivables and similar claims. Inventories increased by €320 million year on year. In addition to the deliberate build-up of inventories in order to ensure the availability of goods, this development was also attributable to the decline in sales influenced by temporary store closures in the quarter's final weeks. Trade liabilities and similar liabilities increased by €252 million, due primarily to the sales-driven increase in the purchase volume. In addition, trade receivables and similar claims decreased by €50 million and receivables due from suppliers by €17 million.

NET LIQUIDITY IMPROVES DUE TO DECLINE IN FINANCIAL LIABILITIES

As of 31 December 2020, **net liquidity** amounted to €428 million. In the previous year, net debt of €69 million was reported. This development is mainly due to the decline in current and non-current borrowings due to the repayment of bonds (commercial paper) of €213 million and the redemption of lease liabilities of €244 million. Adjusted for lease liabilities, net liquidity as of 31 December 2020 amounted to €2,479 million (31 December 2019: €2,227 million).

STORES

In the first three months of 2020/21, the store network was expanded by one store in Spain and two stores in Turkey. However, five stores in Germany were closed in the reporting period. At the end of the first quarter of 2020/21, the total number of stores was 1,021. The average **selling space per store** declined by –0.7 per cent from 2,601 square metres as of 30 September 2020 to 2,584 square metres as of 31 December 2020.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 31 December 2020, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of one to six years. For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. There was no outstanding commercial paper as of 31 December 2020 (31 December 2019: €213 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €2,680 million. This had not been utilised as of 31 December 2020 (31 December 2019: €0 million). The tranche of €1,700 million with the involvement of KfW concluded in mid-May 2020 has not been utilised at any time to date.

CECONOMY AG is assessed by international rating agencies Moody's and Scope. As of 31 December 2020, CECONOMY had an investment grade rating (BBB–, outlook "stable") from Scope and a non-investment grade rating from Moody's (Ba1, outlook "negative").

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income statement

€ million	Q1 2019/20	Q1 2020/21
Sales	**6,821**	**7,464**
Cost of sales	–5,574	–6,198
Gross profit on sales	**1,248**	**1,266**
Other operating income	87	64
Selling expenses	–881	–865
General administrative expenses	–137	–124
Other operating expenses	–2	–1
Earnings share of operating companies recognised at equity	–1	–1
Net impairments on operating financial assets and contract assets	4	0
Earnings before interest and taxes (EBIT)	**319**	**340**
Other investment result	13	9
Interest income	3	3
Interest expenses	–13	–15
Other financial result	6	–6
Net financial result	**9**	**–10**
Earnings before taxes (EBT)	**327**	**330**
Income taxes	–105	–126
Profit or loss for the period from continuing operations	**222**	**204**
Profit or loss for the period from discontinued operations	0	0
Profit or loss for the period	**222**	**204**
Profit or loss for the period attributable to non-controlling interests	53	51
from continuing operations	**53**	**51**
from discontinued operations	0	0
Profit or loss for the period attributable to shareholders of CECONOMY AG	170	153
from continuing operations	**170**	**153**
from discontinued operations	0	0
Earnings per share in € (basic = diluted)	**0.47**	**0.43**
from continuing operations	**0.47**	**0.43**
from discontinued operations	0.00	0.00

Reconciliation from profit or loss for the period to total comprehensive income

€ million	Q1 2019/20	Q1 2020/21
Profit or loss for the period	**222**	**204**
Other comprehensive income		
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**57**	**9**
Remeasurement of defined benefit pension plans	19	−4
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	39	12
Subsequent measurement of associates/joint ventures accounted for using the equity method	0	0
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	0	0
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**−13**	**−19**
Currency translation differences from translating the financial statements of foreign operations	−13	−19
Subsequent measurement of associates/joint ventures accounted for using the equity method	0	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	0
Other comprehensive income	**44**	**−11**
Total comprehensive income	**267**	**194**
Total comprehensive income attributable to non-controlling interests	58	49
Total comprehensive income attributable to shareholders of CECONOMY AG	209	144

Statement of financial position

Assets

€ million	30/09/2020	31/12/2019	31/12/2020
Non-current assets	**3,857**	**4,411**	**3,734**
Goodwill	524	524	524
Other intangible assets	102	115	103
Property, plant and equipment	567	664	543
Right-of-use assets	2,021	2,205	1,930
Financial assets	280	317	293
Investments accounted for using the equity method	266	527	266
Other financial assets	2	3	4
Other assets	11	3	8
Deferred tax assets	84	53	64
Current assets	**6,598**	**8,861**	**9,079**
Inventories	2,949	3,348	3,668
Trade receivables and similar claims	488	543	493
Receivables due from suppliers	1,302	1,851	1,834
Other financial assets	151	248	213
Other assets	154	188	222
Income tax assets	69	136	40
Cash and cash equivalents	1,484	2,548	2,610
	10,455	**13,272**	**12,813**

Equity and liabilities

€ million	30/09/2020	31/12/2019	31/12/2020
Equity	**548**	**1,045**	**724**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−753	−278	−622
Non-controlling interests	61	82	106
Non-current liabilities	**2,472**	**2,640**	**2,405**
Provisions for pensions and similar obligations	513	543	514
Other provisions	28	16	29
Borrowings	1,850	1,986	1,766
Other financial liabilities	36	51	50
Other liabilities	11	7	10
Deferred tax liabilities	33	38	37
Current liabilities	**7,435**	**9,588**	**9,684**
Trade liabilities and similar liabilities	5,996	7,857	8,109
Provisions	151	146	143
Borrowings	573	791	566
Other financial liabilities	378	426	362
Other liabilities	231	267	314
Income tax liabilities	106	100	190
	10,455	**13,272**	**12,813**

Cash flow statement

€ million	Q1 2019/20	Q1 2020/21
EBIT	319	340
Scheduled depreciation/amortisation, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets and impairment on investments accounted for using the equity method	191	181
Change in provisions for pensions and similar obligations	–21	–8
Change in net working capital	1,119	856
Income taxes paid	–29	12
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	1	0
Other	–85	–19
Cash flow from operating activities of continuing operations	**1,495**	**1,364**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**1,495**	**1,364**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	–34	–29
Other investments	–40	–6
Financial investments and securities	–160	–65
Disposals of financial investments and securities	0	0
Disposals of companies	0	0
Disposal of long-term assets and other disposals	12	5
Cash flow from investing activities of continuing operations	**–223**	**–95**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**–223**	**–95**
Dividends paid	–3	0
thereof dividends paid to the shareholders of CECONOMY AG	0	0
Payment received from capital increase	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0
Redemption of liabilities from put options of non-controlling interests	–1	0
Proceeds from long-term borrowings	230	1
Redemption of lease liabilities	–149[1]	–133
Redemption of other borrowings	0	–1
Interest paid	–12	–15
Interest received	3	3
Profit and loss transfers and other financing activities	10	3
Cash flow from financing activities of continuing operations	**79**	**–142**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**79**	**–142**
Total cash flows	**1,350**	**1,127**
Currency effects on cash and cash equivalents	–1	–1
Total change in cash and cash equivalents	**1,349**	**1,126**
Total cash and cash equivalents as of 1 October	1,199	1,484
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	15	0
Cash and cash equivalents as of 1 October	**1,184**	**1,484**
Total cash and cash equivalents as of 31 December	2,548	2,610
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 31 December	**2,548**	**2,610**

[1] Formerly recognised under "redemption of other borrowings"

Explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements

The condensed consolidated interim financial statement – consisting of income statement, reconciliation from profit or loss for the period to total comprehensive income, statement of financial position and cash flow statement - was prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), especially in accordance with International Accounting Standard (IAS) 34 ("Interim Financial Reporting").

Essentially the same accounting and measurement methods were applied as in the last consolidated financial statements as of 30 September 2020. Further information on the accounting policies can be found in the notes to the consolidated financial statements as of 30 September 2020 (see Annual Report 2019/20, pages 105–130).

The new and amended standards applicable for the first time from 1 October 2020 have only immaterial effects at CECONOMY and are therefore not described in more detail here.

FINANCIAL CALENDAR

General Meeting	Wednesday	17 February 2021	10:00 a.m.
Half-year financial report Q2/H1 2020/21	Tuesday	11 May 2021	7:00 a.m.
Quarterly statement Q3/9M 2020/21	Thursday	12 August 2021	7:00 a.m.
Annual report FY 2020/21	Tuesday	14 December 2021	7:00 a.m.

All time specifications according to German time.

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Disclaimer

This quarterly statement contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication. These statements are therefore subject to risks and uncertainties, which means that actual results may differ substantially from the future-oriented statements made here. Many of these risks and uncertainties relate to factors that are beyond CECONOMY AG's ability to control or estimate precisely. This includes future market conditions and economic developments, the behaviour of other market participants, the achievement of expected cost savings and productivity improvements, as well as legal and political decisions. CECONOMY AG does not undertake any obligation to publicly correct or update these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this quarterly statement and associated material.